

Ideal Standard (UK) Limited

Registered Number 00091891

Annual Report and Financial Statements - 31 December 2018

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Ideal Standard (UK) Limited
Corporate directory
31 December 2018



Directors	D Barber J C Elwell J Edge (resigned 31.12.2018) S Ewer (appointed 01.01.2019)
Company secretary	J C Elwell
Registered office	The Bathroom Works National Avenue Hull North Humberside HU5 4HS
Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL
Solicitors	Rollits LLP Citadel House 58 High Street Hull HU1 1QE
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN
Domicile & Registration	Domiciled in the UK Registered in England & Wales
Registered Status	Private company limited by shares and incorporated in the UK

Ideal Standard (UK) Limited

Contents

31 December 2018



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

Review of the business

The loss for the financial year, amounted to £605,000 (2017 - profit of £14,467,000).

Turnover for the year increased to £150,076,000 compared to £147,580,000 for the previous year.

Total Shareholders' funds increased to £58,719,000 from £48,475,000. This was mainly due to an actuarial gain made on the defined benefit pension scheme, which was reflected in Shareholders' funds.

The Company's key financial and other performance indicators during the year were as follows:

	2018 £'000	2017 £'000	Change £'000	Change %
Turnover (1)	150,076	147,580	2,496	2%
Operating profit	103	2,346	(2,243)	(96%)
(Loss)/profit for the financial year (2)	(605)	14,467	(15,072)	(104%)
Total shareholders' funds (3)	58,719	48,475	10,244	21%
Monthly average number of employees	272	270	2	1%
Sales per employee	552	547	5	1%

(1) Turnover has increased by 2% in difficult market conditions in key segments.

(2) The loss for the year is hugely impacted by a non-recurring amount of £1,648,000 for a pension adjustment for GMP equalisation and the dividend in the prior year.

(3) Total shareholders' funds have increased by 21%. The company had once again seen an actuarial gain made on the defined benefit pension scheme which has increased shareholders' funds.

Year-end position of the company

At the end of the year, the company was in a strong financial position with a healthy balance sheet and good trading prospects. The company is in a good position to grow revenues.

Principal risks and uncertainties

The directors continually review the potential risks facing the company. Some of the principal risks and uncertainties identified are:

Competitive risks

The company has faced increased competition from competitors, particularly those with manufacturing facilities in low cost countries. The company continues to differentiate itself and its products through its strong brands and by maintaining its reputation for high quality products and customer service.

Legislative risks

In the UK and Europe, water usage legislation has defined the flushing standards for the company's products. These standards are subject to periodic revision and any new directive may bring challenges to the industry for the supply of suitable products.

Financial risks

The company and its parent entities consider the company's risk profile during all decision making. As the company sells products on behalf of other group entities it has no exposure to currency and credit risk. Cash flow and liquidity risks are mitigated due to participation in a group cash pooling arrangement.

Exposure to price, credit, liquidity and cash flow risk

The company is a limited risk distributor; therefore all risks in relation to customer debts, liquidity and cash flow are borne by Ideal Standard International NV.


Environmental responsibility

The products sold by the company have minimal environmental impact at the end of their life cycle and are largely recyclable. Many of the products produced will have an impact on water usage. Consequently, the business develops efficient water saving products including dual flush cisterns, regulated taps and showers and water saving baths. The company has over 454 products on the European Water label scheme and is committed to reducing water wastage.

Manufacturing processes are designed to minimise impact on the environment with a heavy emphasis on recycling waste and improving efficiency. The company is also signed up to climate change agreements with commitments to continual improvement in energy efficiency.

This report is made in accordance with a resolution of directors.

On behalf of the directors



D Barber
Director

6 June 2019

The directors present their report, together with the audited financial statements, on the company for the year ended 31 December 2018.

Principal activities

The principal activity of the company during the year was the marketing and supply of bathroom and allied sanitary equipment. The company's product ranges are under constant development through the creation of new designs and the innovative uses of materials and processes.

Ideal Standard (UK) Limited continues to sell product on behalf of Ideal Standard International NV and continues to be responsible for sales and administration of the UK bathroom business.

Review of operations

The loss for the company after providing for income tax amounted to £605,000 (2017: profit of £14,467,000).

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were those listed on page 1.

Research and development

The company continues to operate and provide resources for research and development programmes that are co-ordinated by, and recharged to Ideal Standard International NV. These programmes include research into new materials and production methods and provide solutions to changes in local and European legislation. The company prides itself on its innovative approach to sanitary ware design and manufacturing.

Future developments

The directors aim to maintain the management policies which have resulted in the company's satisfactory performance in recent years.

Matters covered in the strategic report

The business review and key performance indicators have all been disclosed within the strategic report.

Indemnity of directors

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Financial risk management

This is included in the strategic report on page 3.

Employee involvement

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its growth. The company encourages the involvement of employees by means of regular written and oral communications.

Disabled employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled, the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Consolidation exemption

The company is a wholly-owned subsidiary of Ideal Standard Holdings (BC) UK Limited and is included in the consolidated financial statements of Ideal Standard International S.A. which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Likely future developments

Information on likely future developments of the company are disclosed in the strategic report.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to the auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Charitable and political donations

No charitable or political donations were made during the year.

This report is made in accordance with a resolution of directors.

On behalf of the directors



D Barber
Director

6 June 2019

Report on the audit of the financial statements

Opinion

In our opinion, Ideal Standard (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Christopher Neale (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
6 June 2019

Ideal Standard (UK) Limited
Income statement
For the year ended 31 December 2018



	Note	2018 £'000	2017 £'000
Turnover	2	150,076	147,580
Cost of sales		<u>(128,954)</u>	<u>(126,503)</u>
Gross profit		<u>21,122</u>	<u>21,077</u>
Distribution costs		(12,907)	(12,630)
Administrative expenses (includes GMP equalisation adjustment: £1,648,000)	3	<u>(8,112)</u>	<u>(6,101)</u>
Operating profit	4	103	2,346
Interest receivable and similar income	7	730	574
Interest payable and similar expenses	8	(1,061)	(683)
Income from shares in group undertakings	9	-	15,374
Amounts written off investments		<u>-</u>	<u>(2,413)</u>
(Loss)/profit before tax expense		(228)	15,198
Tax expense	10	<u>(377)</u>	<u>(731)</u>
(Loss)/profit after tax expense for the year	21	(605)	14,467
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain on defined benefit pension scheme	14	13,070	4,673
Deferred tax on actuarial gain	10	<u>(2,221)</u>	<u>(794)</u>
Other comprehensive income for the year, net of tax		<u>10,849</u>	<u>3,879</u>
Total comprehensive income for the year		<u><u>10,244</u></u>	<u><u>18,346</u></u>

The above income statement should be read in conjunction with the accompanying notes

Ideal Standard (UK) Limited
Statement of financial position
As at 31 December 2018



	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	11	6,533	6,449
Investments	12	8,001	8,001
Deferred tax asset	13	3,949	4,066
Defined benefit pension asset	14	44,049	28,757
Total fixed assets		<u>62,532</u>	<u>47,273</u>
Current assets			
Debtors - amounts falling due within one year	15	171,589	142,380
Cash at bank and in hand		6,323	1,868
Total current assets		<u>177,912</u>	<u>144,248</u>
Current liabilities			
Creditors - amounts falling due within one year	16	173,979	137,837
Total current liabilities		<u>173,979</u>	<u>137,837</u>
Net current assets		<u>3,933</u>	<u>6,411</u>
Total assets less current liabilities		<u>66,465</u>	<u>53,684</u>
Net assets before deferred tax liability		<u>66,465</u>	<u>53,684</u>
Deferred tax liability	18	7,746	5,209
Net assets		<u><u>58,719</u></u>	<u><u>48,475</u></u>
Equity			
Called up share capital	19	14,272	14,272
Share premium account		78	78
Reserves	20	(37,406)	(48,255)
Retained earnings	21	81,775	82,380
Total equity		<u><u>58,719</u></u>	<u><u>48,475</u></u>

The financial statements on pages 10 to 30 were approved by the Board of Directors on 6 JUNE 19 and signed on its behalf by:

D Barber
Director

6 June 2019

Ideal Standard (UK) Limited
Registered Number 00091891

The above statement of financial position should be read in conjunction with the accompanying notes

Ideal Standard (UK) Limited
Statement of changes in equity
For the year ended 31 December 2018



	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Pension actuarial movements reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	14,272	78	2,086	(54,175)	67,868	30,129
Profit after tax expense for the year	-	-	-	-	14,467	14,467
Other comprehensive income for the year, net of tax	-	-	-	3,879	-	3,879
Total comprehensive income for the year	-	-	-	3,879	14,467	18,346
Reserve transfers	-	-	(45)	-	45	-
Balance at 31 December 2017	<u>14,272</u>	<u>78</u>	<u>2,041</u>	<u>(50,296)</u>	<u>82,380</u>	<u>48,475</u>

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Pension actuarial movements reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	14,272	78	2,041	(50,296)	82,380	48,475
Loss after tax expense for the year	-	-	-	-	(605)	(605)
Other comprehensive income for the year, net of tax	-	-	-	10,849	-	10,849
Total comprehensive income for the year	-	-	-	10,849	(605)	10,244
Balance at 31 December 2018	<u>14,272</u>	<u>78</u>	<u>2,041</u>	<u>(39,447)</u>	<u>81,775</u>	<u>58,719</u>

£1,886,000 which was transferred to the profit and loss account from the revaluation reserve in 2004 is not available for distribution. This amount relates to revaluations of assets transferred to the company's subsidiary, Armitage Shanks Limited, and hence remain non-distributable over the remaining period for which the assets are held by Armitage Shanks Limited.

The above statement of changes in equity should be read in conjunction with the accompanying notes

1. Accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Financial Reporting Council ('FRC') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

IFRS 9 Financial Instruments

The application of the new standard required the management to apply the following new accounting policies:

a) Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through the OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

b) Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs are directly attributed to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the income statement.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in the income statement. Impairment losses are also recognised in the income statement.

Financial assets at fair value through other comprehensive income (FVOCI) are carried at fair value. After initial measurement, the Company present fair value gains and losses on equity investment in OCI, there is no subsequent reclassification of fair value gains and losses to the statement of comprehensive income following the derecognition of the investment. Dividend from such investments continue to be recognised in the income statement as other income when Company's right to receive payments is established.

d) Impairment of financial assets

For trade and other receivables, the Company has applied a simplified approach permitted by IFRS 9. Simplified approach is applied to a portfolio of trade receivables that are homogeneous in nature and carry similar credit risk. Simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

1. Accounting policies (continued)

e) Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively but due to no material impact, has not restated comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. IFRS 15 'Revenue from contracts with customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers. The new standard has replaced existing accounting standards used to determine the measurement and timing of revenue recognition and requires an entity to align the recognition of revenue to the transfer of goods and services at an amount that the entity expects to be entitled to in exchange for those goods and services.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Company has adopted IFRS 15 from 1 January 2018 and applied the modified retrospective approach permitted by IFRS 15 upon adoption.

Following practical expedients, available under the modified retrospective approach of IFRS 15, have been opted by the Company:

- The requirements of the new standard have been applied to contracts that are not completed as at the date of initial application (1 January 2018); and
- The Company has not restated the contracts in accordance with the revenue standard for modifications which took place before the date of initial application.

IFRS 16 Leases

The new standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. In particular, it eliminates the distinction between operating and finance leases for a lessee. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The Company will apply the standard from its mandatory adoption date of 1st January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption.

The Company carried out an impact assessment by reviewing all of the leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases.

As at the reporting date, the Company has non-cancellable operating lease commitments of £1,288,000 within one year. Of these commitments, none relate to short-term or low value leases or commitments that do not meet the definition for lease capitalisation which will be recognised on a straight-line basis as expense in the income statement. For the remaining lease commitments, the Company expects to recognise (at present value) right-of-use assets and lease liability and dismantling provision of £1,322,543 on 1 January 2019.

As a result of adopting the new rules in 2019, the Company expects that net profit will increase by £13,118.

Operating cash flows will increase and financing cash flows decrease by approximately £647,921 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Going concern

The financial statements have been prepared under the going concern assumption. The Company's board of directors has assessed the Company's financial situation up to the date of approval for issuance of these financial statements, also in light of putting together its future plans, and believe that the Company is able to continue as a going concern for the foreseeable future.

1. Accounting policies (continued)

Consolidation

The company is a wholly-owned subsidiary of Ideal Standard Holdings (BC) UK Limited and of its ultimate parent, Ideal Standard International S.A.. It is included in the consolidated financial statements of Ideal Standard International S.A., which are publicly available. Therefore the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg, Grand Duchy of Luxembourg.

These financial statements are separate financial statements.

Research and development costs

Research and development expenditure is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of an intangible asset as per IAS 38.

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemption in the individual statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of EU-adopted IFRS.

The financial statements have been prepared, under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of the financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are pensions and provisions which are described in further detail below.

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

- IFRS 7, 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 3, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraphs 38 of IAS 1, 'Presentation of financial statements' - comparative information requirements in respect of paragraph 73(e) of IAS 16, 'Property, plant and equipment'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - ~ 10(d) (statement of cash flows);
 - ~ 16 (statement of compliance with all IFRS);
 - ~ 38A (requirement for minimum of two primary statements, including cash flow statements);
 - ~ 38B-D (additional comparative information);
 - ~ 111 (cash flow statement information); and
 - ~ 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

1. Accounting policies (continued)

Critical accounting estimates

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

(a) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 16 for the disclosures of the defined benefit pension scheme.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Turnover / Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers

The application of the new standard required the Company to apply new accounting policies. The Company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

- 1) Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- 2) Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- 3) Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- 4) Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

1. Accounting policies (continued)

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Company assesses each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. As part of the impact assessment exercise, the Company has concluded that for majority of its arrangements, it recognises the revenue at a point in time i.e. when entity satisfies the performance obligation by transferring a good or service to the customer. The customer gets the control upon getting the legal title and the physical possession of the goods at the same time and the customer also gets the significant risks and rewards of ownership. When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is recognised in the income statement to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably. A loss is recognised in the income statement when the expected contract costs exceed the total anticipated contract revenue.

The new standard does not have a material impact on the financial statements.

Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions on the basis of amounts expected to be paid to or received from the tax authorities.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Cash at bank and in hand

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

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

When a debtor is uncollectable, it is written off against the allowance account of trade debtor. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

1. Accounting policies (continued)

Investments and other financial assets

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at historical cost to the company less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. In earlier years land and buildings have been revalued on the basis of their value in use and elected to use this valuation as its deemed cost at the date of the transition to FRS 101.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold land	Non depreciable
Freehold buildings	20-40 years
Leasehold land and buildings	5 years
Plant and machinery	3-15 years

An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Fixed asset investments

Fixed asset investments are initially recorded at cost. Impairment reviews are performed by the directors when there has been an indication of potential impairment and provisions for diminution in value recognised as necessary.

Pensions

The company contributed to two pension plans, incorporating defined benefit and defined contribution arrangements which are operated jointly with Armitage Washrooms Limited and Armitage Shanks Limited.

1. Accounting policies (continued)

The amount recognised in the statement of financial position in respect of the defined benefit pension asset is the fair value of plan assets out of which the obligations are to be settled directly less the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), together with any actuarial gains or losses and unrecognized past service costs. Fair value is based on market price information and in the case of quoted securities is the published mid-market price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

The company recognises, in accordance with FRS 101, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in full as they arise outside of the income statement and are presented in the Statement of Comprehensive Income and Expense with the exception of gains and losses arising from changes in the benefits regarding past services which are recognised in the income statement.

Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Contributions to defined contribution schemes are recognised in the income statement in the year in which they become payable.

Called up share capital

Ordinary shares are classified as equity.

2. Turnover

Turnover, which is stated net of value added tax and rebates, represents amounts invoiced for goods and services supplied, is attributable to the company's continuing principal activity.

An analysis of turnover by geographical destination is given below:

Analysis of turnover by geography

	2018 £'000	2017 £'000
United Kingdom	148,479	145,579
Europe	36	52
Rest of the World	1,561	1,949
	<u>150,076</u>	<u>147,580</u>

3. GMP Equalisation

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension schemes for men and women in relation to guaranteed minimum pension benefits.

The issues determined by the judgement arise in relation to many other defined benefit pension schemes. Our actuaries have calculated an amount of £1,648,000 for the year ended 31 December 2018 and this has been treated as a past service cost in the income statement. This is a one time cost and not recurring.

4. Operating profit

This is stated after charging:

	2018 £'000	2017 £'000
Fees payable to the company's auditors in respect of:		
- audit of company financial statement	58	53
- audit of company's subsidiary and other related undertakings	26	26
- tax advisory services	10	-
Depreciation of owned fixed assets (including impairment costs)	435	365
Operating lease rentals - land and buildings	74	141
Operating lease rentals - plant and machinery	1,057	1,047
Research costs	250	257
Losses on foreign exchange	(8)	34

5. Average number of employees and employee benefits expense

The monthly average number of employees was as follows:

	2018	2017
Distribution and selling	205	204
Administration	67	66
Average number of employees	<u>272</u>	<u>270</u>

The employee benefits expense during the year was as follows:

	2018 £'000	2017 £'000
Wages and salaries	9,447	9,189
Social security costs	1,164	1,072
Other pension costs	1,087	966
Total employee benefits expense	<u>11,698</u>	<u>11,227</u>

6. Directors' remuneration

Details of directors' remuneration is set out below:

	2018	2017
Number of directors accruing benefits under pension schemes in respect of qualifying services	3	3
	2018 £'000	2017 £'000
Aggregate remuneration in respect of qualifying services	610	823
	2018 £000	2017 £000

The highest paid director's emoluments were as follows:
 Aggregate emoluments

259	285
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The amount of annual accrued pension of the highest paid director at 31 December 2018 under the defined benefit plan was £nil (2017: £nil).

7. Interest receivable and similar income

	2018 £'000	2017 £'000
Other interest receivable	1	3
Pension scheme finance income	729	571
	<u>730</u>	<u>574</u>

8. Interest payable and similar expenses

	2018 £'000	2017 £'000
Third party interest payable	-	36
Factoring costs	664	641
Intercompany interest payable	397	6
	<u>1,061</u>	<u>683</u>

9. Income from shares in group undertakings

During the year ended 31 December 2017, the Company made a gain from the disposal of a subsidiary undertaking:

	2018 £'000	2017 £'000
Ideal Standard AS Limited	-	15,374

10. Tax expense

	2018 £'000	2017 £'000
<i>Tax expense</i>		
Deferred tax - origination and reversal of temporary differences	433	1,189
Adjustment recognised for prior periods	115	279
Other adjustment	(171)	(737)
	<u>377</u>	<u>731</u>
Aggregate tax expense	<u>377</u>	<u>731</u>
Deferred tax included in tax expense comprises:		
Decrease in deferred tax assets (note 13)	117	254
Increase in deferred tax liabilities (note 18)	316	935
	<u>433</u>	<u>1,189</u>
Deferred tax - origination and reversal of temporary differences	<u>433</u>	<u>1,189</u>
<i>Numerical reconciliation of tax expense and tax at the statutory rate</i>		
(Loss)/profit before tax expense	(228)	15,198
Tax at the statutory tax rate of 19% (2017: 19.25%)	(43)	2,926
Adjustment recognised for prior periods	115	279
Impact of corporation tax rate change	-	(60)
Disallowed expenses	46	82
Non-taxable income	-	(2,496)
Group relief surrendered	259	-
	<u>259</u>	<u>-</u>
Tax expense	<u>377</u>	<u>731</u>
	2018	2017
	£'000	£'000
<i>Amounts charged directly to equity</i>		
Deferred tax liabilities (note 18)	<u>2,221</u>	<u>794</u>

Factors that may affect future tax charges

The Government have not published any further announcements on changes to tax rates. Therefore, they intend on reducing corporation tax to 17% from 1 April 2020.

11. Tangible assets

	2018 £'000	2017 £'000
Freehold land and buildings	10,041	10,146
Less: Accumulated depreciation	(4,558)	(4,676)
	<u>5,483</u>	<u>5,470</u>
Leasehold land and buildings	-	364
Less: Accumulated depreciation	-	(364)
	<u>-</u>	<u>-</u>
Plant and machinery	10,752	10,560
Less: Accumulated depreciation	(9,702)	(9,581)
	<u>1,050</u>	<u>979</u>
	<u>6,533</u>	<u>6,449</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Balance at 1 January 2018	5,470	-	979	6,449
Additions	259	-	260	519
Depreciation expense	(246)	-	(189)	(435)
Balance at 31 December 2018	<u>5,483</u>	<u>-</u>	<u>1,050</u>	<u>6,533</u>

12. Investments

	2018 £'000	2017 £'000
Investment in subsidiaries	<u>8,001</u>	<u>8,001</u>

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

Opening carrying amount	8,001	20,921
Disposals	-	(12,920)
Closing carrying amount	<u>8,001</u>	<u>8,001</u>

12. Investments (continued)

Interests in subsidiaries

The subsidiary undertakings of the company are detailed below:-

Name	Principal place of business / Country of incorporation	Activity	Proportion held %
Armitage Shanks Limited	England and Wales	Manufacturing	100.00%
Ideal Standard (UK) Executive Pension Trustees Limited	England and Wales	Dormant	100.00%
Ideal Standard (UK) Pension Trustees Limited	England and Wales	Dormant	100.00%

The registered office address of Armitage Shanks Limited is the same as Ideal Standard (UK) Limited. The registered office address of Ideal Standard (UK) Executive Pension Trustees Limited and Ideal Standard (UK) Pension Trustees Limited is Armitage, Rugely, Staffordshire, WS15 4BT.

(a) Armitage Shanks Limited

Armitage Shanks Limited is the UK manufacturing company within the Group. The investment relates to ordinary shares except for a £3,000,000 addition made in 2010 which relates to a capital contribution made to Armitage Shanks Limited.

In the opinion of the directors of the company the aggregate value of the assets of the company consisting of shares in and amounts owing from the company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated in the balance sheet.

(b) Disposals during the year ended 31 December 2017

Ideal Standard AW Limited was dissolved following liquidation with a distribution in specie of £10,412,000 consisted of an intercompany debtor balance. Net book value of £10,412,000 was disposed during the year with £nil gain on the disposal.

Ideal Standard AS Limited was dissolved following liquidation with a distribution in specie of £15,469,000 consisted of an intercompany debtor balance. Net book value of £95,000 was disposed during the year and a gain of £15,374,000 was recognised on the disposal.

Armitage Shanks International Limited was dissolved following liquidation with net book value of £2,413,000 written off on disposal.

13. Deferred tax asset

	2018 £'000	2017 £'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	3,943	4,037
Provisions	6	29
	<u>3,949</u>	<u>4,066</u>
Deferred tax asset	<u>3,949</u>	<u>4,066</u>
<i>Movements:</i>		
Opening balance	4,066	4,320
Charged to profit or loss (note 10)	(117)	(254)
	<u>3,949</u>	<u>4,066</u>
Closing balance	<u>3,949</u>	<u>4,066</u>

14. Defined benefit pension asset

The Company sponsors the Ideal Standard (UK) Limited Pension Plan and the Ideal Standard (UK) Limited Executive Pension Plan ("the Plans"), which are funded defined benefit pension schemes in the UK. The Plans are administered within trusts which are legally separate from the Company. Directors of the trustee bodies are appointed by both the Company and the Plans' membership and act in the interest of the Plans and all relevant stakeholders, including the members and the Company. The Trustee bodies are also responsible for the investment of the Plans' assets.

The Plans provide pensions and lump sums to members on retirement and to their dependants on death. Pensions were based on final salary until 5 April 2006, and Career Average Earnings (CARE) thereafter. The Plans closed to future accrual of benefits on 5 April 2013.

Since the closure of the Plans, no employee contributions have been paid. The Company meets the ongoing funding costs of the Plans, as determined by regular actuarial valuations.

The Plans pose a number of risks to the Company, for example longevity risk, investment risk, interest rate risk and inflation risk. The Trustees are aware of these risks and use various techniques to control them. The Trustees aim to actively manage these risks, for example through the use of LDI. The Trustees also has a number of internal control policies which are in place to manage and monitor the various risks they face.

The Plans are subject to regular actuarial valuations, which are usually carried out every three years. Actuarial valuations are currently being carried out with an effective date of 5 April 2018. Actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions. The initial results of the 2018 valuation have been projected to 31 December 2018 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

14. Defined benefit pension asset (continued)

Statement of financial position amounts

The amounts recognised in the statement of financial position are determined as follows:

	2018 £'000	2017 £'000
Present value of the defined benefit obligation	(260,601)	(290,915)
Fair value of defined benefit plan assets	304,650	319,672
Net asset in the statement of financial position	44,049	28,757

Categories of plan assets

The major categories of plan assets are as follows:

	2018 £'000	2017 £'000
Cash at bank and in hand	1,079	444
Equity instruments	92,091	97,069
Debt instruments	64,518	68,212
Other assets	146,962	153,947
	304,650	319,672

The Plans have no investments in the Company or in property occupied by the Company.

Under the current Schedule of Contributions, the Company expects to contribute £549,000 to the Plans during year ending 31 December 2019. This is to cover expenses only. It should though be noted that a new Schedule of Contributions is due to come into force by 5 July 2019.

Reconciliations

	2018 £'000	2017 £'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at the beginning of the year	290,915	295,997
Interest cost	6,807	7,525
Past service cost	1,648	-
Benefits paid	(14,517)	(13,284)
Other	-	36
Actuarial (gains)/losses	(24,252)	641
Balance at the end of the year	260,601	290,915
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	319,672	316,471
Return on plan assets	(11,181)	5,314
Contributions by entities in the company	4,383	3,957
Benefits paid	(14,517)	(13,284)
Interest income	7,536	8,096
Administration expenses	(1,243)	(882)
Balance at the end of the year	304,650	319,672

14. Defined benefit pension asset (continued)

Amounts recognised in the income statement

The amounts recognised in the income statement are as follows:

	2018 £'000	2017 £'000
Net Interest credit	(729)	(571)
Past service cost (GMP equalisation)	1,648	-
Administration expenses	1,243	882
Total amount recognised in profit or loss	<u>2,162</u>	<u>311</u>
Actuarial gains	<u>(13,070)</u>	<u>(4,673)</u>
Total amount recognised in other comprehensive income	<u>(13,070)</u>	<u>(4,673)</u>

The principal actuarial assumptions used were:

	2018	2017
Liability discount rate	2.8%	2.4%
Inflation assumption - RPI	3.1%	3.1%
Inflation assumption - CPI	2.1%	2.1%
Revaluation of deferred pensions (non-GMP)	2.1%	2.1%
Increases in pensions in payment:		
- RPI capped at 5%	3.1%	3.0%
- RPI capped at 2.5%	2.2%	2.3%
Proportion of employees commuting pension for cash	100%	100%
Mortality assumption - pre retirement	As post-retirement	As post-retirement
Mortality assumption - male post retirement	SAPS S2NMA 110%/90%(main /exec) CMI 2017 1%	SAPS S2NMA 110%/90% (main/exec) CMI 2016 1%
Mortality assumption - female post retirement	SAPS S2NFA 110%/90% (main/exec) CMI 2017 1%	SAPS S2NFA 110%/90% (main/exec) CMI 2016 1%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	86.4	86.4
Female aged 65 at year end:	88.4	88.4
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	87.4	87.5
Female aged 45 at year end:	89.6	89.6

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	+/- 0.1% p.a.	-/+ 1.7%
Inflation rate	+/- 0.1% p.a.	-/+ 0.9%
Assumed life expectancy	+ 1 year	+ 3.6%

Limitations of the sensitivity analysis

14. Defined benefit pension asset (continued)

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

15. Debtors - amounts falling due within one year

	2018	2017
	£'000	£'000
Trade receivables	28,772	24,046
Other receivables	1,219	1,074
Amounts owed by group undertakings	141,598	117,260
	<u>171,589</u>	<u>142,380</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

16. Creditors - amounts falling due within one year

	2018	2017
	£'000	£'000
Trade payables	2,508	1,693
Amounts owed to group undertakings	118,851	97,349
Factoring debt facility	15,000	5,739
Accruals and deferred income	37,620	33,056
	<u>173,979</u>	<u>137,837</u>

Amounts owed to group undertakings within one year are unsecured, bear no interest and are repayable on demand.

17. Commitments under operating leases

At 31 December, the company had annual commitments under non-cancellable operating leases as set out below:

	2018 Land and buildings £000	Other £000	2017 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	628	70	587
In one to five years	-	660	-	368
In over five years	-	-	-	289
	-	1,288	70	1,244

Some leases remain in the name of Ideal Standard (UK) Limited but the costs are recharged to Armitage Shanks Limited where the underlying assets are used by that company.

18. Deferred tax liability

	2018 £'000	2017 £'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Pension movements	15,566	15,188
Accelerated capital allowances	251	314
	15,817	15,502
Amounts recognised in equity:		
Pension movements	(8,071)	(10,293)
Deferred tax liability	7,746	5,209
<i>Movements:</i>		
Opening balance	5,209	3,480
Charged to profit or loss (note 10)	316	935
Charged to equity (note 10)	2,221	794
Closing balance	7,746	5,209

19. Called up share capital

	2018	2017	2018	2017
	Shares	Shares	£'000	£'000
Ordinary shares of £0.01 each - fully paid	626,736	626,736	6,267	6,267
Deferred shares of £0.25 each - fully paid	32,019	32,019	8,005	8,005
	<u>658,755</u>	<u>658,755</u>	<u>14,272</u>	<u>14,272</u>

The deferred shares carry no right to participate in any dividend or other distribution and the holders of these shares are not entitled to receive notice of or to attend or vote at any general meeting of the company. On a winding up the ordinary shares have priority over the deferred shares.

20. Reserves

	2018	2017
	£'000	£'000
Revaluation reserve	2,041	2,041
Pension actuarial movements reserve	<u>(39,447)</u>	<u>(50,296)</u>
	<u>(37,406)</u>	<u>(48,255)</u>

21. Retained earnings

	2018	2017
	£'000	£'000
Retained earnings at the beginning of the financial year	82,380	67,868
(Loss)/profit after tax expense for the year	(605)	14,467
Transfer from revaluation surplus reserve	<u>-</u>	<u>45</u>
Retained earnings at the end of the financial year	<u>81,775</u>	<u>82,380</u>

22. Contingent liabilities

The Company has given a fixed and floating charge over its property and other assets as a Guarantor of the monies borrowed by the Ideal Standard International Group.

23. Ultimate parent company

The company is a wholly-owned subsidiary of Ideal Standard Holdings (BC) UK Limited, a company registered in England and Wales. The ultimate parent company is Ideal Standard International S.A., a company registered in Luxembourg.

On 27 March 2018, Ceramo (Lux) S.a.r.l., an entity managed and advised by Anchorage Capital Group LLC, and CVC Credit Partners Global Enhanced Loan EUR S.a.r.l., an entity managed and advised by CVC credit partners, acquired full control of the Group and are now the sole shareholders in the Company.

The largest group for which the company is a member and for which consolidated financial statements are prepared is Ideal Standard International S.A.. Copies of Ideal Standard International S.A. financial statements can be obtained from 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg, Grand Duchy of Luxembourg.