

Registered number: 03729805

**Armacell UK Limited**

**Annual report and financial statements  
for the year ended 31 December 2015**

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## **Armacell UK Limited**

### **Company Information**

<b>Directors</b>	G Huguen S C Sturch
<b>Registered number</b>	03729805
<b>Registered office</b>	Mars Street Oldham Lancashire OL9 6LY
<b>Auditor</b>	KPMG LLP Chartered Accountants and Statutory Auditors One St Peter's Square Manchester M2 3AE United Kingdom

# **Armacell UK Limited**

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## **Armacell UK Limited**

### **Strategic report for the year ended 31 December 2015**

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

#### **Business review**

The company manufactures insulation, specialty foams and rubber solutions for a wide variety of industries. The company is a major supplier of engineered foams and expanded rubber products for automotive, industrial and a wide range of custom appliances.

Turnover in 2015 decreased by 8.9% from 2014, this was mainly driven by a combination of price competition and varying demand derived from our chosen market sectors. The operating loss for the year was £211,000 (2014: £217,000).

Two of the key market sectors, insulation wholesale and drinks, performed well year-on-year, with increased turnover of 9% and 12% respectively. A healthy construction industry and demand from projects has helped to boost sales in related products. This combined with a buoyant drinks and leisure sector, where a demand for drinks dispenser equipment was strong, provided an important contribution.

The growth in the aforementioned key market sectors was off-set by adverse year-on-year sales variances in two other key market sectors. Demand from the refrigeration sector was impacted by the dramatic reduction in the building of, for example, supermarket stores; consequently, sales were 10% lower than prior year. Percentage decline was more pronounced in the heating and plumbing sector, evidenced by a 16% reduction where price competition was more evident.

The deliberate positioning in the four key sectors helps spread risk and exploit opportunities. In 2016 the company will continue to evolve and develop its presence in these sectors and also focus on new sectors and product opportunities.

There are no other exceptional or unusual costs during the year.

## Armacell UK Limited

### Strategic report (continued) for the year ended 31 December 2015

#### Key performance Indicators ("KPIs")

The company uses a number of key financial performance indicators in assessing the performance. The key financial performance indicators used by the company are as follows:

	2015 £'000	2014 £'000	Definition, method of calculation and analysis
Turnover	13,827	15,184	Turnover value year on year. The decrease in turnover is mainly driven by a variation in demand by the market and price competition.
Gross margin	26.0%	22.3%	This is the ratio of gross profit to turnover expressed as a percentage.
Operating loss	211	217	Operating loss year on year. The loss is driven by the impact of exchange rate movements, non-recurring consultancy costs and restructuring costs.
Stock turnover	50 days	45 days	Ratio of year end stock to cost of sales for the year multiplied by 365 days. Stock turnover has been maintained within the budgeted parameters.
Debtor days	40 days	22 days	Ratio of year end debtors to turnover for the year multiplied by 365 days.
Creditor days	53 days	50 days	Ratio of year end creditors to cost of sales for the year multiplied by 365.

The directors aim to improve these ratios on a continuing basis.

## Armacell UK Limited

### Strategic report (continued) for the year ended 31 December 2015

#### Principal risks and uncertainties

A reasonable proportion of the company's raw materials and finished products are purchased from associated companies in Europe and the U.S.A. leaving the company exposed to fluctuations in exchange rates against both the Euro and US dollar. These are monitored closely and care is taken to minimise the impact on the profit and loss account.

The company holds loans receivable from and payable to fellow group undertakings denominated in either Euros or US Dollars. The interest receivable/payable on loans are also denominated in either Euros or US Dollars and are charged at fixed rate interest rates as shown in notes 17 and 18. The company also considers the interest rate risk to be minimal due to the loans receivable and payable effectively hedging each other.

The company offers credit terms to virtually all of its customers and this carries with it an inherent risk of non payment for goods and services. There is a robust system in place for credit checking all customers prior to granting credit and for credit control once the sale has been made. In this way the company tries to reduce the risk of bad debts.

#### Future developments

The company will continue to trade in its existing markets and will look for, and take advantage of, all opportunities to increase its turnover and profitability.

This report was approved by the board on

7<sup>th</sup> April 2017

2017 and signed on its behalf by:

S C Sturch  
Director



## **Armacell UK Limited**

### **Directors' report for the year ended 31 December 2015**

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

#### **Results and dividends**

The profit for the year, after taxation, amounted to £76,000 (2014: loss £53,000).

The directors do not recommend the payment of a dividend (2014: £72,097,000).

#### **Going concern**

The directors have considered the forecasts of the business for a period of 12 months from the date of these financial statements and consider it to be a going concern. In addition Armacell International S.A. has confirmed that it will provide financial support, should it be required, to enable the company to continue to meet its liabilities for a period of at least 12 months following the signature of these financial statements.

#### **Future developments**

An indication of the likely future developments in the business have been included in the strategic report on page 3.

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise indicated, are given below:

G Huguen  
T M Rust (resigned 31 August 2015)  
S C Sturch (appointed 1 September 2015)

#### **Post balance sheet events**

During May 2016, the company became party to two debenture agreements.

The first debenture is in respect of a security agreement entered into by Avocado Holdco Luxembourg Sarl and other group members, secured by way of a fixed charge over the right, title and interest in all equity interests and intercompany debts.

The second debenture is in respect of a security agreement entered into by Ultima Holding Limited, a fellow group member, secured by way of fixed charge over the rights, title, interest and benefits of the company.

On 29 February 2016 the company's ultimate parent ownership changed and Avocado TopCo Limited, a company incorporated in the Cayman Islands, became the ultimate parent undertaking and controlling party.

#### **Qualifying third party indemnity provisions**

A qualifying third party indemnity provision as defined by Section 232(2) of the Companies Act 2006 is in force for the benefit of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by Armacell International Holding GmbH, a fellow group undertaking, throughout the financial year.

## Armacell UK Limited

### Directors' report for the year ended 31 December 2015

#### Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss 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 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;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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.

#### Disclosure of information to auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### 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.

This report was approved by the board on

7th April

2017 and signed on its behalf by:



S C Sturch  
Director



## **Independent auditor's report to the members of Armacell UK Limited**

We have audited the financial statements of Armacell UK Limited for the year ended 31 December 2015, set out on pages 8 to 37. The financial reporting framework that has been applied in their preparation is applicable law and the UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Independent auditor's report to the members of Armacell UK Limited**

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

In our opinion 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 those accounts.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Liam Finnigan (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

Date: 7 April 2017.

## Armacell UK Limited

### Profit and loss account for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	4	13,827	15,184
Cost of sales		<u>(10,234)</u>	<u>(11,803)</u>
<b>Gross profit</b>		<b>3,593</b>	<b>3,381</b>
Distribution costs		(766)	(796)
Administrative expenses		<u>(3,038)</u>	<u>(2,802)</u>
<b>Operating loss</b>	5	<b>(211)</b>	<b>(217)</b>
Interest receivable	9	7,939	6,988
Interest payable and similar charges	10	(7,583)	(6,902)
Other finance income/(expense)		<u>3</u>	<u>(22)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>148</b>	<b>(153)</b>
Tax on profit/(loss) on ordinary activities	11	<u>(72)</u>	<u>100</u>
<b>Profit/(loss) for the financial year</b>		<b><u>76</u></b>	<b><u>(53)</u></b>

The notes on pages 12 to 37 form part of these financial statements.

## Armacell UK Limited

### Statement of other comprehensive income for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Profit/(loss) for the financial year		76	(53)
Other comprehensive income:			
Actuarial gain on pension scheme	21	336	386
Movement of deferred tax relating to pension asset/(liability)	19	(60)	(77)
Other comprehensive income for the financial year		276	309
Total comprehensive income for the financial year		352	256

# Armacell UK Limited

Registered number: 03729805

## Balance sheet as at 31 December 2015

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Intangible assets	13	78	37
Tangible assets	14	2,156	1,845
Investments	15	28,255	28,255
		<u>30,489</u>	<u>30,137</u>
<b>Current assets</b>			
Stocks	16	1,404	1,461
Debtors	17	102,448	90,667
Cash at bank and in hand		972	2,237
		<u>104,824</u>	<u>94,365</u>
Creditors: Amounts falling due within one year	18	(98,919)	(87,881)
<b>Net current assets</b>		<u>5,905</u>	<u>6,484</u>
<b>Total assets less current liabilities</b>		<u>36,394</u>	<u>36,621</u>
Pension asset/(liability)	21	551	(28)
<b>Net assets</b>		<u>36,945</u>	<u>36,593</u>
<b>Capital and reserves</b>			
Called up share capital	20	4,500	4,500
Capital contribution reserve		28,223	28,223
Retained earnings		4,222	3,870
<b>Total equity</b>		<u>36,945</u>	<u>36,593</u>

The financial statements were approved and authorised for issue by the board on 7<sup>th</sup> April 2017 and were signed on its behalf by:



S C Sturch  
Director

The notes on pages 12 to 37 form part of these financial statements.

## Armacell UK Limited

### Statement of changes in equity for the year ended 31 December 2015

	Called up share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
At 1 January 2015	4,500	28,223	3,870	36,593
Profit for the financial year	-	-	76	76
Other comprehensive income for the financial year	-	-	276	276
At 31 December 2015	<u>4,500</u>	<u>28,223</u>	<u>4,222</u>	<u>36,945</u>

### Statement of changes in equity for the year ended 31 December 2014

	Called up share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
At 1 January 2014	4,500	28,223	75,711	108,434
Loss for the financial year	-	-	(53)	(53)
Other comprehensive income for the financial year	-	-	309	309
Dividends	-	-	(72,097)	(72,097)
At 31 December 2014	<u>4,500</u>	<u>28,223</u>	<u>3,870</u>	<u>36,593</u>

The notes on pages 12 to 37 form part of these financial statements.

## **Armacell UK Limited**

### **Notes to the financial statements for the year ended 31 December 2015**

#### **1. General Information**

Armacell UK Limited ("the company") manufactures insulation, specifically foams and rubber solutions for a wide variety of industries. The company is a major supplier of engineered foams and expanded rubber products for automotive, industrial and a wide range of custom applications. The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of the registered office is Mars Street, Oldham, Lancashire, OL9 6LY, United Kingdom.

#### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted Financial Reporting Standard 101, the Reduced Disclosure Framework ("FRS 101") in these financial statements. Details of the transition to FRS 101 are disclosed in note 26.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 2. Summary of significant accounting policies (continued)

##### 2.1 Basis of preparation of financial statements

The individual financial statements of Armacell UK Limited have been prepared in accordance with FRS 101 and the Companies Act 2006. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in 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 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
  - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation's between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, Related party disclosures (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Note 25 gives details of the company's parent which includes the company in its consolidated financial statements, and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.



## **Armacell UK Limited**

### **Notes to the financial statements for the year ended 31 December 2015**

#### **2. Summary of significant accounting policies (continued)**

##### **2.1 Basis of preparation of financial statements (continued)**

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

##### **2.2 Changes in accounting policy and disclosures**

###### **(i) New and amended standards adopted by the company**

There are no new IFRSs or IFRIC Interpretations that are effective for the first time for the financial period beginning on or after 1 January 2015 that have been adopted or have an impact on the financial statements of the company.

##### **2.3 Going concern**

The directors have considered the forecasts of the business for a period of 12 months from the date of these financial statements and consider it to be a going concern. In addition Armacell International S.A. has confirmed that it will provide financial support, should it be required, to enable the company to continue to meet its liabilities for a period of at least 12 months following the signature of these financial statements.

##### **2.4 Consolidation**

The financial statements contain information about Armacell UK Limited as an individual company. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the financial statements of an intermediate parent undertaking, Armacell International S.A., a company incorporated in Luxembourg.

##### **2.5 Functional and presentational currency**

The company's functional and presentational currency is UK Pound Sterling. All financial information presented in UK Pound Sterling has been rounded to the nearest thousand.

##### **2.6 Turnover**

Turnover comprises revenue recognised by the company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised when the company is contractually entitled to the income which is usually on delivery of goods.

##### **2.7 Operating leases**

Operating lease rentals are charged to the profit or loss on a straight line basis over the period of the lease.

##### **2.8 Foreign currency translation**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 2. Summary of significant accounting policies (continued)

##### 2.9 Interest receivable

Interest receivable is recognised in the profit and loss account using the effective interest method.

##### 2.10 Interest payable and similar charges

Interest payable is 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 instrument.

##### 2.11 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

###### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

###### (ii) Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

##### 2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

## **Armacell UK Limited**

### **Notes to the financial statements for the year ended 31 December 2015**

#### **2. Summary of significant accounting policies (continued)**

##### **2.13 Intangible assets**

###### **(i) Licences**

Separately acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 3 years.

###### **(ii) Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 3 years.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 2. Summary of significant accounting policies (continued)

##### 2.14 Tangible fixed assets

Tangible fixed assets are recognised at cost and subsequently stated at cost less accumulated depreciation.

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, using the straight-line method.

Leasehold improvements	- 2.5% or over the period of the lease (whichever is higher)
Plant, equipment and software licences	- 5-20%

The carrying value of fixtures, fittings and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable as well as at the end of each reporting period. Any impairment in the value of assets below depreciated cost is charged to the profit and loss account.

##### 2.15 Investments

Investments in subsidiary undertakings are recognised and carried at cost less amounts written off.

The company reviews its investments for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be supported by their underlying assets. Any impairment in value is charged through the profit and loss account.

##### 2.16 Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale the FIFO basis is used. For goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net realisable value represents the estimated amount at which stock could be realised after allowing for costs of completion and realisation.

## **Armacell UK Limited**

### **Notes to the financial statements for the year ended 31 December 2015**

#### **2. Summary of significant accounting policies (continued)**

##### **2.17 Financial instruments**

###### **(i) Financial assets**

The company's financial assets comprise trade debtors, amounts and loans owed by group undertakings and other debtors which are shown in note 17 and in the balance sheet. These financial assets are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than twelve months after the end of the reporting period. These are classified as non current assets.

###### **(ii) Financial liabilities**

The company's financial liabilities comprise trade creditors, amounts and loans due to group undertakings, taxation and other social security, other creditors and accruals, which are shown in note 18 and in the balance sheet. Management determines the classification of its financial liabilities at initial recognition.

The company's financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Amounts and loans due to group undertakings are classified as creditors falling due within one year if payment is due within one year or less. If not they are presented as creditor amounts falling due after more than one year.

###### **(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

##### **2.18 Pensions**

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. 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 operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability or deficit. The pension scheme surplus (to the extent that is recoverable) or deficit is recognised in full. The movement in the pension scheme surplus/deficit is split between operating charges, finance items and, in the statement of other comprehensive income, actuarial gains and losses.

##### **2.19 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 3. Critical accounting estimates and judgements

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.

##### (i) Impairment of financial assets.

Impairment testing is an area involving management judgements, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

##### (ii) Impairment of trade 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 current credit rating of the debtor, the aging profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.

##### (iii) Taxes

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on temporary differences where it is probable that there will be taxable income against which these can be offset. See note 19 for details of deferred tax recognised.

##### (iv) Defined benefit scheme

The group has an obligation to pay pension benefits to certain 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 of corporate bonds. Management estimates these factors in determining the net pension asset/liability in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

#### 4. Turnover

Turnover is derived from the sale of goods as part of the company's principal activity.

An analysis of turnover by geographical market is set out below:

	2015 £000	2014 £000
United Kingdom	11,859	12,078
Rest of Europe	1,932	3,069
Middle East and Africa	1	16
United States of America	35	21
	<u>13,827</u>	<u>15,184</u>

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **5. Operating loss**

The operating loss is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets	194	237
Amortisation of intangible assets	21	17
Difference on foreign exchange	160	115
Operating lease rentals	238	249
Loss on sale of tangible fixed assets	8	-
	<u>8</u>	<u>-</u>

### **6. Auditor's remuneration**

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2015 £000	2014 £000
Fees for the audit of the company's financial statements	50	22
Fees for all other services	7	11
	<u>57</u>	<u>33</u>

### **7. Employees**

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

	2015 £000	2014 £000
Wages and salaries	3,318	3,439
Social security costs	317	346
Other pension costs	287	265
	<u>3,922</u>	<u>4,050</u>

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

	2015 No.	2014 No.
Administration	57	57
Production	48	48
	<u>105</u>	<u>105</u>

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **8. Directors' remuneration**

The directors' emoluments were as follows:

	2015 £000	2014 £000
Directors' emoluments	132	133
Company contributions to defined contribution pension schemes	7	8
	<u>139</u>	<u>141</u>

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

### **9. Interest receivable**

	2015 £000	2014 £000
Interest receivable on loans owed by group undertakings	7,939	6,986
Other interest receivable	-	2
	<u>7,939</u>	<u>6,988</u>

### **10. Interest payable and similar charges**

	2015 £000	2014 £000
Interest payable on loans due to group undertakings	<u>7,583</u>	<u>6,902</u>



# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **11. Taxation**

	2015 £000	2014 £000
<b>Corporation tax</b>		
Current tax on profit/(loss) for the year	-	-
<b>Total corporation tax</b>	-	-
<b>Foreign tax</b>		
Foreign tax on income for the year	-	2
<b>Total foreign tax</b>	-	2
<b>Total current tax</b>	-	2
<b>Deferred tax</b>		
Origination and reversal of timing differences	38	(15)
Changes to tax rates	(2)	-
Adjustments in respect of prior periods	36	(87)
<b>Total deferred tax</b>	72	(102)
<b>Taxation on profit/(loss) on ordinary activities</b>	72	(100)

#### **Factors affecting tax charge for the year**

The tax assessed for the year is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £000	2014 £000
Profit/(loss) on ordinary activities before tax	148	(153)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	30	(33)
<b>Effects of:</b>		
Fixed asset differences	2	10
Expenses not deductible for tax purposes	6	2
Adjustments to tax charge in respect of previous periods - deferred tax	(2)	(87)
Double taxation relief	-	2
Impact of changes in tax rates	36	1
Group relief surrendered	-	5
<b>Total tax charge/(credit) for the year</b>	72	(100)

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **11. Taxation (continued)**

#### **Factors that may affect future tax charges**

A change in the UK Corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK Corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. It will reduce the company's future current tax charge and deferred tax accordingly.

### **12. Dividends**

	2015 £000	2014 £000
Dividends paid on ordinary shares	-	72,097

### **13. Intangible assets**

	Computer software £000	Licences £000	Total £000
<b>Cost</b>			
At 1 January 2015	5	49	54
Additions	62	-	62
At 31 December 2015	67	49	116
<b>Amortisation</b>			
At 1 January 2015	1	16	17
Charge for the year	4	17	21
At 31 December 2015	5	33	38
<b>Net book value</b>			
At 31 December 2015	62	16	78
At 31 December 2014	4	33	37

Capitalised licences relate to the cost of gaining a CE marking certification for manufactured products which are sold within the EEA.

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **14. Tangible fixed assets**

	Freehold land £000	Leasehold improvements £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2015	54	1,504	5,959	96	7,613
Additions	-	15	195	304	514
Disposals	-	-	(301)	-	(301)
Transfers between classes	-	65	31	(96)	-
At 31 December 2015	<u>54</u>	<u>1,584</u>	<u>5,884</u>	<u>304</u>	<u>7,826</u>
<b>Depreciation</b>					
At 1 January 2015	-	1,120	4,648	-	5,768
Charge for the year	-	16	178	-	194
Disposals	-	-	(292)	-	(292)
At 31 December 2015	<u>-</u>	<u>1,136</u>	<u>4,534</u>	<u>-</u>	<u>5,670</u>
<b>Net book value</b>					
At 31 December 2015	<u>54</u>	<u>448</u>	<u>1,350</u>	<u>304</u>	<u>2,156</u>
At 31 December 2014	<u>54</u>	<u>384</u>	<u>1,311</u>	<u>96</u>	<u>1,845</u>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 15. Fixed asset investments

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 January 2015	28,255
At 31 December 2015	<u>28,255</u>
<b>Net book value</b>	
At 31 December 2015	<u>28,255</u>
At 31 December 2014	<u>28,255</u>

In the opinion of the directors the market value of the above investments are equivalent to the carrying amounts.

#### Subsidiary undertakings

As at 31 December 2015, the following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Armacell Insulation United States Holding Inc	USA	Ordinary	100 %	Holding company
Insulation United States Holdings LLC*	USA	Ordinary	100 %	Holding company
Armacell United States Holdings LLC*	USA	Ordinary	100 %	Holding company
Armacell LLC*	USA	Ordinary	100 %	Manufactures, markets and distributes elastomeric and polyethylene insulation and engineered foams
Armacell Australia Pty Ltd*	Australia	Ordinary	100 %	Manufactures, markets and distributes elastomeric and polyethylene insulation and engineered foams

\*Undertakings are 100% held by subsidiary undertakings, rather than directly held by the company.

As at 31 December 2015, the company owned 49% and 51% of the ordinary share capital of Armacell Thailand Ltd and Integrated Holdings Ltd companies both incorporated in Thailand.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 16. Stocks

	2015 £000	2014 £000
Raw materials	298	380
Finished goods and goods for resale	1,106	1,081
	<u>1,404</u>	<u>1,461</u>

There is no significant difference between the replacement cost of the stocks and their carrying amounts.

Stocks are stated after provisions for impairment of £72,000 (2014: £47,000).

#### 17. Debtors

	2015 £000	2014 £000
<b>Due after more than one year</b>		
Loan owed by group undertaking	2,063	2,174
	<u>2,063</u>	<u>2,174</u>
<b>Due within one year</b>		
Trade debtors	427	490
Amounts owed by group undertakings	819	340
Loan owed by group undertaking	98,628	87,088
Other debtors	4	7
Prepayments and accrued income	279	208
Deferred tax asset (note 19)	228	360
	<u>102,448</u>	<u>90,667</u>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 17. Debtors (continued)

##### Debtors due after more than one year

On 2 July 2013, the company provided unsecured loan notes to Ultima Acquisition GB Limited, an intermediate parent undertaking, of €2,800,000. The loan notes have a maturity date of July 2023. The accrued interest is included within debtors falling due within one year. The interest rate is fixed at 9% per annum.

At 31 December 2015, the balance of the loan notes was €3,074,000 (£2,262,000) (2014: €3,177,000 (£2,467,000)) (principal €2,800,000 (£2,063,000)), accrued interest €274,000 (£199,000)) (2014: principal €2,800,000 (£2,174,000), accrued interest €377,000 (£293,000)).

##### Debtors due within one year

Trade debtors are stated after provisions for impairment of £40,000 (2014: £46,000).

During July 2013 the company provided a loan to Ultima Acquisition GB Limited of US\$119,112,000. The loan is secured, has a fixed date of repayment and a fixed interest rate of 9% per annum.

At 31 December 2015, the balance of the loan was US\$145,986,000 (£98,628,000) (2014: US\$135,266,000 (£87,088,000)) (principal US\$119,112,000 (£80,473,000), accrued interest US\$26,874,000 (£18,155,000) (2014: principal US\$119,112,000 (£76,688,000), accrued interest US\$16,154,000 (£10,400,400)).

All other amounts owed by group undertakings due within one year are unsecured, interest free, have no fixed date of repayment and are repayable upon demand.

Amounts and loans owed to group undertakings, trade debtors and other debtors are financial assets measured at amortised cost.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 18. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Loan due to group undertaking	94,958	83,590
Trade creditors	699	735
Amounts due to group undertakings	2,466	2,680
Taxation and social security	180	138
Other creditors	157	122
Accruals and deferred income	459	616
	<u>98,919</u>	<u>87,881</u>

On 1 January 2014, the company declared a dividend of US\$119,112,000 (£72,097,000) to Armacell Insulation UK Holding Limited, the immediate parent undertaking. This was not settled in cash, with the amount being treated as a short term loan. The loan is unsecured, has no fixed date of repayment and a fixed interest rate of 9% per annum.

At 31 December 2015, the balance of the loan was US\$140,552,000 (£94,958,000) (2014: US\$129,832,000 (£83,590,000)) (principal US\$119,112,000 (£80,473,000), accrued interest US\$21,440,000 (£14,485,000)) (2014: principal US\$119,112,000 (£76,688,000), accrued interest US\$10,720,000 (£6,902,000)).

All other amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

Amounts and loans due to group undertakings, trade creditors, other taxation and social security, other creditors and accruals are financial liabilities measured at amortised cost.

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **19. Deferred taxation**

	Deferred tax £000
At 1 January 2015	360
Charged to the profit and loss account	(72)
Charged to other comprehensive income	(60)
At 31 December 2015	<u>228</u>

In respect of prior year:

	Deferred tax £000
At 1 January 2014	335
Credited to the profit and loss account	102
Charged to other comprehensive income	(77)
At 31 December 2014	<u>360</u>

The deferred tax asset is made up as follows:

	2015 £000	2014 £000
Accelerated capital allowances	(121)	(106)
Short term timing differences	8	25
Tax losses carried forward and other deductions	440	435
Pension scheme	(99)	6
	<u>228</u>	<u>360</u>

### **20. Called up share capital**

	2015 £000	2014 £000
Allotted and fully paid		
4,500,002 ordinary shares of £1 each	<u>4,500</u>	<u>4,500</u>



## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 21. Pension commitments

##### *Defined contribution scheme*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £287,000 (2014: £265,000). There were no outstanding or prepaid contributions at 31 December 2015 (2014: £Nil).

##### *Defined benefit scheme*

The company operates a defined benefit pension scheme, the Armacell UK Pension Scheme ("Scheme"), which provides benefits based on final pensionable pay. With effect from 31 January 2008, the trustees took the decision to cease future benefit accrual under the scheme and it will run on a closed basis.

The latest full actuarial valuation was carried out on 31 December 2013 and was updated for IAS 19 purposes to 2015 by a qualified independent actuary.

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is set taking into account expectations of future inflation, the current dividend yield and the yield on government bonds. The return on bonds is the current market yield on long term bonds. The expected return on other assets is the current interest rate set by the Bank of England.

Through its defined benefit pension plan, the company is exposed to a number of risks, the most significant of which are detailed below:

##### *(i) Asset volatility*

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (diversified growth fund) which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term. The allocation to growth assets is monitored such that it is suitable for the Scheme's long term objectives.

##### *(ii) Changes in bond yields*

A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings. As noted above, the Scheme's investment in liability driven investments ("LDI") partially mitigates this risk.

##### *(iii) Inflation risk*

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increase are in place to protect against extreme inflation). As noted above, the Scheme's investment in LDI partially mitigates this risk.

##### *(iv) Life expectancy*

The majority of the schemes obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **21. Pension commitments (continued)**

	2015 £000	2014 £000
<b>Reconciliation of scheme assets and liabilities</b>		
At the beginning of the year	(28)	(632)
Interest income/(expense)	3	(22)
Actuarial gains	336	386
Contributions by employer	240	240
<b>At the end of the year</b>	<b>551</b>	<b>(28)</b>
<b>Net defined benefit asset/(obligation)</b>	<b>551</b>	<b>(28)</b>
The amounts recognised in the profit and loss account are as follows:		
	2015 £000	2014 £000
Interest income/(expense)	3	(22)
<b>Reconciliation of scheme liabilities:</b>		
	2015 £000	2014 £000
At the beginning of the year	12,717	11,437
Interest expense	435	498
Actuarial gains	(690)	-
Actuarial losses	-	998
Benefits paid	(559)	(216)
<b>At the end of the year</b>	<b>11,903</b>	<b>12,717</b>
<b>Reconciliation of scheme assets:</b>		
	2015 £000	2014 £000
At the beginning of the year	12,689	10,805
Interest income	438	476
Contributions by employer	240	240
Actuarial gains	-	1,384
Actuarial losses	(354)	-
Benefits paid	(559)	(216)
<b>At the end of the year</b>	<b>12,454</b>	<b>12,689</b>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 21. Pension commitments (continued)

The company expects to contribute £240,000 to its defined benefit pension scheme in 2016.

The major categories of scheme assets were as follows:

	2015 £000	2014 £000
Gilts and bonds (including LDIs)	6,357	6,724
Diversified growth funds	6,054	5,876
Other	43	89
	<u>12,454</u>	<u>12,689</u>

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2015 %	2014 %
Discount rate	3.75	3.50
Rate of inflation	2.00	2.10
Future pension increases	3.00	3.00

The mortality assumptions used were as follows (years):

- for a male aged 60 currently	26.4	26.4
- for a female aged 60 currently	28.8	28.8
- for a male aged 60 who is currently aged 40	28.8	28.8
- for a female aged 60 who is currently aged 40	31.3	31.3

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	2015	2014
Discount rate - increased by 0.5%	(1.0)	(1.0)
Discount rate - decreased by 0.5%	1.2	1.2
Post retirement pension increase - increased by 0.25%	0.2	0.2
Post retirement pension increase - decreased by 0.25%	(0.2)	(0.2)
Demographic change - Life expectancy increased by 1 year	0.3	0.3

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **21. Pension commitments (continued)**

	2015 £000	2014 £000
Defined benefit obligation	(11,903)	(12,717)
Scheme assets	12,454	12,689
	<u>551</u>	<u>(28)</u>
Experience adjustments on scheme liabilities	690	(998)
Experience adjustments on scheme assets	(354)	1,384
	<u>336</u>	<u>386</u>

### **22. Commitments under operating leases**

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

	2015 £000	2014 £000
<b>Land and buildings</b>		
Not later than 1 year	116	116
Later than 1 year and not later than 5 years	423	423
Later than 5 years	314	378
<b>Total</b>	<u>853</u>	<u>917</u>
	2015 £000	2014 £000
<b>Other operating leases</b>		
Not later than 1 year	107	106
Later than 1 year and not later than 5 years	150	151
Later than 5 years	2	9
<b>Total</b>	<u>259</u>	<u>266</u>

## **Armacell UK Limited**

### **Notes to the financial statements for the year ended 31 December 2015**

#### **23. Post balance sheet events**

During May 2016, the company became party to two debenture agreements.

The first debenture is in respect of a security agreement entered into by Avocado Holdco Luxembourg Sarl and other group members, secured by way of a fixed charge over the right, title and interest in all equity interests and intercompany debts.

The second debenture is in respect of a security agreement entered into by Ultima Holding Limited, a fellow group member, secured by way of fixed charge over the rights, title, interest and benefits of the company.

On 29 February 2016 the company's ultimate parent ownership changed and Avocado TopCo Limited, a company incorporated in the Cayman Islands, became the ultimate parent undertaking and controlling party.

#### **24. Related party transactions**

The company is exempt from disclosing related party transactions with companies that are wholly owned within the Avocado TopCo Limited group.

#### **25. Parent undertakings and controlling party**

The company's immediate parent undertaking is Armacell Insulation UK Holding Limited, a company incorporated in the the United Kingdom

At the year end the company's ultimate parent undertaking and controlling party was Charterhouse Capital Partners LLP, a company incorporated in Luxembourg.

After the year end the ownership changed as set out in note 23 and the company's ultimate parent undertaking and controlling party became Avocado TopCo Limited, a company incorporated in the Cayman Islands.

The smallest and largest group in which the results of the company were consolidated is that headed by Armacell International S.A.. The consolidated financial statements are available to the public and may be obtained from Armacell International S.A., 8 Notre Dame, 2240 Luxembourg, R.C.S. Luxembourg, B176931.

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2015

### 26. First time adoption of FRS 101

	As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 101 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
Fixed assets (see explanation note 1)	29,459	-	29,459	30,137	-	30,137
Current assets (see explanation notes 2 and 3)	82,509	126	82,635	94,359	6	94,365
Creditors: amounts falling due within one year	(3,028)	-	(3,028)	(87,881)	-	(87,881)
<b>Net current assets</b>	<b>79,481</b>	<b>126</b>	<b>79,607</b>	<b>6,478</b>	<b>6</b>	<b>6,484</b>
<b>Total assets less current liabilities</b>	<b>108,940</b>	<b>126</b>	<b>109,066</b>	<b>36,615</b>	<b>6</b>	<b>36,621</b>
Pension liability (see explanation notes 2 and 3)	(506)	(126)	(632)	(22)	(6)	(28)
<b>Net assets</b>	<b>108,434</b>	<b>-</b>	<b>108,434</b>	<b>36,593</b>	<b>-</b>	<b>36,593</b>
Capital and reserves	108,434	-	108,434	36,593	-	36,593

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2015**

### **26. First time adoption of FRS 101 (continued)**

	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
Turnover	15,184	-	15,184
Cost of sales	(11,803)	-	(11,803)
	<u>3,381</u>	<u>-</u>	<u>3,381</u>
Distribution expenses	(796)	-	(796)
Administrative expenses	(2,802)	-	(2,802)
	<u>(217)</u>	<u>-</u>	<u>(217)</u>
Operating profit	(217)	-	(217)
Interest receivable	6,988	-	6,988
Interest payable and similar charges	(6,902)	-	(6,902)
Other finance income	138	(160)	(22)
Tax on profit on ordinary activity	68	32	100
	<u>75</u>	<u>(128)</u>	<u>(53)</u>
<b>Profit/(loss) on ordinary activities after taxation and for the financial year</b>	<u>75</u>	<u>(128)</u>	<u>(53)</u>

#### **Other comprehensive income**

Under previous UK GAAP, the other comprehensive income relating to the year ended 31 December 2014 was stated as £181,000. Under FRS 101, the total recognised gain is stated as £309,000. See notes 2 and 3 for explanation.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2015

#### 26. First time adoption of FRS 101 (continued)

Explanation of changes to previously reported profit and equity:

##### 1 Computer software

Computer software capitalised in 2014 with a net book value of £5,000 at 31 December 2014, has been reclassified from tangible to intangible assets as required under FRS 101. This has no effect on the company's equity or profit for the year, except that the previous depreciation charge is now described as amortisation.

##### 2 Post employment benefit

Under the previous UK GAAP, the company recognised an expected return on defined plan assets in the profit and loss account. Under FRS 101 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect of the change has been to reduce the credit to the profit and loss account in the year to 31 December 2014 by £160,000 and increase the credit in other comprehensive income by an equivalent amount.

##### 3 Deferred taxation

On transition to FRS 101, following the adjustment to the post employment benefit credit recognised in other comprehensive income, as described above, the deferred tax provision relating to this credit has been adjusted accordingly. The effect of the change has been to increase the credit to the profit and loss account in the year ended 31 December 2014 by £32,000 and increase the charge in other comprehensive income by an equivalent amount.

Under FRS 101 the deferred tax asset at 1 January 2014 of £126,000 and at 31 December 2014 of £6,000, arising on the post employment benefit liability, is now included within deferred tax on the balance sheet. Under the previous UK GAAP, applying FRS 17 and FRS 19, the deferred tax asset arising on the post employment liability was offset against the pension liability. This has no effect on the company's equity or profit for the year.