

Ecolab Limited

Annual Report and Financial Statements for the year ended  
30 November 2016

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# **Ecolab Limited**

## **Annual report and financial statements for the year ended 30 November 2016**

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# Ecolab Limited

## Strategic report for the year ended 30 November 2016

The directors present their Strategic report on the company for the year ended 30 November 2016.

### Principal activities and business review

Ecolab Limited is a subsidiary of a world-wide hygiene solutions business. The principal activity of the company is the manufacture and sale of hygiene products and provision of related hygiene services. The company trades primarily from the United Kingdom but has a branch in the Republic of Ireland.

The results for the year are set out in the income statement on page 7. The profit for the financial year was £10,144,000 (2015: £12,640,000) on increased turnover of £154,229,000 (2015: £147,481,000).

Total comprehensive income in the year after taking account of the actuarial gain on the pension plans was £10,274,000 (2015: total comprehensive income: £15,062,000). The directors do not propose to pay a dividend in respect of the year (2015: £nil). Net assets increased from £51,231,000 to £62,060,000 during the year due to trading profits and movements on the company's pension plans.

This is the first year that the company has presented its results under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102"). Any impact on equity at the date of transition to FRS102, 1 December 2014, and at 30 November 2015, together with the changes to the reported profit for the year ended 30 November 2015 are shown in note 31.

### Principal risks and uncertainties, and future outlook

The external commercial environment is expected to remain competitive in 2016 with continued pressure on both sales pricing and raw material costs. However, the directors remain confident that the company will improve on its current level of performance in the future. The key business risks facing the company are the general global economic climate, competitive pressures and the potential variability in the pension plan surplus.

### Key performance indicators

Management monitors the business using the following key performance indicators in the year as follows:

		2016	2015
Sales per average employee	£000	143	141
Operating profit margin	%	7.4	8.1
Average number of employees		513	450

### Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, exchange rate risk, credit risk, liquidity risk and interest rate cash flow risk. The company operates in conjunction with the treasury, tax and other relevant departments within the Ecolab Inc group on matters of risk management, including the implementation of Ecolab, Inc. group policies, to limit the adverse effects on the financial performance.

#### Price risk

The company is exposed to some commodity price risk as a result of its operations. However, given that the exposure only relates to certain parts of the company's operations, this risk is managed on a European basis within the Ecolab Inc group.

# **Ecolab Limited**

## **Strategic report for the year ended 30 November 2016 (continued)**

### **Financial risk management (continued)**

#### Exchange rate risk

The company is exposed to exchange rate fluctuations in respect of import purchases, export sales and its foreign currency bank accounts. This risk is monitored and controlled by Ecolab Inc's treasury department in conjunction with the company's finance department through the hedging of forecast open positions.

#### Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

#### Liquidity risk

The company is part of a larger group and works with the group's treasury department to actively maintain an appropriate level of finance that is designed to ensure the company has sufficient available funds for operations.

#### Interest rate cash flow risk

The company has both interest-bearing assets and interest-bearing liabilities, being primarily cash and external borrowings. Interest rates are based on market rates available to the Ecolab Inc group. The company monitors its short term working capital requirements, as well as its longer term strategic cash requirements, and in conjunction with the Ecolab Inc treasury and tax departments, it arranges the most appropriate type of financing in order to mitigate and control the cash flow and interest rate risks.

On behalf of the Board



C R Lee

**Director**

30 June 2017

## **Ecolab Limited**

### **Directors' report for the year ended 30 November 2016**

The directors present their annual report and the audited financial statements for the year ended 30 November 2016.

#### **Directors**

The directors of the company who served during the year and up to the date of signing the financial statements were:

R Gichtbrock

C R Lee

P Hey (appointed 22 December 15)

P Rawding (resigned 22 December 15)

The directors have the benefit of qualifying third party indemnity provisions for the purpose of sections 234 of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

#### **Employees**

The company's policy is to consult and discuss with employees, through staff meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through emails, information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Employees are encouraged to participate in the progress and profitability of the company through performance-related bonus plans.

#### **Disabled employees**

It is the policy of the company in the United Kingdom that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment, wherever it is practicable, so that full use can be made of an individual's abilities.

## **Directors' report for the year ended 30 November 2016 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", 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 these 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 102, 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 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.

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.

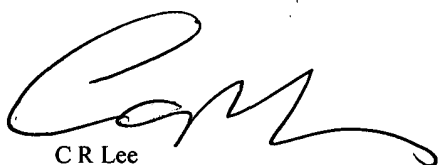
### **Statement of disclosure of information to auditors**

In accordance with Section 418 of the Companies Act 2006, Directors' Reports shall include a statement, in the case of each director in office at the date the Directors' Report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself 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 and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.



C R Lee  
Director  
30 June 2017

# **Ecolab Limited**

## ***Independent auditors' report to the rembers of Ecolab Limited***

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, Ecolab Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 November 2016 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 30 November 2016;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of director's remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

***Independent auditors' report to the members of Ecolab Limited  
(continued)***

**Responsibilities for the financial statements and the audit**

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**Our responsibilities and those of the directors**

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

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**What an audit of financial statements involves**

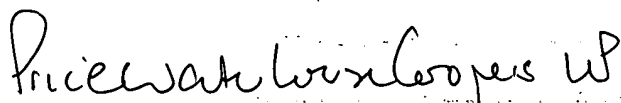
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Martin Heath (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
30 June 2017



## Ecolab Limited

### Income statement for the year ended 30 November 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	5	<b>154,229</b>	147,481
Cost of sales		(95,253)	(91,408)
<b>Gross profit</b>		<b>58,976</b>	56,073
Operating expenses	6	(47,637)	(44,120)
<b>Operating profit</b>	7	<b>11,339</b>	11,953
Exceptional items - restructuring	7	128	(222)
Interest receivable and similar income	10	192	8
Interest payable and similar charges	11	(33)	(35)
Other finance income	27	500	285
<b>Profit on ordinary activities before taxation</b>		<b>12,126</b>	11,989
Tax on profit on ordinary activities	12	(1,982)	651
<b>Profit for the financial year</b>		<b>10,144</b>	12,640

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The results above are derived entirely from continuing operations.

### Statement of comprehensive income for the year ended 30 November 2016


	Note	2016 £'000	2015 £'000
<b>Profit for the financial year</b>		<b>10,144</b>	12,640
Actuarial gain on pension plans	27	156	2,953
Deferred tax effect of actuarial gain		(26)	(531)
Other comprehensive income for the year, net of tax		130	2,422
<b>Total comprehensive income for the year</b>		<b>10,274</b>	15,062

# Ecolab Limited

## Balance sheet as at 30 November 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<b>Fixed assets</b>					
Intangible assets	13		6,542		9,125
Tangible assets	14		10,119		10,619
Investments	15		-		2,985
			16,661		22,729
<b>Current assets</b>					
Stock	16		17,860		13,482
Debtors- amounts falling due within one year	17	72,634		59,603	
Debtors – amounts falling due after more than one year	17	3,491		4,094	
Total debtors			76,125		63,697
Cash at bank and in hand			842		2,058
			94,827		79,237
<b>Creditors: Amounts falling due within one year</b>	18		(59,832)		(59,894)
<b>Net current assets</b>			34,995		19,343
<b>Total assets less current liabilities</b>			51,656		42,072
Deferred tax liability	19		(2,387)		(2,485)
Provisions for liabilities	20		(1,248)		(2,161)
<b>Net assets before pension surplus</b>			48,021		37,426
Pension surplus	27		14,039		13,805
<b>Net assets</b>			62,060		51,231
<b>Capital and reserves</b>					
Called up share capital	21		7,944		7,944
Capital contribution reserve	22		83,568		83,568
Retained earnings			(31,241)		(41,515)
Share option reserve	23		1,789		1,234
<b>Total equity</b>			62,060		51,231

These financial statements on pages 7 to 37 were approved by the board of directors on 30 June 2017 and were signed on its behalf by:



C R Lee  
Director

Registered number: 00649192

## Ecolab Limited

### Statement of changes in equity for the year ended 30 November 2016

	Called up share capital £'000	Capital contribution reserve £'000	Share option reserve £'000	Retained earnings £'00	Total equity £'000
Balance as at 1 December 2014	7,944	83,568	905	(56,577)	35,840
Profit for the financial year	-	-	-	12,640	12,640
Other comprehensive income for the year	-	-	-	2,422	2,422
Transactions with owners, recognised direct in equity	-	-	329	-	329
<b>Balance at 30 November 2015</b>	<b>7,944</b>	<b>83,568</b>	<b>1,234</b>	<b>(41,515)</b>	<b>51,231</b>
Balance as at 1 December 2015	7,944	83,568	1,234	(41,515)	51,231
Profit for the financial year	-	-	-	10,144	10,144
Other comprehensive income for the year	-	-	-	130	130
Transactions with owners, recognised direct in equity	-	-	555	-	555
<b>Balance at 30 November 2016</b>	<b>7,944</b>	<b>83,568</b>	<b>1,789</b>	<b>(31,241)</b>	<b>62,060</b>

# **Ecolab Limited**

## **Notes to the financial statements for the year ended 30 November 2016**

### **1. General information**

Ecolab Limited's ("the Company") principal activity is the manufacture and sale of hygiene products and provision of related hygiene services. The company is a private company limited by shares and is incorporated in England. The address of its registered office is Winnington Avenue, Northwich, Cheshire, CW8 4DX.

### **2. Statement of compliance**

The financial statements of Ecolab Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

### **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS102 in these financial statements. Details of the transition to FRS102 are disclosed in note 31.

#### **Basis of accounting**

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements requires the use of certain critical accounting 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 disclosed in note 4.

#### **Exemptions for qualifying entities under FRS102**

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions on the basis that the information is included in the consolidated financial statements of the company's ultimate parent undertaking, Ecolab Inc, a company registered in the USA:

- from preparing a statement of cash flows;
- from the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A and the paragraphs 12.26 to 12.29; and
- from disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7.

#### **Consolidation**

The company has taken advantage of the exemption under Section 401 of the Companies Act 2006 from publishing consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Ecolab Inc.

**Notes to the financial statements for the year ended 30 November 2016  
(continued)**

**3. Summary of significant accounting policies (continued)**

**Turnover**

Turnover represents the invoiced value of products, equipment, services and short-term engineering projects, net of value added tax and trade discounts. Where sales of services are invoiced in advance, turnover is recognised monthly over the period covered by the invoice. Turnover from sales of products and equipment is recognised once title has passed to the customer on delivery. Turnover from the provision of services is recognised once the service has been provided. Turnover from sales of short-term engineering projects is recognised when contractual performance is substantially complete, any outstanding obligations are considered to be incidental to completion of the contract and customer acceptance has been received. Accrued income is recognised when goods have been delivered or services rendered but not invoiced at the balance sheet date.

**Research and development**

Research and development expenditure is written off in the income statement in the year in which it is incurred.

**Pensions**

The company operates funded defined benefit schemes for some of its employees. Contributions are charged to the income statement so as to spread the cost of pensions over the expected service lives of the employees in the schemes, having regard to any actuarial surplus or deficiency. The assets of the scheme are held in separately administered funds held independently of the company. These have been accounted for under the requirements of FRS102.

Under FRS102, defined benefit scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged against operating profit. The net interest cost is calculated by applying the discount rate to the net balance of defined benefit obligation and the fair value of the plan assets. This cost is recognised in the Income statement as finance expense/income. Actuarial gains and losses are recognised in the Statement of comprehensive income.

Contributions payable by the company in respect of defined contribution plans are charged to operating profit as incurred.

**Foreign currencies**

Transactions in foreign currencies are translated using the rate of exchange ruling at the end of the month prior to the date of the transaction. Monetary assets and liabilities denominated in, or to be settled in, foreign currencies are translated into sterling using the hedged rate if there is a hedge contract in place or the rate of exchange ruling at the balance sheet date, if not. The gains or losses on translation are included in the income statement. Ecolab, Inc. operates currency hedging on behalf of the company. The difference between the hedge forward rate and the spot rate at the date of hedge maturity is taken to the income statement.

**Intellectual property rights**

Intellectual property rights that are acquired and which can be separately identified and valued by reference to an independent valuation are capitalised and amortised over their estimated useful economic lives. Intellectual property rights acquired that cannot be measured independently are included and accounted for as part of goodwill.

## **Ecolab Limited**

### **Notes to the financial statements for the year ended 30 November 2016 (continued)**

#### **3 Accounting policies (continued)**

##### **Goodwill**

On the acquisition of a business, fair values are attributed to the company's share of the net assets acquired. Where the fair value of the cost of acquisition exceeds the fair values attributed to the identifiable net assets acquired, the resulting goodwill is capitalised and eliminated by amortisation through the income statement over its estimated useful economic life. The directors consider that the useful economic life of the goodwill generated on acquisitions made is 15 years from the date of acquisition. Where an impairment trigger exists, the directors of the company evaluate the carrying value of goodwill to determine if there has been any impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the income statement.

##### **Tangible fixed assets and depreciation**

Fixed assets are held at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and any costs directly attributable to bringing the asset to its working condition for its intended use. In accordance with the provisions of FRS102, the estimated cost of decommissioning an asset, to the extent that it is recognised as a provision in accordance with FRS 102, is capitalised.

Depreciation is calculated by the company to write off the cost of tangible fixed assets less their estimated residual values, over their expected useful economic lives on a straight line basis as follows:

Land, buildings & leasehold improvements:

Long leasehold land	-	Nil until remaining lease term is 50 years. 50 years thereafter
Buildings	-	25 years
Leasehold improvements	-	term of lease
Plant and production equipment	-	3 – 11 years
Office fixtures	-	3 – 11 years
Equipment on loan	-	3 – 5 years

Fixed assets which are fully depreciated and not separately identifiable are treated as having been disposed.

##### **Fixed asset investments**

Fixed asset investments are recorded at cost less provision for impairment. Impairment reviews are performed by comparing the carrying value of the asset with their recoverable amount determined by estimating the discounted future cash flows arising from the asset. Provision is made against cost to the extent that the directors consider there has been a permanent impairment in value.

# **Ecolab Limited**

## **Notes to the financial statements for the year ended 30 November 2016 (continued)**

### **3. Accounting policies (continued)**

#### **Stock**

Stock comprises raw materials, work in progress and finished goods held for resale. Stock is stated at the lower of cost and net realisable value. Cost comprises that expenditure which has been incurred in the normal course of business in bringing products to their current location and condition valued at standard cost, adjusted by relevant variances. Standard cost comprises the cost of purchase and the cost of conversion. The costs of purchase includes purchase price including import duties, transport and handling costs and any other directly attributable costs. The costs of conversion comprise costs which are specifically attributable to units of production together with production overheads. Net realisable value is the actual or estimated selling price less any further costs directly attributable to realisation of the sale. Where necessary, provision is made for slow-moving, obsolete or defective stock.

#### **Finance and operating leases and hire purchase contracts**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

All other leases are accounted for as operating leases and the rental charges are charged to the income statement on a straight line basis over the life of the lease.

#### **Provisions**

Provisions for redundancy, restructuring costs, dilapidations and onerous leases 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. Where the effect is material, provisions are determined by discounting the expected future cash flows using appropriate interest rates. As the provisions unwind year on year, the discount is charged to the income statement within interest payable and similar charges.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be sufficient future taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

#### **Share-based payments**

The company's ultimate parent company operates an equity-settled share-based compensation plan for certain employees. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the company revises its estimate of the number of options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 3. Accounting policies (continued)

##### Share-based payments (continued)

The company's ultimate parent company also grants performance based restricted stock units (PBRSU) to certain employees under a long-term incentive plan. Where services are provided by an employee to the company, the fair value of those employee services received in exchange for the grant of PBRSU is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the PBRSU granted. At each balance sheet date, the company revises its estimate of the number of PBRSU that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

#### 4. Critical accounting judgements and estimation uncertainty

Company management and the board of directors make estimates and assumptions about the future. These estimates and assumptions impact recognised assets and liabilities, as well as revenue and expenses and other disclosures. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the financial year include:

Fixed asset investments are recognised at cost, less any impairments. The carrying amount of the company's fixed asset investments is tested as soon as changed conditions show that a need for impairment has arisen. Having identified no indications of potential impairment in investments, management have not performed a review for any potential impairment, and consequently have not made any provision for impairment.

Intangible assets are recognised at cost, less any impairments. The company considers whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The company has obligations 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. With the assistance of an independent actuary, management estimates these factors in determining the net pension obligation or asset in the balance sheet. The assumptions reflect historical experience and current trends.

#### 5. Turnover

The geographical analysis of the company's turnover by destination is:

	2016 £'000	2015 £'000
United Kingdom	117,456	117,193
Rest of Europe	30,895	24,652
Rest of World	5,878	5,636
Total	154,229	147,481

All turnover arose from one class of business, the manufacture and sale of hygiene products and provision of related hygiene services, and is from continuing operations. Turnover of £3,419,000 (2015: £3,421,000) arose from continuing operations originating outside of the United Kingdom.



## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 6. Operating expenses

	2016	2015
	£'000	£'000
Selling, marketing and distribution costs	25,456	23,473
Administrative expenses	22,181	20,647
Total operating expenses	47,637	44,120

#### 7. Operating profit

	2016	2015
	£'000	£'000
<b>The operating profit is stated after charging / (crediting):</b>		
Services provided by company's auditor:		
- Fees payable for the statutory audit	121	122
Amortisation of intangible fixed assets (note 13)	2,583	2,582
Depreciation of tangible fixed assets (note 14)	4,146	3,085
Staff costs (note 9)	42,848	37,280
Loss/(profit) on disposal of fixed assets	12	(2)
Exchange (gains)/losses	(613)	349
Hire of machinery and equipment	650	720
Operating lease charges	2,817	3,495

The restructuring credit of £128,000 (2015: charge £222,000) relates to the release of the prior year provision for staff and property costs arising from the fundamental restructuring programme. These are disclosed separately on the face of the income statement as an exceptional item below operating profit.

#### 8. Remuneration of directors

	2016	2015
	£'000	£'000
Aggregate emoluments	9	102
	9	102

Retirement benefits are accruing to no directors (2015: no directors) under the defined benefit plans.

Three of the three directors holding office at 30 November 2016 were remunerated by fellow subsidiary companies. At 30 November 2016, three directors held options to acquire shares in Ecolab Inc (2015: three directors). No directors holding office during the year exercised share options during the year which had been granted for services rendered to the company (2015: two directors exercised options granted for services to the company).

## **Ecolab Limited**

### **Notes to the financial statements for the year ended 30 November 2016 (continued)**

#### **9. Staff numbers and costs**

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

	<b>Average number of employees</b>	
	<b>2016</b>	<b>2015</b>
Production	<b>183</b>	145
Sales and distribution	<b>838</b>	830
Administration	<b>57</b>	68
	<b>1,078</b>	1,043
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	<b>35,746</b>	32,503
Social security costs	<b>4,056</b>	3,720
Other pension costs (note 27)	<b>2,490</b>	749
Share based payment charge (note 28)	<b>555</b>	329
	<b>42,847</b>	37,280

The above excludes restructuring charges of £265,000 associated with redundancies (2015: £198,000).

#### **10. Interest receivable and similar income**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	<b>192</b>	8

#### **11. Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on overdrafts and bank loans	<b>33</b>	35

# Ecolab Limited

## Notes to the financial statements for the year ended 30 November 2016 (continued)

### 12. Tax on profit on ordinary activities

	2016 £'000	2015 £'000
UK Corporation tax	1,810	1,329
Adjustments in respect of prior years	(1,115)	-
Foreign tax	115	98
<b>Current tax charge</b>	<b>810</b>	<b>1,427</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	358	1,289
Change in tax rates	(14)	273
Adjustments in respect of prior years	828	(3,640)
<b>Total deferred charge/(credit)</b>	<b>1,172</b>	<b>(2,078)</b>
<b>Net tax charge/(credit)</b>	<b>1,982</b>	<b>(651)</b>

#### Factors affecting the tax for the year

The tax assessed on the profit on ordinary activities for the year is lower (2015: lower) than the standard effective rate of corporation tax in the United Kingdom of 20% (2015: 20.33%).

The differences are reconciled below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	12,126	11,989
Profit on ordinary activities multiplied by standard effective rate of tax	2,425	2,437
Effects of:		
Expenses not allowable for tax purposes	449	438
Group relief	(706)	(257)
Change in tax rates	(14)	273
Adjustments in respect of prior years	(287)	(3,640)
Foreign taxation	115	98
<b>Total tax charge/(credit)</b>	<b>1,982</b>	<b>(651)</b>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# Ecolab Limited

## Notes to the financial statements for the year ended 30 November 2016 (continued)

### 13. Intangible assets

	Goodwill £'000	Intellectual Property Rights £'000	Total £'000
<b>Cost</b>			
At 1 December 2015 and at 30 November 2016	43,278	1,260	44,538
<b>Accumulated amortisation</b>			
At 1 December 2015	34,264	1,149	35,413
Charge for the year	2,529	54	2,583
<b>At 30 November 2016</b>	<b>36,793</b>	<b>1,203</b>	<b>37,996</b>
<b>Net book value</b>			
<b>At 30 November 2016</b>	<b>6,485</b>	<b>57</b>	<b>6,542</b>
At 30 November 2015	9,014	111	9,125

### 14. Tangible assets

	Land, buildings and leasehold improvements £'000	Plant and production equipment £'000	Office fixtures £'000	Equipment on loan £'000	Total £'000
<b>Cost</b>					
At 1 December 2015	3,872	3,256	2,021	7,783	16,932
Additions	-	1,008	427	2,223	3,658
Disposals	-	-	(231)	(819)	(1,050)
Exchange differences	-	-	18	-	18
<b>At 30 November 2016</b>	<b>3,872</b>	<b>4,264</b>	<b>2,235</b>	<b>9,187</b>	<b>19,558</b>
<b>Accumulated depreciation</b>					
At 1 December 2015	1,760	274	1,811	2,468	6,313
Charge for the year	251	471	269	3,155	4,146
Disposals	-	-	(219)	(819)	(1,038)
Exchange differences	-	-	18	-	18
<b>At 30 November 2016</b>	<b>2,011</b>	<b>745</b>	<b>1,879</b>	<b>4,804</b>	<b>9,439</b>
<b>Net book value</b>					
<b>At 30 November 2016</b>	<b>1,861</b>	<b>3,519</b>	<b>356</b>	<b>4,383</b>	<b>10,119</b>
At 30 November 2015	2,112	2,982	210	5,315	10,619

In the directors' opinion there is no material difference between the book value and market value of freehold land and buildings.

# Ecolab Limited

## Notes to the financial statements for the year ended 30 November 2016 (continued)

### 15. Investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 December 2015	6,713
Disposals	(6,713)
At 30 November 2016	-
<b>Provision for impairment</b>	
At 1 December 2015	(3,728)
Disposals	3,728
At 30 November 2016	-
<b>Net book value</b>	
At 30 November 2016	-
At 30 November 2015	2,985

During the year the company disposed of its investment as part of a group restructure.

### 16. Stock

	2016 £'000	2015 £'000
Raw materials and consumables	4,201	3,696
Work in progress	1,598	569
Finished goods and goods held for resale	12,061	9,217
	17,860	13,482

### 17. Debtors

	2016 £'000	2015 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	37,713	36,642
Amounts owed by group undertakings	31,550	20,301
Derivative financial assets	231	-
Deferred tax asset	365	254
Prepayments and accrued income	2,775	2,406
	72,634	59,603
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset	2,370	3,778
Prepayments and accrued income	1,121	316
	3,491	4,094
<b>Total debtors</b>	<b>76,125</b>	<b>63,697</b>

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 17. Debtors (continued)

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

The elements of the deferred taxation asset are as follows:

	2016 £'000	2015 £'000
Difference between accumulated depreciation and amortisation and capital allowances	2,370	3,778
Other timing differences	365	254
<b>Total deferred tax assets</b>	<b>2,735</b>	<b>4,032</b>

#### 18. Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans and overdrafts	280	-
Trade creditors	9,834	7,788
Amounts owed to group undertakings	26,075	29,775
Taxation and social security	5,325	4,877
Derivative financial liabilities	21	-
Accruals and deferred income	18,297	17,454
	<b>59,832</b>	<b>59,894</b>

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

#### 19. Deferred tax liability

	2016 £'000	2015 £'000
Deferred tax – post employment benefits	2,387	2,485

**Notes to the financial statements for the year ended 30 November 2016  
(continued)**

**20. Provisions for liabilities**

	<b>Onerous leases £'000</b>	<b>Dilapidations £'000</b>	<b>Total £'000</b>
At 1 December 2015	1,163	998	2,161
(Credit)/charge to the income statement	(57)	8	(49)
Utilised during the year	(819)	(45)	(864)
<b>At 30 November 2016</b>	<b>287</b>	<b>961</b>	<b>1,248</b>

**Onerous leases**

The provision for onerous leases represents future lease rental commitments, net of expected rental incomes, in respect of various properties leased but not occupied by the company. The liability is expected to be utilised up to and including the year ending 30 November 2018.

**Dilapidations**

The provision for dilapidations represents the estimated costs of dilapidation repairs on leased properties. The liability is expected to be utilised up to and including the year ending 30 November 2019.

**21. Called up share capital**

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Authorised and fully paid</b>		
79,440 (2015: 79,440) ordinary shares of £100 each	7,944	7,944

**22. Capital contribution reserve**

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>At 1 December 2015 and 30 November 2016</b>	<b>83,568</b>	<b>83,568</b>

**23. Share option reserve**

	<b>2016 £'000</b>	<b>2015 £'000</b>
At 1 December	1,234	905
Charge for the year (note 28)	555	329
<b>At 30 November</b>	<b>1,789</b>	<b>1,234</b>

**24. Contingent liabilities**

At 30 November 2016, the company had no contingent liabilities (2015: £Nil).

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 25. Financial instruments

The company has the following financial instruments:

	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost:		
Trade receivables	37,713	36,642
Other receivables	38,181	27,055
Changes in value dealt with in the income statement:		
Derivative financial instruments	231	-
<b>Total financial assets</b>	<b>76,125</b>	<b>63,697</b>
Financial liabilities measured at amortised cost:		
Trade creditors	9,834	7,788
Accruals	18,297	17,454
Other liabilities	31,680	34,652
Changes in value dealt with in the income statement:		
Derivative financial instruments	21	-
<b>Total financial liabilities</b>	<b>59,832</b>	<b>59,894</b>

The forward foreign currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:Euro. All outstanding contracts mature within 5 months of the year end.

#### 26. Commitments

##### a) Capital commitments

At 30 November 2016, the company had made no capital commitments (2015: £Nil).

##### b) Operating lease commitments

Lease payments under non-cancellable operating leases, excluding those recognised in the onerous lease provision (note 20), are as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	335	-	436
In the second to fifth years inclusive	-	6,265	-	4,766
After five years	2,144	-	2,528	-
	<b>2,144</b>	<b>6,600</b>	<b>2,528</b>	<b>5,202</b>



**Notes to the financial statements for the year ended 30 November 2016  
(continued)**

**27. Pension plans**

On 16 October 2014, the Ecolab Pension and Life Assurance Plan and the Ecolab Pest and Property Plan merged with a UK pension scheme sponsored by Nalco Limited to create the One Ecolab Pension Plan. Separate Sections of the Plan were created which relate to the three legacy defined benefit arrangements combined with the existing defined contribution arrangement. The three Sections of the One Ecolab Pension Plan have segregated assets and liabilities and therefore appear separately in the company reports. There were no changes to members' benefits or to Ecolab Limited's pension commitments in respect of the former Ecolab Pension and Life Assurance Plan and Ecolab Pest and Property Plan, renamed the Chemicals Plan Section of the One Ecolab Pension Plan (the 'Chemicals Section') and the Pest Plan Section of the One Ecolab Pension Plan (the 'Pest Section') respectively, as a result of the merger.

The company is the principal employer for the Chemicals Section and the Pest Section of the One Ecolab Pension Plan. The One Ecolab Pension Plan also includes a defined contribution section and the assets of all sections are held in independently administered funds.

Contributions to the defined benefit sections of the One Ecolab Pension Plan are determined on the basis of an actuarial valuation carried out by an independent qualified actuary at least every three years. The defined benefit sections are closed to new entrants. At 30 November 2016 there were no prepaid or outstanding contributions due to the defined contribution sections (2015: £Nil).

**Defined Contribution scheme**

The charge for the scheme represents contributions payable by the Company to this scheme and amounted to £1,577,000 (2015: £1,373,000).

**Overview of all Pension plans**

**Analysis of amount recognised in the income statement in respect of all defined benefit plans**

	2016	2015
	£'000	£'000
Chemicals Section – current service cost	459	637
Chemicals Section – past service cost	-	(345)
Chemicals Section – administration expenses	92	-
Pest Section – current service cost	299	244
Pest Section – past service cost	-	(1,160)
Pest Section – administration expenses	63	-
<b>Total operating charge/(income)</b>	<b>913</b>	<b>(624)</b>
Financing income:		
Chemicals Section – Interest on net defined benefit asset	(101)	(40)
Pest Section – Interest on net defined benefit liability asset	(399)	(245)
<b>Total financing income</b>	<b>(500)</b>	<b>(285)</b>
<b>Expense/(income) recognised in the income statement</b>	<b>413</b>	<b>(909)</b>

# Ecolab Limited

## Notes to the financial statements for the year ended 30 November 2016 (continued)

### 27 Pension plans (continued)

#### Analysis of amount charged in statement of comprehensive income

The analysis of the amounts shown in the statement of comprehensive income is as follows:

	2016 £'000	2015 £'000
Asset gains/(losses) arising during the year	6,311	(284)
Liability (losses)/gains arising during the year	(6,155)	3,237
Total amount recognised in the statement of comprehensive income	156	2,953

#### Funded status in respect of all pension plans

	2016 £'000	2015 £'000
Fair value of plan assets	140,014	133,629
Present value of plan liabilities	(125,975)	(119,824)
Net surplus recognised	14,039	13,805

The movement in the pension plans surplus during the year is analysed as follows:

	2016 £'000	2015 £'000
<b>Movement in surplus during the year in respect of all pension plans</b>		
Surplus in plans at the beginning of the year	13,805	7,810
Movement in the year:		
Current service cost	(758)	(881)
Past service credit	-	1,505
Employer contributions	491	2,133
Other finance income	500	285
Actuarial gain	156	2,953
Administration costs paid out	(155)	-
Surplus in plans at end of the year	14,039	13,805

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 27 Pension plans (continued)

##### Defined Benefit Plans:

##### Chemicals Section (formerly Ecolab Pension and Life Assurance Plan)

The most recent actuarial valuation was carried out as at 31 March 2015 on the Projected Unit Credit Method and has been updated to 30 November 2016 by a qualified independent actuary. The rate of employer contributions payable was 14.6% of pensionable salaries of active members until 1 August 2016, and up until this date the employer met the administrative and other expenses of the Chemicals section (including the amount of the Pension Protection Fund ("PPF") levy) and the cost of life assurance benefits.

However, with effect from 1 August 2016 the Trustees and Employer have agreed that administrative and other expenses relating solely to the Chemicals section (including the amount of the PPF levy) will be met from the assets of the Chemicals section, up to an annual "Expense Allowance" of £0.6 million. If this expense allowance has not been fully used up in the period running from 1 August to the following 31 July it can be used as an offset to that year's Employer contributions for future benefit accrual. With effect from 1 August 2016, the employer contributions in respect of future benefit accrual are 21.6% of pensionable salaries of active members and must be paid by the Employer by 19 December, following each 31 July year end.

The Employer separately meets the cost of life assurance benefits and any expenses over and above the annual Expense Allowance.

##### **Financial assumptions**

The principal financial assumptions used to calculate the plan's liabilities under FRS 102 are as follows:

	2016 % pa	2015 % pa
Discount rate	2.90	3.58
Rate of RPI price inflation	3.40	3.30
Rate of CPI price inflation	2.30	2.20
Deferred pension revaluation - linked to CPI capped	2.30	2.20
Rate of increase in pensions in payment - linked to CPI capped	2.30	2.20
Salary growth	2.00	2.00

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 27 Pension plans (continued)

##### Mortality assumptions

The principal mortality assumptions used to calculate the plan's liabilities under FRS 102 reflect the characteristics and experience of the membership of the plan and are as shown in the table below.

	2016 Years	2015 Years
Mortality tables	Standard tables S1NMA (males) S1NFA (females) allowing for individual years of birth and rated down by 1 year for males only	Standard tables S1NMA (males) S1NFA (females) allowing for individual years of birth and rated down by 1 year for males only
Future improvements in life expectancy	In line with CMI 2016 core projections, with a long term improvement rate of 1% p.a. for males and females	In line with CMI 2015 core projections, with a long term improvement rate of 1% p.a. for males and females
Male member aged 65 (current life expectancy)	21.9	22.8
Female member aged 65 (current life expectancy)	24.0	24.2
Male member aged 45 (life expectancy at age 65)	23.2	24.0
Female member aged 45 (life expectancy at age 65)	25.4	25.8

##### Funded status

The funded status of the plan is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	59,088	54,310
Present value of plan liabilities	(51,964)	(51,574)
Surplus recognised	7,124	2,736

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 27 Pension plans (continued)

##### Reconciliation of fair value of plan assets

The movement in the fair value of plan assets during the year is analysed as follows:

	2016 £'000	2015 £'000
Fair value of plan assets at 1 December	54,310	53,292
Movement in the year:		
Interest income on assets	1,896	1,851
Actuarial gain/(loss) on plan assets	5,611	(20)
Employer contributions	279	375
Member contributions	5	20
Benefits paid	(2,921)	(1,208)
Administration costs paid out	(92)	-
Fair value of plan assets at 30 November	59,088	54,310

Plan assets do not include any of the company's own financial instruments or any property owned or occupied by the company.

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the plan at the accounting date.

The actual return on plan assets in the year ended 30 November 2016 was a gain of £7,507,000 (2015: gain of £1,831,000).

##### Fair value and expected return on assets

The fair value of the plan assets and the expected long-term rate of return on those assets are as follows:

	Value at 30 November 2016 £'000	Value at 30 November 2015 £'000
Equities	34,099	38,034
Bonds/Gilts	23,328	16,138
Property	1,364	-
Cash	297	138
Fair value of plan assets	59,088	54,310
Present value of plan liabilities	(51,964)	(51,574)
Pension plan surplus	7,124	2,736

# Ecolab Limited

## Notes to the financial statements for the year ended 30 November 2016 (continued)

### 27 Pension plans (continued)

#### Reconciliation of present value of plan liabilities

The movement in the present value of plan liabilities during the year is analysed as follows:

	2016 £'000	2015 £'000
Present value of plan liabilities at 1 December	(51,574)	(52,367)
Movement in the year:		
Current service cost	(459)	(637)
Past service cost	-	345
Interest on pension liabilities	(1,795)	(1,811)
Member contributions	(5)	(20)
Actuarial (loss)/gain	(1,052)	1,708
Benefits paid	2,921	1,208
Present value of plan liabilities at 30 November	(51,964)	(51,574)

#### Analysis of amount recognised in the income statement in respect of defined benefit plan

	2016 £'000	2015 £'000
Current service cost	459	637
Past service cost	-	(345)
Administration expenses	92	-
<b>Total operating charge</b>	<b>551</b>	<b>292</b>
Financing income:		
Interest on net defined benefit asset	(101)	(40)
<b>Expense recognised in the income statement</b>	<b>450</b>	<b>252</b>

#### Analysis of amount charged in statement of comprehensive income

The analysis of the amounts shown in the statement of comprehensive income is as follows:

	2016 £'000	2015 £'000
Asset gains/(losses) arising during the year	5,611	(20)
Liability (losses)/gains arising during the year	(1,052)	1,708
<b>Total amount recognised in the statement of comprehensive income</b>	<b>4,559</b>	<b>1,688</b>

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 27 Pension plans (continued)

##### Pest Section (formerly Ecolab Pest and Property Plan)

The most recent actuarial valuation was carried out as at 31 March 2015 on the Projected Unit Credit Method and has been updated to 30 November 2016 by a qualified independent actuary. The rate of employer contributions payable was 14.7% of pensionable salaries of active members until 1 August 2016, and up until this date the employer met the administrative and other expenses of the Pest section (including the amount of the Pension Protection Fund ("PPF") levy) and the cost of life assurance benefits.

However, with effect from 1 August 2016 the Trustees and Employer have agreed that administrative and other expenses relating solely to the Pest section (including the amount of the PPF levy) will be met from the assets of the Pest section, up to an annual "Expense Allowance" of £0.4 million. If this expense allowance has not been fully used up in the period running from 1 August to the following 31 July it can be used as an offset to that year's Employer contributions for future benefit accrual. With effect from 1 August 2016, the employer contributions in respect of future benefit accrual are 21.7% of pensionable salaries of active members and must be paid by the Employer by 19 December, following each 31 July year end.

The Employer separately meets the cost of life assurance benefits and any expenses over and above the annual Expense Allowance.

##### **Financial assumptions**

The principal financial and actuarial assumptions used to calculate the plan's liabilities under FRS 102 are as follows:

	2016 % pa	2015 % pa
Discount rate	2.90	3.58
Rate of RPI price inflation	3.40	3.30
Rate of CPI price inflation	2.30	2.20
Deferred pension revaluation - linked to CPI capped	1.80	1.70
Rate of increase in post-1997 pensions in payment – linked to RPI capped	3.20	3.10
Salary growth	2.00	2.00

# Ecolab Limited

## Notes to the financial statements for the year ended 30 November 2016 (continued)

### 27 Pension plans (continued)

#### Mortality assumptions

The principal mortality assumptions used to calculate the plan's liabilities under FRS 102 reflect the characteristics and experience of the membership of the plan and are as shown in the table below.

	2016 Years	2015 Years
Mortality tables	Standard tables S1NMA (males) S1NFA (females) allowing for individual years of birth	Standard tables S1NMA (males) S1NFA (females) allowing for individual years of birth
Future improvements in life expectancy	In line with CMI 2016 core projections, with a long term improvement rate of 1% p.a. for males and females	In line with CMI 2015 core projections, with a long term improvement rate of 1% p.a. for males and females
Male member aged 65 (current life expectancy)	21.9	23.5
Female member aged 65 (current life expectancy)	24.0	24.8
Male member aged 45 (life expectancy at age 65)	23.2	24.8
Female member aged 45 (life expectancy at age 65)	25.4	26.2

#### Funded status

The funded status of the plan is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	80,926	79,319
Present value of plan liabilities	(74,011)	(68,250)
Surplus recognised	6,915	11,069



## **Ecolab Limited**

### **Notes to the financial statements for the year ended 30 November 2016 (continued)**

#### **27 Pension plans (continued)**

##### **Reconciliation of fair value of plan assets**

The movement in the fair value of plan assets during the year is analysed as follows:

	2016 £'000	2015 £'000
Fair value of plan assets at 1 December	79,319	78,699
Movement in the year:		
Interest income on assets	2,806	2,723
Actuarial gain/(loss) on plan assets	700	(264)
Employer contributions	212	1,758
Member contributions	3	3
Benefits paid	(2,051)	(3,600)
Administration costs paid out	(63)	-
Fair value of plan assets at 30 November	80,926	79,319

Plan assets do not include any of the company's own financial instruments or any property owned or occupied by the company.

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the plan at the accounting date.

The actual return on plan assets in the year ended 30 November 2016 was a gain of £3,506,000 (2015: gain of £2,459,000).

# Ecolab Limited

## Notes to the financial statements for the year ended 30 November 2016 (continued)

### 27 Pension plans (continued)

#### Fair value and expected return on assets

The fair value of the plan assets and the expected long-term rate of return on those assets are as follows:

	Value at 30 November 2016 £'000	Value at 30 November 2015 £'000
Equities	46,785	31,527
Bonds/Gilts	31,806	39,275
Property	2,087	8,459
Cash	248	58
Fair value of plan assets	80,926	79,319
Present value of plan liabilities	(74,011)	(68,250)
Pension plan surplus	6,915	11,069

#### Reconciliation of present value of plan liabilities

The movement in the present value of plan liabilities during the year is analysed as follows:

	2016 £'000	2015 £'000
Present value of plan liabilities at 1 December	(68,250)	(71,814)
Movement in the year:		
Current service cost	(299)	(244)
Past service cost	-	1,160
Interest on pension liabilities	(2,407)	(2,478)
Member contributions	(3)	(3)
Actuarial (loss)/gain	(5,103)	1,529
Benefits paid	2,051	3,600
Present value of plan liabilities at 30 November	(74,011)	(68,250)

## **Ecolab Limited**

### **Notes to the financial statements for the year ended 30 November 2016 (continued)**

#### **27 Pension plans (continued)**

##### **Analysis of amount recognised in the income statement in respect of defined benefit plan**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	<b>299</b>	244
Past service cost	-	(1,160)
Administration expenses	<b>63</b>	-
<b>Total operating charge/ (credit)</b>	<b>362</b>	(916)
Financing income:		
Interest on net defined benefit asset	<b>(399)</b>	(245)
<b>Income recognised in the income statement</b>	<b>(37)</b>	(1,161)

##### **Analysis of amount charged in statement of comprehensive income**

The analysis of the amounts shown in the statement of comprehensive income is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Asset gains/(losses) arising during the year	<b>700</b>	(264)
Liability (losses)/gains arising during the year	<b>(5,103)</b>	1,529
<b>Total amount recognised in the statement of comprehensive income</b>	<b>(4,403)</b>	1,265

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 28 Share based payments

Certain employees of the company who provide full time services to Ecolab Limited have been granted options to acquire shares in Ecolab Inc, the company's ultimate parent company, and granted performance-based restricted stock unit awards ('PBRSU') under the terms of the Ecolab Inc 2002 Stock Incentive Plan and the Ecolab Inc 2005 Stock Incentive Plan.

The total cost for the year ended 30 November 2016 relating to employee share-based payment plans was £555,000 (2015: £329,000), all of which related to equity-settled share-based payment transactions.

##### Share options

Options granted vest annually in equal amounts over a three-year service period and expire ten years from the date of grant. Options are granted to purchase shares at the average daily share price on the date of grant. The lattice (binomial) option-pricing model is used to estimate the fair value of options at grant date.

The weighted average fair value of each option granted in the year was £15.59 (2015: £14.80).

The assumptions used in the measurement of the fair value of the options were:

	2016	2015
	4 December 2015	4 December 2014
Grant date		
Average share price at grant date	£79.11	£68.83
Exercise price	£79.11	£68.83
Number of employees	3	3
Shares under option	326	8,739
Vesting period (years)	3	3
Expected volatility	22.86%	22.91%
Option life (years)	10	10
Expected life (years)	6.12	6.12
Risk-free rate	1.82%	1.83%
Expected dividend yield	1.18%	1.23%
Fair value per option	£15.59	£14.80

The risk-free rate of return is determined based on a yield curve of US treasury rates from one month to ten years and a period commensurate with the expected life of the options granted. Expected volatility is established based on historical volatility of Ecolab Inc's share price. The expected dividend yield is determined based on Ecolab Inc's annual dividend amount as a percentage of the average share price at the time of the grant.

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 28. Share-based payments (continued)

Information on outstanding share options is as follows:

	2016		2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 December	32,537	£51.41	37,456	£39.30
Restatement	(4,026)	£54.39	(524)	£63.03
Granted	8,718	£79.11	8,739	£68.83
Exercised	(911)	£53.72	(13,134)	£27.97
Outstanding at 30 November	36,318	£57.60	32,537	£51.41
Exercisable at 30 November	21,793	£46.60	15,708	£38.44
			2016	2015
<b>Range of exercise prices:</b>				
Low			£23.96	£22.74
High			£68.83	£63.03
<b>Weighted average remaining contractual life (years):</b>			6.7	7.0

#### Performance-based restricted stock units

The expense associated with PBRSU awards is based on the average of the high and low share price of Ecolab Inc's common stock on the date of grant, adjusted for the absence of future dividends. The awards vest based on Ecolab Inc achieving a defined performance target and with continued service for a three-year period. Upon vesting, Ecolab Inc will issue shares of its common stock such that one award unit equals one share of common stock. The company assesses the probability of achieving the performance target and recognises the expense over the three-year vesting period when it is probable that the performance target will be met.

Information on outstanding PBRSU awards is as follows:

	2016		2015	
	Number	Weighted average value	Number	Weighted average exercise price
Outstanding at 1 December	11,041	£61.46	4,482	£42.51
Granted	7,898	£86.00	7,569	£68.58
Exercised	(373)	£92.48	(1,010)	£76.78
Outstanding at 30 November	18,566	£71.69	11,041	£61.46

#### 29. Related party transactions

Under FRS 102, the company is exempt from the requirement to disclose transactions or balances with entities which form part of the Ecolab Inc group on the grounds that it is a wholly owned subsidiary of Ecolab Inc and its results are included in the published consolidated financial statements of Ecolab Inc.

## Ecolab Limited

### Notes to the financial statements for the year ended 30 November 2016 (continued)

#### 30. Immediate and ultimate parent undertakings and controlling party

The immediate parent undertaking is Ecolab (U.K.) Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Ecolab Inc, a company incorporated in the United States of America. Ecolab Inc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 November 2016.

The consolidated financial statements of Ecolab Inc are available to the public from Ecolab Inc, Ecolab Center, 370 Wabasha Street North, St Paul, Minnesota 55102, USA.

#### 31. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 30 November 2015. The date of transition to FRS 102 was 1 December 2014.

Set out below are the changes in accounting policies which reconcile profit for the financial year ended 30 November 2015 and the total equity as at 1 December 2014 and 30 November 2015 between UK GAAP as previously reported and FRS 102.

	Note	1 December 2014 £'000	30 November 2015 £'000
<b>Total equity</b>			
As previously reported under old UK GAAP		31,641	44,842
Defined benefit pension scheme	a	4,199	7,792
Deferred tax impact of adjustments			
- Defined benefit pension scheme	b	-	(1,403)
<b>As restated under FRS 102</b>		<b>35,840</b>	<b>51,231</b>

	Note	2015 £'000
<b>Profit for the financial year</b>		
As previously reported under old UK GAAP		13,476
Defined benefit pension scheme	a	(97)
Total adjustment to profit before tax for the financial year		(97)
Deferred tax impact of adjustments		
- Defined benefit pension scheme	b	(739)
Total adjustment to tax expense		(739)
Total adjustment to profit for the financial year		(836)
<b>As restated under FRS 102</b>		<b>12,640</b>

**Notes to the financial statements for the year ended 30 November 2016  
(continued)**

**31. Transition to FRS 102 (continued)**

	Note	2015 £'000
<b>Other comprehensive income</b>		
As previously reported under old UK GAAP		(604)
Defined benefit pension scheme	a	3,690
Total adjustment to profit before tax for the financial year		3,690
Deferred tax impact of adjustments		
- Defined benefit pension scheme	b	(664)
Total adjustment to tax expense		(664)
Total adjustment to other comprehensive income for the financial year		3,026
<b>As restated under FRS 102</b>		<b>2,422</b>

**(a) Defined benefit pension scheme**

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the income statement. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the income statement. Also, under previous UK GAAP, the Group was not permitted to recognise an asset associated with any irrecoverable surplus in the fund. This is no longer the case under FRS 102. Accordingly at transition the asset was increased by £4,199,000. At 30 November 2015 the effect of the change was to increase the asset by £3,593,000 to £7,792,000 and to reduce the credit in the income statement by £97,000 and an increase in other comprehensive income was recognised of £3,690,000.

**(b) Deferred taxation**

Deferred tax of £1,403,000 has been recognised at 18% on the increased defined benefit pension scheme asset at 30 November 2015. In the year ended 30 November 2015 the company has recognised a debit of £739,000 in the income statement and a deferred tax expense of £664,000 within other comprehensive income, in respect of the changes in the recognition of movements in the value of defined benefit pension scheme surplus.