

Registration number: 03897526

IKO U.K. Limited

Annual report and consolidated financial statements

for the year ended 31 December 2016

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IKO U.K. Limited

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IKO U.K. Limited

Company information

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

Company secretary TCSS Limited

Registered office Appley Lane North
 Appley Bridge
 Wigan
 Lancashire
 WN6 9AB

Auditor Deloitte LLP
 Statutory Auditor
 2 Hardman Street
 Manchester
 M3 3HF

IKO U.K. Limited

Strategic report

For the year ended 31 December 2016

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 2016.

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 revenue has increased by 5.7% from the prior year and the profit before taxation amounted to £23,518k (2015: £20,603k). It should be noted that these are the consolidated financial statements and therefore there are many factors impacting the movement in results. For detailed information regarding the movements on trading results, the subsidiary trading financial statements should be reviewed. A full listing of the subsidiary undertakings is included within note 17. Overall, the main reason for the increase in revenue is due to the stronger € vs. £ following the Brexit vote during the year.

An analysis of sales is given in note 4 to the financial statements.

The balance sheet in the financial statements shows that the group's financial position at the year-end has further strengthened and is in a net assets position of £121.1m. As noted above, these are the consolidated financial statements and therefore there are many factors impacting the movement in net assets. For detailed information regarding the movements, the subsidiary trading financial statements should be reviewed. A full listing of the subsidiary undertakings is included within note 17.

During September, the group acquired 100% of the issued share capital of Pure Asphalt Limited. This has contributed additional turnover of £166k and a loss for the period post acquisition of £36k. More information is included within note 18.

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, increase in raw material prices and the availability of cheap imports from abroad has been, and will continue to be, a challenge for the group.

Principal risks and uncertainties

Trading risks

The current economical & political climate and outlook in combination with the competitive pressure in the market place and variability in cost of raw material prices 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. There were no open contracts at the year end (2015: same).

IKO U.K. Limited

Strategic report (continued) For the year ended 31 December 2016

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 2016, other than those provided in the financial statements.

Financial key performance indicators

Despite some challenging trading conditions during the year, revenue increased by 5.7% from 2015. This increase in revenue together with improved efficiencies, particularly within manufacturing, along with strong cost control were key factors behind the increase in profit compared to 2015.

The company uses a range of performance indicators to monitor business performance. Some of the key financial performance indicators are:

	2016	2015
Gross margin	28.4%	27.7%
Trading margin	9%	8.3%
Return on equity	19.4%	19.6%
Debtor days	65	63
Stock holding days	54	53

For more detailed information regarding the key performance indicators refer to the individual subsidiary financial statements.

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 by the Board on 29/9/17 and signed on its behalf by:



F. Hautman
Director

IKO U.K. Limited

Directors' report

For the year ended 31 December 2016

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 2016.

Results and dividends

The Group profit for the financial year after taxation amounted to £18,826k (2015: £15,587k).

The directors cannot recommend a dividend (2015: £nil).

Directors

The directors who served throughout the year and in the proceeding period, were as follows:

H Koschitzky

S Koschitzky

J Koschitzky

F Hautman

D Koschitzky

A B 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.

Charitable and political donations

Charitable donations in the UK totalled £9,000 (2015: £6,000). No political contributions were made in the current year (2015: £nil).

Going concern

The objective of the group's financial management is to manage the financial risk at acceptable levels.

The directors consider that the current economic environment whilst difficult is still favorable to facilitate a steady increase in business confidence within which we can improve returns on capital. The group benefits from the regional spread, diverse customer base, product range and service offering across its portfolio of trading businesses providing a spread of risk. The board continues to employ its strategy of maintaining turnover while closely monitoring margins, overheads and cash flow.

The group's balance sheet on page 10 shows net current assets of £94.3m (2015: £74.8m) and net assets of £121.1m (2015: £104.7m).

The group's and the company's forecasts and projections taking into consideration the current economic environment, show the group and the company continuing to remain profitable. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

IKO U.K. Limited

**Directors' report (continued)
For the year ended 31 December 2016**

Employees:

Disabled employees

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

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal meetings throughout the year and the group holds 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, Deloitte LLP, will be proposed for appointment in accordance with section 485 of the Companies Act 2006.

Directors indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and in force at the date of this report.

Approved by the Board on 29/9/17 and signed on its behalf by:



I. Hautman
Director

IKO U.K. Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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 company will continue in business.

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

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 2016, which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and the related notes set out on pages 16 to 45. 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.

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 (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

J Boardman

Jane Boardman BSc, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF

Date: 29 September 2017

IKO U.K. Limited

Consolidated statement of comprehensive income For the year ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Revenue	4	261,211	247,100
Cost of sales		<u>(187,130)</u>	<u>(178,498)</u>
Gross profit		74,081	68,602
Administrative expenses		(16,216)	(18,030)
Distribution expenses		(33,273)	(29,131)
Other operating expenses		<u>(1,017)</u>	<u>(482)</u>
Operating profit		<u>23,575</u>	<u>20,959</u>
Profit on disposal of tangible fixed assets	5	477	517
Interest receivable and similar income	7	88	235
Interest payable and similar charges	8	<u>(622)</u>	<u>(1,108)</u>
		<u>(57)</u>	<u>(356)</u>
Profit before taxation	6	23,518	20,603
Taxation	12	<u>(4,692)</u>	<u>(5,016)</u>
Profit for the financial year		<u>18,826</u>	<u>15,587</u>
Profit attributable to:			
Owners of the company		18,406	15,242
Non-controlling interest		<u>420</u>	<u>345</u>
		<u>18,826</u>	<u>15,587</u>
Other comprehensive income			
Remeasurements arising on defined benefit pension scheme		(12,562)	3,362
Deferred tax movement relating to remeasurement on defined benefit pension scheme		1,801	(907)
Exchange differences arising on translation of foreign operations		<u>8,461</u>	<u>(3,188)</u>
Total comprehensive income for the year		<u>16,526</u>	<u>14,854</u>
Profit for the period attributable to:			
Owners of the parent company		16,106	14,513
Non-controlling interests		<u>420</u>	<u>341</u>
		<u>16,526</u>	<u>14,854</u>

The above results were derived from continuing operations.

The notes on pages 16 to 45 form an integral part of these financial statements.

IKO U.K. Limited

Consolidated balance sheet As at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Goodwill	13	1,100	97
Negative goodwill	13	(18)	(22)
Tangible assets	14	54,200	46,916
Other investments	15	6,113	6,113
Investment properties	16	1,277	1,139
		<u>62,672</u>	<u>54,243</u>
Current assets			
Stocks	19	27,836	26,217
Debtors	20	61,949	54,907
Cash at bank and in hand		44,497	34,338
		<u>134,282</u>	<u>115,462</u>
Creditors: amounts falling due within one year	21	(39,886)	(40,702)
Net current assets		<u>94,396</u>	<u>74,760</u>
Total assets less current liabilities		<u>157,068</u>	<u>129,003</u>
Creditors: amounts falling due after more than one year		(6,581)	(6,397)
Provisions for liabilities	25	(1,725)	(1,731)
Deferred tax	26	(1,895)	(1,880)
Pension scheme liability	27	(25,747)	(14,297)
		<u>(29,367)</u>	<u>(17,908)</u>
Net assets		<u>121,120</u>	<u>104,698</u>
Capital and reserves			
Called-up share capital	22	47,538	47,538
Merger reserve	22	4,833	4,833
Profit and loss account	22	66,418	50,312
Equity attributable to owners of the company		<u>118,789</u>	<u>102,683</u>
Non-controlling interests		<u>2,331</u>	<u>2,015</u>
Shareholders' funds		<u>121,120</u>	<u>104,698</u>

The financial statements of IKO U.K. Limited (registration number: 03897526) were approved by the Board of directors and authorised for issue on 29/9/17 and signed on its behalf by:


F. Hautman
Director

The notes on pages 16 to 45 form an integral part of these financial statements.

IKO U.K. Limited

Company balance sheet As at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Investments	17	66,355	66,355
Current assets			
Debtors: amounts falling due within one year	20	4,423	2,623
Creditors: amounts falling due within one year	21	(128)	(64)
Net current assets		4,295	2,559
Total assets less current liabilities		70,650	68,914
Creditors: amounts falling due after more than one year		(18,255)	(16,976)
Provisions for liabilities	27	(25,747)	(14,297)
Net assets		26,648	37,641
Capital and reserves			
Called-up share capital	22	47,538	47,538
Profit and loss account	22	(20,890)	(9,897)
Shareholders' funds		26,648	37,641

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 loss for the year was £232k (2015: profit of £116k).

The financial statements of IKO U.K. Limited (registration number: 03897526) were approved by the Board of directors and authorised for issue on 29/9/2017

They were signed on its behalf by:


F Hautman
Director

The notes on pages 16 to 45 form an integral part of these financial statements.

IKO U.K. Limited

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Called-up share capital £ 000	Merger reserve £ 000	Profit and loss account £ 000	Equity attributable to the owners of the parent company £ 000	Non-controlling interests £ 000	Total shareholders' funds £ 000
At 1 January 2015	47,538	4,833	35,799	88,169	1,831	90,001
Profit for the year	-	-	15,243	15,243	344	15,587
Re-measurements arising on defined benefit pension scheme	-	-	3,362	3,362	-	3,362
Deferred tax arising on defined 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
Dividends paid	-	-	-	-	(157)	(157)
At 31 December 2015	47,538	4,833	50,312	102,682	2,015	104,698

The notes on pages 16 to 45 form an integral part of these financial statements.

IKO UK Limited

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2016

	Called-up share capital £ 000	Merger reserve £ 000	Profit and loss account £ 000	Equity attributable to the owners of the parent company £ 000	Non-controlling interests £ 000	Total shareholders' funds £ 000
At 1 January 2016	47,538	4,833	50,312	102,683	2,015	104,698
Profit for the year	-	-	18,406	18,406	420	18,826
Remeasurements arising on defined benefit pension scheme	-	-	(12,562)	(12,562)	-	(12,562)
Deferred tax arising on defined pension scheme	-	-	1,801	1,801	-	1,801
Exchange differences arising on translation of foreign operations	-	-	8,461	8,461	-	8,461
Total comprehensive income	-	-	16,106	16,106	420	16,526
Dividends paid	-	-	-	-	(104)	(104)
At 31 December 2016	47,538	4,833	66,418	118,789	2,331	121,120

The notes on pages 16 to 45 form an integral part of these financial statements.

IKO U.K. Limited

**Company statement of changes in equity
For the year ended 31 December 2016**

	Called-up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	<u>47,538</u>	<u>(12,468)</u>	<u>35,070</u>
Profit for the year	-	116	116
Remeasurement arising on defined benefit pension scheme	-	3,362	3,362
Deferred tax arising on defined benefit pension scheme	-	(907)	(907)
Total comprehensive income	<u>-</u>	<u>2,571</u>	<u>2,571</u>
At 31 December 2015	<u>47,538</u>	<u>(9,897)</u>	<u>37,641</u>
	Called-up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	<u>47,538</u>	<u>(9,897)</u>	<u>37,641</u>
Loss for the year	-	(232)	(232)
Remeasurement arising on defined benefit pension scheme	-	(12,562)	(12,562)
Deferred tax arising on defined benefit pension scheme	-	1,801	1,801
Total comprehensive income	<u>-</u>	<u>(10,993)</u>	<u>(10,993)</u>
At 31 December 2016	<u>47,538</u>	<u>(20,890)</u>	<u>26,648</u>

The notes on pages 16 to 45 form an integral part of these financial statements.

IKO U.K. Limited

Consolidated statement of cash flows
For the year ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Operating profit		23,575	20,959
Adjustment to cash flow from non-cash items:			
Depreciation and amortisation	6	5,611	5,198
Changes in fair value of investment property	16	(138)	-
Post-employment benefits less payments		(1,651)	(1,383)
Operating cash flow before movement in working capital		27,397	24,774
Increase in inventories	19	(1,415)	(1,978)
(Increase)/decrease in debtors - due within one year	20	(7,390)	1,951
Increase/(decrease) in trade and other payables	21	9,198	(3,394)
Decrease in provisions	25	(36)	(84)
Income taxes paid		(4,786)	(5,120)
Interest received		88	235
Cash flows from operating activities		23,056	16,384
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(8,712)	(3,763)
Proceeds from sale of property, plant and equipment		723	2,661
Acquisition of intangible assets	13	(2,651)	-
Cash acquired on acquisition of subsidiary	16	548	-
Net cash flows from investing activities		(10,092)	(1,102)
Cash flows from financing activities			
Movement on loans and borrowings (net)		(184)	(10,052)
Interest paid	8	(83)	(470)
Dividends to non-controlling interest		(104)	(157)
Net cash flows from financing activities		(371)	(10,679)
Net increase in cash and cash equivalents		12,593	4,603
Cash and cash equivalents at beginning of year		34,338	30,797
Effect of exchange rate fluctuations on cash held		(2,434)	(1,062)
Cash and cash equivalents at end of year		44,497	34,338
Reconciliation to cash at bank and in hand			
Cash at bank and in hand		44,497	34,338

The notes on pages 16 to 45 form an integral part of these financial statements.

IKO U.K. Limited

Notes to the financial statements for the year ended 31 December 2016

1 General information

IKO U.K. Limited ("the company") is a private limited company incorporated in England and Wales. 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 principal activities of the company and its subsidiaries are set out in the Strategic report.

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.

2 Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of accounting

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.

IKO UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to;

- disclosing intra-group transactions, as required by paragraph 7 of Section 33 Related Party Disclosures;
- 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 Balance Sheet;
- presenting a statement of cash flows, as required by Section 7 Statement of Cash Flows; and
- presenting a financial instruments note.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

2 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the results of the company and its subsidiary undertakings for the year ended 31 December 2016. 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.

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.

Revenue recognition

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:

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

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet 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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

2 Accounting policies (continued)

Foreign currency transactions and balances

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.

Business combinations

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

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.

Research and development

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

Intangible assets

Intangible fixed assets are valued at cost, and amortised on a straight line basis over their estimated useful life not exceeding 15 years. Provision is made for any impairment.

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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

2 Accounting policies (continued)

Impairment

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

Depreciation

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:

Asset class	Depreciation method and rate
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.

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.

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.

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.

Stocks

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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

2 Accounting policies (continued)

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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

2 Accounting policies (continued)

Financial liabilities - classified as basic financial instruments (continued)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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 balance sheet 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.

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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

2 Accounting policies (continued)

Leases

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.

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.

Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

3 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.

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) 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. The carrying value of investment properties at the balance sheet date was £1,277,000 (2015: £1,139,000).

(ii) Discount rate used to determine the carrying amount of the group's defined benefit obligation.

The group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

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) 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.

(ii) Estimating value in use

Where an indicator of impairment exists, the directors are required to carry 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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

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

(iii) 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.

4 Revenue

The analysis of the group's revenue is as follows:

	2016 £ 000	2015 £ 000
Sale of goods	201,061	188,605
Contracting	60,109	57,786
Provision of services	7	653
Rental income from investment property	34	56
	<u>261,211</u>	<u>247,100</u>

	2016 £ 000	2015 £ 000
United Kingdom	113,906	110,514
Belgium	78,250	69,391
Netherlands	40,645	39,161
Rest of Europe	25,058	24,934
Rest of World	<u>3,352</u>	<u>3,100</u>
	<u>261,211</u>	<u>247,100</u>

5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2016 £ 000	2015 £ 000
Gain on disposal of tangible assets	<u>477</u>	<u>517</u>

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

6 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2016 £ 000	2015 £ 000
Amortisation of intangible assets (note 13)	197	93
Depreciation of tangible assets (note 14)	5,414	5,105
Operating lease expense - land and buildings	92	266
Operating lease expense - other	421	157
Research and development cost	-	96
Foreign exchange gains/(losses)	970	(277)
Auditors remuneration (note 11)	223	211

7 Interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest receivable on amounts due from related parties	-	46
Interest receivable on cash at bank	85	175
Other interest receivable	3	14
	88	235

8 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest payable on amounts due to related parties	69	338
Interest payable on bank loans and overdraft	13	123
Interest payable on other loans	1	9
Interest on net defined benefit pension obligation	539	638
	622	1,108

9 Staff costs

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

	2016 No.	2015 No.
Production	574	627
Sales	270	277
Administration	216	200
	1,060	1,104

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

9 Staff costs (continued)

Their aggregate remuneration comprised:

	2016 £ 000	2015 £ 000
Wages and salaries	30,020	28,767
Social security costs	4,443	4,300
Pension costs, defined contribution scheme (note 28)	4,770	4,517
Pension costs, defined benefit scheme (note 28)	138	182
Other post-employment benefit costs (note 28)	-	50
	<u>39,371</u>	<u>37,816</u>

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Remuneration	153	182
Pension scheme contributions to money purchase schemes	16	15
	<u>169</u>	<u>197</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2016 No.	2015 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

11 Auditor's remuneration

	2016 £ 000	2015 £ 000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	43	38
Fees payable to the company's auditor and its associates for other services to the group		
The audit of the group's subsidiaries	129	170
Other fees to auditors	51	3
Total audit fees	<u>223</u>	<u>211</u>

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

12 Tax on profit on ordinary activities

The tax charge comprises:

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	988	1,931
UK corporation tax adjustment to prior periods	(61)	(59)
	927	1,872
Foreign tax	3,686	3,123
Foreign tax adjustment to prior periods	9	(67)
Total current tax	4,622	4,928
Deferred tax		
Arising from origination and reversal of timing differences	319	180
Adjustments in respect of prior years	(249)	(92)
Total deferred taxation	70	88
Total tax on profit on ordinary activities	4,692	5,016

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015: higher than the standard rate of corporation tax in the UK) of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit on ordinary activities before tax	23,518	20,603
Tax on profit of ordinary activities at standard UK corporation tax rate of 20% (2015: 20%)	4,704	4,172
Effects of:		
Expense not deductible for tax purposes	528	735
Non taxable income	(1,288)	(423)
Difference between UK and overseas tax rates	963	818
Adjustments to tax charge in respect of prior years	(300)	(218)
Movements in deferred tax not recognised	(118)	(68)
Tax charge for the year	4,489	5,016

The standard rate of tax applied to reported profit on ordinary activities was 20.00 per cent (2015: 20.25 per cent). The Finance Act 2016, which was substantively enacted in October 2016, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 17% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

13 Intangible assets

Group

	Goodwill £ 000	Negative goodwill £ 000	Total £ 000
Cost or valuation			
At 1 January 2016	29,220	(37)	29,183
Acquisitions (note 19)	1,191	-	1,191
Foreign exchange movements	96	-	96
At 31 December 2016	<u>30,507</u>	<u>(37)</u>	<u>30,470</u>
Amortisation			
At 1 January 2016	29,123	(15)	29,108
Amortisation charge	201	(4)	197
Foreign exchange movements	83	-	83
At 31 December 2016	<u>29,407</u>	<u>(19)</u>	<u>29,388</u>
Net book value			
At 31 December 2016	<u>1,100</u>	<u>(18)</u>	<u>1,082</u>
At 31 December 2015	<u>97</u>	<u>(22)</u>	<u>75</u>

The company does not have any intangible assets.

Acquisitions are in relation to the acquisition of Pure Asphalt Company Limited on 8 September 2016 (see note 18).

Negative goodwill is being amortised over 10 years which is equal to the period over which the related non-monetary assets of the acquired business are being depreciated.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

14 Tangible assets

Group

	Land and buildings £ 000	Plant, Machinery and Vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2016	38,330	43,983	82,313
Additions	5,007	4,285	9,292
Disposals	(30)	(1,361)	(1,391)
Foreign exchange movements	3,926	3,895	7,821
At 31 December 2016	47,233	50,802	98,035
Depreciation			
At 1 January 2016	9,315	26,082	35,397
Charge for the year	973	4,441	5,414
Eliminated on disposal	1	(1,146)	(1,145)
Foreign exchange movements	1,681	2,488	4,169
At 31 December 2016	11,970	31,865	43,835
Net book value			
At 31 December 2016	35,263	18,937	54,200
At 31 December 2015	29,015	17,901	46,916

The company does not have any tangible assets.

15 Other investments

	Group 2016 £ 000	2015 £ 000
At 1 January 2016 and 31 December 2016	6,113	6,113

The company does not have any other investments.

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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

16 Investment properties

Group	
Fair value	£,000
At 1 January 2016	1,139
Increase in fair value	<u>138</u>
At 31 December 2016	<u>1,277</u>

The company does not have any investment properties.

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

	2016	2015
	£ 000	£ 000
Cost	874	874
Accumulated depreciation	<u>(166)</u>	<u>(150)</u>
Carrying value	<u>708</u>	<u>724</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 2016 were made by Ryden LLP, Naylor's Chartered Surveyors, Roberts & Roberts Chartered Surveyors, and Ayers & Cruiks on an open market value for existing use basis. As set out in note 4, property rental income earned during the year was £34,000 (2015: £56,000).

17 Fixed asset investments

	Company	
	2016	2015
	£ 000	£ 000
Investments in subsidiaries	<u>66,355</u>	<u>66,355</u>
Company		
Subsidiaries		£ 000
Cost or valuation		
At 1 January 2016 and 31 December 2016		<u>66,355</u>
Net book value		
At 31 December 2015 and 31 December 2016		<u>66,355</u>

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

17 Fixed asset investments (continued)

Name	Country of incorporation	Nature of business	Proportion of share capital held
Direct subsidiary undertakings			
IKO Holdings Plc (registration number: 02446447)**	United Kingdom	Holding company	100%
The Waterproofing Group PLC (Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB), reg. 04278415	United Kingdom	Dormant	100%
Indirect subsidiary undertakings			
IKO Plc (registration number: 02678296)**	United Kingdom	Manufacture of waterproofing products	100%
IKO Limited (Unit 502, Northwest Business Park, Ballycoolin, Dublin 15)	Ireland	Distribution of waterproofing products	100%
Irish Roofing Felts Limited (Unit 502, Northwest Business Park, Ballycoolin, Dublin 15)	Ireland	Dormant	100%
Specialist Waterproofing Group Limited* (registration number: 04246517) The Old Townshend Arms, 14 Wells Road, Wells Next The Sea, Norfolk, NR23 1AJ	United Kingdom	Holding company	40%
William Briggs & Sons Limited (registration number: 02548605) Amaso House, 101 Powke Lane, Cradley Heath, West Midlands, B64 5PX	United Kingdom	Holding company	76%
Maurice Hill Limited (registration number: I0904346) The Lexicon, Mount Street, Manchester, M2 5NT	United Kingdom	Dormant	100%
Briggs Amasco Limited (registration number: 03541311) Typhoon Building, Oakcroft Road, Chessington KT9 1RH	United Kingdom	Roofing and cladding services	100%
Ruberoid International Limited (registration number: 02860994) Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB	United Kingdom	Holding company	100%

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

17 Fixed asset investments (continued)

Durastic Roofing & Cladding (Northern Ireland) Limited (registration number: NI035378) 12-16 Sanda Road, Whitehouse, Newtownabbey, BT37 9UB	United Kingdom	Roofing and cladding services	100%
K&L Invest SA (D'Herbouvillekaai 80, 2020 Antwerp), reg. 0478476452	Belgium	Installation of roofing products	75.2%
Victor Tortolani Sprl (Rue de l'Abattoir 147, 4040 Herstal), reg. 0406175325	Belgium	Installation of roofing products	75.2%
Tortoloni SA Plc (Rue de Lodelinsart 58-60, 6040 Jumet (Clarléroi, Belgium), reg. 0451320610	Belgium	Installation of roofing products	75.2%
Tortoloni Bruxelles SA (Avenues des saisons 100, 1050 Ixelles), reg. 0472265878	Belgium	Installation of roofing products	75.2%
IKO NV (D'Herbouvillekaai 80, 2020 Antwerp), reg. 0406317459	Belgium	Manufacture and installation of waterproofing products	100%
Asbo NV (D'Herbouvillekaai 80, 2020 Antwerp), reg. 0458131889	Belgium	Manufacture and installation of waterproofing products	70%
Asphaltco NV, (Brucargo 129, Haachtsesteenweg 199a, 1820 Steenokkerzeel), reg. 0400456184	Belgium	Manufacture of building chemicals and distribution and installation of waterproofing products	99.5%
Briggs Roofing & Cladding Limited (Unit 502, Northwest Business Park, Ballycoolin, Dublin 15)	Ireland	Roofing and cladding services	100%
IKO Holdings BV (Wielewaalweg 1, 4791 PD Klundert), reg. 23057374	Netherlands	Holding company	100%
Bitasco Trading BV (Wielewaalweg 1, 4791 PD Klundert), reg. 20112848	Netherlands	Distribution of roofing products	100%
IKO Insulations BV (Wielewaalweg 1+3, 4791 PD Klundert), reg. 20117454	Netherlands	Distribution of roofing products	100%
IKO BV (Wielewaalweg 1, 4791 PD Klundert), reg. 23026078	Netherlands	Distribution of roofing products	100%
Touweli & Co BV (Oostzijde 300, 1508 ET Zaandam), reg. 35017324	Netherlands	Manufacture of paints and wood preservative	100%

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

17 Fixed asset investments (continued)

ATAB NV (Zwaluwbek 7, 9120 Beveren), reg. 0629893551	Belgium	Manufacture and installation of waterproofing products	100%
Ruberoïd Pension Trustee Limited (registration number: 06024169) 14 Wells Road, Stiffkey, Wells-Next-The-Sea, Norfolk, NR23 1AJ	United Kingdom	Dormant	100%
Ruberoïd Works Pension Trustee Limited (registration number: 06024217) Toss Limited, 14 Wells Road, Stiffkey, Wells-Next-The-Sea, Norfolk, NR23 1AJ	United Kingdom	Dormant	100%
Pure Asphalt Company Limited (reg. 02983959), Burnden Works, Burnden Road, Bolton, Greater Manchester, BL3 2RD	United Kingdom	Roofing and cladding	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.

** Registered office: Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

18. Acquisitions

Acquisition of subsidiary undertakings

On 8 September 2016, the group acquired 100% of the issued share capital of Pure Asphalt Company Limited. The fair value of the total consideration was £2.6 million. The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £ 000	Revaluation £ 000	Fair value £ 000
Fixed assets			
Tangible assets	580	-	580
Current assets			
Stocks	204	-	204
Debtors	697	-	697
Cash	548	-	548
Total assets	2,029	-	2,029
Creditors	(539)	-	(539)
Provision for liabilities	(30)	-	(30)
Net assets	1,460	-	1,460
Goodwill			1,191
			2,651
Satisfied by:			
Cash consideration			2,250
Acquisition costs			401
			2,651

19. Stocks

	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Raw materials and consumables	8,875	7,153	-	-
Finished goods and goods for resale	18,961	19,064	-	-
	27,836	26,217	-	-

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

19 Stocks (continued)

There is no difference between the replacement value and the carrying value.

During the year a reversal to the provision for the impairment of stock of £165k (2015: £105k) was made which was recognised within cost of sales within the income statement. This adjustment arose as part of the routine year end provisioning process.

20 Debtors

		Group		Company	
	Note	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Amounts falling due within one year:					
Trade debtors		46,891	42,917	-	-
Amounts recoverable on contracts		876	905	-	-
Amounts due from related parties	29	3,462	203	-	-
Other debtors		2,572	3,279	-	-
Prepayments and accrued income		1,965	1,672	-	-
Deferred tax assets	12	5,543	3,505	4,423	2,623
Corporation tax	12	553	1,056	-	-
		<u>61,862</u>	<u>53,537</u>	<u>4,423</u>	<u>2,623</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 (2015: same).

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

	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Amounts falling due after more than one year:				
Amounts due from related parties	<u>87</u>	<u>1,370</u>	<u>-</u>	<u>-</u>
Total debtors	<u>61,949</u>	<u>54,907</u>	<u>4,423</u>	<u>2,623</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 (2015: same).

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

21 Creditors

Note	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Creditors: amounts falling due within one year				
Trade creditors	16,574	14,873	-	-
Amounts due to related parties	29 8,289	11,012	-	-
Social security and other taxes	5,220	4,254	-	-
Other creditors	-	436	-	-
Accrued expenses	5,999	6,219	128	64
Corporation tax	12 3,315	3,690	-	-
Payments on account	489	218	-	-
	<u>39,886</u>	<u>40,702</u>	<u>128</u>	<u>64</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 (2015: same).

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

Note	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Creditors: amounts falling due after more than one year				
Loans and borrowings	23 <u>6,581</u>	<u>6,397</u>	<u>18,255</u>	<u>16,976</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 (2015: same).

22 Called-up share capital and reserves

Allotted, called-up and fully paid shares

	No.	2016 £ 000	No.	2015 £ 000
Ordinary shares of £1 each	<u>47,537,676</u>	<u>47,538</u>	<u>47,537,676</u>	<u>47,538</u>

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

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Notes to the financial statements (continued) for the year ended 31 December 2016

22 Called-up share capital and reserves (continued)

The group and company's other reserves are as follows:

Profit and loss

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

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.

Non-controlling interest

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

23 Loans and borrowings

Borrowings are repayable as follows:

	Group		Company	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Loans and borrowings				
Between two and five years	1,374	84	18,225	16,976
After five years	8,198	6,313	-	-
	<u>9,572</u>	<u>6,397</u>	<u>18,225</u>	<u>16,976</u>

24 Obligations under leases and hire purchase contracts

Group

Operating leases

At 31 December 2016, the group had minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Not later than one year	361	277	-	41
Later than one year and not later than five years	1,004	416	13	36
Later than five years	343	480	-	-
	<u>1,708</u>	<u>1,173</u>	<u>13</u>	<u>77</u>

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

25 Provisions

Group

	Product warranties £ 000	Environment provision £ 000	Other provisions £ 000	Total £ 000
At 1 January 2016	425	835	471	1,731
Charged to profit and loss account	(45)	148	(109)	(6)
At 31 December 2016	<u>380</u>	<u>983</u>	<u>362</u>	<u>1,725</u>

The company did not have any provisions.

The warranty provision covers future product costs and claims arising in the normal course of business from prior period sales. The environment 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.

26 Deferred tax

Deferred tax is provided as follows:

Group

	Deferred tax £ 000	2015 £ 000
At 1 January	(1,625)	(2,591)
Acquisitions	30	-
Prior year adjustments	(248)	(92)
Exchange adjustments	(323)	(29)
Charged to the statement of comprehensive income	319	180
Charged to other comprehensive income	(1,801)	907
At 31 December 2016	<u>(3,648)</u>	<u>(1,625)</u>

	2016 £ 000	2015 £ 000
Accelerated capital allowances	2,324	2,327
Defined benefit pension scheme	(4,423)	(2,573)
Tax losses carried forward	(1,891)	(1,713)
Other timing differences	342	334
	<u>(3,648)</u>	<u>(1,625)</u>

IKO U.K. Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2016**

26. Deferred tax (continued)

	2016 £ 000	2015 £ 000
Deferred tax asset	(5,543)	(3,505)
Deferred tax liabilities	1,895	1,880
	<u>(3,648)</u>	<u>(1,625)</u>

Company

	2016 £ 000	2015 £ 000
At 1 January	(2,623)	(3,736)
Charged to the statement of comprehensive income	-	206
Charged to other comprehensive income	(1,801)	907
	<u>(4,424)</u>	<u>(2,623)</u>

	2016 £ 000	2015 £ 000
Defined benefit pension scheme	(4,377)	(2,573)
Other timing differences	(47)	(50)
	<u>(4,424)</u>	<u>(2,623)</u>

	2016 £ 000	2015 £ 000
Deferred tax asset	<u>(4,424)</u>	<u>(2,623)</u>

27. Employee benefits

Group and Company

	Employee benefits £ 000
At 1 January 2016	14,297
Net interest expense	539
Remeasurements	12,562
Administration costs	138
Employer contributions	<u>(1,789)</u>
At 31 December 2016	<u>25,747</u>

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

27 Employee benefits (continued)

A deferred tax asset of £4,424k (2015: £1,713k) 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 2016 is not material (2015: same).

28 Post-employee benefits

Defined contribution pension schemes

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 £4,770k (2015: £4,517k).

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 £1,789k (2015: £1,615k).

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.

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

28 Post-employee benefits (continued)

The Scheme is subject to the Statutory Funding Objective under the Pension Scheme Act 2004. The amounts recognised are as follows:

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2016 £ 000	2015 £ 000
Fair value of scheme assets	62,313	57,823
Present value of defined benefit obligation	(88,060)	(72,120)
Defined benefit pension scheme deficit	<u>(25,747)</u>	<u>(14,297)</u>

The amounts recognised in profit or loss are as follows:

	2016 £ 000	2015 £ 000
Current service cost	138	182
Past service cost	-	50
Net interest expense (note 8)	539	638
	<u>677</u>	<u>870</u>

The amounts recognised in comprehensive income are as follows:

	2016 £ 000	2015 £ 000
(Gain)/loss on scheme assets in excess of interest	(5,089)	1,693
Experience gains on liabilities	(738)	(1,539)
Losses from changes to financial assumptions	18,389	(3,516)
	<u>12,562</u>	<u>(3,362)</u>

Defined benefit obligation

Movements in the present value of defined benefit obligations were as follows:

	2016 £ 000	2015 £ 000
At 1 January	72,120	77,501
Past service cost	-	50
Interest cost	2,795	2,735
Actuarial gains and losses	(738)	(1,539)
Benefits paid	(4,506)	(3,111)
Changes to financial assumptions	18,389	(3,516)
At 31 December	<u>88,060</u>	<u>72,120</u>

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

28 Post-employee benefits (continued)

Fair value of scheme assets

Movements in the fair value of scheme assets were as follows:

	2016 £'000	2015 £'000
At 1 January	57,823	59,097
Interest income	2,256	2,097
Return on plan assets, excluding amounts included in interest income	5,089	(1,693)
Contributions by scheme participants	1,789	1,615
Benefits paid	(4,506)	(3,111)
Administration costs	(138)	(182)
At 31 December	62,313	57,823

Analysis of assets

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

	2016 %	2015 %
Equities	28	24
Property	5	5
Giltis	4	4
Bonds	10	7
Cash	-	1
Bulk annuity policy	44	43
Absolute return funds	9	16
	100	100

The return on plan assets was approximately £7,345,000 (2015: £404,000).

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

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

28 Post-employee benefits (continued)

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

	2016	2015
	%	%
Discount rate	2.80	4.00
Retail Price Index (RPI) inflation	3.70	3.40
Consumer Price Index (CPI) inflation	2.70	2.40
RPI max 5% pension increases	3.60	3.30
RPI max 3% pension increases	-	2.70
Revaluation in deferment	2.70	2.40
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	

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.

29 Related party transactions

Group

	2016	2015
	£'000	£'000
Sales to fellow subsidiaries	3,377	2,649
Interest receivable from fellow subsidiaries	1,741	46
Total	5,118	2,695

Group

	2016	2015
	£'000	£'000
Purchases from fellow subsidiaries	6,328	10,620
Interest payable to parent company	-	224
Interest (receivable)/payable to fellow subsidiaries	(270)	114
Interest payable to subsidiary undertakings	-	-
Total	6,058	10,958

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

29 Related party transactions (continued)

Group

	2016	2015
	£'000	£'000
Amounts due from fellow subsidiaries	3,550	1,573
Total	3,550	1,573
	2016	2015
	£'000	£'000
Group		
Amounts due to the parent company	6,535	8,342
Amounts due to fellow subsidiaries	8,288	8,983
Amounts due to subsidiary undertakings		
Total	14,823	17,325

30 Financial instruments

Group

The carrying values of the group's financial assets and liabilities are summarised by category below:

	2016	2015
	£ 000	£ 000
Financial assets		
• Cash at bank and in hand	44,497	34,338
Measured at undiscounted amount receivable		
• Trade and other debtors (see note 20)	61,949	54,907
Equity instruments measured at cost less impairment		
• Fixed asset investments in unlisted equity instruments (see note 16)	6,113	6,113
	112,559	95,358

IKO U.K. Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

30 Financial instruments (continued)

	2016 £ 000	2015 £ 000
Financial liabilities		
Measured at amortised cost		
• Loans payable (see note 21)	6,581	6,397
Measured at undiscounted amount payable		
• Trade and other creditors (see note 21)	39,886	40,702
	<u>46,467</u>	<u>47,099</u>

31 Parent and ultimate parent undertaking

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. The registered office address of IKO UK Limited is as set out on page 1.