ERIKS Industrial Services Limited

Annual Report and Financial Statements
for the year ended 31 December 2018

Company Number 03142338

ERIKS Industrial Services Limited

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ERIKS Industrial Services Limited

Strategic Report
for the year ended 31 December 2018

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

Principal activities

The principal activity of the company is the provision of industrial products and services to its customers revolving around the supply of bearings, power transmission, pneumatic and hydraulic products, seals, gaskets, hoses, valves products, electric motors, gearboxes, pumps and other industrial consumables.

Review of the business

Sales in the year from continuing operations grew by 3.7% to £284.3 million (2017: £274.1 million) whilst operating profit fell by 17.9% to £10.1 million (2017: £12.3 million). The company takes its products, services and solutions to market through distribution and integrated solutions channels together with direct product routes and operated predominantly in the UK.

The total comprehensive income for the financial year ended 31 December 2018 was a profit of £11.9 million (2017: £10.7 million profit), this includes a gain on the re-measurement of the net defined benefit pension obligation, net of related deferred taxation, of £3.4 million (2017: gain £0.7 million). At the year end the Company had net current assets of £75.8m (2017: £76.4m). A dividend of £9.6m was proposed and paid during the year (2017: nil).

The directors consider the Key Performance Indicators (KPIs) of the company to be growth in sales and operating profit, figures for which are outlined above. Sales continued to grow and reflected the winning of some significant new customers. In a competitive market, dominated by Brexit uncertainties, gross profit held up reasonably well at 31.3% compared to 31.5% in the prior year with total growth in the year of £2.6m. Growth in overheads resulted in a fall in operating profit of £2.2m, reflecting additional charges related to the strategic development of the business.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below.

1. Reliance on large contracts

The loss of major contracts or the lack of new contracts would constrain the potential for company revenues to grow. Overheads associated with any particular contract are, however, avoidable and would be removed if a contract was lost, or not incurred as planned if new business was not won. The pipeline of potential contract wins and the respective progress of negotiations is a key area of focus by senior management.

2. Competition

The company operates in an extremely competitive environment and aggressive pricing from competitors could potentially lead to gross margin attrition. The company seeks to develop its business through the delivery of products and services based on a detailed knowledge of products, applications and logistic processes necessary to meet customers' needs.

3. Employees

The company's performance depends to a significant degree on the regional management and local branch-based staff. The loss of key individuals and the inability to recruit people with appropriate experience and skills from the local area could adversely impact the company's results. To mitigate these issues, the company has a focused training programme, an engineering apprentice scheme, and employee forums gathered from across all levels of the business units. In addition, a number of incentive schemes that are linked to both the ERIKS Group's results and performances within the individual business units are designed to retain key individuals.

4. Disaster Recovery

The key operational risk to the overall company business is an incident that disrupts or terminates the shared service function at Halesowen. Back-up servers and a continuous power supply are in place at Halesowen to ensure continuity of I.T. capability at the site.

Future outlook

Continued uncertainty over Brexit is adversely impacting growth prospects for the UK economy. The Company has established a Brexit committee which has assessed Brexit risks and put in place plans to help mitigate the impact of a failure to agree an orderly exit from the European Union. Despite these headwinds the Company continues to grow and is investing in digital applications and infrastructure to support the future development of the business

By order of the Board

M R Powell
Company Secretary
18 July 2019

ERIKS Industrial Services Limited

Directors' report
for the year ended 31 December 2018

The directors present their report and audited financial statements of the company for the year ended 31 December 2018.

Dividends

A dividend of £9,600,000 was proposed and paid during the year (2017: nil). No further dividend is proposed.

Directors

The directors who held office during the financial year and up to the date of signing the financial statements are given below:

S D Waugh	(resigned 31 December 2018)
AMJ Fitchford	
E Otto	(appointed 31 December 2018)

Directors' indemnities

The company maintains liability insurance for its directors and officers through membership of a group policy administered by the company's ultimate holding company, SHV Holdings N.V. The company has also provided an indemnity for the directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force throughout the year and is currently in force.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk. The ERIKS Group policy is that all financing is provided by ERIKS UK Holdings Limited at rates based on the sterling base interest rate. The ERIKS Group Treasury department manages this financing.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The credit status of existing customers is monitored by the company's credit controller. The amount of exposure to any individual company is subject to a limit, which is reviewed regularly by senior management. These actions minimise, but do not remove, the company's credit risk. During 2018 the company benefited from insurance of its debtor book with a major international credit insurer.

Liquidity risk
The company is financed by intercompany loans from ERIKS UK Holdings Limited, which are controlled by the ERIKS Group Treasury department and are designed to ensure that the company has sufficient funds for operations and planned expansions. All cash generated by the company is swept in to the accounts of ERIKS UK Holdings Ltd daily via the loan accounts. Cash requirements are similarly met by sweeps from the ERIKS UK Holdings bank accounts.

Interest rate risk
The intercompany financing loans bear interest at UK base rate plus a fixed margin. Surplus cash generated is loaned back to ERIKS UK Holdings Limited. The interest income generated mitigates the cost of any loans granted by that company.

Foreign exchange risk
A small proportion of the company's turnover and purchases is denominated in currencies other than Sterling. The company limits its exposure to exchange rate fluctuations by entering into periodic hedging arrangements with the ERIKS Group Treasury department.

Corporate Social Responsibility

The company recognises that it has responsibilities to all interest parties which include the interests of employees and their families, the need to maintain healthy and mutually beneficial relationships with the company's business partners, customers, suppliers and others and the impact of the company's operations on the local communities where it operates. The company has established a set of values the directors believe will assist in meeting that responsibility:

- Professionalism and integrity
- Health & safety
- Communication
- Loyalty
- Passion
- Sustainability

Full details of the ERIKS values can be found on our website at www.eriks.co.uk/en/about-eriks/eriks-values/

Health and Safety

Health and safety remains core to the company's business and is recognised by all employees as the number one priority. This has been reinforced by the launch of the ZERO Hero safety communication program along with the monitoring of compliance to our 6 Golden Safety Rules and the use of the "Authority to Stop" cards where an employee witnesses and then intervenes to stop unsafe acts or remedy unsafe situations. As one of a number of events within our annual safety week the whole company again took time to "stand down" from work at 11 am on the 6th June to attend a shared safety briefing from the senior management and health & safety teams on current issues and initiatives. This followed on from a similar initiative in May 2017. Data from within the company's Intelex Safety Management system is now being used to identify high risk and common issues to drive continual improvement. To further reinforce our commitment the company has now embarked on the process to seek certification of its safety management system to the new ISO45001 international standard for the management of Occupational Health and Safety systems.

Employment policies

ERIKS employees deliver unrivalled expertise and commitment to our customers. This is achieved through investment in our people, alongside a structured approach to learning and development, our health and wellbeing initiatives, apprentice programme and graduate scheme.

Considerable value is placed upon the commitment and involvement of employees in the operation and development of the company's business. The company recognises that the maximisation of its potential requires employees to be well trained, highly motivated and properly informed.

All employees receive appropriate training predominantly through in-house programmes, with all new employees attending induction courses designed to familiarise them with the company's products and services. All employees have access to ERIKS Learning, which offers a wide range of e-learning courses that support ERIKS employees to continuously develop skills and knowledge. During 2018 the company introduced Workday, the ERIKS global cloud-based HR platform. This new platform enables employees to update and manage their personal data and career activities quickly and efficiently and gives managers instant access to accurate information to enable them to manage and support their teams more efficiently. The introduction of Career Pathways in 2018 has also given employees who wish to progress, an opportunity to explore routes available alongside development programmes to support them.

Communication with employees is achieved through regular briefings at various levels with the aim of ensuring that their views are considered when decisions are made that are likely to affect their interests. All employees receive a bi-weekly newsletter containing the latest company news and information and all employees have access to the company's intranet. SimplyOne, a confidential open communication tool has been introduced enabling employees to submit questions directly to the UK management Board. In addition, an employee forum also meets on a quarterly basis to feedback to senior management thoughts, suggestions or concerns.

The ERIKS Employee Awards, where employees nominate their colleagues' hard work, innovation or outstanding service for special recognition were introduced in 2017. In 2018 there were 10 winners, selected from over 1,000 nominations, in various categories such as Customer Service, Engineering Services, Innovation and Safety.

The company is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no job applicant or employee receives less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion, political beliefs, disability, sex or marital status.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and 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 the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

An Employee Assistance Programme is in place and is designed to provide a safe and confidential environment for employees to seek help, advice or support in relation to any personal issues they have. In addition, employees have access to a confidential reporting system, Speak Up! to enable them to raise any concerns regarding business practices.

ERIKS UK was named as a Top Employer 2018, by the Top Employer Institute, recognising the company's excellent work in investing and supporting the development of employees. The company is proud to announce that during February 2019 the company gained the award for the seventh consecutive year.

Apprentice, Graduate and Management Development programmes

In order to sustain skill levels within the business, ERIKS continues to support an apprentice programme, supporting Apprentices through to a professional qualification.

In addition, through the introduction of a UK Academy, the company supports its graduate intake through a 2-year structured programme aimed at providing an in depth understanding of all aspects of the company's business. During 2018 a new Management Apprentice programme was launched linked to formal Institute of Learning & Management qualifications.

Sustainability

At ERIKS we apply our passion for technology, manufacturing know-how and innovation towards the creation of a better planet. We have taken steps to be responsible for our own actions, such as the implementation of a "zero waste to landfill" target, improvement of our carbon management and resource utilisation and to achieve more responsible manufacturing of our own products. In 2018 the company generated 14.47 tonnes of CO_2 per million pounds of turnover a 21% reduction on 2017 (18.33 tonnes). We are also using our expertise and capabilities to help our customers manufacture more sustainably through our energy-efficient products, our total product lifecycle approach, and our deep understanding of industrial processes. To his end, the ERIKS group has set a number of sustainability goals:

- zero work-related accidents
- Make progress and report annually to the United Nations Global Compact (UNGC)
- Ensure 100% of suppliers acknowledge the ERIKS Supplier Code of Conduct
- Deliver €20 million of environmental savings to customers every year by 2020
- Reduce ERIKS' own carbon emissions by 20% by 2020

The company continues to maintain and expand the coverage of its ISO14001 Environmental Management certification and this will continue throughout 2019. In addition, following the successful completion of the Energy Savings Opportunities Scheme assessment the company will continue to work on deploying solutions to further reduce energy consumption in all areas.

The company's customer base is spread amongst all the major manufacturing and processing industries in the UK and it encourages all customers to consider sustainability issues using tools such as the company's own "Total Cost of Ownership" model. The company is committed to continued product and service innovation aimed at further supporting our customers to positively affect reductions four main areas: Energy, Waste, Pollution and Risk. In addition, the company is working with our suppliers to ensure compliance with code of conduct on sustainability and ethical employment values throughout our supply chain.

Ethics and Compliance

ERIKS UK is committed to applying the highest standard of ethical conduct and integrity in its business. Every employee and individual acting on behalf of ERIKS is responsible for conducting business honestly, professionally and in accordance with Group policies and all applicable laws. Mandatory training is provided to employees in critical areas such as anti-bribery and corruption, export and competition law. During 2018 the company appointed a dedicated Ethics and Compliance Officer to both assist colleagues and to monitor compliance. Full details of the company's ethical policies can be found in the Corporate section of the company's website www.eriks.co.uk/en/

Charitable work in the community

The company is focused on running a responsible business within our community. We are actively building relationships with our local community and are supporting initiatives though our Safety Pays initiative within our manufacturing and repair operations which has contributed some £15,000 to local and national causes and society as a whole.

Directors' report
for the year ended 31 December 2018 (*continued*)

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: nil)

By order of the Board

M R Powell
Company Secretary
18 July 2019

Registered office
Amber Way
Halesowen
West Midlands
B62 8WG

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Statement of disclosure of information to the auditor

In the case of each director in office at the date the Directors' Report is approved, under section 418 of the Companies Act 2006 the following applies:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(b) he 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIKS INDUSTRIAL SERVICES LIMITED

Opinion

We have audited the financial statements of ERIKS Industrial Services Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the Summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of assets, pension related balances and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIKS INDUSTRIAL SERVICES LIMITED *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

18 July 2019

Profit and loss account
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	5	**284,327**	274,120
Cost of sales		**(195,430)**	(187,825)
Gross profit		**88,897**	86,295
Distribution costs		**(41,382)**	(40,195)
Administrative expenses		**(37,444)**	(33,825)
Operating profit		**10,071**	12,275
Net interest receivable / (payable)	9	**195**	(134)
Profit on ordinary activities before taxation	6	**10,266**	12,141
Tax on profit on ordinary activities	10	**(1,775)**	(2,108)
Profit for the financial year		**8,491**	10,033

The above results all relate to continuing operations.

Statement of comprehensive income
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Profit for the financial year		**8,491**	10,033
Other comprehensive income:			
Remeasurements of net defined benefit liability	8	**4,080**	850
Income tax on other comprehensive income	10	**(637)**	(141)
Other comprehensive income for the year, net of tax		**3,443**	709
Total comprehensive income for the year		**11,934**	10,742

ERIKS Industrial Services Limited

Balance sheet
as at 31 December 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Intangible assets	12	**6,627**	7,871
Tangible assets	13	**10,400**	9,949
		17,027	17,820
Current assets			
Stocks	14	**21,206**	22,166
Debtors amounts falling due within one year	15	**176,966**	152,570
Debtors amounts falling due after more than one year	15	**7,507**	8,169
Cash at bank and in hand		**65**	73
		205,744	182,978
Creditors: amounts falling due within one year	16	**(129,962)**	(106,602)
Net current assets		**75,782**	76,376
Total assets less current liabilities		**92,809**	94,196
Post-employment benefits	8	**(38,780)**	(42,370)
Provisions for liabilities	17	**(1,091)**	(1,222)
Net assets		**52,938**	50,604
Capital and reserves			
Called up share capital	19	**7,000**	7,000
Revaluation reserve		**492**	768
Retained earnings		**45,446**	42,836
Total equity		**52,938**	50,604

The notes on pages 12 to 25 form part of the financial statements.

The financial statements on pages 9 to 25 were approved by the Board of Directors on 18 July 2019 and were signed on its behalf by:

AMJ

AMJ Fitchford
Director
18 July 2019

ERIKS Industrial Services Limited
Registered number 03142338

Statement of changes in equity

	Notes	Called-up share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2017		7,000	787	32,075	39,862
Profit for the year		-	-	10,033	10,033
Other comprehensive income for the year		-	4	705	709
Transfer to retained earnings		-	(23)	23	-
Total comprehensive income for the year		-	(19)	10,761	10,742
Transactions with shareholders:					
Dividends		-	-	-	-
Balance at 31 December 2017		**7,000**	**768**	**42,836**	**50,604**
Balance at 1 January 2018		7,000	768	42,836	50,604
Profit for the year		-	-	8,491	8,491
Other comprehensive income for the year		-	-	3,443	3,443
Transfer to retained earnings		-	(276)	276	-
Total comprehensive income for the year		-	(276)	12,210	11,934
Transactions with shareholders:					
Dividends	11	-	-	(9,600)	(9,600)
Balance at 31 December 2018		**7,000**	**492**	**45,446**	**52,938**

Notes to the financial statements for the year ended 31 December 2018

1 General information

ERIKS Industrial Services Limited provides industrial services to its customers through the supply of bearings, power transmission, pneumatic and hydraulic products, seals, gaskets, hoses, valves products, electric motors, gearboxes, pumps and other industrial consumables via its branch network spread across the UK.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Amber Way, Halesowen West Midlands, B62 8WG.

2 Statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated

Basis of Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of a applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going Concern

The company meets its day-to-day working capital requirements via its cash pooling arrangements with its fellow ERIKS UK subsidiary companies. The UK cash pool is headed by the ultimate UK holding company, ERIKS UK Holdings Limited which is financed by a long-term group loan arranged with the group's immediate holding company, ERIKS NV and an additional on-demand facility also with ERIKS NV. The company's forecasts and projections, taking account of a range of possible trading performances, show that the company should be able to operate within the level of currently available facility. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Cash flow statement

The Company's ultimate parent undertaking, SHV Holdings NV, includes the Company in its consolidated financial statements. The consolidated financial statements of SHV Holdings NV are prepared in accordance with Dutch Generally Accepted Accounting Principle and are available to the public and may be obtained from its registered office (note 23).
In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and as the consolidated financial statements of SHV Holdings NV include the equivalent disclosures, the Company has applied the exemptions available under FRS 102 and has not prepared a cash flow statement.

Foreign currencies

The company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are translated into sterling at the rate of exchange on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Exchange differences arising from these translations are taken to the profit and loss account.

Revenue recognition

Turnover is measured at the fair value of consideration received or receivable and represents amounts invoiced to customers in respect of the supply of goods and services during the financial year, excluding value added tax. Turnover is recognised at point of despatch of goods or provision of services.

3 Summary of significant accounting policies *(continued)*

Business combinations and Goodwill
Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given on the acquisition of a business plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair value of the net assets acquired.

Goodwill is amortised over its expected useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years based on the discounted cash flows of the cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Impairments are provided for where it is believed the assets concerned have been subject to an impairment event and that their carrying value is above the higher of their net realisable values and values in use. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Other intangible assets
Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents	10 years
Software	3 - 7 years

Tangible fixed assets
Tangible assets are stated at cost, or deemed cost, less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and impairment losses. Freehold land is not depreciated.
The company previously adopted a policy of revaluing freehold and long leasehold land and buildings and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The company has adopted the transition exemption under FRS 102 paragraph 35.10(d) and has elected to use the previous revaluation as deemed cost.

The difference between the depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost is transferred from the revaluation reserve to retained earnings.

Plant, equipment and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided using the straight line method on the cost or deemed cost of tangible fixed assets, to write them down to their estimated residual values over their expected lives. The principal annual rates used are:

Freehold buildings and leases of over 50 years	-	2 - 4% on valuation
Leases of under 50 years	-	Over term of lease
Plant, equipment and vehicles	-	10% - 33% on cost

Assets under construction are stated at cost and are not depreciated until they are available for use.

Provision is made for any impairment in the period in which it arises.

3 Summary of significant accounting policies *(continued)*

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Cost is determined on a first in, first out (FIFO) basis. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

At the end of each reporting period stocks are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less any additional selling costs and an impairment charge is recognised in the profit and loss account.

Where a reversal of the impairment is recognised, the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

3 Summary of significant accounting policies *(continued)*

Impairment excluding stocks, and deferred tax assets *(continued)*

Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

The company makes provision for its best estimate of the cost of reinstating its leased properties to their original condition as required under the terms of the individual leases.

The company provides for future lease obligations on vacant properties, either to the end of the lease or for such period as the company believes the property will remain vacant. If a property has been sub-let to a third party, provision is only made for any excess of rental obligations over rental income.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Interest payable and receivable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements.

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 to pay less tax in the future have occurred at the balance sheet date

Deferred tax assets are recognised to the extent that they are regarded recoverable and that there will be suitable taxable profits from which the future reversal can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

Employee Benefits

The company operates an auto enrolment compliant defined contribution pension scheme. The assets of this scheme are invested and managed independently of the finances of the company. Contributions to the scheme have been charged to the profit and loss account in the year of payment.

The company is also the principal member of the WYKO Group Retirement Benefit Scheme which is a defined benefit scheme and which is valued triennially by an independent actuary using the Projected Unit

3 Summary of significant accounting policies *(continued)*

Employee Benefits *(continued)*

Method of valuation. The plan defines the pension benefit that the member will receive on retirement, dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the WYKO Group Retirement benefit Scheme is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets at that date.

In accordance with FRS 102, current and past service costs, adjusted for settlements and curtailments, are charged to the profit and loss account as employee costs.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss.

Actuarial gains and losses arising from experience adjustments are charged or credited to other comprehensive income and are disclosed as 'Remeasurement of net defined benefit liability'.

Dividends

Dividends are recognised as a liability in the financial year in which they are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are summarised below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic life of the assets. The useful economic lives and residual values are re-assessed annually and are amended where necessary to reflect current estimates. See note 12 for the carrying amount of the tangible fixed assets.

Inventory provisioning

The company stocks a large range of core products and undertakes regular reviews of the recoverability of the cost of inventory and the associated provisioning required. In calculating the inventory provision management considers the nature, age and condition of the inventory as well as applying assumptions around anticipated saleability of the items. See note 14 for the net carrying amount of inventory and associated provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors, historical experience and the current credit rating of debtors. See note 15 for the net carrying amount of the debtors and associated impairment provision.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain current and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, in conjunction with its professional pension advisors, in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 8 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

5 Turnover

All turnover has been generated from the company's activities as a provider of industrial services.

Analysis by geographical market:	2018 £000	2017 £000
- United Kingdom	**272,741**	262,431
- Europe	**6,461**	5,837
- Africa and the Middle East	**1,326**	1,842
- Americas	**2,173**	2,775
- Asia, Australasia and Oceania	**1,626**	1,235
Total turnover	**284,327**	274,120

All turnover originated in the United Kingdom.

6 Expenses and auditor's remuneration

Included in profit or loss are the following:	2018 £000	2017 £000
Staff costs - Note 7	**66,195**	64,067
Restructuring costs	**200**	940
Depreciation of owned tangible fixed assets - Note 13	**1,611**	2,426
Amortisation of intangible fixed assets - Note 12	**1,316**	537
Impairment of tangible fixed assets (included in 'Administrative expenses')	**-**	300
Loss / (profit) on sale of tangible fixed assets - Note 13	**-**	93
Impairment of trade receivables	**60**	(559)
Inventory recognised as an expense	**168,950**	163,048
Impairment of inventory (included in 'Cost of Sales')	**956**	(145)
Operating lease charges	**8,873**	8,884
Amounts receivable by the company's auditor in respect of:		
Audit of financial statement	**105**	105
Taxation compliance services	**-**	-

7 Directors and employees

The average number of persons (including directors) employed by the company during the year was:	2018 Number	2017 Number
Sales, marketing and purchasing	**850**	865
Production	**375**	339
Logistics	**257**	265
Administration	**220**	232
Industrial Services	**1,702**	1,701

Their aggregate payroll costs were:	£000	£000
Wages and salaries	**54,080**	54,136
Social security costs	**5,902**	5,779
Other pension costs – defined benefit scheme	**3,490**	2,170
– defined contribution schemes	**2,723**	1,982
	66,195	64,067

Directors' remuneration:

	2018 £000	2017 £000
Salaries and other benefits (excluding pension contributions)	**500**	429
Highest paid director:		
Aggregate emoluments excluding pension contributions	**347**	300

Two directors received emoluments from the company during the year (2017: two).

7 Directors and employees *(continued)*

None of the directors were members of the WYKO Group Retirement Benefit Scheme, a defined benefit pension scheme (2017: none). The total pension contributions paid on behalf of the directors was £13,000 (2017: £13,000), of which nil was paid to the defined contribution pension schemes (2017: £nil).

8 Post-employment benefits

The company has operated an auto enrolment compliant defined contribution pension scheme during the year. The company also operated one UK defined benefit scheme; the WYKO Group Retirement Benefit Scheme (the "WYKO Scheme"). The scheme provides benefits based on salary history and length of service on retirement, leaving service or death. The disclosures below relate solely to the WYKO Scheme. Contributions to the defined contribution scheme are charged to the profit and loss account in the year of payment.

The WYKO Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the company must agree with the trustees of the scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits.

A formal actuarial valuation of the WYKO Scheme as at 30 April 2018 is currently in progress. Initial results of this valuation were updated to 31 December 2018 allowing for cash flows in and out of the scheme and changes to assumptions over the period. In the event that the valuation reveals a larger deficit then expected the Company may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected, it is possible that contributions may be reduced.

For completeness, under the Schedule of Contributions agreed as part of the 2015 actuarial valuation the Company has committed to pay contributions of 18.9% for future accrual, scheme expenses directly as incurred (including Pension Protection Fund levies and any insurance premiums) and deficit contributions of approximately £2.5 million p.a. increasing in line with inflation to May 2028.

The WYKO Scheme is managed by a board of Trustees appointed in part by the Company and part from elections by Scheme members, along with an independent professional Trustee. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing Scheme assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

An approximate allowance for the impact of GMP equalisation is shown as a past service cost. There were no plan amendments that would result in any other past service costs, curtailments or settlements during the period.

The main assumptions used to calculate the scheme's liabilities include:

	2018	2017
Discount rate	**2.95 %p.a.**	2.60 %p.a.
RPI Inflation assumption	**3.35 %p.a.**	3.30 %p.a.
CPI Inflation assumption	**2.35 %p.a.**	2.30 %p.a.
LPI pension increases	**3.20 %p.a.**	3.20 %p.a.
Post-retirement mortality assumption	**S2NA CMI 2017**	S2NA CMI 2016
Proportion of members electing to take cash at retirement	**100 %**	100 %

Salaries are assumed to increase in line with the RPI.
Under the mortality tables adopted, the assumed future life expectancy at age 65 is as follows:

Life expectancy	**2018**	2017
Males currently aged 45	**88.1**	87.4
Females currently aged 45	**90.2**	89.5
Males currently aged 65	**87.0**	86.3
Females currently aged 65	**89.0**	88.3

Amounts recognised in the Balance Sheet

	2018	2017
	£000	£000
Fair value of assets	**119,270**	123,440
Present value of funded obligations	**(158,050)**	(165,810)
Deficit in Scheme prior to deferred taxation	**(38,780)**	(42,370)

8 Post-employment benefits (*continued*)

Amounts recognised in the Profit and Loss Account

	2018	2017
	£000	£000
Current service cost	(1,620)	(2,170)
Past service costs	(1,870)	-
Interest on assets	3,170	3,290
Interest on liabilities	(4,220)	(4,450)
Other finance charges	(1,050)	(1,160)
Total charge	(4,540)	(3,330)

Remeasurements over the year

	2018	2017
	£000	£000
(Gain) / loss on scheme assets in excess of interest	(4,560)	3,730
Experience gain on liabilities	3,940	-
(Gain) / loss from changes to demographic assumptions	(4,980)	2,310
Loss / (Gain) from changes to financial assumptions	9,680	(5,190)
Total remeasurements	4,080	850

Reconciliation of assets and defined benefit obligation

The change in assets and the defined benefit obligation over the financial year was:

	Assets	Liabilities	Total
	£000	£000	£000
Fair value of at 1 January 2018	123,440	(165,810)	(42,370)
Interest on income / (expense)	3,170	(4,220)	(1,050)
Employer contributions	4,050	-	4,050
Current service cost	-	(1,620)	(1,620)
Past service costs	-	(1,870)	(1,870)
Contributions by Scheme participants	60	(60)	-
Benefits paid	(6,890)	6,890	-
Return on plan assets less interest	(4,560)	-	(4,560)
Experience gain on liabilities	-	3,940	3,940
Changes to demographic assumptions	-	(4,980)	(4,980)
Changes to financial assumptions	-	9,680	9,680
Fair value of at 31 December 2018	119,270	(158,050)	(38,780)

Assets

The major categories of assets as a percentage of total assets are as follows:

	2018	2017
Equities	33%	35%
Gilts	10%	11%
Bonds	14%	14%
Cash	2%	0%
Property	5%	5%
Other Assets (Diversified Growth Funds)	36%	35%
Total	100%	100%
Actual return on plan assets	-1%	6%

8 Post-employment benefits (*continued*)

Sensitivity of the value placed on the liabilities

Adjustments to financial assumptions	Approximate effect on liabilities	
	2018	2017
	£000	£000
Discount rate		
Plus 0.1%	**(2,800)**	(3,200)
Minus 0.1%	**2,900**	3,300
Inflation		
Plus 0.1%	**2,000**	2,500
Minus 0.1%	**(2,000)**	(2,500)
Discount rate plus 0.1% and inflation minus 0.1%	**(4,800)**	(5,700)

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain unchanged.

9 Net interest receivable / (payable)

	2018	2017
	£000	£000
Interest payable and similar charges		
Interest on loans from ultimate UK parent company	**(2,330)**	(1,769)
Interest on other loans	**-**	(6)
Net interest expense on net defined benefit pension liabilities (Note 8)	**(1,050)**	(1,160)
Exchange differences on currency denominated loans and bank balances	**-**	(4)
Losses on derivative financial instruments	**(7)**	(20)
Total interest payable and similar charges	**(3,387)**	(2,959)
Interest receivable and similar income		
Interest on loans to ultimate UK parent company	**3,529**	2,824
Increase in discount on provisions	**-**	1
Exchange differences on currency denominated loans and bank balances	53	-
Total interest receivable and similar income	**3,582**	2,825
Net interest (payable) / receivable	**195**	(134)

10 Tax on profit on ordinary activities

Tax expenses included in profit and loss

	2018	2017
	£000	£000
UK corporation tax at 19.00% (2017: 19.25%)	**(1,885)**	(2,204)
Adjustments to tax in respect of previous years	**83**	(184)
Current tax charge	**(1,802)**	(2,388)
Deferred taxation (note 17):		
Origination and reversal of timing differences	**27**	280
Tax on profit on ordinary activities	**(1,775)**	(2,108)

Tax (expense)/income included in other comprehensive income

	2018	2017
	£000	£000
Current tax	**-**	-
Deferred tax	**(637)**	(141)
Tax expense included in other comprehensive income	**(637)**	(141)

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

10 Tax on profit on ordinary activities *(continued)*

Reconciliation of tax charge

The current tax charge is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

The factors affecting the tax charge for the year are as follows:

	2018 £000	2017 £000
Profit on ordinary activities before taxation	**10,266**	12,141
Profit on ordinary activities at the standard rate of corporation tax at 19.00% (2017: 19.25%)	**(1,951)**	(2,337)
Effects of:		
Expenses not deductible for tax purposes	**(135)**	(235)
Income not chargeable for tax purposes	**-**	-
Transfer pricing adjustments	**301**	438
Adjustments in respect of previous years	**26**	34
Gains/rollover relief	**(7)**	-
Tax rate changes	**(9)**	(8)
Tax charge for the year	**(1,775)**	(2,108)

A reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2018 have been calculated based on these rates.

11 Dividends

	2018 £000	2017 £000
Dividends paid during the year:		
Ordinary shares at £1.371 per share (2017: nil)	**9,600**	-

12 Intangible fixed assets

	Software £000	Patents £000	Goodwill £000	Total £000
Cost:				
At 1 January 2018	5,426	20	5,446	10,892
Additions	72	-	-	72
Disposals	-	-	-	-
At 31 December 2018	**5,498**	**20**	**5,446**	**10,964**
Amortisation:				
At 1 January 2018	1,349	5	1,667	3,021
Charge for the year	1,057	1	258	1,316
Disposals	-	-	-	-
At 31 December 2018	**2,406**	**6**	**1,925**	**4,337**
Net book value:				
At 31 December 2018	**3,092**	**14**	**3,521**	**6,627**
At 31 December 2017	4,077	15	3,779	7,871

13 Tangible assets

	Freehold land and buildings £000	Leases of 50 years and over £000	Leases of under 50 years £000	Plant, equipment & vehicles £000	Total £000
Cost or valuation					
At 1 January 2018	2,322	941	391	38,127	41,781
Additions	-	-	3	2,387	2,390
Disposals	-	(432)	-	(304)	(736)
At 31 December 2018	**2,322**	**509**	**394**	**40,210**	**43,435**
Accumulated Depreciation					
At 1 January 2018	314	364	204	30,950	31,832
Charge for the year	54	14	27	1,516	1,611
Disposals	-	(245)	-	(163)	(408)
At 31 December 2018	**368**	**133**	**231**	**32,303**	**33,035**
Net book value					
At 31 December 2018	**1,954**	**376**	**163**	**7,907**	**10,400**
At 31 December 2017	2,008	577	187	7,177	9,949

Freehold land and buildings includes non-depreciable land with a cost of £1,005,000 (2017: £1,005,000).

14 Stocks

	2018 £000	2017 £000
Raw materials and consumables	**496**	623
Work in progress	**2,017**	1,891
Finished goods and goods for resale	**18,693**	19,652
	21,206	22,166

There is no significant difference between the replacement cost of stocks and their carrying amounts. Stocks are stated after provisions for impairment of £5,844,000 (2017: £5,257,000).

15 Debtors

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade debtors	**69,548**	59,696
Loans to ultimate UK parent company	**101,957**	87,062
Amounts owed by fellow subsidiary undertakings	**1,434**	1,039
Other debtors	**2,754**	3,339
Prepayments and accrued income	**1,273**	1,434
	176,966	152,570
Amounts falling due after more than one year:		
Deferred taxation (note 17)	**7,507**	8,169
Total debtors	**184,473**	160,739

The loans to the company's ultimate UK parent company are unsecured, have no fixed date of repayment, are repayable on demand and bear interest at a current average of 3.12% (2017:2.84%) per annum payable quarterly in arrears. Amounts owed by fellow subsidiary undertakings are unsecured, interest free and are repayable on demand. Trade debtors are stated after provisions for impairment of £419,000 (2017: £498,000).

16 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Derivative financial instruments – note 18	34	26
Trade creditors	38,282	39,504
Amounts owed to ultimate UK parent company	69,553	43,382
Amounts owed to immediate parent company	5,448	5,604
Amounts owed to fellow subsidiaries	4,069	4,000
Corporation tax	1,019	1,397
Other taxation and social security	6,093	6,533
Other creditors	1,187	678
Accruals and deferred income	4,277	5,478
	129,962	106,602

The company has no external borrowing facilities. All financing is arranged by the ERIKS Group Treasury department and is provided to the company by its ultimate UK parent company, ERIKS UK Holdings Ltd. These loans bear interest at a current average of 3.12% (2017: 2.89%) calculated quarterly in arrears and are unsecured, have no fixed date of repayment and are repayable on demand. The amounts owed to the company's immediate parent company and to fellow subsidiaries are interest free, unsecured and are repayable on demand.

17 Provisions for liabilities

	Property provisions	Deferred tax	Total
	£000	£000	£000
At 1 January 2018	(1,065)	(157)	(1,222)
Transfer from debtors	-	8,169	8,169
Utilised in the year	373	-	373
Unwinding of discount	-	-	-
Additions dealt with in the profit and loss account	(294)	27	(267)
Changes dealt with in other comprehensive income	-	(637)	(637)
	(986)	7,402	6,416
Transfer to debtors (note 15)	-	(7,507)	(7,507)
At 31 December 2018	**(986)**	**(105)**	**(1,091)**

The property provisions represent the directors' assessment of the company's liability for leasehold dilapidations and the anticipated future costs to be incurred over the remaining lease terms of vacant properties.

Full provision has been made for deferred taxation at 17% (2017: 17%) in respect of:

	2018	2017
	£000	£000
Accelerated capital allowances in advance of depreciation	678	631
Revalued fixed assets	(101)	(157)
Other timing differences	232	335
Post-employment benefits (note 8)	6,593	7,203
	7,402	8,012

Deferred tax assets arising from accelerated capital allowances and short term timing differences have been fully recognised at 31 December 2018 and 2017 as the Directors believe there will be sufficient profits generated in future years for utilisation of these tax balances. An unrecognised deferred tax asset of £33,000 (2017: £33,000) calculated at 17% (2017: 17%) in respect of accumulated trade losses has not been recognised as it is not clear when the losses will be utilised

18 Financial Instruments

The company has the following financial instruments:

	Notes	2018 £000	2017 £000
Financial assets valued through profit or loss		**-**	-
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	15	**69,548**	59,696
- Loans to ultimate UK parent company	15	**101,957**	87,062
- Amounts owed by fellow subsidiary undertakings	15	**1,434**	1,038
- Other receivables	15	**2,754**	3,339
		175,693	151,135
Financial liabilities measured at fair value through profit or loss			
- Derivative financial instruments	16	**34**	26
Financial liabilities measured at amortised cost			
- Trade creditors	16	**38,282**	39,504
- Amounts owed to ultimate UK parent company	16	**69,553**	43,382
- Amounts owed to immediate parent company	16	**5,448**	5,604
- Amounts owed to fellow subsidiary undertakings	16	**4,069**	4,000
- Other creditors	16	**1,187**	678
		118,539	93,168

Derivative financial instruments

The company enters into forward currency contracts to mitigate the exchange risk for certain foreign currency balances within the UK company. At 31 December 2018, the maturing contracts all mature within 6 months (2017: 6 months) of the year end. The company is committed to buy € 2,500,000 (2017: €2,900,000) and $2,000,000 (2017: $950,000) and to pay fixed amounts of sterling.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The company has no interest rate derivative financial instruments (2017: none)

19 Called up share capital

	£000
Allotted and fully paid	
At 31 December 2017 and 31 December 2018:	
7,000,000 ordinary shares of £1 each	**7,000**

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

20 Contingent Liabilities

	2018 £000	2017 £000
Performance bonds and guarantees	**598**	66
	598	66

21 Capital and other commitments

The company had the following capital commitments at 31 December for which no provision has been made:

	2018 £000	2017 £000
Future capital expenditure – Property, plant & equipment	**540**	1,097

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

21 Capital and other commitments *(continued)*

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018	2017
	£000	£000
within one year	**4,824**	4,856
between two and five years	**10,939**	12,003
after five years	**8,012**	9,985
	23,775	26,844

The company had no other off-balance sheet arrangements.

22 Related parties

The company has taken advantage of the exemption, allowed by paragraph 33.1A of FRS 102, not to disclose transactions and balances with related party undertakings which are wholly owned by the SHV Group.

23 Ultimate parent company and controlling party

The company's immediate parent company is WYKO Group Limited, a company registered in England and Wales.

The ultimate parent company and controlling party is SHV Holdings N.V. a company registered in The Netherlands.

The largest group in which the results of the Company are consolidated is that headed by SHV Holdings N.V.

Copies of the financial statements of SHV Holdings N.V. may be obtained from the company at the following address:

SHV Holdings N.V.
Rijnkade 1
3511 LC Utrecht
The Netherlands

The smallest group in which they are consolidated is that headed by ERIKS N.V, incorporated in The Netherlands.

Copies of the financial statements of ERIKS N.V. may be obtained from the company at the following address:

ERIKS N.V
P.O. Box 19108
3501 DC Utrecht
The Netherlands.