Company Registration No. 02446447

IKO HOLDINGS PLC

Annual Report and Financial Statements

For the year ended 31 December 2022

IKO HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

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IKO HOLDINGS PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Koschitzky (resigned 3 May 2023)
H M Koschitzky
D P Maginnis (resigned 3 May 2023)
F Hautman
J Koschitzky (resigned 3 May 2023)
A Carlyle

SECRETARY

TCSS Limited

REGISTERED OFFICE

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

AUDITOR

Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

BANK

BNP Paribas
10 Harewood Avenue
London
NW1 6AA

STRATEGIC REPORT

Introduction

The directors present their strategic report for the year ended 31 December 2022.

Business review

The company is the intermediate holding company of an integrated group of companies engaged principally in the manufacture, distribution and installation of waterproofing and protective coatings located in the UK and Europe. The company made a loss for the year in relation to the investment income received from its subsidiaries offset by increased contributions to a defined benefit pension scheme. The loss is in line with the directors' expectations and is assumed not being structural.

Principal risks and uncertainties

Since the company does not trade, the director perceives the main risk facing this business to be a significant downturn in trading subsidiaries. Current market risks of supply chain and increasing costs are mitigated at operating subsidiary level. The risk for the company is managed through regular oversight by the directors to ensure that the results of the trading subsidiaries are monitored and any variances to budgets are reviewed and investigated.

The trading subsidiaries are trading profitably, and this is forecast to continue to do so. Their financial performance supports the carrying value of the company's investment. If required, the trading subsidiaries also provide support to this company to meet its liabilities as they fall due.

Details regarding the adoption of the going concern basis of accounting in preparing the financial statements can be found in note 1 to the financial statements.

Financial key performance indicators

The directors consider the company's key performance indicator to be the financial performance of its subsidiary undertakings. The performance of trading subsidiaries is monitored monthly by the directors by way of a comprehensive management report and as the trading subsidiaries are, and are expected to continue to be, profitable the directors consider the key performance indicator outturn to be satisfactory.

The main key performance indicators of the company itself are distributable reserves which currently total £8,229,000 (2021: £8,734,000) and receipt of dividends from its subsidiaries which for the year ended 31 December 2022 was £492,000 (2021: £382,000). During the year, the Company paid £909,000 (2021: £429,000) contributions in respect of defined benefit Pension Scheme. The increase in contributions compared to the prior year reflects the decision of the Group to take advantage of increasing yields throughout 2022 with a view to reducing funding risk as a precursor to pursuing a buyout of the Scheme's liabilities. The performance of the trading subsidiaries is deemed to be satisfactory.

Section 172

IKO PLC is part of a larger global group, IKO Group, hereafter referred to as IKO.

IKO globally has six values which have played a vital role in the business history. These values remain essential for the personal and professional development of all our stakeholders and for the continued success and growth of the IKO Group. The values go beyond selling high quality products but more so on elevating customer experiences at every touch point – operating with integrity and honesty and always making decisions based on the long-term interest of our customers, company and employees.

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

The likely consequences of any decision in the long-term

The focus on the global value of 'long term' can be demonstrated in the group's continued capital investment made in its UK and EU subsidiaries.

The holding company's subsidiaries also seek to enhance the long term performance of products through continuous improvements and investment in research and development.

IKO HOLDINGS PLC

STRATEGIC REPORT (continued)

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

Trading subsidiaries are heavily reliant on the business remaining profitable for the foreseeable in order to continue to trade. Customer relationships are key in order for the above to prosper. All trading subsidiaries maintain a dedicated salesforce who have strong customer relationships as this is viewed as a core competence of the business.

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

The IKO Holdings PLC subsidiaries supply chain is consolidated where possible with key focus on quality as well as the ability to take advantage of economies of scale.

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

It is the group's endeavour to ensure its commitment to protecting the environment by complying with all relevant legislation, compliance obligations and the needs of interested parties in relation to the context of the company, the risks, opportunities and continued improvement in line with the Company's environmental objectives and targets.

An example of this compliance is demonstrated in trading subsidiaries such as Briggs Amasco and IKO PLC with certifications such as:

- Environmental management that complies with ISO (International Standards Organisation) 14001:2015 (environment management)
- BES6001 – responsible sourcing of construction products
- Gold Member Sustainability School
- ISO 45001- Occupational Health & Safety
- ISO9001- Quality Management

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

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

The need to act fairly as between members of the Company

IKO Holdings PLC has a single shareholder and a single ultimate controlling party. Their interests are taken into account by the directors to promote fairness in decision making.

Future developments

The company will continue to act as a holding company for the IKO group for the foreseeable future.

Streamlined Energy & Carbon Reporting

The Company is not providing any disclosures as it is able to obtain an exemption due to consuming less than 40,000KWh of energy on a company only basis. The IKO U.K. Limited annual report for 2022 will include the Streamlined Energy & Carbon Reporting for all for all of IKO Holdings PLC's subsidiaries that meet the requirement. As per FRS 102 3.21.2.1-1B Acc Refs Sch.7.15(1A), the exemption for Streamlined Energy & Carbon Reporting is permitted if the group report into which the subsidiary is consolidated contains the relevant Streamlined Energy & Carbon Reporting disclosures for the relevant subsidiaries (providing that the group accounts are prepared to the same date, or a date before the subsidiary's financial year). There is no requirement for the group annual report to be filed before or at the same time as the individual annual report of the subsidiary.

Approved by the Board of Directors on 20/3/2024 and signed on behalf of the Board by:

F. Hautman
Director

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, the financial statements and auditor's report for the year ended 31 December 2022. Future developments are included within the Strategic Report on page 2 as permitted by s414C(11) of the Companies Act 2006. Engagement with suppliers, customers and others is discussed in the Strategic Report.

Results and dividends

The loss for the year, after taxation, amounted to £505,000 (2021 Loss: £96,000). There were no dividends paid in the year (2021: nil). The directors have not recommended the payment of a dividend (2021: £nil).

Directors

The directors who served during the year and subsequently to the date of this report were:

S Koschitzky (resigned 3 May 2023)
H M Koschitzky
D P Maginnis (resigned 3 May 2023)
F Hautman
J Koschitzky (resigned 3 May 2023)
A Carlyle

S Koschitzky, H M Koschitzky, and J Koschitzky are overseas based directors and are not required to notify their interest in group undertakings incorporated outside Great Britain to the company. They have no beneficial interest in the share capital of the group companies in Great Britain. F Hautman is also an overseas based director and has no beneficial interest in the share capital of group companies in Great Britain. None of the directors had any declarable beneficial interest in the share or loan capital of the company's ultimate parent company, IKO Enterprises UK ULC.

Directors' indemnities

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

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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. They 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (continued)

Financial risk management objectives and policies

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

Cash flow risk

The company's cash flow risk is relatively low due to low levels of external finance within the business. Loans due from other group companies are held at a fixed rate ensuring consistent cash flow receipts. The results of the subsidiaries are monitored on a regular basis to ensure that payment of interest income and dividends, as required, to ensure that the group remains well funded.

Credit risk

The company's principal financial assets are cash and intercompany receivables; the risk around receivables being mitigated via the controls in place surrounding the lending of inter-group funds.

Liquidity risk

Liquidity risk at the Company is insignificant as its financial liabilities are mainly with other companies within the IKO U.K. Limited Group. The Group is in a strong profitable and net asset position which mitigates the liquidity risk.

Going concern

The increasing raw material prices for producing roofing (bitumen and PVC) and insulation boards, in the European and UK markets in 2022, have been further extending into 2023. The escalation of the Russian-Ukraine crisis in the first quarter of 2022, whilst having no direct impact on the company's or operating subsidiaries of the group, was subsequently further pushing the price increases and availability issues for raw materials and extended into inflating price levels to other operating costs, including energy cost, transport cost and labour. The operating subsidiaries are making a significant effort to minimise margin erosion by pushing the price increases through to the customer market. The first quarter of 2023 indicated some cooldown and stabilisation of the energy market and reduced prices in the EU and UK region and showing some wider economic decline in the second quarter of 2023, further extending into the second half of 2023.

The directors are confident of the operating effectiveness and the strong market positions of the operating subsidiaries in the group and consider the financial year 2022 to be a positive one and are confident that the operating subsidiaries and the company are in a good position with a robust working capital and cash position and carrying no external indebtedness, to ensure the company will continue to operate as a going concern for the foreseeable future. In making their assessment, the directors have considered a period of at least 12 months from the date of signing these financial statements.

Disabled employees

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

Auditor

In the case of each of the persons who are directors of the company when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in Companies Act 2006) of which the company's auditor is unaware; and
- the director 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Deloitte LLP, have expressed their willingness to continue as auditor of the company and deemed to be reappointed under s487 of the Companies Act 2006.

Post balance sheet events

There have been no significant events after the balance sheet date which would require disclosure in this report.

Approved by the Board of Directors on 20/3/2024 and signed on behalf of the Board by:

F.Hautman
Director
Appley Lane North, Appley Bridge, Wigan WN6 9AB, Lancashire

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of IKO Holdings PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 20.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

INDEPENDENT AUDITOR'S REPORT (continued)

Other information (continued)

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Pensions Legislation, Tax Legislation, Health and Safety, Data Protection Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

E. Benson

Elizabeth Benson BSc ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

20 March 2024

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	3	492	382
Gross Profit		492	382
Administrative expenses		(1,009)	(490)
Operating loss		(517)	(108)
Interest receivable and similar income	5	12	11
Loss before tax	6	(505)	(97)
Taxation on loss	7	-	1
Loss after tax		(505)	(96)

All results were derived from continuing operations.

There were no recognised income or expenses for 2022 or 2021 other than those included in the profit and loss account and accordingly no separate statement of other comprehensive income is presented.

The notes on pages 13 to 26 form part of these financial statements.

IKO HOLDINGS PLC

BALANCE SHEET
As at 31 December 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Tangible assets	8	13	14
Investments	9	8,603	8,603
Amounts owed by group undertakings	10	32,896	34,434
		41,512	43,051
CURRENT ASSETS			
Debtors	11	362	279
Cash at bank and in hand		1,024	89
		1,386	368
Creditors: amounts falling due within one year	12	(43)	(59)
NET CURRENT ASSETS		1,343	309
TOTAL ASSETS LESS CURRENT LIABILITIES		42,855	43,360
NET ASSETS		42,855	43,360
CAPITAL AND RESERVES			
Called up share capital	14	2,412	2,412
Share premium account	15	32,214	32,214
Profit and loss account	15	8,229	8,734
SHAREHOLDERS' FUNDS		42,855	43,360

The notes on pages 13 to 26 form part of these financial statements.

The financial statements of IKO Holdings PLC (Registration Number 02446447) were approved and authorised for issue by the Board on 20/3/2024.....and were signed on its behalf by:

F Hautman
Director

Appley Lane North, Appley Bridge, Wigan WN6 9AB, Lancashire

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2021	2,412	32,214	8,830	43,456
Loss for the year and total comprehensive income and expense for the year	-	-	(96)	(96)
At 31 December 2021	2,412	32,214	8,734	43,360
Loss for the year and total comprehensive income and expense for the year	-	-	(505)	(505)
At 31 December 2022	2,412	32,214	8,229	42,855

The notes the pages 13 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

The company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office is Appley Lane North, Appley Bridge, Wigan, WN6 9AB.

The company's principal activity is disclosed in the Strategic Report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The functional currency of IKO Holdings PLC is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied consistently in the current and prior years.

1.2 Consolidated financial statements

The company is exempt by virtue of the Companies Act 2006 s.400 from the requirement to prepare group financial statements because its results are consolidated into IKO U.K. Limited (see note 19). These financial statements present information about the company as an individual undertaking and not about its group.

1.3 Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 33 Related Party Disclosures with reference to remuneration of key management personnel;
- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 11 and 12 Financial Instruments.

This information is included in the consolidated financial statements of IKO U.K. Limited as at 31 December 2022 and these financial statements may be obtained from the company's registered office (see note 18 for further details).

1.4 Going concern

The increasing raw material prices for producing roofing (bitumen and PVC) and insulation boards, in the European and UK markets in 2022, have been further extending into 2023. The escalation of the Russian-Ukraine crisis in the first quarter of 2022, whilst having no direct impact on the company's or operating subsidiaries of the group, was subsequently further pushing the price increases and availability issues for raw materials and extended into inflating price levels to other operating costs, including energy cost, transport cost and labour. The operating subsidiaries are making a significant effort to minimise margin erosion by pushing the price increases through to the customer market. The first quarter of 2023 indicated some cooldown and stabilisation of the energy market and reduced prices in the EU and UK region and showing some wider economic decline in the second quarter of 2023, further extending into the second half of 2023. The group benefits from the regional spread, diverse customer base, product range and service offering across its portfolio of trading businesses providing a spread of risk. The Board continues to employ its strategy of maintaining turnover while closely monitoring margins, overheads and cash flow. The directors are confident of the operating effectiveness and the strong market positions of the operating subsidiaries in the group and consider the financial year 2023 to be a positive one and are confident that the operating subsidiaries and the company are in a good position with a robust working capital and cash position and carrying no external indebtedness, to ensure the company will continue to operate as a going concern for the foreseeable future. In making their assessment, the directors have considered a period of at least 12 months from the date of signing these financial statements.

1. Accounting policies (continued)

1.5 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is applied on straight-line basis.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit and loss during the period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is charged to allocate the cost of assets less their residual value over their estimated useful lives, as noted below.

The estimated useful lives range as follows:

Freehold property - 50 years

Leasehold land and buildings - 50 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the profit and loss account.

1.7 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

1. Accounting policies (continued)

1.7 Financial instruments (continued)

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in subsidiaries and associates are measured at cost less impairment.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.