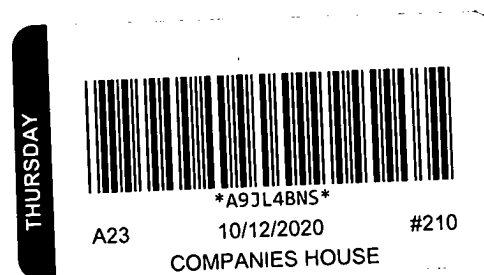


Ideal Standard (UK) Limited

Registered Number 00091891

Annual Report and Financial Statements - 31 December 2019



Ideal Standard (UK) Limited
Corporate directory
31 December 2019



Directors	D Barber J C Elwell S Ewer (appointed 01.01.2019, resigned on 17.04.2020)
Company secretary	J C Elwell
Registered office	The Bathroom Works National Avenue Hull North Humberside HU5 4HS
Independent auditors	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 2019



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The directors present their strategic report on the company for the year ended 31 December 2019.

Review of the business

The profit after tax for the financial year, amounted to £2,256,000 (2018: loss of £605,000).

Turnover for the year increased to £156,508,000 compared to £150,076,000 for the previous year.

Total Shareholders' funds decreased to £53,130,000 from £58,719,000. This was mainly due to an actuarial loss suffered 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:

	2019	2018	Change	Change
	£'000	£'000	£'000	%
Turnover (1)	156,508	150,076	6,432	4%
Operating profit (2)	2,967	103	2,864	2781%
Profit/(Loss) after tax for the financial year (2)	2,256	(605)	2,861	(473%)
Total shareholders' funds (3)	53,130	58,719	(5,589)	(10%)
Monthly average number of employees	252	272	(20)	(7%)
Sales per employee	621	552	69	13%

(1) Turnover has increased by 4% in difficult market conditions in key segments.

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

(3) Total shareholders' funds have decreased by 10%. The company suffered an actuarial loss on the defined benefit pension scheme which has reduced 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.

Principal risks and uncertainties (continued)

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 many are recyclable. Ceramic sanitaryware has a potential very long life. 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 more than 900 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.

Section 172(1) statement

Directors are required to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. This S172 statement, which is reported for the first time, explains how the Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to Ideal Standard, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate. The strategy set by the Board is intended to strengthen our position as a leading bathroom company by providing quality bathroom products while keeping safety and social responsibility fundamental to our business approach. The Directors have taken the decisions they believe best support the Company's strategic ambitions and stakeholder interests for the long term.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that Ideal Standard employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. The Directors recognise that our pensioners, though no longer employees, also remain important stakeholders who have contributed to the previous success of the business and has helped create the platform for future success.

Section 172(1) statement (continued)

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and Governments. Ideal Standard seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. The Directors also review and approve the Company's approach to suppliers which is set out in the Company's policies. The Directors continuously assess the priorities related to customers and those with whom we do business, and the Directors engage on these topics, for example, within the context of business strategy updates and investment proposals. Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.

S172(1) (D) "The impact of the company's operations on the community and the environment"

This aspect is inherent in our strategic ambitions. As such, the Directors receive information on these topics to both provide relevant information for specific Board decisions and to provide ongoing overviews at Ideal Standard group level.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Directors periodically review and approve clear frameworks, such as The Code of Conduct, specific Ethics & Compliance manuals, Whistleblowing, Anti-Bullying, Anti-Bribery, Anti-Corruption and its Modern Slavery Statements, to ensure that its high standards are maintained both within Ideal Standard and the business relationships we maintain. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that the Company acts in ways that promote high standards of business conduct.

Culture

The Directors recognise that they have an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Directors have established honesty, integrity and respect for people as Ideal Standard's core values. The Code of Conduct, Code of Ethics, Anti-Bribery and Anti-Corruption help everyone at Ideal Standard act in line with these values and comply with relevant laws and regulations. The Company's commitment to policy on Health, Safety, Security, Environment & Social Performance is designed to help protect people and the environment. We strive to maintain a diverse and inclusive culture.

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

On behalf of the directors



D Barber
Director

26 November 2020

Ideal Standard (UK) Limited
Directors' report
31 December 2019



The directors present their report, together with the audited financial statements, on the company for the year ended 31 December 2019.

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 profit for the company after providing for income tax amounted to £2,256,000 (2018: loss of £605,000).

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 engagement

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.

Matters subsequent to the end of the financial year

On-going Brexit negotiations and the international response to the outbreak of the COVID-19 virus are significant events occurring after the balance sheet date.

i. Brexit

The UK departed from EU membership ("Brexit") on 31 January 2020. The process and its impact in terms of the exit deal including tariffs and trade agreements remain unclear and difficult to quantify at this point in time. 2019 was a year of uncertainty in relation to Brexit and the Company sought to mitigate potential risks as much as possible.

As global trade uncertainty continues, the impact of tariffs on international trade will continue to be monitored by the Company and mitigated as much as possible. We are engaged with our key suppliers to understand the potential implications of a disruptive Brexit under various scenarios and are developing contingency plans; engaged with the industry peers to communicate risks and input to industry-wide risk management. The Company continues to monitor the ongoing uncertainty surrounding the potential impact of Brexit but has seen no adverse impact on trading and there is no indicator of impairment at 31 December 2019 as a result of this.

ii. COVID-19

While we entered 2020 with positive momentum, trading since late-March 2020 has been challenged by the outbreak of the COVID-19 virus. The Company has also considered the broad potential impacts of the new COVID-19 strain which impacts a number of its activities.

Based on the prevailing conditions and available market information, management has assessed the impact of COVID-19 on the activities of the business and is taking appropriate actions. A prolonged impact in certain market segments may have material negative consequences on the Company's operations in 2020.

It is a non-adjusting post balance sheet event, as the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed at the balance sheet date; hence there is no material impact on the financial statements for the year ended 31 December 2019.

Sales of premises

In June 2020, the company sold the Hull site to a third party and leased back part of the site for office use.

Matters subsequent to the end of the financial year (continued)

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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.

Ideal Standard (UK) Limited
Directors' report
31 December 2019



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

On behalf of the directors

A handwritten signature in black ink, appearing to read "D Barber".

D Barber
Director

26 November 2020

Independent auditors' report to the members of Ideal Standard (UK) Limited

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 2019 and of its profit 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 2019; the statement of comprehensive income, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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.

Ideal Standard (UK) Limited
Independent auditors' report to the members of Ideal Standard (UK) Limited
31 December 2019



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 2019 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, 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.

A handwritten signature in black ink, appearing to read "Dino Blackburn".

Dino Blackburn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
26 November 2020

Ideal Standard (UK) Limited
Statement of comprehensive income
For the year ended 31 December 2019



	Note	2019 £'000	2018 £'000
Turnover	3	156,508	150,076
Cost of sales		<u>(134,848)</u>	<u>(128,954)</u>
Gross profit		<u>21,660</u>	<u>21,122</u>
Distribution costs		(12,339)	(12,907)
Administrative expenses (2018 includes GMP equalisation adjustment of £1,648,000)	4	<u>(6,354)</u>	<u>(8,112)</u>
Operating profit	5	2,967	103
Interest receivable and similar income	8	1,295	730
Interest payable and similar expenses	9	<u>(2,045)</u>	<u>(1,061)</u>
Profit/(loss) before tax credit/(expense)		2,217	(228)
Tax credit/(expense)	10	<u>39</u>	<u>(377)</u>
Profit/(loss) after tax credit/(expense) for the year		2,256	(605)
Other comprehensive (expense)/income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial (loss)/gain on defined benefit pension scheme	15	(9,452)	13,070
Deferred tax on actuarial loss/(gain)	10	<u>1,607</u>	<u>(2,221)</u>
Other comprehensive (expense)/income for the year, net of tax		<u>(7,845)</u>	<u>10,849</u>
Total comprehensive (expense)/income for the year		<u><u>(5,589)</u></u>	<u><u>10,244</u></u>

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

Ideal Standard (UK) Limited
Statement of financial position
As at 31 December 2019



	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	11	8,001	8,001
Tangible assets	12	7,112	6,533
Right-of-use assets	13	2,845	-
Deferred tax asset	14	4,085	3,949
Defined benefit pension asset	15	35,720	44,049
Total fixed assets		57,763	62,532
Current assets			
Debtors - amounts falling due within one year	16	209,054	171,589
Cash at bank and in hand		9,156	6,323
Total current assets		218,210	177,912
Current liabilities			
Creditors - amounts falling due within one year	17	213,573	173,979
Lease liabilities	18	653	-
Total current liabilities		214,226	173,979
Net current assets		3,984	3,933
Total assets less current liabilities		61,747	66,465
Non-current liabilities			
Lease liabilities	19	2,392	-
Total non-current liabilities		2,392	-
Net assets before deferred tax liability		59,355	66,465
Deferred tax liability	20	6,225	7,746
Net assets		53,130	58,719
Equity			
Called up share capital	21	14,272	14,272
Share premium account		78	78
Reserves	22	(45,251)	(37,406)
Retained earnings	23	84,031	81,775
Total equity		53,130	58,719

The financial statements on pages 12 to 37 were approved by the Board of Directors on 26 November 2020 and signed on its behalf by:

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

Ideal Standard (UK) Limited
Statement of financial position
As at 31 December 2019

A handwritten signature in black ink, appearing to read 'D Barber', written in a cursive, flowing style.

D Barber
Director

26 November 2020

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 2019



	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 (expense)/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>

	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 2019	14,272	78	2,041	(39,447)	81,775	58,719
Profit after tax credit for the year	-	-	-	-	2,256	2,256
Other comprehensive expense for the year, net of tax	-	-	-	(7,845)	-	(7,845)
Total comprehensive (expense)/income for the year	-	-	-	(7,845)	2,256	(5,589)
Balance at 31 December 2019	<u>14,272</u>	<u>78</u>	<u>2,041</u>	<u>(47,292)</u>	<u>84,031</u>	<u>53,130</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. General information

The financial statements cover Ideal Standard (UK) Limited as an individual entity. The financial statements are presented in Pound sterling, which is Ideal Standard (UK) Limited's functional and presentation currency.

Ideal Standard (UK) Limited is a company limited by shares, incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is located at The Bathroom Works, National Avenue, Hull, North Humberside, HU5 4HS.

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

2. Significant 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 16 Leases

The new standard replaces 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 applied the standard from its mandatory adoption date of 1st January 2019. The group intends to apply the simplified transition approach and did 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.

At 31st December 2018, the Company had non-cancellable operating lease commitments of £1,288,000 within one year. Of these commitments, none related to short-term or low value leases or commitments that do not meet the definition for lease capitalisation which would have been recognised on a straight-line basis as an expense in the income statement. For the remaining lease commitments the Company recognised right-of-use assets and lease liability of £1,322,543 on 1 January 2019.

As a result of adopting the new rules in 2019, the Company's net profit after tax increased by £13,118.

New standards, amendments and interpretations not early adopted by the Company

Certain new standards, amendments to existing standards and interpretations have been published and are mandatory for the Company's accounting year beginning 1 January 2019 or later periods, but have not been early adopted by the Company:

- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019)
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)

2. Significant accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted (continued)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes principal risks and uncertainties associated with the business together with policies for managing these risks.

Having undertaken a going concern review, the Directors have considered the Company's principal risk areas, including the potential impact of the COVID-19 pandemic, when assessing the ability of the Company to continue as a going concern. The Directors have stress tested their forecasts by considering potential downturns in performance which represent severe but plausible scenarios in these uncertain times.

At the time of approving the Financial Statements the Directors expect that the Company will have adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

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:

2. Significant accounting policies (continued)

Basis of preparation (continued)

- IFRS 7, 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, '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.

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.

- 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.

- Useful life and residual value

An estimation of the residual values and useful lives of tangible assets and intangible assets is required to be made at least annually. Judgement is required in estimating the useful lives of fixed asset categories. The residual value is the estimated amount that would be currently obtained from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value is determined based upon discussions with local engineers and experts.

- Impairment of investments

Investments are tested for impairment where there are financial or non-financial indicators that the carrying value of investments may be greater than the expected present value of future cash flows. Judgement is required to determine whether such indicators exist. Where it is determined that a test for impairment is required, the inputs into the impairment model such as growth, future cash flows and discount rates are estimated. These estimates and assumptions can have a significant impact on the result of the calculation and determine whether an impairment is recognised.

2. Significant accounting policies (continued)

Critical accounting estimates (continued)

- Loss allowances against amounts owed by Group undertakings

The Company holds amounts owed by other Ideal Standard group entities. The decision whether to recognise a loss allowance against such receivables requires judgement in respect of the underlying operational performance and economic risks faced by other Group companies.

If it is decided that the loss allowance should be computed, such computation involves estimation of the expected loss rate. The expected loss rates are based on the payment profiles of receivables over a period of at least 36 months before the end of the relevant reporting year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the Company considers would affect the ability of the counterparty to settle the receivables.

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 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.

2. Significant accounting policies (continued)

Turnover / Revenue recognition (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.

Considering the nature of activities and applying the above mentioned guidance, we have concluded that the Company recognises the revenue over 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 statement of comprehensive income 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 statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

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.

2. Significant accounting policies (continued)

Debtors

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

Financial assets

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

a) Classification

From 1 January 2019, the company classifies its financial assets in the following measurement categories:

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

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 statement of comprehensive income.

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 the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in the statement of comprehensive income. Impairment losses are also recognised in the statement of comprehensive income.

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

d) Impairment of financial assets

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

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.

2. Significant accounting policies (continued)

Tangible fixed assets and depreciation (continued)

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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the income statement as incurred.

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 recognised initially at fair value and subsequently measured, if applicable, at amortized cost using the effective interest method.

Lease liabilities

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis of the variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2. Significant accounting policies (continued)

Lease liabilities (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs, and restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. Extension and termination options are also accounted for to determine the lease term of contract.

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.

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.

2. Significant accounting policies (continued)

Pensions (continued)

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.

3. 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. The entire turnover for the year relates to performance obligations satisfied at a point in time.

An analysis of turnover by geographical destination is given below:

Analysis of turnover by geography

	2019	2018
	£'000	£'000
United Kingdom	154,548	148,479
Europe	57	36
Rest of the World	1,903	1,561
	<u>156,508</u>	<u>150,076</u>

4. 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.

5. Operating profit

This is stated after charging:

	2019 £'000	2018 £'000
Fees payable to the company's auditors in respect of:		
- audit of company financial statement	59	58
- audit of company's subsidiary and other related undertakings	23	26
- tax advisory services	-	10
Depreciation of owned fixed assets (including impairment costs)	474	435
Research costs	200	250
Losses on foreign exchange	-	(8)

6. Average number of employees and employee benefits expense

The monthly average number of employees was as follows:

	2019	2018
Distribution and selling	190	205
Administration	62	67
Average number of employees	<u>252</u>	<u>272</u>

The employee benefits expense during the year was as follows:

	2019 £'000	2018 £'000
Wages and salaries	10,220	9,447
Social security costs	1,121	1,164
Other pension costs	531	3,249
Total employee benefits expense	<u>11,872</u>	<u>13,860</u>

7. Directors' remuneration

Details of directors' remuneration is set out below:

	2019	2018
Number of directors accruing benefits under pension schemes in respect of qualifying services	3	3
	2019 £'000	2018 £'000
Aggregate remuneration in respect of qualifying services	719	610

7. Directors' remuneration (continued)

2019	2018
£000	£000

The highest paid director's emoluments were as follows:

Aggregate emoluments	367	259
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The amount of annual accrued pension of the highest paid director at 31 December 2019 under the defined benefit plan was £nil (2018: £nil).

8. Interest receivable and similar income

2019	2018
£'000	£'000

Other interest receivable	5	1
Pension scheme finance income	1,232	729
R&D tax credit	58	-
	<u>1,295</u>	<u>730</u>

9. Interest payable and similar expenses

2019	2018
£'000	£'000

Factoring costs	767	664
Intercompany interest payable	1,177	397
Lease liabilities	101	-
	<u>2,045</u>	<u>1,061</u>

10. Income tax credit/expense

	2019 £'000	2018 £'000
<i>Income tax credit/expense</i>		
Current tax	424	(43)
Deferred tax - origination and reversal of temporary differences	(50)	433
Adjustment recognised for prior periods	(499)	115
Other adjustment	86	(128)
	<u>(39)</u>	<u>377</u>
Aggregate income tax credit/expense		
Deferred tax included in income tax credit/expense comprises:		
Decrease/(increase) in deferred tax assets (note 14)	(136)	117
Increase in deferred tax liabilities (note 20)	86	316
	<u>(50)</u>	<u>433</u>
Deferred tax - origination and reversal of temporary differences		
<i>Numerical reconciliation of income tax credit/expense and tax at the statutory rate</i>		
Profit/(loss) before tax credit/(expense)	2,217	(228)
Tax at the statutory tax rate of 19%	421	(43)
Adjustment recognised for prior periods	(499)	115
Disallowed expenses	39	46
Group relief surrendered	-	259
	<u>(39)</u>	<u>377</u>
Income tax (credit)/expense		
	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
<i>Amounts (credited)/charged directly to equity</i>		
Deferred tax liabilities (note 20)	(1,607)	2,221

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was subsequently enacted on 17 March 2020. As the proposal to keep the tax rate at 19% had not been substantially enacted at the balance sheet date, the effects are not included in these financial statements.

11. Investments

	2019 £'000	2018 £'000
Investment in subsidiaries	8,001	8,001

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	8,001
Closing carrying amount	8,001	8,001

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, Rugeley, 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.

12. Tangible assets

	2019 £'000	2018 £'000
Freehold land and buildings	10,693	10,041
Less: Accumulated depreciation	(5,168)	(4,558)
	<u>5,525</u>	<u>5,483</u>
Leasehold improvements	566	-
Less: Accumulated depreciation	(36)	-
	<u>530</u>	<u>-</u>
Plant and machinery	10,827	10,752
Less: Accumulated depreciation	(9,770)	(9,702)
	<u>1,057</u>	<u>1,050</u>
	<u>7,112</u>	<u>6,533</u>

Reconciliations

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

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Balance at 1 January 2019	5,483	-	1,050	6,533
Additions	288	566	223	1,077
Impairment of assets	-	-	(24)	(24)
Depreciation expense	(246)	(36)	(192)	(474)
Balance at 31 December 2019	<u>5,525</u>	<u>530</u>	<u>1,057</u>	<u>7,112</u>

13. Leases

The company has lease contracts for a showroom and various equipment used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

Ideal Standard (UK) Limited
Notes to the financial statements
31 December 2019



13. Leases (continued)

	31 Dec 2019 £'000	1 Jan 2019 £'000
Right-of-use assets:		
Land and buildings	1,669	-
Plant and equipment	602	462
Motor vehicles	530	674
Computer equipment	28	160
Office equipment	16	27
	<u>2,845</u>	<u>1,323</u>
Lease liabilities:		
Current	653	628
Non-current	2,392	695
	<u>3,045</u>	<u>1,323</u>

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the company's borrowings.

Additions to the right-of-use assets during the 2019 financial year were £2,424,000.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation charge of right-of-use assets:		
Land and buildings	170	-
Plant and equipment	231	-
Motor vehicles	391	-
Computer equipment	100	-
Office equipment	10	-
	<u>902</u>	<u>-</u>
Interest expense (included in finance cost) - note 9	101	-
Expense relating to short-term leases (included in administrative expenses)	-	-
Expense relating to leases of low value assets that are not shown above as short-term leases (included in administrative expenses)	-	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-
	<u>101</u>	<u>-</u>
Future minimum lease payments as at 31 December 2019 and 1 January 2019 are as follows		
Not later than one year	653	628
Later than one year and not later than five years	1,538	768
Later than five years	1,038	-
Total gross payments	<u>3,229</u>	<u>1,396</u>
Impact of finance expenses	<u>(184)</u>	<u>(73)</u>
Carrying amount of liability	<u>3,045</u>	<u>1,323</u>

13. Leases (continued)

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The total cash outflow for leases in 2019 was £839,000 (2018: £869,000).

14. Deferred tax asset

	2019 £'000	2018 £'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	4,085	3,943
Provisions	-	6
Deferred tax asset	<u>4,085</u>	<u>3,949</u>
<i>Movements:</i>		
Opening balance	3,949	4,066
Credited/(charged) to profit or loss (note 10)	<u>136</u>	<u>(117)</u>
Closing balance	<u>4,085</u>	<u>3,949</u>

15. 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. The most recent actuarial valuations for the Plans were 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 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.

15. Defined benefit pension asset (continued)

Statement of financial position amounts

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

	2019 £'000	2018 £'000
Present value of the defined benefit obligation	(285,295)	(260,601)
Fair value of defined benefit plan assets	321,015	304,650
Net asset in the statement of financial position	35,720	44,049

Categories of plan assets

The major categories of plan assets are as follows:

	2019 £'000	2018 £'000
Cash at bank and in hand	1,445	1,079
Equity instruments	60,050	92,091
Debt instruments	99,615	64,518
Other assets	159,905	146,962
	321,015	304,650

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 2020. 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

	2019 £'000	2018 £'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at the beginning of the year	260,601	290,915
Interest cost	7,106	6,807
Past service cost	-	1,648
Benefits paid	(13,603)	(14,517)
Actuarial losses/(gains)	31,191	(24,252)
Balance at the end of the year	285,295	260,601
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	304,650	319,672
Return on plan assets	21,739	(11,181)
Contributions by entities in the company	510	4,383
Benefits paid	(13,603)	(14,517)
Interest income	8,338	7,536
Administration expenses	(619)	(1,243)
Balance at the end of the year	321,015	304,650

15. Defined benefit pension asset (continued)

Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income are as follows:

	2019 £'000	2018 £'000
Net Interest credit	(1,232)	(729)
Past service cost (GMP equalisation)	-	1,648
Administration expenses	619	1,243
Total amount recognised in profit or loss	<u>(613)</u>	<u>2,162</u>
Actuarial gains	<u>9,452</u>	<u>(13,070)</u>
Total amount recognised in other comprehensive (expense)/income	<u>9,452</u>	<u>(13,070)</u>

The principal actuarial assumptions used were:

	2019	2018
Liability discount rate	2.0%	2.8%
Inflation assumption - RPI	2.9%	3.1%
Inflation assumption - CPI	1.9%	2.1%
Revaluation of deferred pensions (non-GMP)	1.9%	2.1%
Increases in pensions in payment:		
- RPI capped at 5%	2.9%	3.1%
- RPI capped at 2.5%	2.2%	2.2%
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 S3PMA 115%/90%(main /exec) CMI 2018 1%	SAPS S2NMA 110%/90% (main/exec) CMI 2017 1%
Mortality assumption - female post retirement	SAPS S3PFA 110%/90% (main/exec) CMI 2018 1%	SAPS S2NFA 110%/90% (main/exec) CMI 2017 1%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	85.6	86.4
Female aged 65 at year end:	88.6	88.4
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	86.6	87.4
Female aged 45 at year end:	89.7	89.6

16. Debtors - amounts falling due within one year

	2019	2018
	£'000	£'000
Trade receivables	22,701	28,772
Other receivables	552	1,219
Amounts owed by group undertakings	<u>185,801</u>	<u>141,598</u>
	<u><u>209,054</u></u>	<u><u>171,589</u></u>

Amounts owed by Group undertakings are trading in nature, unsecured, interest-free and repayable on demand.
The loss allowance as at 31 December 2019 is £Nil (2018: £Nil) as all amounts owed by Group undertakings are repayable on demand and the expected loss rate for the Company is 0% (2018: 0%).

17. Creditors - amounts falling due within one year

	2019	2018
	£'000	£'000
Trade payables	2,198	2,508
Amounts owed to group undertakings	158,910	118,851
Factoring debt facility	13,069	15,000
Accruals and deferred income	<u>39,396</u>	<u>37,620</u>
	<u><u>213,573</u></u>	<u><u>173,979</u></u>

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

18. Lease liabilities

	2019	2018
	£'000	£'000
Lease liability	<u>653</u>	<u>-</u>

19. Lease liabilities

	2019	2018
	£'000	£'000
Lease liability	<u>2,392</u>	<u>-</u>

20. Deferred tax liability

	2019 £'000	2018 £'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Pension movements	15,756	15,566
Accelerated capital allowances	108	251
Provisions	39	-
	<u>15,903</u>	<u>15,817</u>
Amounts recognised in equity:		
Pension movements	<u>(9,678)</u>	<u>(8,071)</u>
Deferred tax liability	<u>6,225</u>	<u>7,746</u>
<i>Movements:</i>		
Opening balance	7,746	5,209
Charged to profit or loss (note 10)	86	316
(Credited)/charged to equity (note 10)	<u>(1,607)</u>	<u>2,221</u>
Closing balance	<u>6,225</u>	<u>7,746</u>

21. Called up share capital

	2019 Shares	2018 Shares	2019 £'000	2018 £'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	<u>32,019</u>	<u>32,019</u>	<u>8,005</u>	<u>8,005</u>
	<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.

22. Reserves

	2019 £'000	2018 £'000
Revaluation reserve	2,041	2,041
Pension actuarial movements reserve	<u>(47,292)</u>	<u>(39,447)</u>
	<u>(45,251)</u>	<u>(37,406)</u>

23. Retained earnings

	2019 £'000	2018 £'000
Retained earnings at the beginning of the financial year	81,775	82,380
Profit/(loss) after tax credit/(expense) for the year	2,256	(605)
Retained earnings at the end of the financial year	<u>84,031</u>	<u>81,775</u>

24. 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.

25. Events after the reporting period

On-going Brexit negotiations and the international response to the outbreak of the COVID-19 virus are significant events occurring after the balance sheet date.

i. Brexit

The UK departed from EU membership ("Brexit") on 31 January 2020. The process and its impact in terms of the exit deal including tariffs and trade agreements remain unclear and difficult to quantify at this point in time. 2019 was a year of uncertainty in relation to Brexit and the Company sought to mitigate potential risks as much as possible.

As global trade uncertainty continues, the impact of tariffs on international trade will continue to be monitored by the Company and mitigated as much as possible. We are engaged with our key suppliers to understand the potential implications of a disruptive Brexit under various scenarios and are developing contingency plans; engaged with the industry peers to communicate risks and input to industry-wide risk management. The Company continues to monitor the ongoing uncertainty surrounding the potential impact of Brexit but has seen no adverse impact on trading and there is no indicator of impairment at 31 December 2019 as a result of this.

ii. COVID-19

While we entered 2020 with positive momentum, trading since late-March 2020 has been challenged by the outbreak of the COVID-19 virus. The Company has also considered the broad potential impacts of the new COVID-19 strain which impacts a number of its activities.

Based on the prevailing conditions and available market information, management has assessed the impact of COVID-19 on the activities of the business and is taking appropriate actions. A prolonged impact in certain market segments may have material negative consequences on the Company's operations in 2020.

It is a non-adjusting post balance sheet event, as the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed at the balance sheet date; hence there is no material impact on the financial statements for the year ended 31 December 2019.

Sales of premises

In June 2020, the company sold the Hull site to a third party and leased back part of the site for office use.

26. 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.