
IKO U.K. Limited
Annual report and financial statements
For the year ended 31 December 2015

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Administrative information

Directors

H Koschitzky
S Koschitzky
J Koschitzky
F Hautman
D Koschitzky
A Williamson

Registered office

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

Auditor

Mazars LLP
Chartered Accountants and Statutory Auditors
14th Floor
The Plaza
100 Old Hall Street
Liverpool
L3 9QJ

Strategic report (continued)

The directors present their strategic report for IKO U.K. Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2015.

Principal activity

IKO U.K. Limited is the holding company of an integrated group of companies engaged principally in the manufacture, distribution and installation of bitumen-based waterproofing systems and building products.

Business review

As shown in the Group's statement of comprehensive income, the Group's turnover has decreased by 9% from the prior year and the profit before taxation amounted to £20,603k (2014: £21,192k).

An analysis of sales is given in note 3 to the financial statements.

The statement of financial position in the financial statements shows that the Group's financial position at the year-end has further strengthened and is £14,697k higher than prior year.

Future developments

The group continues to focus on cost efficiency and strives to provide value-added products and services to its customers, through innovation and continued focus on the maintenance of strong relationships with customers. Competitive pressure on selling prices, including the availability of cheap imports from abroad have been, and will continue to be, a challenge for the Group.

Principal risks and uncertainties

Trading risks

The current economic climate and outlook in combination with the competitive pressure in the market place are potent threats to existing profit margins and overall profitability. The Group is exposed to credit risk through the financial failure of key customers. To mitigate this risk, the Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is underwritten by credit insurance where possible and any uninsured exposure is managed in accordance with group credit policies and procedures.

Exchange risks

The Group purchases raw materials from, and sells products into international markets and is therefore exposed to currency movements on such transactions. Where appropriate, to provide certainty of future cash flows to mitigate against foreign exchange fluctuation, the Group can enter into forward exchange contracts which are approved by the board of directors.

Financial risks

The Group has sufficient cash for its business needs; there is no exposure to future debt repayments or interest demands.

Liability risks

There is no known exposure to legal claims as of 31 December 2015, other than those provided in the financial statements.

Financial key performance indicators

Due to some difficult trading conditions during the year, turnover increased by 9% from 2014. However, improved efficiencies, particularly within manufacturing, along with strong cost control were key factors behind the fact that the profit remained at the same level as in 2014.

Stock holdings days in 2015 was 53 days, which was an increase from 45 days in 2014.

Debtor days increased from 59 days in 2014 to 63 days in 2015.

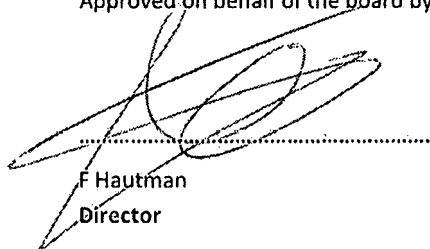
Strategic report (continued)

Other key performance indicators

The Group manages its operations on a country level because of the different competitive landscapes and economies in combination with the various business segments it operates. For this reason, the Company's directors believe that further key performance indicators for the Group are not necessary or appropriate for an understanding of the development, performance or position of the business.

The integrated companies use a variety of non-financial key performance measures, which are dependent on and reflecting the nature of their operations and can include measuring on-time deliverables, other fulfilment, customer complaints, production efficiencies and overhead expenditure.

Approved on behalf of the board by:



.....
F Hautman
Director

Date: 15 December 2016

Directors' report

The directors present their annual report and financial statements for IKO U.K. Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2015.

Results and dividend

The Group profit for the financial year after taxation amounted to £15,587k (2014: £15,523k).

The directors do not recommend the payment of a dividend (2014: £nil).

Directors

The directors who served during the year and subsequently were:

H Koschitzky

S Koschitzky

J Koschitzky

F Hautman

D Koschitzky

A Williamson

Directors' interests

None of the directors has any declarable beneficial interest in the shares or loan capital of the Company or of any subsidiary undertaking during the year. H Koschitzky, S Koschitzky, J Koschitzky, D Koschitzky and F Hautman are overseas based directors and are not required to notify interests in Group undertakings incorporated outside of the United Kingdom.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Charitable and political donations

Charitable donations in the UK totalled £nil (2014: £nil). No political contributions were made in the current year (2014: £nil).

Going concern

The Group intends to continue its present operations in the future and emphasise the long-term view but does anticipate a potential impact of the economic outlook and insecurity in some countries on the Group's operations and activities.

Employees

It is the Group's policy to promote the health, safety and welfare of its employees; to provide equal opportunity in recruitment; and to maximise the opportunities for the employment, retention and development of disabled people consistent with their aptitudes and abilities and wherever possible to re-train employees who become disabled, so they can continue in their employment in another position. The Group has continued to place a high priority on the training and development of its employees and considerable emphasis has been placed on reviewing and improving health and safety procedures.

The board recognises the need for effective communication with, and the involvement of, employees to ensure good relations and the improvement of the Group's performance and will continue to hold briefings and presentations when required.

Research and development

It is the Group's policy to enhance the performance of its products through continuous improvements and quality control in order to meet evolving building design criteria and international building standards.

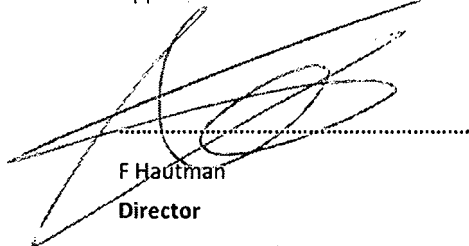
Statement as to disclosure of information to auditor

So far as each person who is a director is aware, there is no relevant audit information of which the Group's auditor is unaware. Each director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved on behalf of the board and signed on its behalf by:



F Hautman
Director

Date: 15 December 2016

Independent auditor's report to the members of IKO U.K. Limited

We have audited the financial statements of IKO U.K. Limited for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of IKO U.K. Limited

Opinion on the 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 the financial statements.

Matters on which we are required to report by exception

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

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



Gareth Hitchmough (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
14th Floor
The Plaza
100 Old Hall Street
Liverpool
L3 9QJ

16 December 2016

Consolidated statement of comprehensive income

For the year ended 31 December 2015

		2015	2014
		£'000	£'000
Continuing operations	Note		
Turnover	3	247,100	272,593
Cost of sales		(178,498)	(201,263)
Gross profit		68,602	71,330
Administrative expenses		(18,030)	(20,127)
Distribution expenses		(29,131)	(29,805)
Other operating income		-	1,416
Other operating expenses		(482)	(157)
Operating profit	4	20,959	22,657
Profit on disposal of tangible fixed assets		517	139
Gain in fair value of investment property	12	-	49
Interest receivable and similar income	7	235	204
Interest payable and similar charges	8	(1,108)	(1,857)
Profit on ordinary activities before taxation		20,603	21,192
Taxation	9	(5,016)	(5,669)
Profit for the year		15,587	15,523
Attributable to:			
Owners of the parent company		15,242	15,036
Non-controlling interests		345	487
		15,587	15,523
Other comprehensive income			
Remeasurements arising on defined benefit pension scheme	20	3,362	(2,367)
Deferred tax movement relating to remeasurement on defined benefit pension scheme	19	(907)	473
Exchange differences arising on translation of foreign operations		(3,188)	(3,366)
Total comprehensive income for the year		14,854	10,263
Attributable to:			
Owners of the parent company		14,513	9,784
Non-controlling interests		341	479
		14,854	10,263

The notes on pages 14 to 50 are an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	10	75	176
Tangible assets	11	46,916	51,850
Investment property	12	1,139	1,139
Investments in equity instruments	14	6,113	6,113
		<u>54,243</u>	<u>59,278</u>
Current assets			
Stocks	15	26,217	25,222
Debtors	16	54,907	59,407
Cash at bank and in hand		34,338	31,697
		<u>115,462</u>	<u>116,326</u>
Creditors: amounts falling due within one year	17	(40,703)	(57,193)
Net current assets		<u>74,759</u>	<u>59,133</u>
Total assets less current liabilities		<u>129,002</u>	<u>118,411</u>
Creditors: amounts falling due after more than one year	17	(6,397)	(6,274)
Provisions for liabilities	18	(1,731)	(1,857)
Deferred tax	19	(1,880)	(1,876)
Post-employment benefits	20	(14,297)	(18,404)
Net assets		<u>104,697</u>	<u>90,000</u>
Capital and reserves			
Attributable to the owners of the parent:			
Called up share capital	21	47,537	47,537
Merger reserve		4,833	4,833
Profit and loss account		50,312	35,799
		<u>102,682</u>	<u>88,169</u>
Attributable to the non-controlling interest		2,015	1,831
Total shareholders' funds		<u>104,697</u>	<u>90,000</u>

These financial statements were approved by the board of directors and authorised for issue.


F Hautman
Director

Date: 15 December 2016

The notes on pages 14 to 50 are an integral part of these financial statements.

Registered number: 03897526

Company statement of financial position

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investment in subsidiary undertakings	13	66,355	66,355
Current assets			
Debtors: amounts falling due within one year	16	2,623	3,736
Creditors: amounts falling due within one year	17	(65)	(43)
Net current assets		<u>2,558</u>	<u>3,693</u>
Total assets less current liabilities		<u>68,913</u>	<u>70,048</u>
Creditors: amounts falling due after more than one year	17	(16,976)	(16,575)
Post-employment benefits	20	(14,297)	(18,404)
Net assets		<u><u>37,640</u></u>	<u><u>35,069</u></u>
Capital and reserves			
Called up share capital	21	47,537	47,537
Profit and loss account		(9,897)	(12,468)
Total shareholders' funds		<u><u>37,640</u></u>	<u><u>35,069</u></u>

The Company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The Company's profit for the year was £116k (2014: £192k loss).

These financial statements were approved by the board of directors and authorised for issue.


F Hautman
Director

Date: 15 December 2016

The notes on pages 14 to 50 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Called up share capital	Merger reserve	Profit and loss account	Equity attributable to the owners of the parent company	Non-controlling interests	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2014	47,537	4,833	26,015	78,385	1,352	79,737
Profit for the year	-	-	15,036	15,036	487	15,523
Other comprehensive income:						
Remeasurement arising on defined benefit pension scheme	-	-	(2,367)	(2,367)	-	(2,367)
Deferred tax arising on defined benefit pension scheme	-	-	473	473	-	473
Exchange differences arising on translation of foreign operations	-	-	(3,358)	(3,358)	(8)	(3,366)
Total comprehensive income	-	-	9,784	9,784	479	10,263
Dividend paid	-	-	-	-	-	-
At 31 December 2014	<u>47,537</u>	<u>4,833</u>	<u>35,799</u>	<u>88,169</u>	<u>1,831</u>	<u>90,000</u>
Profit for the year	-	-	15,243	15,243	344	15,587
Other comprehensive income:						
Remeasurements arising on defined benefit pension scheme	-	-	3,362	3,362	-	3,362
Deferred tax arising on defined benefit pension scheme	-	-	(907)	(907)	-	(907)
Exchange differences arising on translation of foreign operations	-	-	(3,185)	(3,185)	(3)	(3,188)
Total comprehensive income	-	-	14,513	14,513	341	14,854
Dividend paid	-	-	-	-	(157)	(157)
At 31 December 2015	<u>47,537</u>	<u>4,833</u>	<u>50,312</u>	<u>102,682</u>	<u>2,015</u>	<u>104,697</u>

The notes on pages 14 to 50 are an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2015

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2014	47,537	(10,382)	37,155
Loss for the year	-	(192)	(192)
Other comprehensive income:			
Remeasurement arising on defined benefit pension scheme	-	(2,367)	(2,367)
Deferred tax arising on defined benefit pension scheme	-	473	473
Total comprehensive income	-	(2,086)	(2,086)
At 31 December 2014	<u>47,537</u>	<u>(12,468)</u>	<u>35,069</u>
Profit for the year	-	116	116
Other comprehensive income			
Remeasurement arising on defined benefit pension scheme	-	3,362	3,362
Deferred tax arising on defined benefit pension scheme	-	(907)	(907)
Total comprehensive income	-	2,571	2,571
At 31 December 2015	<u>47,537</u>	<u>(9,897)</u>	<u>37,640</u>

The notes on pages 14 to 50 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2015

	2015 £'000	2014 £'000
Operating activities:		
Operating profit	20,959	22,657
Adjustments for:		
Amortisation of intangible assets	93	188
(Profit)/loss on disposal of intangible assets	-	-
Impairment of intangible assets	-	186
Depreciation of tangible assets	5,105	5,410
Post-employment benefits less payments	(1,383)	(907)
Operating cash flow before movement in working capital	24,774	27,534
(Increase)/decrease in stocks	(1,978)	3,337
(Increase)/decrease in debtors	1,951	(3,942)
(Decrease)/increase in creditors	(3,394)	(6,268)
(Decrease)/increase in provisions	(84)	(575)
Interest received	235	204
Income tax paid	(5,120)	(3,960)
Net cash flows from operating activities	16,384	16,330
Investing activities:		
Purchase of intangible assets	-	-
Proceeds from disposal of intangible assets	-	-
Purchase of tangible assets	(3,763)	(3,450)
Proceeds from disposal of tangible assets	2,661	419
Purchase of non-controlling interest	-	-
Net cash flows from investing activities	(1,102)	(3,031)
Financing activities:		
Proceeds from issue of shares (net of issue costs)	-	-
Proceeds from loans and borrowings	123	15,013
Repayment of loans and borrowings	(10,175)	(19,564)
Interest paid	(470)	(1,131)
Dividends to non-controlling interest	(157)	-
Net cash flows from financing activities	(10,679)	(5,682)
Net increase in cash and cash equivalents	4,603	7,617
Cash and cash equivalents at the beginning of the year	30,797	24,645
Effect of exchange rates on cash and cash equivalents	(1,062)	(1,465)
Cash and cash equivalents at end of the year	34,338	30,797
Comprising of:		
Cash at bank and in hand	34,338	31,697
Overdraft	-	(900)
	34,338	30,797

The notes on pages 14 to 50 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies

1.1 General information

IKO U.K. Limited ("the Company") is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB.

The Company is a parent undertaking and therefore these consolidated financial statements present the financial information of the Company and its subsidiary undertakings (together "the Group"), as well as the Company's individual financial statements.

The Company's functional currency is Pounds Sterling, being the currency of the primary economic environment in which the Company operates. The presentational currency of these financial statements is Pounds Sterling.

1.2 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention, as modified for the fair value of investment properties.

FRS 102 allows a qualifying entity certain disclosure exemptions subject to conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

In preparing the Company individual financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 *Related Party Disclosures*;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 *Statement of Financial Position*; and
- from presenting a statement of cash flows, as required by Section 7 *Statement of Cash Flows*.

On the basis that equivalent disclosures are given in the consolidated financial statements, the Company has also taken advantage of the exemption not to provide certain disclosure requirements set out in Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*.

The financial statements for the year ended 31 December 2015 are the Group's and Company's first financial statements that comply with FRS 102; the Group's and Company's date of transition to FRS 102 is 1 January 2014. Note 32 describes the impact on reported profit or loss and equity upon transition to FRS 102.

1.3 Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings for the year ended 31 December 2015. Subsidiaries are included within the consolidation where the Company has control over such entities, thereby having the power to govern the financial and operating policies of the entity. The financial statements of subsidiaries that are acquired or disposed of within the financial year are included within, or excluded from, the consolidation from the date that the Company obtains, or loses control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

1.4 Going concern

After making all due enquiries, the directors have a reasonable expectation that the Group and Company will remain in operational existence for the foreseeable future and have adequate resources to continue as a going concern. For this reason the directors have continued to prepare the accounts on a going concern basis.

1.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided, net of trade discounts, value added tax and similar sales based taxes.

Revenue is recognised as follows:

- turnover from manufacturing and distribution activities is recognised when title has passed;
- turnover from contract activities represents the value of work carried out during the year, including amounts not invoiced;
- interest income is accrued on a time basis using the effective interest method.

1.6 Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction, or other event, that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts, and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

1.7 Foreign currencies

Foreign currency transactions are translated into the functional currency of the reporting entity using the exchange rate prevailing at the date the transactions took place.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group are translated using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Foreign exchange gains and losses arising on translation into the presentational currency are recognised within other comprehensive income, and are allocated to the non-controlling interest, as appropriate.

1.8 Research and development

Research and development expenditure is written off to profit or loss in the year in which it is incurred.

1.9 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed, and of equity instruments issued, plus the costs directly attributable to the business combination.

Goodwill recognised represents the excess of the consideration and directly attributable costs of the purchase consideration over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to the cash-generating units ("CGU's") that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life of 10 years.

Goodwill is assessed for impairment where an indication of impairment exists at the reporting date.

Any excess of the aggregate of the fair value of the identifiable net assets acquired over the fair value of the consideration given (negative goodwill), is recognised and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

1.10 Tangible assets

Tangible assets comprise land and buildings, plant, machinery and vehicles, which are initially recognised at cost, being the purchase price plus any directly attributable costs, and are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight line basis to allocate the asset's cost, less its estimated residual value, over its estimated useful life. The useful lives are as follows:

Freehold buildings	50 years
Long leasehold properties	50 years
Short leasehold properties	Period of lease
Plant, machinery and vehicles	3 to 15 years

Freehold land is not depreciated.

Tangible assets are tested for impairment where an indication of impairment exists at the reporting date.

1.11 Investment property

Land and buildings, whether in whole or part, are classified as investment property when they are held to earn rentals or for capital appreciation, or both. Investment properties are initially measured at cost, which comprises the purchase price and any directly attributable expenditure, and are subsequently remeasured to fair value at each reporting date, with changes in fair value recognised in profit or loss.

1.12 Investments in subsidiary undertakings

Investments in subsidiary undertakings are recognised at cost less accumulated impairment losses in the Company financial statements. Investments are tested for impairment where an indication of impairment exists at the reporting date.

1.13 Impairment of assets

At each reporting date the Group reviews the carrying value of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent year if, and only if, the reasons for the impairment loss have ceased to apply.

1.14 Stock

Stock is stated at the lower of cost and net realisable value on a first in first out basis. In the case of finished goods and work-in-progress, cost is defined as the production cost which includes appropriate proportion of attributable overheads.

Where necessary, provision is made for obsolete, slow moving and defective stocks to reduce the carrying amount to net realisable value. Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and disposal.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

1.15 Financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds only basic financial instruments, which comprise cash and cash equivalents, debtors, investments in equity instruments and creditors. The Group has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Debtors

Debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

At the end of each reporting year, the Group assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Investments in equity instruments

Investments in equity instruments are recognised at fair value with movements in fair value being recognised in profit or loss at each reporting date, unless a reliable fair value cannot be determined. Where the fair value cannot be measured reliably the investments are measured at cost less impairment losses.

Financial liabilities – classified as basic financial instruments

Creditors

Creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

1.16 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. An accrual is provided for short-term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Defined contribution pension schemes

The Group operates defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. Contributions to the defined contribution pension scheme are recognised in profit or loss in the year to which the contributions relate.

Defined benefit pension scheme

The Group operates a defined benefit pension scheme, the assets of which are held separately from those of the Company and Group in an independently administered fund.

The liability recognised in the statement of financial position in respect of the defined benefit pension scheme is the present value of the defined benefit obligation less the fair value of the plan assets at the reporting date. The defined benefit obligation is assessed using the projected unit of credit method and reviewed annually by independent actuaries.

Service costs are recognised in profit or loss so as to spread the costs over the service lives of employees.

Net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate, as determined at the start of the annual reporting period, taking account of any changes arising during the period as a result of contribution and benefit payments. Net interest is recognised in profit or loss in the period.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income and comprises actuarial gains and losses and the return on plan assets, excluding amounts included in net interest expense.

1.17 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probably that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

1.18 Lease arrangements

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments using the interest rate implicit in the lease, each determined at the inception of the lease. Incremental direct costs incurred in negotiating and arranging the lease are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

The capital element of lease obligations is recorded as a finance lease liability on inception of the arrangement. Lease payments are apportioned between capital repayment and the finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding. Finance expenses are recognised in profit or loss.

Operating leases

Rentals payable or receivable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Any lease incentives are spread on a straight-line basis over the lease term.

1.19 Long term contracts

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. The profit on each individual contract is the lower of profit earned to date and that forecast at completion. Payments received on account are deducted from amounts recoverable on contracts. Such amounts, which have been received and exceed amounts recoverable, are included in creditors.

In determining the attributable profit on contracts to a particular accounting period the Group uses estimation techniques. The principal estimation technique used is the preparation of profit forecasts on a contract by contract basis which enables an assessment to be made on the final out-turn on each contract. Profit is then recognised when the outcome of the contract can be foreseen with reasonable certainty.

Notes to the financial statements

For the year ended 31 December 2015

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

2.1 Critical judgements in applying the Group's accounting policies

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

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

(ii) Establishing fair value of investment properties

When the fair value of investment properties cannot be measured based on the price of a recent transaction for an identical asset or liability, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as market rent, vacancy rate, yield requirement and inflation. Changes in assumptions about these factors could affect the reported fair value of investment properties.

2.2 Key sources of estimation uncertainty

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

(i) Determining and reassessing residual values and useful economic lives of tangible assets

The Group depreciates tangible assets over their estimated useful lives. In determining appropriate useful lives of assets, the directors have considered historic performance as well as future expectations for factors such as the expected usage of the asset, physical wear and tear, technical and commercial obsolescence and legal limitations on the usage of the asset, such as lease terms. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied to determine the residual values for tangible assets. When determining the residual values, the directors have assessed the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. At each reporting date, the directors have also assessed whether there have been any indicators, such as a change in how the asset is used, significant unexpected wear and tear and changes in market prices, which suggest previous estimates may differ from current expectations. Where this is the case, the residual value and/or useful life is amended and accounted for on a prospective basis.

Notes to the financial statements

For the year ended 31 December 2015

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

(ii) Recoverability of debtors

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(iii) Estimating value in use

Where an indication of impairment exists, the directors have carried out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation required the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit.

(iv) Provisioning for stocks

The Group manufactures products, and is subject to changing customer demands and market conditions. As a result, the directors have considered the recoverability of the cost of stocks and the associated provisioning required. When calculating the provision, the directors have considered the nature and condition of the items, as well as saleability of finished goods and future use of the raw materials.

Notes to the financial statements

For the year ended 31 December 2015

3 Turnover

An analysis of the Group's revenue by class and category of business is as follows:

	2015 £'000	2014 £'000
Sale of goods	188,661	208,313
Contracting	57,786	63,546
Provision of services	653	734
	<u>247,100</u>	<u>272,593</u>

An analysis of the Group's turnover by geographical market is as follows:

	2015 £'000	2014 £'000
United Kingdom	110,514	116,963
Belgium	69,391	81,174
Holland	39,161	46,713
Rest of Europe	24,934	23,830
Rest of World	3,100	3,913
	<u>247,100</u>	<u>272,593</u>

Notes to the financial statements

For the year ended 31 December 2015

4 Operating profit

Operating profit is stated after charging/(crediting):

	2015 £'000	2014 £'000
Stock recognised as an expense	154,209	161,351
Amortisation of intangible assets	93	187
Impairment of intangible assets	-	186
Depreciation of tangible assets	5,105	5,425
Operating lease expense – land and buildings	266	317
Operating lease expense – other	157	173
Research and development expenditure	96	-
Foreign exchange loss/(gain)	(277)	(737)
Auditor's remuneration	111	128
<hr/>		
An analysis of the auditor's remuneration is as follows:		
Fees payable to the Group's auditor and their associates for the audit of the Group's annual accounts	36	25
Fees payable to the Group's auditor and their associates for other services to the Group:		
The audit of the Group's subsidiaries	59	84
Other services	16	19
	111	128
	<hr/>	<hr/>

Notes to the financial statements

For the year ended 31 December 2015

5 Staff costs

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

	2015	2014
Production	627	594
Sales	277	314
Administration	200	180
	<u>1,104</u>	<u>1,088</u>

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	28,767	35,009
Social security costs	4,300	7,449
Defined contribution pension costs	4,517	2,022
Defined benefit pension administration costs	182	231
Defined benefit pension past service costs	50	85
	<u>37,816</u>	<u>44,796</u>

6 Directors' emoluments

The directors of the Company are considered to be the key management personnel of the Group. Their aggregate emoluments were:

	2015 £'000	2014 £'000
Remuneration	182	151
Pension scheme contributions to money purchase schemes	15	14
	<u>197</u>	<u>165</u>
The number of directors who are members of a money purchase pension scheme	<u>1</u>	<u>1</u>

Notes to the financial statements

For the year ended 31 December 2015

7 Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable on amounts due from related parties	46	60
Interest receivable on cash at bank	175	137
Other interest receivable	14	7
	<u>235</u>	<u>204</u>

8 Interest payable and similar charges

	2015 £'000	2014 £'000
Interest payable on amounts due to related parties	338	491
Interest payable on bank loans and overdraft	123	94
Interest payable on other loans	9	14
Foreign exchange loss on foreign currency borrowings	-	532
Interest on net defined benefit pension obligation	638	726
	<u>1,108</u>	<u>1,857</u>

Notes to the financial statements

For the year ended 31 December 2015

9 Taxation

(a) Tax expense included in profit or loss

The tax charge on profit comprises:

	2015	2014
	£'000	£'000
Current tax		
UK corporation tax	1,931	2,019
Adjustments in respect of prior years	(59)	(161)
Overseas corporation tax	3,123	3,817
Adjustments in respect of prior years	(67)	-
Total current tax	<u>4,928</u>	<u>5,675</u>
Deferred tax		
Origination and reversal of timing differences	180	(36)
Adjustments in respect of prior years	(92)	30
Total deferred tax	<u>88</u>	<u>(6)</u>
Total tax	<u><u>5,016</u></u>	<u><u>5,669</u></u>

(b) Tax expense / (income) included in other comprehensive income

	2015	2014
	£'000	£'000
Deferred tax		
Deferred tax on defined benefit pension scheme	<u>(907)</u>	<u>473</u>

Notes to the financial statements

For the year ended 31 December 2015

9 Taxation (continued)

(c) Reconciliation of tax expense included in profit or loss

Tax on profit on ordinary activities for the year is higher than (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are reconciled below:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	20,603	21,192
Tax calculated at 20.25% (2014: 21.5%)	4,172	4,556
Expenses not deductible for tax purposes	660	551
Profit not subject to current tax	(423)	(250)
Tax losses utilised	(68)	
Other movements	75	97
Difference between UK and overseas tax rates	818	846
Adjustments to tax charge in respect of prior years	(218)	(131)
Total tax	5,016	5,669

(d) Factors that may affect future tax charges

During the year the UK corporation tax rate was changed from 21% to 20%, effective from 1 April 2015.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was substantively enacted in October 2015 and has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances arising within the UK tax jurisdiction at the reporting date are measured at 18% (2014: 20%).

Notes to the financial statements

For the year ended 31 December 2015

10 Intangible assets

Group

	Goodwill	Negative goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2015	29,257	(37)	29,220
Exchange difference on translation	(37)	-	(37)
At 31 December 2015	<u>29,220</u>	<u>(37)</u>	<u>29,183</u>
Amortisation and impairment			
At 1 January 2015	(29,055)	11	(29,044)
Exchange difference on translation	29	-	29
Amortisation charge	(97)	4	(93)
At 31 December 2015	<u>(29,123)</u>	<u>15</u>	<u>(29,108)</u>
Carrying value			
At 31 December 2015	<u>97</u>	<u>(22)</u>	<u>75</u>
At 31 December 2014	<u>202</u>	<u>(26)</u>	<u>176</u>

Notes to the financial statements

For the year ended 31 December 2015

11 Tangible assets

Group

	Freehold and long lease land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
Cost			
At 1 January 2015	41,730	45,132	86,862
Exchange difference on translation	(1,472)	(1,764)	(3,236)
Additions	646	3,117	3,763
Disposals	(2,574)	(2,502)	(5,076)
At 31 December 2015	<u>38,330</u>	<u>43,983</u>	<u>82,313</u>
Depreciation			
At 1 January 2015	(9,494)	(25,518)	(35,012)
Exchange difference on translation	459	1,329	1,788
Depreciation charge	(934)	(4,171)	(5,105)
Disposals	654	2,278	2,932
At 31 December 2015	<u>(9,315)</u>	<u>(26,082)</u>	<u>(35,397)</u>
Carrying value			
At 31 December 2015	<u>29,015</u>	<u>17,901</u>	<u>46,916</u>
At 31 December 2014	<u>32,236</u>	<u>19,614</u>	<u>51,850</u>

Included within the tangible assets is freehold land with a carrying value of £2,863K (2014: £3,465k)

Notes to the financial statements

For the year ended 31 December 2015

12 Investment property

Group

	2015 £'000	2014 £'000
Fair value		
At 1 January	1,139	1,090
Gain in fair value	-	49
At 31 December	<u>1,139</u>	<u>1,139</u>

The historical cost equivalent values for the investment property are as follows:

	2015 £'000	2014 £'000
Cost	874	874
Accumulated depreciation	(150)	(134)
Carrying value	<u>724</u>	<u>740</u>

All investment property is stated at fair value determined annually by external valuers all holding recognised and relevant professional qualifications and having recent experience in the location and class of the investment property being valued.

The valuations at 31 December 2015 were made by Ryden LLP, Naylor Chartered Surveyors, Roberts & Roberts Chartered Surveyors, and Ayers & Cruiks on an open market value for existing use basis.

Notes to the financial statements

For the year ended 31 December 2015

13 Investment in subsidiary undertakings

Company

**Shares in
subsidiary
undertakings
£'000**

At the beginning and end of the year

66,355

Refer to note 28 for a full list of the Company's subsidiary undertakings.

14 Investments in equity instruments

Group

**Total
investments
£'000**

At the beginning and end of the year

6,113

On 1 January 2007 the Group acquired 12,000 D preferred shares in Goldis Enterprises, Inc (a related company incorporated and registered in Canada) as consideration for the disposal of Blair Rubber Company, Inc. and Hyload Inc.

15 Stocks

Group

	2015 £'000	2014 £'000
Raw materials	7,153	6,539
Finished goods and goods for resale	19,064	18,683
	<u>26,217</u>	<u>25,222</u>

During the year a reversal to the provision for the impairment of stock of £105k (2014: £337) was made which was recognised within cost of sales within profit or loss. This adjustment arose as part of the routine year end provisioning process.

Notes to the financial statements

For the year ended 31 December 2015

16 Debtors

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due within one year:				
Trade debtors	42,917	44,704	-	-
Amounts recoverable on contracts	905	544	-	-
Amounts due from related parties (note 27)	203	1,765	-	-
Taxation recoverable	1,056	933	-	-
Deferred tax asset (note 19)	3,505	4,467	2,623	3,736
Other debtors	3,279	3,500	-	-
Prepayments and accrued income	1,672	2,177	-	-
	<u>53,537</u>	<u>58,090</u>	<u>2,623</u>	<u>3,736</u>

Amounts due from related parties include trading balances that are interest free and loan balances that attract a fixed rate of 3.5% All related party balances are due within one year or repayable on demand.

All other balances are unsecured, interest free and repayable on demand.

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due after more than one year:				
Amounts due from related parties (note 27)	1,370	1,317	-	-
Total debtors	<u>54,907</u>	<u>59,407</u>	<u>2,623</u>	<u>3,736</u>

Amounts due from related parties falling due after more than one year accrue interest at a rate of 3.5%, are unsecured and are repayable within five years.

Notes to the financial statements

For the year ended 31 December 2015

17 Creditors

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due within one year:				
Bank overdraft	-	900	-	-
Amounts due to related parties (note 27)	11,012	21,814	-	-
Payments on account	218	857	-	-
Trade creditors	14,873	9,002	-	-
Other creditors	436	9,267	-	-
Corporation tax	3,690	3,768	-	-
Other taxes and social security	4,254	4,749	-	-
Accruals	6,220	6,836	65	43
	<u>40,703</u>	<u>57,193</u>	<u>65</u>	<u>43</u>

Amounts due to related parties include trading balances that are interest free and loan balances attract interest at variable rates ranging from LIBOR +1.2% - +1.5% and fixed rates of 3.5%. All related party balances are due within one year or repayable on demand.

All other balances are unsecured, interest free and repayable on demand.

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due after more than one year:				
Loans from related parties (note 27)	6,313	6,099	16,976	16,575
Other loans	84	175	-	-
	<u>6,397</u>	<u>6,274</u>	<u>16,976</u>	<u>16,575</u>

Amounts due to related parties falling due after more than one year accrue interest at a rate of 3.5%, are unsecured and are repayable within five years.

Notes to the financial statements

For the year ended 31 December 2015

18 Provisions for liabilities

	Warranty provision	Environmental provision	Other provision	Total
	£	£	£	£
At 1 January 2015	487	863	507	1,857
Exchange difference on translation	(34)	(28)	(27)	(89)
Charged in the year to profit or loss	(28)	-	(9)	(37)
At 31 December 2015	<u>425</u>	<u>835</u>	<u>471</u>	<u>1,731</u>

The warranty provision covers future product costs and claims arising in the normal course of business from prior period sales. The environmental provision largely relates to site clean-up costs at locations of the Group's non-UK operations. This is expected to be utilised over the next 10 years. Other provisions largely relate to pre-retirement obligations to employees in the Group's non-UK operations. This is expected to be utilised over the next 5 years.

Notes to the financial statements

For the year ended 31 December 2015

19 Deferred tax

Group

	2015 £'000	2014 £'000
At 1 January	(2,591)	(2,070)
Prior year adjustments	(92)	30
Exchange adjustments	(29)	(42)
Charge to profit and loss account	180	(36)
Charge to other comprehensive income	907	(473)
	<u>(1,625)</u>	<u>(2,591)</u>
	2015 £'000	2014 £'000
Accelerated capital allowances	2,327	2,850
Defined benefit pension scheme	(2,573)	(3,681)
Tax losses carried forward	(1,713)	(1,700)
Other timing differences	334	(60)
	<u>(1,625)</u>	<u>(2,591)</u>
Deferred tax asset	(3,505)	(4,467)
Deferred tax liabilities	1,880	1,876
	<u>(1,625)</u>	<u>(2,591)</u>

The net deferred tax liability expected to reverse in 2016 is £62k. This primarily relates to the reversal of differences between capital allowances and depreciation of £4k and utilisation of tax losses of £66k.

A deferred tax asset of £1,713k (2014: £1,700k) has been recognised in the financial statements on available tax losses carried forward. Tax losses carried forward have arisen predominantly in entities outside the UK. The directors consider that recognition of the asset is supported by forecasts and actual trading performance sufficient to generate future taxable profits against which the deferred tax asset is expected to reverse.

There are no unrecognised deferred tax liabilities. No provision has been made in respect of additional taxation which may become payable in the event that retained profits of overseas subsidiary undertakings are distributed to the parent company. The amount of such liability at 31 December 2015 is not material.

Notes to the financial statements

For the year ended 31 December 2015

19 Deferred tax (continued)

Company

	2015 £'000	2014 £'000
At 1 January	(3,736)	(3,307)
Prior year adjustments	-	8
Charge to profit and loss account	206	36
Charge/(credit) to other comprehensive income	907	(473)
	<u>(2,623)</u>	<u>(3,736)</u>
	2015 £'000	2014 £'000
Defined benefit pension scheme	(2,573)	(3,681)
Other timing differences	(50)	(55)
	<u>(2,623)</u>	<u>(3,736)</u>
Deferred tax asset	(2,623)	(3,736)
Deferred tax liabilities	-	-
	<u>(2,623)</u>	<u>(3,736)</u>

Notes to the financial statements

For the year ended 31 December 2015

20 Post-employment benefits

Defined contribution pension scheme

The Group operates a defined contribution pension scheme for all employees of the Group.

Contributions made into this plan are paid by the Group at rates specified in the rules of the scheme. The total amount recognised in profit or loss during the year was £4,517k (2014: £2,022k).

Defined benefit pension scheme

The Group's defined benefit pension arrangements in the UK are operated through the Ruberoid PLC Staff Pension Scheme. Group contributions payable for the year to the defined benefit scheme amounted to £1,615k (2014: £1,223k).

The Ruberoid PLC Staff Pension Scheme was closed to new members on 6 April 2003. A defined contribution scheme based on the stakeholder arrangement was introduced for staff from that date. It has been agreed that an employer contribution rate of 9% pensionable pay will apply in future years.

The latest full actuarial valuation of the Ruberoid PLC Staff Pension Scheme carried out at 5 April 2014 was updated to 31 December 2015 by a qualified independent actuary. For closed schemes under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

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

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

The amounts recognised are as follows:

	2015 £'000	2014 £'000
Fair value of plan assets	57,823	59,097
Present value of funded scheme liabilities	(72,120)	(77,501)
Net pension (liability)	<u>(14,297)</u>	<u>(18,404)</u>

The amounts recognised in profit or loss are as follows:

	2015 £'000	2014 £'000
Current service cost	182	231
Past service cost	50	85
Net interest expense	638	726
Total	<u>870</u>	<u>1,042</u>

Notes to the financial statements

For the year ended 31 December 2015

20 Post-employment benefits (continued)

The amounts recognised in other comprehensive income are as follows:

	2015 £'000	2014 £'000
Loss/(gain) on scheme assets in excess of interest	1,693	(2,303)
Experience (gains) on liabilities	(1,539)	(684)
(Gains) from changes to demographic assumptions	-	(2,178)
(Gains)/losses from changes to financial assumptions	(3,516)	7,532
Total	<u>(3,362)</u>	<u>2,367</u>

The changes in the present value of defined benefit obligation are as follows:

	2015 £'000	2014 £'000
As at 1 January	77,501	72,088
Past service cost	50	85
Interest cost	2,735	3,259
Benefits paid	(3,111)	(2,601)
Experience (gain)/loss on defined benefit obligation	(1,539)	(684)
Changes to demographic assumptions	-	(2,178)
Changes to financial assumptions	(3,516)	7,532
As at 31 December	<u>72,120</u>	<u>77,501</u>

The changes in the fair value of assets are as follows:

	2015 £'000	2014 £'000
As at 1 January	59,097	55,870
Interest on assets	2,097	2,533
Group contributions	1,615	1,223
Benefits paid	(3,111)	(2,601)
Administration costs	(182)	(231)
Return on plan assets less interest	(1,693)	2,303
As at 31 December	<u>57,823</u>	<u>59,097</u>

Notes to the financial statements

For the year ended 31 December 2015

20 Post-employment benefits (continued)

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

	2015 %	2014 %
Equities	24	24
Property	5	5
Gilts	4	4
Bonds	7	7
Cash	1	0
Bulk annuity policy	43	45
Absolute return funds	16	15
Total	100	100

The return on plan assets was approximately £404,000 (2014: £4,836,000).

The pension plan has not invested in any of the Group's own financial instruments or other assets of the Group.

The principal assumptions used by the actuary to calculate the defined benefit scheme liabilities include:

	2015	2014
Discount rate	4.00%	3.60%
Retail Price Index (RPI) inflation	3.40%	3.30%
Consumer Price Index (CPI) inflation	2.40%	2.30%
RPI max 5% pension increases	3.30%	3.20%
RPI max 3% pension increases	2.70%	2.60%
Revaluation in deferment	2.40%	2.30%
Post retirement mortality assumption	110% of S2NA tables with CMI_2013 projections and a long term rate of improvement of 1% pa	
Tax-free cash	Members take 90% of the maximum available cash	

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

The Group expects to contribute around £871k to the scheme during the year ended 31 December 2016.

Notes to the financial statements

For the year ended 31 December 2015

21 Share capital

Company	2015 £'000	2014 £'000
Allotted, called up and fully paid 47,537,676 ordinary shares of £1 each	47,537	47,537

The Company has one class of ordinary shares; each share carries one voting right per share but no right to fixed income.

22 Reserves

Merger reserve

The merger reserve represents the difference between the nominal value of the shares issued plus the fair value of any other consideration given, and the nominal value of the shares received in exchange.

Profit and loss account

The profit and loss account represents cumulative profits and losses and actuarial gains and losses on defined benefit pension scheme.

Non-controlling interest

The non-controlling interest represents the share of the interest held by the non-controlling shareholders of the subsidiary undertakings.

23 Operating leases

Group

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	Land and buildings		Other	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Not later than one year	277	289	41	51
Later than one year and not later than five years	416	462	36	74
Later than five years	480	562	-	2
Total future minimum lease payments	1,173	1,313	77	127

Company

The Company has no operating leases (2014: none).

Notes to the financial statements

For the year ended 31 December 2015

24 Other financial commitments

Group

The Group has entered into the following capital commitments at the reporting date:

	2015 £'000	2014 £'000
Contracted but not provided for	906	154

Company

The Company had no capital commitments at the reporting date (2014: £nil).

25 Contingent liabilities

The Group and Company have no material contingent liabilities at the reporting date (2014: £nil).

26 Off balance sheet arrangements

Neither the Group nor the Company have entered into any off-balance sheet arrangements at the reporting date (2014: None).

27 Related party transactions

During the year the Group and Company entered into the following related party transactions:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Sales to fellow subsidiaries	2,649	2,967	-	-
Interest receivable from fellow subsidiaries	46	16	-	-
Total	2,695	2,983	-	-

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Purchases from fellow subsidiaries	10,620	12,006	-	-
Interest payable to the parent company	224	248	-	-
Interest payable to fellow subsidiaries	114	243	-	-
Interest payable to subsidiary undertakings	-	-	600	608
Total	10,958	12,497	600	608

Notes to the financial statements

For the year ended 31 December 2015

27 Related party transactions (continued)

At the year end the Group and Company had the following balances with related parties:

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts due from fellow subsidiaries	1,573	3,082	-	-
Total (note 16)	<u>1,573</u>	<u>3,082</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts due to the parent company	8,342	13,600	-	-
Amounts due to fellow subsidiaries	8,983	14,313	-	-
Amounts due to subsidiary undertakings	-	-	16,976	16,575
Total (note 17)	<u>17,325</u>	<u>27,913</u>	<u>16,976</u>	<u>16,575</u>

Notes to the financial statements

For the year ended 31 December 2015

28 Interests in subsidiary undertakings

The Company has the following interests in subsidiary undertakings:

Name	Country of incorporation	Nature of business	Proportion of capital held
Direct subsidiary undertakings			
IKO Holdings Plc	United Kingdom	Holding company	100%
The Waterproofing Group Plc	United Kingdom	Dormant	100%
Indirect subsidiary undertakings			
IKO Plc	United Kingdom	Manufacture of waterproofing products	100%
IKO Limited	Ireland	Distribution of waterproofing products	100%
Irish Roofing Felts Limited	Ireland	Dormant	100%
Specialist Waterproofing Group Limited*	United Kingdom	Holding company	40%
William Briggs & Sons Limited	United Kingdom	Holding company	76%
Maurice Hill Limited	United Kingdom	Dormant	100%
Briggs Amasco Limited	United Kingdom	Roofing and cladding services	100%
Hyload Limited	United Kingdom	Dormant	100%
The Single Ply Company Limited	United Kingdom	Dormant	100%
Permanite Asphalt Limited	United Kingdom	Dormant	100%
Aperture Limited	United Kingdom	Dormant	100%
Permanite Limited	United Kingdom	Dormant	100%
Ruberoid Limited	United Kingdom	Dormant	100%
Durastic Roofing & Cladding (Northern Ireland) Limited	United Kingdom	Roofing and cladding services	100%
K&L Invest SA	Belgium	Installation of roofing products	75.2%
SPLR Victor Tortolani Plc	Belgium	Installation of roofing products	75.2%
Tortoloni SA Plc	Belgium	Installation of roofing products	75.2%
Tortoloni Bruxelles Plc	Belgium	Installation of roofing products	75.2%
Ruberoid International Limited	United Kingdom	Holding company	100%
IKO NV	Belgium	Manufacture and installation of waterproofing products	100%
Asbo NV	Belgium	Manufacture and installation of waterproofing products	70%

Notes to the financial statements

For the year ended 31 December 2015

Asphaltco SA	Belgium	Manufacture of building chemicals and distribution and installation of waterproofing products	99.5%
Ruberoid Holdings Limited	Ireland	Dormant	100%
Briggs Roofing & Cladding Limited	Ireland	Roofing and cladding services	100%
IKO Holdings BV	Netherlands	Holding company	100%
Spectrarooft BV	Netherlands	Distribution of roofing products	100%
Bitasco Trading BV	Netherlands	Distribution of roofing products	100%
IKO Insulations BV	Netherlands	Distribution of roofing products	100%
Nebiprofa BV	Netherlands	Distribution of roofing products	100%
Touwen & Co BV	Netherlands	Manufacture of paints and wood preservative	100%
ATAB NV	Belgium	Manufacture and installation of waterproofing products	100%
Hyflex Roofing Limited	United Kingdom	Dormant	100%
Polygum Limited	United Kingdom	Dormant	100%
Ruberoid Pension Trustee Limited	United Kingdom	Dormant	100%
Ruberoid Works Pension Trustee Limited	United Kingdom	Dormant	100%

*Specialist Waterproofing Group Limited ("SWG") is a holding company which owns a 40% interest in William Briggs & Sons Limited. As SWG has no operations other than its holding in William Briggs & Sons Limited, which is consolidated as a subsidiary, SWG has not been included within these financial statements using the equity method, and the investment is accounted for as part of the direct investment in William Briggs & Sons Limited.

29 Parent undertaking and ultimate controlling party

The Company's immediate parent company is IKO Sales Limited. IKO Sales Limited is incorporated and registered in Canada.

The Company's ultimate controlling company is IKO Enterprises Limited which is incorporated and registered in Canada.

The largest and smallest group for which the Company is included in consolidated financial statements is IKO UK Limited. Neither the immediate nor the ultimate parent company prepare consolidated financial statements.

30 Section 17 exemption

In order to avail of the exemption under Section 17 of the Companies (Amendment) Act 1986, the Parent Company has guaranteed the liabilities of its Irish subsidiary undertaking IKO Limited (formerly Ruberoid Building Products Limited). As a result they have been exempted from the provisions under Section 7 of that Act.

31 Events after the reporting period

Group and Company

There were no events after the reporting period for the Group or the Company which require disclosure.

Notes to the financial statements

For the year ended 31 December 2015

32 Explanation of transition to FRS 102

This is the first financial year that the Group and Company have presented their financial statements in accordance with FRS 102 *The Financial Reporting Framework applicable in the UK and Republic of Ireland* ("FRS 102"). For financial years up to and including the year ending 31 December 2014, the Group and Company prepared their financial statements in accordance with previously extant UK GAAP.

The date of transition to FRS 102 is therefore 1 January 2014. This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The Group's and Company's opening equity positions as at the 1 January 2014 and their previously published financial statements for the year ended 31 December 2014 have been restated from previously extant UK GAAP.

In carrying out the transition to FRS 102, the Group has applied the following exemptions as permitted by Section 35 *Transition to this FRS*:

Lease incentives

The Group has elected to apply the exemption available for lease incentives, where the lease inception prior to the date of transition. For such leases, the Group continues to recognise any residual benefit associated with lease incentives on the same basis as applied at the date of transition to FRS 102.

Business combinations

Section 19 *Business Combinations and Goodwill* requires the recognition of separately identifiable intangible assets on a business combination, which under previously extant UK GAAP would be subsumed within goodwill. The Group has taken advantage of the exemption on transition not to restate business combinations which were effected prior to the date of transition.

Dormant companies

Section 35 *Transition to this FRS* allows that a company within the Companies Act definition of a dormant company may elect to retain its accounting policies for reported assets, liabilities and equity at the date of transition to this FRS until there is any change to those balances, or the company undertakes any new transactions. This exemption has been applied to the dormant companies within the Group.

Set out below are the transition tables for the Company and Group to reconcile:

- Total equity as at 1 January 2014;
- Total equity as at 31 December 2014; and
- Total comprehensive income for the year ended 31 December 2014.

Notes to the financial statements

For the year ended 31 December 2015

32 Explanation of transition to FRS 102 (continued)

Group

Reconciliation of equity

	Note	As at 31 December 2014 £'000	As at 1 January 2014 £'000
Equity reported under previously extant UK GAAP		88,895	78,535
Transitional adjustments:			
- Present value of debtors	A	(194)	(238)
- Present value of creditors	B	900	1,106
- Investment property	C	399	334
Equity reported under FRS 102		<u>90,000</u>	<u>79,737</u>

Reconciliation of profit/(loss)

	Note	For year ended 31 December 2014 £'000
Profit reported under previously extant UK GAAP		16,236
Transitional adjustments:		
- Present value of debtors	A	44
- Present value of creditors	B	(206)
- Investment property	C	65
- Defined benefit pension scheme	D	(616)
Profit reported under FRS 102		<u>15,523</u>
Other comprehensive income reported under previously extant UK GAAP		(5,868)
Transitional adjustments:		
- Defined benefit pension scheme	D	616
- Exchange differences arising on translation of foreign operations	E	(8)
Other comprehensive income reported under FRS 102		<u>(5,260)</u>
Total comprehensive income reported under previously extant UK GAAP		<u>9,896</u>
Total comprehensive income reported under FRS 102		<u>10,263</u>

Notes to the financial statements

For the year ended 31 December 2015

32 Explanation of transition to FRS 102 (continued)

Note A: Present value of debtors

This transitional adjustment relates to the restatement of loans due from related party companies that are entered into at a below market rate of interest. The adjustment restates the carrying amount to present value by discounting the future cash flows at a market rate of interest for a similar debt instrument, and unwinding the discount over the remaining life of the debtor.

Note B: Present value of creditors

This transitional adjustment relates to the restatement of loans due to related party companies that are entered into at a below market rate of interest. The adjustment restates the carrying amount to present value by discounting the future cash flows at a market rate of interest for a similar debt instrument, and unwinding the discount over the remaining life of the creditor.

Note C: Investment property

This transitional adjustment relates to the reclassification of certain tangible fixed assets to investment property, the reversal of the related depreciation, and the restatement of that property to fair value through profit or loss.

Note D: Defined benefit pension scheme

This transitional adjustments relates to a change in the measurement of income from plan assets that is recognised through profit or loss. The profit or loss amount has been restated by applying a "discount rate" to the opening plan assets balance as opposed to an "expected return rate". The measurement difference arising has been recognised as part of the actuarial gains and losses through other comprehensive income.

Note E: Exchange differences arising on translation of foreign operations

This adjustment relates to the reclassification of exchange differences arising on translation of foreign operations from equity to other comprehensive income. Note that this is not an FRS 102 adjustment; it is a presentational correction.

Note F: Reclassification of debtors

This adjustment reclassifies related party debtors from non-current to current in accordance with the contractual terms in place. This adjustment has resulted in a reclassification of £1,662k in the statement of financial position as at 31 December 2014. Note that this is not an FRS 102 adjustment; it is a presentational correction.

Note G: Reclassification of creditors

This adjustment reclassifies related party creditors from non-current to current in accordance with the contractual terms in place. This adjustment has resulted in a reclassification of £8,100k in the statement of financial position as at 31 December 2014. Note that this is not an FRS 102 adjustment; it is a presentational correction.

Notes to the financial statements

For the year ended 31 December 2015

32 Explanation of transition to FRS 102 (continued)

Company

Reconciliation of equity

	Note	As at 31 December 2014 £'000	As at 1 January 2014 £'000
Equity reported under previously extant UK GAAP		47,347	47,076
Transitional adjustments:			
- Present value of creditors	G	2,445	3,053
- Defined benefit pension scheme	H	(18,404)	(16,218)
- Deferred tax on defined benefit pension scheme	I	3,681	3,244
Equity reported under FRS 102		<u>35,069</u>	<u>37,155</u>

Reconciliation of profit/(loss)

	Note	For year ended 31 December 2014 £'000
Profit reported under previously extant UK GAAP		271
Transitional adjustments:		
- Present value of creditors	G	(608)
- Defined benefit pension scheme	H	181
- Deferred tax on defined benefit pension scheme	I	(36)
Profit reported under FRS 102		<u>(192)</u>
Other comprehensive income reported under previously extant UK GAAP		-
Transitional adjustments:		
- Defined benefit pension scheme	H	(2,367)
- Deferred tax on defined benefit pension scheme	I	473
Other comprehensive income reported under FRS 102		<u>(1,894)</u>
Total comprehensive income reported under previously extant UK GAAP		<u>271</u>
Total comprehensive income reported under FRS 102		<u>(2,086)</u>

Notes to the financial statements

For the year ended 31 December 2015

32 Explanation of transition to FRS 102 (continued)

Note G: Present value of creditors

This transitional adjustment relates to the restatement of loans due to related party companies that are entered into at a below market rate of interest. The adjustment restates the carrying amount to present value by discounting the future cash flows at a market rate of interest for a similar debt instrument, and unwinding the discount over the remaining life of the creditor.

Note H: Defined benefit pension scheme

This transitional adjustment relates to the recognition of the Group defined benefit pension scheme, of which the Company is the sponsoring entity. This was previously accounted for as a defined contribution scheme by the Company and recognised as a defined benefit pension scheme only in the consolidated financial statements.

Note I: Deferred tax on defined benefit pension scheme

This transitional adjustments relates to the recognition of deferred tax arising on the defined benefit pension scheme adjustment, as set out in Note H above.