

Registration number: 03897526

IKO U.K. Limited

Annual report and consolidated financial statements

for the year ended 31 December 2019



IKO U.K. Limited

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IKO U.K. Limited

Company information

Directors	H Koschitzky
	J Koschitzky
	F Hautman
	A Carlyle
Company secretary	TCSS Limited
Registered office	Appley Lane North
	Appley Bridge
	Wigan
	Lancashire
	WN6 9AB
Auditors	Deloitte LLP
	Statutory Auditor
	Manchester

IKO U.K. Limited

Strategic report For the year ended 31 December 2019

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 2019.

Principal activity

The principal activity of the company is being the holding company (or parent) of an integrated group of companies engaged principally in the manufacture, distribution and installation of bitumen-based waterproofing systems and building products.

The group also manufactures and sells insulation products.

Review of the business

As shown in the group's profit and loss account, the group's turnover has increased by 3.3% from the prior year to £309,132k (2018: £299,230k). The Gross profit margin as % of sales remains stable at 28.1% (2018: 28.7%). The profit before taxation decreased by 16% to £24,360k (2018: £28,185k) mainly due to £4,421k relating to winding down the Tortolani contracting business in Belgium, consisting of £2,003k operating losses and £2,418k impairment losses incurred. 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 turnover increase was a combination of effective growth in sales volume, sales price increase, market growth and the impact of pound sterling ("GBP") vs Euro exchange rate evolution. The increase in sales prices is due to general increases across the market. A significant number of group entities operate in the Euro-zone, while GBP is the group reporting currency, therefore part of the increase in margin is attributable to GBP getting stronger compared to the Euro in 2019, as a result of the mix of anticipation of the Brexit impact by the financial markets and the general economic climate. The currency impact for 2019 is estimated at 1% (compared to 1% in 2018). The group's debtors balance has increased by 17%, as result of increased short term borrowings of cash excess, to other IKO EU group companies, (see note 19) following interest rate developments in the local financial markets. The group creditors increased by 3%.

An analysis of turnover 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 £179,221k (2018: £161,937k). As result of the activity growth and the sustained strong operating performance, focus on cash and optimizing working capital, the group managed further growth in net current assets from £117,349k in 2018 to £133,256k in 2019, and closing the year 2019, with a net cash position amounting to £49,662k (2018 : £48,408k).

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 have been, and will continue to be, a challenge for the group.

Principal risks and uncertainties

Trading risks

The current economical and 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.

IKO U.K. Limited

Strategic report For the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Exchange rates and interest rates are monitored on a regular basis by the directors, no hedge accounting is adopted by the entity.

Credit risk

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

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

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

Liquidity risk

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

Exchange risks

The group purchases raw materials from, and sells products to, 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 subject to Board approval. No such contracts were entered into in 2019, there were no open contracts at the year end (2018: same).

Financial risks

The group is funded by the wider IKO group with related party debt of £7,000k (2018: £7,000k). The group also has a pension scheme liability of £18,729k (2018: £18,833k). The group has sufficient cash for its business needs and can therefore manage future debt and pension repayments from its cash and working capital funds.

Liability risks

There is no known exposure to legal claims as of 31 December 2019, other than those provided in the financial statements.

Financial key performance indicators

Despite some challenging trading conditions during the year, turnover increased by 3.3% from 2018.

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

	2019	2018
Gross margin	28.1%	28.7%
Trading margin	8.0%	9.4%
Return on equity	9.5%	12.7%
Debtor days	66	70
Stock holding days	51	54

IKO U.K. Limited

Strategic report For the year ended 31 December 2019 (continued)

Financial key performance indicators (continued)

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 reflect the nature of their operations and can include measuring on-time deliverables, order fulfilment, customer complaints, production efficiencies and overhead expenditure.

Brexit

With Brexit effective as of 1 January 2021, the period of regulatory uncertainty one faced at the end of 2020, partially extends into 2021. New business processes e.g. for customs compliance have been rolled out. The business will continue to monitor the situation throughout this period so that we are prepared to react to new opportunities, risks and challenges that may present themselves. Management has performed detailed review of Brexit impact and implemented required administrative and ERP changes, as well as committed engagement of logistical trading partners, in order to handle the additional administrative and financial requirements for customs purposes, as the group is acquiring majority of its' raw materials from outside UK. The business activities have been resumed in January 2021 and no constraints in the UK - EU supply chain were noted.

Impact of COVID-19

In 2020, the impact and duration of COVID-19, was noted across the different geographical areas, with different timing and severity. The group did roll-out a full set of hygiene and safety measures, in line with Governmental Instructions, in order to protect the staff against potential COVID-19 infection. However we are confident that the group will continue to generate sustainable profit in 2021, despite the pandemic COVID-19 waves being experienced across the group, are unlikely to impact business operations and results in the same way the group saw in April/May 2020, overall, looking forward to positive outlook for 2021, all indicating continuing strong sales volumes for insulation boards in targeted UK and European markets, assuring sustainable plant occupation and performance in the forthcoming year, albeit in a challenging economical environment.

Section 172(1) statement

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

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

The likely consequences of any decision in the long-term

The focus on the global value of 'long term' can be demonstrated in IKO's continued capital investment in the main manufacturing facilities in the UK, the Netherlands and Belgium. These investments drive employment within local communities and also ensure IKO to have the structures in place to drive the business forward for many years to come.

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

IKO U.K. Limited

Strategic report For the year ended 31 December 2019 (continued)

Section 172(1) statement (continued)

The interests of the group's employees

The IKO groups ethos emphasises a business is only as good as its people. This value is recognised by the business having an assigned learning and development coordinator that manages the development of all employees. The employees within the business strive for personal development and career progression, areas such as this are managed within annual management development programmes, internal training courses, external courses and online courses tailored around other critical areas such as health and safety, modern slavery awareness and fraud. A key area of focus is also the health and safety of our people, with significant training hours achieved in 2019, along with health surveillance checks for our staff.

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

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

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

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

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

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

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

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

- Environmental management that complies with ISO Standards (environment management).
- Establish a defined structure of responsibility from the board to all operating units.
- Commit the necessary resources to fulfil the IKO's environmental and compliance obligations.

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

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

IKO U.K. Limited

**Strategic report
For the year ended 31 December 2019 (continued)**

Section 172(1) statement (continued)

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

IKO has a close group of family shareholders, acting as ultimate controlling party. Their interests are taken into account by the directors to promote fairness in decision making.

Approved by the Board on 16.12.22 and signed on its behalf by:



.....
F Hautman
Director

IKO U.K. Limited

Directors' report For the year ended 31 December 2019

The directors present their annual report on the affairs of IKO U.K. Limited (the "company") and its subsidiary undertakings (together the "group"), together with the financial statements and auditor's report for the year ended 31 December 2019.

Future developments and principal risks and uncertainties are included within the strategic report on pages 2 and 3, as permitted by s414C(11) of the Companies Act 2006.

Results and dividends

The group profit for the financial year after taxation amounted to £17,300k (2018: £20,596k).

The directors do not recommend a dividend (2018: £nil), to be paid by the IKO UK Group, other than the dividend of £205,000 (2018: £224,000) paid to non-controlling interests.

Directors of the group

The directors who held office during the year and up to the date of signing were as follows:

H Koschitzky

J Koschitzky

F Hautman

A Carlyle

Directors' interests

None of the directors have any declarable beneficial interest in the shares or loan capital of the company or of any subsidiary undertaking during the year. H Koschitzky, J Koschitzky, F Hautman and A Carlyle 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 £nil (2018: £9k). No political contributions were made in the current year (2018: £nil).

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

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

Credit risk

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

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

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

IKO U.K. Limited

Directors' report

For the year ended 31 December 2019 (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Going concern

The directors consider that the current economic environment, whilst difficult, is still favourable 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 14 shows net current assets of £133,256k (2018: £117,349k) and net assets of £179,221k (2018: £161,900k) including cash totalling £49,662k (2018: £48,408k).

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. Several entities of the IKO UK group, have significant business interaction with related parties of the wider IKO group, therefore, directors have considered the going concern for these as well, in making their assessment for IKO UK Group. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

COVID-19

The impact and duration of COVID-19, was noted across the different geographical areas, with different timing and severity. Since early 2020, the directors have strengthened the short term monitoring and forecasting capabilities in the operational and finance function of the group, to enable close monitoring and reaction. The directors expect continuation of the strong operational performance in the subsequent periods in 2020 despite the pandemic COVID-19 waves being experienced, as well as, positive outlook for 2021, all indicating continuing strong sales volumes, assuring sustainable plant occupation and performance in the forthcoming year.

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.

IKO U.K. Limited

Directors' report For the year ended 31 December 2019 (continued)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The auditors, Deloitte LLP are deemed to be reappointed under section 487(2) 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 are in force at the date of this report.

Events after the balance sheet date

The emergence of the COVID-19 pandemic has had a significant impact on economies and resulted in severe restrictions of movement of people across the world. The consideration of the going concern basis of accounting is described in note 2.

The divesting process and unwinding of the Tortolani business cluster, as initiated in 2018, was fully completed in the first half of 2020. The full impact however has been included in the 2019 accounts representing £2,003k operating losses and £2,418k impairment losses, as result of the formal events and decision taken in 2019.

With Brexit effective as of 1 January 2021, the period of regulatory uncertainty one faced at the end of 2020, partially extends into 2021. New business processes e.g. for customs compliance have been rolled out. The business will continue to monitor the situation throughout this period so that we are prepared to react to new opportunities, risks and challenges that may present themselves. Management has performed detailed review of Brexit impact and implemented required administrative and ERP changes, as well as committed engagement of logistical trading partners, in order to handle the additional administrative and financial requirements for customs purposes, as the group is acquiring majority of its' raw materials from outside UK. The business activities have been resumed in January 2021 and no constraints in the UK - EU supply chain were noted. At the point of signing the financial statements the directors have identified no material impact on the carrying values of the assets and liabilities disclosed on the balance sheet as at 31 December 2019.

Approved by the Board on 25/2/2020 and signed on its behalf by:

.....
E. Haugman
Director

IKO U.K. Limited

Directors' responsibilities statement

The directors acknowledge their responsibilities 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 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 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 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

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of IKO U.K. Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Elizabeth Benson Bsc, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

Date: 26 February 2021

IKO U.K. Limited

**Consolidated profit and loss account
For the year ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Turnover	4	309,132	299,230
Cost of sales		(222,188)	(213,446)
Gross profit		86,944	85,784
Administrative expenses		(22,605)	(23,236)
Distribution expenses		(38,324)	(35,718)
Other operating (expense)/income		(1,218)	1,661
Operating profit		24,797	28,491
Other gains	5	3	175
Interest receivable and similar income	6	89	34
Interest payable and similar expenses	7	(529)	(515)
		(437)	(306)
Profit before taxation	9	24,360	28,185
Tax on profit	12	(7,060)	(7,589)
Profit for the financial year		17,300	20,596
Profit for the financial year attributable to:			
Owners of the company		17,113	20,104
Non-controlling interests		187	492
		17,300	20,596
Other comprehensive income			
Deferred tax movement relating to remeasurement on defined benefit pension scheme	23	665	(444)
Remeasurement arising on defined benefit pension scheme	25	(1,720)	818
Exchange differences arising on translation of foreign operations		1,244	3,766
Total comprehensive income for the year		17,489	24,736
Total comprehensive income for the year attributable to:			
Owners of the company		17,302	24,244
Non-controlling interests		187	492
		17,489	24,736

The above results were derived from continuing operations.

The notes on pages 21 to 53 form an integral part of these financial statements.

IKO U.K. Limited

Consolidated balance sheet As at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	13	712	831
Tangible assets	14	60,982	59,600
Other investments	15	6,113	6,113
Investment properties	16	1,005	970
		<u>68,812</u>	<u>67,514</u>
Current assets			
Stocks	18	30,971	31,386
Debtors	19	110,426	93,209
Cash at bank and in hand		49,662	48,408
		<u>191,059</u>	<u>173,003</u>
Creditors: amounts falling due within one year	20	(57,803)	(55,654)
Net current assets		<u>133,256</u>	<u>117,349</u>
Total assets less current liabilities		<u>202,068</u>	<u>184,863</u>
Creditors: amounts falling due after more than one year	20	(1,290)	(1,620)
Provisions for liabilities	23	(505)	(876)
Deferred tax liabilities	23	(2,323)	(1,597)
Pension scheme liability	24	(18,729)	(18,833)
Net assets		<u>179,221</u>	<u>161,937</u>
Capital and reserves			
Called-up share capital	26	47,538	47,538
Merger reserve	26	4,833	4,833
Profit and loss account	26	124,081	106,779
Equity attributable to owners of the company		<u>176,452</u>	<u>159,150</u>
Non-controlling interests		2,769	2,787
Shareholders' funds		<u>179,221</u>	<u>161,937</u>

The financial statements of IKO U.K. Limited (registration number: 03897526) were approved and authorised by the Board on 24/2/2020 and signed on its behalf by:

F Hautman
Director

The notes on pages 21 to 53 form an integral part of these financial statements.

IKO U.K. Limited**Company balance sheet
As at 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	17	<u>62,600</u>	<u>62,655</u>
Current assets			
Debtors	19	3,611	2,941
Creditors: amounts falling due within one year	20	<u>(20,124)</u>	<u>(20,105)</u>
Net current liabilities		<u>(16,513)</u>	<u>(17,164)</u>
Total assets less current liabilities		46,087	45,491
Pension scheme liability	24	<u>(18,729)</u>	<u>(18,833)</u>
Net assets		<u>27,358</u>	<u>26,658</u>
Capital and reserves			
Called-up share capital	26	47,538	47,538
Profit and loss account	26	<u>(20,180)</u>	<u>(20,880)</u>
Shareholders' funds		<u>27,358</u>	<u>26,658</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 made a profit after tax for the financial year of £1,755k (2018: loss of £4,569k).

The financial statements of IKO U.K. Limited (registration number: 03897526) were approved and authorised by the Board on 26/12/2019 and signed on its behalf by:



.....
P. Hautman
Director

The notes on pages 21 to 53 form an integral part of these financial statements.

IKO U.K. Limited

**Consolidated statement of changes in equity
For the year ended 31 December 2019**

		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 2018		47,538	4,833	82,535	134,906	2,519	137,425
Profit for the financial year		-	-	20,104	20,104	492	20,596
Deferred tax movement relating to remeasurement on defined benefit pension scheme	23	-	-	(444)	(444)	-	(444)
Remeasurement arising on defined benefit pension scheme	25	-	-	818	818	-	818
Exchange differences arising on translation of foreign operations		-	-	3,766	3,766	-	3,766
Total comprehensive income		-	-	24,244	24,244	492	24,736
Dividends paid		-	-	-	-	(224)	(224)
At 31 December 2018		47,538	4,833	106,779	159,150	2,787	161,937

The notes on pages 21 to 53 form an integral part of these financial statements.

IKO U.K. Limited

**Consolidated statement of changes in equity
For the year ended 31 December 2019 (continued)**

		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
	Note						
At 1 January 2019		47,538	4,833	106,779	159,150	2,787	161,937
Profit for the financial year		-	-	17,113	17,113	187	17,300
Deferred tax movement relating to remeasurement on defined benefit pension scheme	23	-	-	665	665	-	665
Remeasurement arising on defined benefit pension scheme	25	-	-	(1,720)	(1,720)	-	(1,720)
Exchange differences arising on translation of foreign operations		-	-	1,244	1,244	-	1,244
Total comprehensive income		-	-	17,302	17,302	187	17,489
Dividends paid		-	-	-	-	(205)	(205)
At 31 December 2019		47,538	4,833	124,081	176,452	2,769	179,221

The notes on pages 21 to 53 form an integral part of these financial statements.

IKO U.K. Limited

Company statement of changes in equity For the year ended 31 December 2019

	Note	Called-up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018		<u>47,538</u>	<u>(16,685)</u>	<u>30,853</u>
Loss for the financial year		-	(4,569)	(4,569)
Deferred tax movement relating to remeasurement on defined benefit pension scheme	23	-	(444)	(444)
Remeasurement arising on defined benefit pension scheme	25	-	818	818
Total comprehensive income		<u>-</u>	<u>(4,195)</u>	<u>(4,195)</u>
At 31 December 2018		<u>47,538</u>	<u>(20,880)</u>	<u>26,658</u>
	Note	Called-up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019		<u>47,538</u>	<u>(20,880)</u>	<u>26,658</u>
Profit for the financial year		-	1,755	1,755
Deferred tax movement relating to remeasurement on defined benefit pension scheme	23	-	665	665
Remeasurement arising on defined benefit pension scheme	25	-	(1,720)	(1,720)
Total comprehensive income		<u>-</u>	<u>700</u>	<u>700</u>
At 31 December 2019		<u>47,538</u>	<u>(20,180)</u>	<u>27,358</u>

The notes on pages 21 to 53 form an integral part of these financial statements.

IKO U.K. Limited

**Consolidated cash flow statement
For the year ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Operating profit		24,797	28,491
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	9	4,391	5,114
Changes in fair value of investment property	16	(35)	60
Post-employment benefits less payments		(2,332)	(1,871)
Effect on unrealised foreign exchange movements		(103)	-
Operating cash flow before movement in working capital		26,718	31,794
Decrease in stocks	18	415	3,454
Decrease/(increase) in debtors	19	1,599	(2,991)
Increase in creditors	20	3,096	12,601
Decrease in provisions	23	(371)	(1,052)
Income taxes paid		(6,788)	(7,561)
Gain on disposal of property, plant and equipment	5	3	175
Interest received	6	89	34
Net cash flows from operating activities		24,761	36,454
Cash flows from investing activities			
Acquisitions of tangible assets	14	(5,926)	(6,202)
Proceeds from sale of tangible assets	14	375	109
Net cash flows used in investing activities		(5,551)	(6,093)
Cash flows from financing activities			
Interest paid	7	(21)	(38)
Increase in related party borrowing		(18,190)	(23,677)
Dividends paid		(205)	-
Net cash flows used in financing activities		(18,416)	(23,715)
Net increase in cash and cash equivalents		794	6,646
Cash and cash equivalents at 1 January		48,408	41,238
Effect of exchange rate fluctuations on cash held		460	524
Cash and cash equivalents at 31 December		49,662	48,408

The notes on pages 21 to 53 form an integral part of these financial statements.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019

1 General information

IKO U.K. Limited (the 'company') is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered 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 is the manufacture, distribution and installation of bitumen-based waterproofing systems and building products.

The group's functional currency is pounds sterling, being the currency of the primary economic environment in which the group operates. The financial statements are presented in pounds sterling.

The following dormant subsidiaries of the company have taken advantage under section 349A of the Companies Act 2006 exemption from preparing individual accounts. These subsidiaries are exempt from the requirement to prepare individual accounts by virtue of this section.

Name	Companies House Registration Number
Direct subsidiary undertakings	
The Waterproofing Group PLC	04278415
Ruberoid Pension Trustee Ltd	06024169
Ruberoid Works Pension Trustee Limited	06024217
Indirect subsidiary undertakings	
Ruberoid Pension Trustee Limited	06024169
Ruberoid Works Pension Trustee Limited	06024217
Roof Integrity Limited	11581646

2 Accounting policies

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") issued by the Financial Reporting Council ("FRC"). These financial statements have been prepared under the historical cost convention, as modified for the fair value of investment properties, as explained in the accounting policies below. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The group has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the group.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Basis of accounting (continued)

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.

The company 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 statement of cash flows, as required by Section 7 Statement of Cash Flows;
- presenting a financial instruments note; and
- presenting key management personnel remuneration.

These financial statements do not include a net debt disclosure note, because the group has a significant positive net cash position and is not relying on external or bank financing.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. 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.

A subsidiary undertaking, Pure Asphalt Limited is included within the consolidation in full, despite having a 30 June 2019 year end, as the management deemed its results to be immaterial to the group.

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 at least twelve months from the date of approval of these financial statements 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.

The directors consider that the current economic environment, whilst difficult, is still favourable 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. Several entities of the IKO UK group, have significant business interaction with related parties of the wider IKO group, therefore, directors have considered the going concern for these as well, in making their assessment for IKO UK Group. 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 14 shows net current assets of £133,256k (2018: £117,349k) and net assets of £179,221k (2018: £161,900k) including cash totalling £49,662k (2018: £48,408k).

Notes to the financial statements
For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

COVID-19

The impact and duration of COVID-19, was noted across the different geographical areas, with different timing and severity. Since early 2020, the directors have strengthened the short term monitoring and forecasting capabilities in the operational and finance function of the group, to enable close monitoring and reaction. The directors expect continuation of the strong operational performance in the subsequent periods in 2020 despite the pandemic COVID-19 waves being experienced, as well as, positive outlook for 2021, all indicating continuing strong sales volumes, assuring sustainable plant occupation and performance in the forthcoming year.

Turnover

Turnover 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.

Turnover is recognised as follows:

- turnover from manufacturing and distribution activities is recognised when the title has passed;
- turnover from contract activities represents the value of work carried out during the year, including amounts not invoiced. Turnover is based on estimated total turnover (contract value) and the degree of estimated stage of completion (measured as total costs incurred compared to total costs forecast to the end of the contract) for each individual contract; and
- interest income is accrued on a time basis using the effective interest method.

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.

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.

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

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tax (continued)

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised. Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

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

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

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

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

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.

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 ("CGUs") 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 statement of comprehensive income 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.

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 For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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	20 - 50 years
Long leasehold properties	Period of lease
Short leasehold properties	Period of lease
Plant, machinery and vehicles	3 - 15 years

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 an asset 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 an 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 For the year ended 31 December 2019 (continued)

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.

Considering the significant cash position of the group and because the group is not carrying external financial debts, the presentation of a (net) debt note is not considered relevant.

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.

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 For the year ended 31 December 2019 (continued)

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 statement of comprehensive income 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

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit pension scheme

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The Company is the sponsoring employer of the Group's defined benefit schemes. There is no contractual agreement or stated policy for charging the net defined benefit cost to individual group entities and thus the Company recognises the net defined benefit cost of the schemes in full. Contributions payable by other group entities reduce the net service cost of the plan recognised by the Company.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

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.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

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, using an external, independent valuation expert (see note 15). 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 £1,005k (2018: £970k).

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

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

(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:

(i) Recoverability of debtors

A provision for debtors is established when 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 debtors, 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 requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit.

(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.

(iv) 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.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

4 Turnover

The analysis of the group's turnover for the year from continuing operations is as follows:

	2019	2018
	£ 000	£ 000
Sale of goods	246,564	237,339
Contracting	62,568	61,891
	<u>309,132</u>	<u>299,230</u>

The analysis of the group's turnover for the year by geographical market is as follows:

	2019	2018
	£ 000	£ 000
United Kingdom	131,713	115,128
Belgium	89,167	87,526
Netherlands	54,149	57,577
Rest of Europe	29,025	34,532
Rest of World	5,078	4,467
	<u>309,132</u>	<u>299,230</u>

5 Other gains

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

	2019	2018
	£ 000	£ 000
Gain on disposal of property, plant and equipment	<u>3</u>	<u>175</u>

6 Interest receivable and similar income

	2019	2018
	£ 000	£ 000
Interest income on amounts due from related parties	54	-
Interest receivable on cash at bank	<u>35</u>	<u>34</u>
	<u>89</u>	<u>34</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

7 Interest payable and similar expenses

	2019	2018
	£ 000	£ 000
Interest payable on amounts due to related parties	21	28
Interest on net defined benefit pension obligation (note 25)	508	487
	<u>529</u>	<u>515</u>

8 Staff costs

The average number of persons employed by the group (including executive directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Production	591	579
Sales	259	265
Administration	196	213
	<u>1,046</u>	<u>1,057</u>

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£ 000	£ 000
Wages and salaries	40,955	40,597
Social security costs	7,253	7,315
Pension costs, defined contribution scheme (note 25)	1,520	4,215
Pension costs, defined benefit scheme (note 25)	2,241	2,106
	<u>51,969</u>	<u>54,233</u>

9 Profit before taxation

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

	2019	2018
	£ 000	£ 000
Amortisation expense of intangible assets (note 13)	115	115
Depreciation expense of tangible assets (note 14)	4,276	4,999
Operating lease expense - land and buildings	188	107
Operating lease expense - other	287	131
Foreign exchange losses	121	238
Fair value gains on investment property (note 16)	(35)	(60)
Impairment of Tortolani Business (note 30)	<u>2,418</u>	<u>-</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019	2018
	£ 000	£ 000
Directors' emoluments	183	389
Company contributions to pension schemes	23	34
	<u>206</u>	<u>423</u>

No directors were remunerated through the company directly, the amounts disclosed represent the amounts remunerated through the IKO group. During the year retirement benefits were accruing to 1 director (2018: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £183,000 (2018: £265,000).

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

11 Auditors' remuneration

	2019	2018
	£ 000	£ 000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	40	37
Fees payable to the company's auditor and its associates for other services to the group		
The audit of the group subsidiaries	123	112
Taxation compliance services	54	32
Other non-audit services	18	12
Total audit fees	<u>235</u>	<u>193</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

12 Tax on profit

The tax charge comprises:

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	2,712	624
UK corporation tax adjustment to prior periods	(119)	272
	2,593	896
Foreign tax	4,009	6,537
Total current tax	6,602	7,433
Deferred taxation		
Arising from origination and reversal of timing differences	455	156
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	3	-
Total deferred taxation	458	156
Total tax on profit	7,060	7,589

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	24,360	28,185
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	4,628	5,355
Effects of:		
Expense not deductible for tax purposes	890	939
Movements in deferred tax	458	427
Differences due to overseas tax rates/allowances	1,455	1,624
UK dividends not taxable	(100)	(1,028)
Adjustments in respect of prior periods	(271)	272
Total tax charge	7,060	7,589

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

12 Tax on profit (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. A change to the UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The enacted change maintains the applicable UK tax rate at 19% rather than the previously enacted reduction to 17%. As the new rate was not substantively enacted as at 31 December 2019, the tax charge and deferred tax liability as at the balance sheet date were measured at the enacted tax rate of 17%.

13 Intangible assets

Group

	Goodwill £ 000	Negative goodwill £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	30,543	(37)	30,506
Disposals	(1,252)	-	(1,252)
Foreign exchange movements	(4)	-	(4)
At 31 December 2019	29,287	(37)	29,250
Amortisation			
At 1 January 2019	29,702	(27)	29,675
Charge for the year	119	(4)	115
Eliminated on disposal	(1,252)	-	(1,252)
At 31 December 2019	28,569	(31)	28,538
Carrying amount			
At 31 December 2019	718	(6)	712
At 31 December 2018	841	(10)	831

The company does not have any intangible assets.

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

During the year, the Group disposed of its investment in K+L Invest SA and Tortolani Bruxelles SA, and as a result disposed of the Goodwill associated with these companies, which had previously been fully amortised.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

14 Tangible assets

Group

	Land and buildings £ 000	Plant, machinery and vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	53,991	54,787	108,778
Additions	2,775	3,151	5,926
Disposals	(2,642)	(1,099)	(3,741)
Foreign exchange movements	(1)	108	107
At 31 December 2019	<u>54,123</u>	<u>56,947</u>	<u>111,070</u>
Depreciation			
At 1 January 2019	12,277	36,901	49,178
Charge for the year	1,744	2,532	4,276
Eliminated on disposal	(2,512)	(854)	(3,366)
At 31 December 2019	<u>11,509</u>	<u>38,579</u>	<u>50,088</u>
Net book value			
At 31 December 2019	<u>42,614</u>	<u>18,368</u>	<u>60,982</u>
At 31 December 2018	<u>41,714</u>	<u>17,886</u>	<u>59,600</u>

Included within the net book value of land and buildings above is £42,614k (2018: £41,714k) in respect of long leasehold land and buildings.

The company does not have any tangible assets.

15 Other investments

	Group	
	2019 £ 000	2018 £ 000
At 1 January 2019 and 31 December 2019	<u>6,113</u>	<u>6,113</u>

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. The registered office address of Goldis Enterprises, Inc is: 120 Hay Road Wilmington, DE 19809 United States.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

16 Investment properties

Group

	2019
	Freehold
	£ 000
Fair value	
At 1 January	970
Revaluation	35
At 31 December	<u>1,005</u>

All investment property held are freehold.

The company does not have any investment properties.

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

	2019	2018
	£ 000	£ 000
Cost	838	838
Accumulated depreciation	<u>(214)</u>	<u>(198)</u>
Carrying value	<u>624</u>	<u>640</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 2019 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. Property rental income earned during the year was £83,000 (2018: £77,000).

17 Fixed asset investments

Company

	Company	
	2019	2018
	£ 000	£ 000
Investments in subsidiaries	<u>62,600</u>	<u>62,655</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

17 Fixed asset investments (continued)

	2019 £ 000
Subsidiaries	
Cost or valuation	
At 1 January 2019 and 31 December 2019	66,355
Provision	
At 1 January 2019	3,700
Impairment	<u>55</u>
At 31 December 2019	<u>3,755</u>
Carrying amount	
At 31 December 2019	<u>62,600</u>
At 31 December 2018	<u>62,655</u>

Name	Country of incorporation	Nature of business	Proportion of ordinary share capital held
Direct subsidiary undertakings			
IKO Holdings Plc (registration number: 02446447) Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB.	United Kingdom	Holding company	100%
The Waterproofing Group PLC (registration number: 04278415) Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB.	United Kingdom	Dormant	100%
Ruberoid Pension Trustee Ltd (registration number: 06024169), 1B Mount Grace Drive, Poole, BH14 8NB	United Kingdom	Dormant	100%
Ruberoid Works Pension Trustee Limited (registration number: 06024217), 1B Mount Grace Drive, Poole, BH14 8NB	United Kingdom	Dormant	100%
The Specialist Waterproofing Group Limited (registration number: 04246517), 1B Mount Grace Drive, Poole, BH14 8NB	United Kingdom	Holding company	100%

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

17 Fixed asset investments (continued)

Indirect subsidiary undertakings

Name	Country of incorporation	Nature of business	Proportion of ordinary share capital held
IKO Plc (registration number: 02678296) Appley Lane, North Appley Bridge, Wigan, Lancashire, WN6 9AB	United Kingdom	Manufacture of waterproofing products	100%
IKO Limited Unit 502, Northwest Business Park, Ballycoolin, Dublin 15	Ireland	Distribution of waterproofing products	100%
The Specialist Waterproofing Group Limited* (registration number: 04246517), 1B Mount Grace Drive, Poole, BH14 8NB	United Kingdom	Holding company	26%
William Briggs & Sons Limited (registration number: 02548605) Amasco House, 101 Powke Lane, Cradley Heath, West Midlands, B64 5PX	United Kingdom	Holding company	76%
Briggs Amasco Limited (registration number: 03541311), Amasco House, 101 Powke Lane, Cradley Heath, West Midlands, B64 5PX	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 NV (registration number: 0406317459), D'Herbouvillekaai 80, 2020 Antwerp	Belgium	Manufacture and installation of waterproofing products	100%
Asbo NV (registration number: 0458131889), D'Herbouvillekaai 80, 2020 Antwerp	Belgium	Distribution of corrugated sheets	100%
Asphaltco NV, (registration number: 0400456184) D'Herbouvillekaai 80, 2020, Antwerp	Belgium	Holding company	99.5%
IKO Holdings BV (registration number: 23057374) Wielewaalweg 1, 4791 PD Klundert	Netherlands	Holding company	100%

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

17 Fixed asset investments (continued)

Name	Country of incorporation	Nature of business	Proportion of ordinary share capital held
Indirect subsidiary undertakings (continued)			
Bitasco Trading BV (registration number: 20112848) Wielewaalweg 1, 4791 PD Klundert	Netherlands	Distribution of roofing products	100%
IKO Insulations BV (registration number: 20117454) Wielewaalweg 1+3, 4791 PD Klundert	Netherlands	Distribution of roofing products	100%
IKO BV (registration number: 23026078) Wielewaalweg 1, 4791 PD Klundert	Netherlands	Distribution of roofing products	100%
Touwen & Co BV (registration number: 35017324), Oostzijde 300, 1508 ET Zaandam	Netherlands	Manufacture of paints and wood preservative	100%
ATAB NV (registration number: 0629893551), Satenrozen 2 U002, 2550 Kontich (Belgium)	Belgium	Installation of roofing products	100%
Pure Asphalt Company Limited (registration number: 02983959), Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB	United Kingdom	Dormant	100%
Roof Integrity Limited (registration number: 11581646), 1B Mount Grace Drive, Poole, England, BH14 8NB	United Kingdom	Contracting	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.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

18 Stocks

	Group	
	2019	2018
	£ 000	£ 000
Raw materials and consumables	9,760	8,600
Work in progress	69	1,364
Finished goods and goods for resale	21,142	21,422
	<u>30,971</u>	<u>31,386</u>

Impairment of stocks is reviewed annually as part of the routine year end provisioning process, and any changes to the provision are recognised within the cost of sales in the profit and loss account.

The company did not have any stock in the current or prior year.

19 Debtors

		Group		Company	
	Note	2019	2018	2019	2018
		£ 000	£ 000	£ 000	£ 000
Amounts falling due within one year:					
Trade debtors		52,650	51,550	-	-
Provision for impairment of debtors		<u>2,030</u>	<u>5,514</u>	-	-
Trade debtors		54,680	57,064	-	-
Amounts due from related parties	27	42,952	27,623	-	-
Other debtors		4,294	2,456	-	-
Prepayments and accrued income		2,062	1,503	-	-
Deferred tax assets	23	5,317	4,361	3,611	2,941
Income tax assets		<u>1,121</u>	<u>202</u>	-	-
		<u>110,426</u>	<u>93,209</u>	<u>3,611</u>	<u>2,941</u>

Amounts due from related parties include trading balances that are interest free and loan balances that attract interest based on a EURIBOR rate. All related party balances are unsecured, due within one year or repayable on demand (2018: same).

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

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

20 Creditors

	Note	Group		Company	
		2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Creditors: amounts falling due within one year					
Trade creditors		22,559	20,950	-	-
Amounts due to related parties	27	10,422	11,924	19,957	19,924
Social security and other taxes		6,530	6,960	-	-
Defined contribution pension costs		86	72	-	-
Other creditors		7,160	5,692	-	-
Accrued expenses		8,080	5,971	167	181
Corporation tax		1,660	1,538	-	-
Deferred income		1,306	2,547	-	-
		<u>57,803</u>	<u>55,654</u>	<u>20,124</u>	<u>20,105</u>

Amounts due to related parties include, trading balances that are interest free and loan balances that attract interest at variable rates ranging from LIBOR +1.2% to +1.5% and EURIBOR based rates. All related party balances are unsecured, due within one year or repayable on demand (2018: same).

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

		Group		Company	
	Note	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Creditors: amounts falling due after one year					
Other loans		269	407	-	-
Amounts due to related parties	27	<u>1,021</u>	<u>1,213</u>	<u>-</u>	<u>-</u>
		1,290	1,620	-	-

Loans and borrowings are due to related parties and accrue interest at a rate based on EURIBOR. The loans are unsecured and repayable within five years (2018: same).

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

21 Loans and borrowings

Borrowings are repayable as follows:

	Group	
	2019	2018
	£ 000	£ 000
Loans and borrowings		
Between one and two years	204	-
Between two and five years	817	161
After five years	-	1,052
	<u>1,021</u>	<u>1,213</u>

Loans and borrowings are due to related parties and accrue interest at a rate based on EURIBOR. The loans are unsecured and repayable within five years (2018: same).

22 Obligations under leases and hire purchase contracts

Group

Operating leases

At 31 December 2019, the group had minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Not later than one year	88	117	43	6
Later than one year and not later than five years	231	256	28	101
Later than five years	<u>279</u>	<u>68</u>	<u>11</u>	<u>11</u>
	<u>598</u>	<u>441</u>	<u>82</u>	<u>118</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

23 Provisions

Group	Product warranties £ 000	Environment provision £ 000	Other provisions £ 000	Total £ 000
At 1 January 2019	235	419	222	876
Utilisation of provisions during the year	(36)	-	(33)	(69)
Release of provision no longer required	-	(283)	-	(283)
Decrease due to foreign exchange differences	(16)	-	(3)	(19)
At 31 December 2019	<u>183</u>	<u>136</u>	<u>186</u>	<u>505</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.

Deferred tax

Group	2019 £ 000	2018 £ 000
At 1 January	(2,764)	(3,052)
Prior year adjustments	(23)	(310)
Movement in the profit and loss account	458	154
Movement in other comprehensive income	(665)	444
31 December	<u>(2,994)</u>	<u>(2,764)</u>

Prior year adjustments reflects the change in consolidation scope.

	2019 £ 000	2018 £ 000
Accelerated capital allowances	1,301	2,384
Defined benefit pension scheme	(3,676)	(3,011)
Tax losses carried forward	(1,641)	(1,639)
Other timing differences	1,022	(498)
	<u>(2,994)</u>	<u>(2,764)</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

23 Provisions (continued)

Deferred tax (continued)

	2019 £ 000	2018 £ 000
Deferred tax asset	(5,317)	(4,361)
Deferred tax liabilities	2,323	1,597
	<u>(2,994)</u>	<u>(2,764)</u>

Company

	2019 £ 000	2018 £ 000
At 1 January	(2,941)	(3,385)
(Credited)/charged to other comprehensive income	(670)	444
	<u>(3,611)</u>	<u>(2,941)</u>

	2019 £ 000	2018 £ 000
Defined benefit pension scheme	(3,611)	(2,941)
Other timing differences	-	-
	<u>(3,611)</u>	<u>(2,941)</u>

	2019 £ 000	2018 £ 000
Deferred tax asset	<u>(3,611)</u>	<u>(2,941)</u>

A deferred tax asset of £1,641k (2018: £1,639k) 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. The future off-set of tax losses carried forward is not restricted and not subject to expiry.

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 2019 is not material (2018: same).

24 Pension scheme liability

Group and company

	Employee benefits £ 000
At 1 January 2019	18,833
Movement	<u>(104)</u>
At 31 December 2019	<u>18,729</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

25 Post-employment benefits

Defined contribution pension schemes

The group operates a defined contribution pension scheme for all employees of the group. Contributions totalling £86k (2018: £72k) were payable to the scheme at the end of the year and are included in creditors.

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 £1,520k (2018: £4,215k).

Defined benefit pension schemes

The group's defined benefit pension arrangements in the UK are operated through the Ruberoid PLC Staff Pension Scheme (the "Scheme"). Group contributions payable for the year to the defined benefit scheme amounted to £2,241k (2018: £2,106k).

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 2017 was updated to 31 December 2019 by a qualified independent actuary. For closed schemes under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

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:

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	62,615	59,502
Present value of defined benefit obligation	(81,344)	(78,335)
Defined benefit pension scheme deficit	<u>(18,729)</u>	<u>(18,833)</u>

IKO U.K. Limited**Notes to the financial statements
For the year ended 31 December 2019 (continued)****25 Post-employment benefits (continued)**

The amounts recognised in profit or loss are as follows:

	2019	2018
	£ 000	£ 000
Administration costs	232	235
Net interest expense (note 7)	508	487
Past service cost	-	1,400
	<u>740</u>	<u>2,122</u>

The amounts recognised in comprehensive income are as follows:

	2019	2018
	£ 000	£ 000
Losses/(gains)		
Loss/(gain) on scheme assets in excess of interest	(3,902)	3,488
Experience gains on liabilities	(226)	(14)
Losses/(gains) from changes to financial assumptions	7,979	(3,716)
Gains from changes to demographic assumptions	<u>(2,131)</u>	<u>(576)</u>
	<u>1,720</u>	<u>(818)</u>

Defined benefit obligation

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

	2019	2018
	£ 000	£ 000
Present value at start of year	78,012	83,111
Past service costs	-	1,077
Interest cost	2,191	2,110
Benefits paid	(4,481)	(3,980)
Experience gain on liabilities	(226)	(14)
Changes to demographic assumptions	(2,131)	(576)
Changes to financial assumptions	<u>7,979</u>	<u>(3,716)</u>
Present value at end of year	<u>81,344</u>	<u>78,012</u>

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

25 Post-employment benefits (continued)

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Fair value at start of year	59,502	63,476
Interest income	1,683	1,623
Return on plan assets, excluding amounts included in interest income/(expense)	3,902	(3,488)
Administration costs	(232)	(235)
Contributions by scheme participants	2,241	2,106
Benefits paid	(4,481)	(3,980)
Fair value at end of year	<u>62,615</u>	<u>59,502</u>

Analysis of assets

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

	2019 %	2018 %
Equities	24	29
Cash	5	5
Gilts	8	6
Bonds	10	10
Bulk annuity policy	38	41
Multi-asset credit	12	9
Diversified growth funds	3	0
	<u>100</u>	<u>100</u>

The return on plan assets was approximately £5,585k (2018: £1,865k).

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

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

25 Post-employment benefits (continued)

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

	2019	2018
	%	%
Discount rate	2.10	2.90
Retail Price Index (RPI) inflation	3.20	3.40
Consumer Price Index (CPI) inflation	2.20	2.40
RPI max 5% pension increases	3.10	3.30
RPI max 3% pension increases	2.60	2.70
CPI max 3% pension increases	2.00	2.10
Post retirement mortality assumption	110% of the S2NxA tables with CMI 2018 projections using a long-term improvement rate of 1.50%p.a.	110% of S2NxA tables with CMI 2017 projections and a long term rate of improvement of 1.5% pa
Tax-free cash	Members take 90% of the maximum available cash, based on the current commutation factors	Members take 90% of the maximum available cash, based on 110% of the current commutation factors

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.

26 Called-up share capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No.	£ 000	No.	£ 000
Ordinary shares of £1 each	47,537,676	47,538	47,537,676	47,538

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

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

26 Called-up share capital and reserves (continued)

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

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends 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.

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.

27 Related party transactions

Group

	2019	2018
	£'000	£'000
Sales to related parties		
Canam Sales BV	5,859	4,587
ATAB Nederland BV	2,048	2,305
Primadak Roosendaal BV	15,753	-
IKO SAS (former Meple SA)	2,359	1,777
IKO Sales International NV	1,421	1,658
IKO Insulations UK Ltd	183	660
IKO Ukraine	-	509
IKO Insulations SAS	267	347
Other Related Parties	43	111
Total	27,933	11,954

Group

	2019	2018
	£'000	£'000
Interest payable to related parties (note 7)	(21)	(28)
Total	(21)	(28)

IKO U.K. Limited**Notes to the financial statements
For the year ended 31 December 2019 (continued)****27 Related party transactions (continued)****Group**

	2019	2018
	£'000	£'000
Amounts due from related parties (note 19)		
Iko Europe NV (Belgium)	37,125	24,472
Primadak Roosendaal BV	3,037	1,076
IKO SAS (former Meple SA)	247	188
ATAB Nederland BV	155	-
Canam Sales BV	76	-
British Asphalt & Bitumen Ltd. (Northern Ireland)	89	-
Other Related Parties	2,223	1,887
Total	42,952	27,623

Group

	2019	2018
	£'000	£'000
Amounts due to related parties (note 20)		
Iko Sales Ltd. (Canada)	7,000	7,000
Iko Europe NV (Belgium)	2,333	5,638
Iko S&E GmbH	1,092	482
IKO Insulations UK Ltd.	619	-
IKO Insulations SAS	172	-
Other Related Parties	227	17
Total	11,443	13,137

Related parties refer to entities within the IKO Enterprises UK ULC, IKO Sales Ltd, and IKO Enterprises Europe ULC.

IKO U.K. Limited

Notes to the financial statements For the year ended 31 December 2019 (continued)

28 Financial instruments

Group

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

	2019 £ 000	2018 £ 000
Financial assets		
• Cash at bank and in hand	49,662	48,408
Measured at undiscounted amount receivable		
• Trade and other debtors (see note 19)	101,926	87,143
Equity instruments measured at cost less impairment		
• Fixed asset investments in unlisted equity instruments (see note 15)	6,113	6,113
	<u>157,701</u>	<u>141,664</u>
	2019 £ 000	2018 £ 000
Financial liabilities		
Measured at amortised cost		
• Other loans and liabilities (see note 20)	269	407
Measured at undiscounted amount payable		
• Trade and other creditors (see note 20)	56,497	53,107
	<u>56,766</u>	<u>53,514</u>

29 Parent and ultimate parent undertaking

The company's immediate parent company is IKO UK Holdings ULC which is incorporated and registered in Canada.

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

The largest and smallest group for which the company is included in consolidated financial statements is IKO U.K. Limited. Neither the immediate nor the ultimate parent company prepares publicly available consolidated financial statements. The registered office address of IKO U.K. Limited is as set out on note 1.

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Notes to the financial statements For the year ended 31 December 2019 (continued)

30 Events after the balance sheet date

The emergence of the COVID-19 pandemic has had a significant impact on economies and resulted in severe restrictions of movement of people across the world. The consideration of the going concern basis of accounting is described in note 2.

The divesting process and unwinding of the Tortolani business cluster, as initiated in 2018, was fully completed in the first half of 2020. The full impact however has been included in the 2019 accounts representing £2,003k operating losses and £2,418k impairment losses, as result of the formal events and decision taken in 2019.

With Brexit effective as of 1 January 2021, the period of regulatory uncertainty one faced at the end of 2020, partially extends into 2021. New business processes e.g. for customs compliance have been rolled out. The business will continue to monitor the situation throughout this period so that we are prepared to react to new opportunities, risks and challenges that may present themselves. Management has performed detailed review of Brexit impact and implemented required administrative and ERP changes, as well as committed engagement of logistical trading partners, in order to handle the additional administrative and financial requirements for customs purposes, as the group is acquiring majority of its' raw materials from outside UK. The business activities have been resumed in January 2021 and no constraints in the UK - EU supply chain were noted. At the point of signing the financial statements the directors have identified no material impact on the carrying values of the assets and liabilities disclosed on the balance sheet as at 31 December 2019.