Company Registration No. 02678296

IKO PLC

Annual Report and Financial Statements

For the year ended 31 December 2019

IKO PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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IKO PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Carlyle
F Hautman
J Koschitzky
H M Koschitzky

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 PLC

STRATEGIC REPORT

Introduction

The directors present their strategic report for the year ended 31 December 2019.

Business review

The company is a leading manufacturer and supplier in the UK of waterproofing materials, insulation and associated products for the building and construction industry. It exports its products to over 30 countries worldwide.

Turnover in 2019 was £10,030,000 ahead of 2018. Gross profit as a percentage of turnover was 19.5% (2018: 19.4%) and totalled £20,184,000 (2018: £18,161,000).

Profit after tax of £4,785,000 (2018: £2,676,000) was transferred to reserves.

The company continued and strengthened the return to profit made last year. The improved margins that we first saw last year with opening of a new manufacturing facility within the UK have continued.

Distributable reserves are in a strong position totalling £40,577,000 (2018: £35,792,000) along with net assets which total £40,118,000 (2018: £35,333,000). The performance of the company is deemed to be satisfactory.

Principal risks and uncertainties

The company's principal risks are primarily centred around competition on selling prices along with fluctuations in raw material prices. Competition on selling prices, including the availability of cheap imports from abroad have been, and will continue to be a challenge to the company, whilst any fluctuations in raw material prices can have an impact on the stability of the company's cost base.

Raw material prices continue to be closely monitored by the company to ensure any risk in this area is minimised. Despite this the business has continued to be affected by the weakening of the pound that occurred as a result of the decision by the UK to leave the European Union.

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 margins have slightly improved in 2019.

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.

The UK economy calendar year growth was 1.4% in 2019 which was slightly higher than 2018 (1.3%). The two years, 2018 and 2019, have seen the weakest expansion since 2009. The slowdown presented some difficult trading conditions throughout the year; this is expected to continue into 2020. Notwithstanding this, the directors are confident of the operating effectiveness of the company and consider the next financial year to be a positive one.

Brexit

With the UK leaving the European Union on the 31st January 2020, there will be a period of political uncertainty as we await specific details of the various negotiations that will take place during the transitional period. The business will continue to monitor the situation throughout this period so that we are prepared to react to new opportunities and risks that may present themselves as a result of the negotiations.

Covid-19

Information concerning Covid-19 is included in the Directors' Report.

STRATEGIC REPORT (continued)

Financial key performance indicators

Debtor days are 73 days which is consistent with 2018. Creditor days increased to 34 days from 31 days in 2018.

Stock on average is turned 6.6 times a year, which has decreased from the 2018 average of 7.0 times.

Both Equity and Asset based ROCE improved on the prior year due to increased EBIT levels.

Non-financial 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.

Section 172

IKO PLC is part of a larger global group, IKO Group, hereafter referred to as IKO.

IKO globally has six values which have played a vital role in the business history. These values remain essential for the personal and professional development of all our stakeholders and for the continued success and growth of the IKO Group, forming a fundamental part of our culture. This approach we feel makes us a unique organisation. The values not only focus on selling high quality products but more so on elevating customer experiences at every touch point – operating with integrity and honesty and always making decisions based on the long-term interest of our customers, company and employees.

The six values are long term, agility, humility, integrity, knowledge sharing and performance.

The likely consequences of any decision in the long-term

The focus on the global value of 'long term' can be demonstrated in IKO's continued capital investment in the UK. In the past 4 years investments include the new insulation manufacturing facility built in Cambridge, a sizeable warehouse extension at our Chesterfield site and continued investment at both our bituminous facilities at Appley Bridge and Grangemill. This level of investment not only drives employment within local communities but also ensures IKO has the structure in place to drive the business forward for many years to come.

The company also seeks to enhance the long term performance of products through continuous improvements and quality control in order to meet evolving building designs and the European business standards. Research and development is a key area of focus across all sites.

The interests of the company's employees

The IKO groups ethos emphasises a business is only as good as its people. This value is recognised by the business having an assigned learning and development coordinator that manages the development of all 280 employees. The employees within the business strive for personal development and career progression, areas such as this are managed within annual management development programmes, internal training courses, external courses & online courses tailored around other critical areas such as health & safety, modern slavery awareness and fraud. Whilst the business demonstrates training and embracing the pool of talent we have, a key area of focus is also the health and safety of our people. 16,000 training hours were achieved in 2019 (4,000 in 2018), along with mobile health surveillance checks carried out for our staff by a professional company.

IKO also has a business funded employee health package ranging from eye checks, health screenings & holistic subsidised treatments. The business runs annual employee engagement surveys to understand what matters to our people, the results of these are benchmarked again industry norms and also against employers listed as top 10. Employee points raised are actioned where appropriate.

It is instilled from the board down the importance of the values both in company and staff that work from the business. The company places considerable importance on communication with employees. This is to ensure that employees at all levels of the organisation are kept aware of key business developments, and in particular financial performance. IKO achieves this through shareholder attendance at all board meetings both at a UK and Europe level. The business provides midyear updates on company performance by the managing director as well as communication throughout the year giving transparency on company direction, performance, investments and global updates.

In light of Covid-19 the senior leadership team held weekly conference calls with discussions taking places on sales performance, manufacturing, financial update and logistical impacts. This was also communicated to our employees with a weekly staff email from our managing director.

STRATEGIC REPORT (continued)

IKO operates in full accordance with prevailing employment legislation including information and consultation with employees and their representatives on matters affecting their interests. Outside of any necessary formal consultation process, there are regular briefings between the Company and the Works Councils/Trade Union bodies.

It is the Company's practice to give full and fair consideration to applications for employment received from disabled persons, subject to the IKO's requirements and to the qualifications, ability and aptitude of the individual in each case. In the event of staff becoming disabled, every effort is made to ensure their continued employment with IKO and to provide suitable adjustments to the workplace where appropriate.

The need to foster the company's business relationships with suppliers, customers and others,

To sustain customer relationships we have customer satisfaction survey which is generated and analysed monthly. The results of this are analysed and actions are taken where necessary. IKO rolled out a further detailed annual survey in 2019 whereby the results are analysed and a net promoter score is given. Overall customers were 83% satisfied and advised they will continue to use IKO for reasons outside of price. They valued our service, customer experience and added value as paramount to price point on several occasions.

We also have a process in place whereby key accounts managers must visit the customers at least one per month with a quarterly sit down face to face meeting to discuss how as a business we can go the extra mile.

To further enhanced sustainable and long term working relationships IKO has an approved contractor list whereby we provide continuous training to our contractors to enable them to work with new product ranges, upskill and keep them involved as the business evolves. This level of support to our contractor base allows long term sustainably of the working relationship. Further ways in which IKO enhances its customer relationship with a long term outlook is via onsite inspections, tool box talks and 'lunch & learn' sessions.

To establish and maintain long term purchasing partnerships IKO has a procurement policy. The policy is set out to seek the purchase of goods and services from suppliers that enhance positive impact on the environment and society whilst meeting our business requirements. By incorporating social, environmental and ethical considerations into procurement decisions we endeavour to make a positive contribution to the environment and society.

In support of the above our procurement policy is reviewed every 2 years. Within the policy IKO conduct assessments on relevant suppliers. All supplier used must comply with relevant national and international regulations and laws e.g. avoidance of child labour or oppressed labour. Suppliers will be selected based on financial stability, compliance with UK and regional laws, environmental registrations/performance and sustainability of sources. All our suppliers are required to fill in a Supplier Audit Form yearly which also includes a Modern Slavery Act Questionnaire. Failure to submit may result in termination of business or not being granted supply chain partner.

IKO's supply chain is consolidated where possible with key focus on quality as well as the ability to take advantage of economies of scale.

The impact of the company's operations on the community and the environment,

IKO are committed to the protecting the environment by complying with all relevant legislation, compliance obligations and the needs of interested parties in relation to the context of the company, the risks, opportunities and continued improvement in line with the Company's environmental objectives and targets. The key elements of the environmental policy are:

- Environmental management that complies with ISO (International Standards Organisation) 14001:2015 (environment management).
- Establish a defined structure of responsibility from the board to all operating units within the UK.
- Commit the necessary resources to fulfil the IKO's environmental and compliance obligations.
- A commitment not to pollute
- Periodically undertake a review of the Company's environmental performance.
- Ensure all the leadership team is responsible for ensuring that each site has effective arrangements for identifying and controlling risks in their areas of responsibility and for meeting the site environmental and compliance objectives.
- The Leadership Team, in conjunction with the Occupational Health, Safety and Environmental Department are responsible to the Managing Director for monitoring and reporting on the implementation of this policy.

STRATEGIC REPORT (continued)

Other IKO certification held:

- ISO9001- Quality Management
- BES6001 – responsible sourcing of construction products
- Gold Member Sustainability School
- ISO 45001- Occupational Health & Safety

Further support for the environment is shown across all sites, all non-recyclable waste from Appley Bridge is diverted away from Landfill and used to make 'Refused Derived Fuel', we recycle our plastics, paper and cardboard to minimise waste across all our sites. Further demonstration of this includes our Grangemill site reheats and reuses any material not utilised on site as well as our Chesterfield site which granulates and recycles waste PVC generated.

Our mastic asphalt site also has taken the route of achieving the 'CarbonZero™' standard. Through CO2balance, IKO provides a mastic asphalt solution with no discernible carbon footprint. By pooling resources and reaching a unanimous decision, we are now in a position to influence the green thinking of every industry in the world– in Britain, Europe and across the globe – to unite with us in the battle against climate change.

A key project funded by IKO's carbon zero policy was rehabilitation of boreholes in Northern Uganda, supplying families with fresh clean water. In addition to funding the borehole rehabilitation, the carbon credits that this project produces creates a funding mechanism to deliver a long-term maintenance programme for the boreholes.

IKO collaborates with local communities close to each site. Some of the current sponsorship provided includes 'Shevington in the Bloom' and Shevington Sharks ARFLC with their rugby league kit. Other partnerships include sponsorship to Jordanne Whiley MBE. IKO hopes to support Joardanne in her desire to qualify for the Paralympic Games.

Other campaigns supported by IKO include 'fix that hut' (business funded repairs to roofs in local communities), CRASH which assists homeless and hospice charities with construction related projects & Buildforce which enable service leavers and veterans to achieve sustainable employment in the construction industry.

The desirability of the company maintaining a reputation for high standards of business conduct,

The company aims to maintain a reputation for high standards of business conduct. We aim to comply with, and in many cases exceed, the requirements for a company of our size. In particular, we have an increased focus on our impact on the environment, customers, communities, and supply chain, and builds on our aim to act as a good corporate citizen.

The need to act fairly as between members of the Company,

IKO has a single shareholder and a single ultimate controlling party. Their interests are taken into account by the directors to promote fairness in decision making.

Future developments

The implications of Covid-19 mean that we will face a stiff challenge to reach the profit levels of 2019, however we are confident that the strong first half year performance in 2020 has put us in good state to finish the year with a healthy profit. We have worked extremely hard with our customer base over the pandemic to service demand and in some cases generated new business due to stock availability. We are hopeful that this will be rewarded with increased retention levels both now and long term.

With the UK leaving the European Union on the 31st January 2020, there will be a period of political uncertainty as we await specific details of the various negotiations that will take place during the transitional period. The business will continue to monitor the situation throughout this period so that we are prepared to react to new opportunities and risks that may present themselves as a result of the negotiations.

STRATEGIC REPORT (continued)

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

A Carlyle

Director

28th September 2020

Appley Lane North
Appley Bridge
Wigan
LancashireWN6 9AB

DIRECTORS' REPORT

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 2019. Future developments are included within the Strategic Report as permitted by s414C(11) of the Companies Act 2006.

Results and dividends

The profit for the year, after taxation, amounted to £4,785,000 (2018: £2,676,000). The directors have not recommended the payment of a dividend (2018: £nil).

Directors

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

A Carlyle
F Hautman
J Koschitzky
H M Koschitzky

H M Koschitzky and J Koshitzky are overseas based directors and are not required to notify their interest in group undertakings incorporated outside Great Britain to the company. They have 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 UK ULC.

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.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and 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.

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.

Political and charitable donations

Charitable donations in the UK totalled £3,000 (2018: £9,000). No political contributions were made (2018: same).

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 activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Exchange rates and interest rates are monitored on a regular basis by the directors, hedge accounting is not adopted by the entity.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Furthermore, the company insures its debtors to mitigate the risk of non-payment further.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the accounting policies in the financial statements.

Going concern

Whilst Covid-19 impacted on Q2 2020 profit, April was by far the worst month whereby manufacturing ceased at Appley Bridge and Chesterfield. Demand was restored in May which meant manufacturing resumed at both of these sites with key emphasis placed on PPE procurement and new manufacturing layouts that adhered to the government guidance on safety.

We expect the remainder of the year to recover from the Covid-19 impact in Q2, with secured work and orders already placed that ensures IKO will be in operational existence for the foreseeable future.

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 and in any case for a period of at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The company continues to address the impact of Covid-19 in the business. Whilst the ongoing situation presents a number of uncertainties and challenges, the directors consider these on a regular basis and have prepared forecasts modelling a number of scenarios which demonstrate that the company should be able to continue to operate as a going concern for the foreseeable future.

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 consultation

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

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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 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 and deemed to be reappointed under s487 of the Companies Act 2006.

Post balance sheet events

The impact of Covid-19 has been reviewed as a potential adjusting event. No adjustments have been identified with regards to the December 2019 balance sheet. With positive trade forecasts and volume of work secured the economic benefits due is enough to omit the need to impair fixed assets.

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

A Carlyle

Director

28th September 2020

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKO PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of IKO PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 25.

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 annual 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.

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.

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.

E. Benson

Elizabeth Benson BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom

Date: 29 September 2020

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	103,739	93,709
Cost of sales		(83,555)	(75,548)
Gross profit		20,184	18,161
Distribution costs		(9,480)	(9,256)
Administrative expenses		(4,703)	(4,985)
Profit/(loss) on disposal of tangible fixed assets	4	6	(68)
Operating profit		6,007	3,852
Interest receivable and similar income	6	33	280
Interest payable and expenses	7	-	(639)
Profit before tax	8	6,040	3,493
Taxation on profit	9	(1,255)	(817)
Profit after tax		4,785	2,676

All results were derived from continuing operations.

There were no recognised income or expenses for 2019 or 2018 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 16 to 29 form part of these financial statements.

IKO PLC

BALANCE SHEET
As at 31 December 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Goodwill	10	476	715
Tangible assets	11	20,646	21,115
		21,122	21,830
CURRENT ASSETS			
Stocks	13	12,500	10,169
Debtors	14	30,864	31,219
Cash at bank		13,088	8,260
		56,452	49,648
CREDITORS			
Amounts falling due within one year	15	(36,889)	(35,641)
NET CURRENT ASSETS		19,563	14,007
TOTAL ASSETS LESS CURRENT LIABILITIES		40,685	35,837
PROVISIONS FOR LIABILITIES	17	(567)	(504)
NET ASSETS		40,118	35,333
CAPITAL AND RESERVES			
Called-up share capital	18	1,000	1,000
Profit and loss account		40,577	35,792
Merger reserve		(1,459)	(1,459)
SHAREHOLDERS' FUNDS		40,118	35,333

The financial statements of IKO plc (Registration Number 02678296) were approved and authorised for issue by the Board and were signed on its behalf by:

The notes on pages 16 to 29 form part of these financial statements.

A Carlyle

Director

28th September 2020

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Called-up share capital £'000	Profit and loss account £'000	Merger reserve £,000	Total equity £'000
At 1 January 2018	1,000	33,116	(1,459)	32,657
Profit for the year and total comprehensive income for the year	-	2,676	-	2,676
At 31 December 2018	1,000	35,792	(1,459)	35,333
Profit for the year and total comprehensive income for the year	-	4,785	-	4,785
At 31 December 2019	1,000	40,577	(1,459)	40,118

The notes on pages 16 to 29 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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 within 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 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 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;
- the requirements of Section 11 and 12 Financial Instruments; and
- the requirement to prepare group financial statements (note 12).

This information is included in the consolidated financial statements of IKO U.K. Limited as at 31 December 2019 and these financial statements may be obtained from the company's registered office (see note 24 for further details).

1.3 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The company has made a profit of £4.8m, is in a net current assets position of £19.6m and a net assets position of £40.1m. The company has cash of £13.1m at the year end. The directors' report further describes the entities cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The company has adequate financial resources along with a diverse spread of customers and suppliers. There is no overreliance on any single customer or supplier, and as a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current economic environment.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and in any case for a period of at least 12 months from the date of signing these financial statements. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The company continues to address the impact of Covid-19 in the business. Whilst the ongoing situation presents a number of uncertainties and challenges, the directors consider these on a regular basis and have prepared forecasts modelling a number of scenarios which demonstrate that the company should be able to continue to operate as a going concern for the foreseeable future.

1.4 Related party transactions

As the company is a wholly owned subsidiary of IKO U.K. Limited, it has taken advantage of the exemption contained within FRS 102 Section 33 in relation to balances and transactions between other wholly-owned entities within the group headed by IKO U.K. Limited Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

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 taxes or duty. The following criteria must also be met before revenue is recognised:

Sales 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 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Research and development

All expenditure is charged to the profit and loss account as incurred.

1.8 Goodwill

Goodwill, representing the excess of the purchase price over the fair value of the net assets acquired is capitalised and amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight line basis over the life of the asset. It is written off on a straight line basis over 5 years as in the opinion of the directors this represents the period over which goodwill is effective. It is reviewed for impairment at the end of the first full financial year following the acquisition and annually thereafter.

1.9 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.

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

Plant & machinery - 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 profit and loss account.

1. Accounting policies (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

1.10 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.

1.11 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.

1.12 Foreign currencies

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 profit and loss account for the year.

1.13 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:

(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).

1. Accounting policies (continued)

1.13 Financial instruments (continued)

(i) Financial assets and liabilities (continued)

(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) 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.

(iii) Investments

Investments in subsidiaries are measured at cost less impairment.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

1. Accounting policies (continued)

1.13 Financial instruments (continued)

Financial assets (continued)

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.

1.14 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.

1.15 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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

1.15 Current and deferred taxation (continued)

Deferred tax assets and liabilities are offset only if: (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.16 Pensions

The company participates in a IKO Holdings PLC group 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.

The company also participates in a defined contribution pension scheme being the IKO Group Flexible Retirement Plan. The assets of the schemes are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the schemes 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 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.

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.

3. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below:

	2019 £'000	2018 £'000
United Kingdom	89,768	81,449
Rest of Europe	11,760	10,410
Rest of the world	2,211	1,850
	103,739	93,709

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

4. Loss on disposal of tangible fixed assets

	2019 £'000	2018 £'000
Profit/(loss) on disposal of tangible fixed assets	6	(68)

5. Employees

	2019 £'000	2018 £'000
Wages and salaries	10,889	10,782
Social security costs	1,046	1,075
Other pension costs (note 22)	1,752	1,722
	13,687	13,579

The average monthly number of employees (including directors) was:

	2019 No	2018 No
Production	139	131
Selling	120	124
Administration	19	24
	278	279

	2019 £'000	2018 £'000
Directors' emoluments	183	259
Company contributions to pension schemes	23	34
Compensation for loss of office	-	130
	206	423

During the year retirement benefits were accruing to 1 director (2018 – 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £183,000 (2018: £155,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £23,000 (2018: £17,000).

6. Interest receivable and similar income

	2019 £'000	2018 £'000
Deposit account interest received	32	21
Other interest receivable	1	-
Interest on loans to group undertakings	-	259
	33	280

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

7. Interest payable and similar expenses

	2019 £'000	2018 £'000
Other interest payable	-	6
Interest on loans to group undertakings	-	633
	-	639

8. Profit before tax

The profit before tax is stated after charging/ (crediting):

	2019 £'000	2018 £'000
Depreciation of owned assets (note 11)	2,168	2,268
Amortisation of goodwill (note 10)	239	238
(Profit)/loss on disposal of tangible fixed assets	(6)	68
Auditor's remuneration for audit services	37	37
Foreign exchange (profit)	(99)	(35)
Pension contributions (note 22)	1,752	1,722
Operating lease rentals	37	42

Non audit fees payable to Deloitte LLP were £11,600 (2018: £6,700) in relation to tax compliance.

9. Taxation

	2019 £'000	2018 £'000
Corporation tax		
Current tax on profits for the year	1,250	815
Adjustments in respect of previous periods	(58)	-
Total current tax	1,192	815
Deferred tax		
Origination and reversal of timing differences	-	(30)
Changes in tax rates	60	-
Adjustments in respect of previous periods	3	32
Total current tax	1,255	817

Factors affecting current tax charge in the year:

The standard rate of tax for the year, based on the average UK standard rate of corporation tax, is 19% (2018: 19%). The actual current tax charge for the current year and charge for the preceding year is higher (2018: higher) for the reasons set out in the following reconciliation:

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

9. Taxation (continued)

	2019 £'000	2018 £'000
Profit before tax	6,040	3,493
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	1,148	664
Effects of:		
Expenses not deductible for tax purposes	24	33
Adjustments in respect of previous periods	(55)	36
Other timing differences	122	205
Group relief	(32)	(111)
Changes in tax rates	60	-
Transfer pricing adjustments	(12)	(10)
Total tax charge for the year	1,255	817

Factors that may affect future tax charges

The Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was substantively enacted at the previous year end the impact of the lower rate change was reflected in the tax provisions reported in those accounts. The Finance Act 2019 has now maintained the current rate at 19% for the fiscal year from 1 April 2020. Accordingly deferred tax balances, which had been valued to the lower rate of 17%, have been revalued at 19%.

10. Goodwill

	Total £'000
Cost	
At 1 January 2019 and at 31 December 2019	1,191
Amortisation	
At 1 January 2019	476
Charge for the year	239
At 31 December 2019	715
Net book value	
At 31 December 2019	476
At 31 December 2018	715

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019	14,267	34,076	48,343
Additions	230	1,471	1,701
Disposals	-	(52)	(52)
At 31 December 2019	14,497	35,495	49,992
Depreciation			
At 1 January 2019	2,833	24,395	27,228
Charge for the year	341	1,827	2,168
Disposals		(50)	(50)
At 31 December 2019	3,174	26,172	29,346
Net book value			
At 31 December 2019	11,323	9,323	20,646
At 31 December 2018	11,434	9,681	21,115

12. Fixed asset investments

During September 2016 IKO plc acquired 100% of the issued share capital of Pure Asphalt Company Limited (Registered address: Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB), a company registered in England and Wales. In 2017, the trade and certain assets of Pure Asphalt Company Limited were sold to the company, after which Pure Asphalt Limited ceased to trade. The cost of investment totalling £2,650,000 was transferred to goodwill and merger reserves. The goodwill was limited to that at the date of acquisition.

The company is consolidated in the financial statements of its parent IKO U.K. Limited which are publicly available, see note 24 for further details, therefore no consolidated financial statements have been prepared by IKO plc.

13. Stocks

	2019 £'000	2018 £'000
Finished goods and goods for resale	8,061	7,201
Raw materials and consumables	4,439	2,968
	12,500	10,169

The replacement cost of stock is equal to their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

14. Debtors

	2019 £'000	2018 £'000
Due within one year		
Trade debtors	19,076	20,996
Amounts owed by group undertakings	10,303	9,430
Amounts owed by related parties	302	250
Other debtors	35	15
Prepayments	1,148	528
Total debtors	30,864	31,219

The amounts owed by group undertakings are unsecured and are due to be repaid in instalments by 31 December 2020. The balances attract interest of nil % per annum (2018: 3.5%).

15. Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	5,338	5,577
Amounts owed to group undertakings	11,385	11,663
Amounts owed to related parties	8,989	8,799
Corporation tax	1,250	815
Taxation and social security	1,714	1,481
Other creditors	5,932	5,409
Accruals and deferred income	2,281	1,897
	36,889	35,641

The interest rate on amounts owed to group undertakings is nil% per annum (2018: 3.5%). Amounts are unsecured and repayable on demand.

16. Leasing agreements

Total minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £'000	2018 £'000
Not later than one year	37	37
Later than one and not later than five years	26	61
	63	98

Amounts charged to the profit and loss account in respect of operating leases totalled £37,000 (2018: £42,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

17. Provision for liabilities

	Deferred tax £'000
At 1 January 2019	(504)
Charge in the year	(3)
Change in tax rates	(60)
At 31 December 2019	(567)

The deferred tax liability is made up as follows:	2019 £'000	2018 £'000
Accelerated capital allowances	(593)	(527)
Other timing differences (with no expiry date)	26	23
	(567)	(504)

18. Share capital

	2019 £'000	2018 £'000
Allotted, called-up and fully paid		
1,000,000 Ordinary shares of £1.00 each	1,000	1,000

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

19. Reserves

Profit & loss account

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

Merger reserve

The merger reserve was created when Pure Asphalt Company Limited ceased to trade in 2017.

20. Capital commitments

At 31 December 2019 the company had capital commitments as follows:

	2019 £'000	2018 £'000
Contracted for but not provided in these financial statements	212	350

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. Pension commitments

The company participates in the Ruberoid PLC Staff Pension Scheme, which provides benefits based on final pensionable pay.

During the year, the company contributed £1,752,000 (2018:£1,722,000) to pension schemes during the year. This consists of £768,000 (2018: £717,000) to the Ruberoid PLC staff pension scheme and £984,000 (2018: £1,005,000) to the defined contribution scheme being the IKO Group Flexible Retirement Plan. There were contributions outstanding at 31 December 2019 of £86,000 (2018: £76,000) to the defined contribution scheme.

The latest full actuarial valuation of the Ruberoid PLC Staff Pension Scheme carried out at 5 April 2017 was updated to 31 December 2019 by a qualified independent actuary. For closed schemes under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The scheme closed to new entrants from 3 April 2003 and to future accrual of benefits of 6 April 2010. From 6 April 2007 changes were introduced limiting the future increases to pensionable salary to 3% per annum and increases to pensions in payment in respect of service after 6 April 2007 to 3% per annum. The employee would pay any increase in the cost of future accrual of benefits. Also from 6 April 2007 the new Group Stakeholder Scheme was introduced. This is a defined contribution scheme open to members of the Ruberoid PLC Staff Pension Scheme.

The company is joint and severally liable for the obligations of the Scheme and shares the actuarial risk of members' benefits. As the scheme is run for the IKO group as a whole, the company is unable to identify its scheme assets and liabilities on a consistent and reasonable basis. As permitted by FRS 102, the scheme is therefore accounted for by the company as a defined contribution scheme.

Full disclosure is contained within the financial statements of the company's immediate parent company, IKO UK Limited but as these accounts are not available at the time these accounts have been approved and authorized for issue the pension disclosure for the Ruberoid Plc Staff Pension Scheme is presented below.

At 31 December 2019, the scheme as a whole had a deficit on an FRS 102 basis of £18,729,000 (2018: £18,833,000).

The Scheme is subject to the Statutory Funding Objective under the Pension Scheme Act 2004.

Analysis of assets

The analysis of the scheme assets at the balance sheet date was as follows:

	2019	2018
	%	%
Equities	24	29
Property	-	5
Gilts	8	6
Bonds	10	10
Bulk annuity policy	38	41
Absolute return funds	6	9
Diversified growth fund	3	-
Multi-asset credit fund	11	-
	100	100

The assets do not include any investment in shares or property of the company.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

23. 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.

The company has a loan balance with IKO Sales Limited. The carrying value of this loan at 31 December 2019 was £7,000,000 (2018: £7,000,000).

During the year the company traded with IKO Europe NV on normal commercial terms. The company made purchases of £2,062,000 (2018:£1,581,000). At the balance sheet date net amounts due to IKO Europe NV totalled £1,245,000 (2018: £1,086,000).

During the year the company traded with IKO Insulations UK Limited, a member of the wider IKO group in normal commercial terms. The company made purchases of £16,714,000 (2018:£11,608,000). At 31 December 2019 the net amounts due to IKO Insulations UK Limited was £604,000 (2018: £450,000).

During the year the company traded with IKO SAS on normal commercial terms. Sales were £1,642,000 (2018: £1,153,000). At 31 December 2019 the net amount due from IKO SAS was £210,000 (2018: £158,000).

24. Ultimate controlling party

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

The largest and smallest group in which the results of the company are consolidated is IKO Enterprises UK ULC and IKO U.K. Limited respectively. The registered office of IKO Enterprises UK ULC is 700 – 4 Avenue SW, Suite 900, Calgary, Alberta, Canada, TP2 3J4. Copies of the financial statements of IKO U.K. Limited may be obtained from the Company Secretary at the following address:

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

25. Post balance sheet events

The impact of Covid-19 has been reviewed as a potential adjusting event. No adjustments have been identified with regards to the December 2019 balance sheet. With positive trade forecasts and volume of work secured the economic benefits due is enough to omit the need to impair fixed assets.