Company Registration No. 02678296

IKO PLC

Annual Report and Financial Statements

For the year ended 31 December 2021

IKO PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Carlyle
F Hautman
J Koschitzky
H M Koschitzky

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 2021.

Business review

The company is a leading manufacturer and supplier in the UK of waterproofing materials, insulation and associated products for the building and construction industry. It exports its products to over 25 countries worldwide.

Turnover in 2021 has increased by £24,945,000 since 2020 to £128,174,000, due to customer demand remaining very strong, despite significant price increases pushed into the market, caused by rising costs on the input side. Gross profit improved by £1,922,000 to £22,985,000.

Profit after tax of £6,962,000 (2020: £7,081,000) was transferred to reserves.

The company maintained the strong profit achieved last year. Sales of all product groups grew and are succeeding in establishing our insulation market share.

Net assets total £54,161,000 (2020: £47,199,000). The position of the company is deemed to be satisfactory.

Principal risks and uncertainties

The company's principal risks are primarily centred around competition on selling prices along with fluctuations in raw material prices and availability of raw materials. Competition on selling prices, including the availability of cheap imports from abroad have been, and will continue to be a challenge to the company, whilst any fluctuations in raw material prices can have an impact on the stability of the company's cost base.

Raw material prices have been and continue to be affected by high inflation and remain closely monitored by the company to ensure any risk in this area is minimised. The company has increased its holding of stock of raw materials by 33% to mitigate the impact of current availability problems on production.

The company's objective is to provide high quality products combined with excellent service levels. The delivery of this objective along with the strong relationships that the company maintains with its key customers has meant that inflationary cost increases have been able to be passed onto customers, however there is a time lag in doing so that has affected full year gross margins 17.9% (2020: 20.4%).

The company operates in a wide variety of markets and as such is exposed to downturns in any one of these areas. However, the company's ability to offer a wide range of products across new build and repairs and maintenance activities, helps to mitigate any such downturns in business.

The company is exposed to credit risk through the financial failure of key customers. To mitigate this risk, the company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is underwritten by credit insurance where possible and any uninsured exposure is managed in accordance with group credit policies and procedures. Staff retention is important to the company. The company seeks to employ high quality, professional and experienced personnel, and appreciates that the loss of key personnel could present operational difficulties for the company. The company also believes in the training and development of their employees and operates both an internal management training programme alongside a recognition incentive scheme to reward outstanding employee achievement.

In second half of 2021 the UK economy recovered from the COVID-19 impact and restrictions. The actual COVID-19 impact on IKO business was very insignificant. During 2021, the company experienced several waves of price increases for raw materials. The escalation of the Russian-Ukraine crisis in the first quarter of 2022, whilst having no direct impact on the company's operations, was subsequently further pushing the price increases and availability issues for raw materials and extended the inflating price levels to other operating costs, including energy cost, transport cost and labour. The company is doing significant effort to minimise margin erosion. The directors are confident of the operating effectiveness of the company and consider the next financial year to be a positive one.

Brexit

Full customs declarations and controls on imports from the EU were introduced on 1 January 2022. The business will continue to monitor the situation so that we are prepared to react to new opportunities and risks that may present themselves.

STRATEGIC REPORT (continued)

Covid-19

In response to the Covid-19 pandemic the company took advantage of the Coronavirus Job retention Scheme which resulted in the company receiving a £6,000 government grant to cover the salary costs of a number of employees (2020: £756,000).

Financial key performance indicators

Debtor days have increased to 73 days from 62 days in 2020. Creditor days reduced to 24 days from 29 days in 2020.

Stock on average is turned 7.6 times a year, which has increased from the 2020 average of 7.1 times.

Both Equity and Asset based ROCE reduced on the prior year due to increased Equity and Asset values.

Non-financial key performance indicators

The company uses a variety of non-financial key performance measures, which include measuring On Time In Full deliveries, order fulfilment, customer complaints, warranty claims and number of orders processed.

These measures are reported and reviewed weekly or monthly and most continue to show improvement.

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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, forming a fundamental part of our culture. This approach we feel makes us a unique organisation. The values not only focus on selling high quality products but more so on elevating customer experiences at every touch point – operating with integrity and honesty and always making decisions based on the long-term interest of our customers, company and employees.

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

The likely consequences of any decision in the long-term

The focus on the global value of 'long term' can be demonstrated in IKO's continued capital investment in the UK. Some of these investments in IKO PLC include new pipelines for the mixing facility and a new palletiser system at the Appley Bridge Plant, a ground-based bitumen pumping system and six hot melt mixers at the Grangemill Plant and a bulk bag silo system and extruder system at the Chesterfield Plant. This level of investment not only drives employment within local communities but also ensures IKO has the structure in place to drive the business forward for many years to come.

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

The interests of the company's employees

The IKO groups ethos emphasises a business is only as good as its people. This value is recognised by the business having an assigned learning and development coordinator that manages the development of all 292 employees. The employees within the business strive for personal development and career progression, areas such as this are managed within annual management development programmes, internal training courses, external courses and online courses tailored around other critical areas such as health & safety, modern slavery awareness and fraud. Whilst the business demonstrates training and embracing the pool of talent we have, a key area of focus is also the health and safety of our people. 13,300 training hours were achieved in 2021 (13,700 in 2020), along with mobile health surveillance checks carried out for our staff by a professional company.

IKO also has a business funded employee health package ranging from eye checks, health screenings & holistic subsidised treatments. The business runs annual employee engagement surveys to understand what matters to our people, the results of these are benchmarked again industry norms and against employers listed as top 10. Employee points raised are actioned where appropriate.

STRATEGIC REPORT (continued)

The interests of the company's employee (continued)

It is instilled from the board down the importance of the values both in company and staff that work from the business. The company places considerable importance on communication with employees. This is to ensure that employees at all levels of the organisation are kept aware of key business developments, and in particular financial performance. IKO achieves this through shareholder attendance at all board meetings both at a UK and Europe level. The business provides mid-year updates on company performance by the managing director as well as communication throughout the year giving transparency on company direction, performance, investments and global updates.

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

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

In response to the Covid-19 pandemic, when government guidance recommended working from home where possible, all office-based staff who were able to do their entire job from home, were asked to work from home. Anyone unable to work from home was able to come to our Covid-19 secure offices as normal.

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

To sustain customer relationships, we have customer satisfaction survey which is generated and analysed monthly. The results of this are analysed and actions are taken where necessary. IKO rolled out a further detailed survey in 2019 whereby the results are analysed, and a net promoter score is given. Overall customers were 83% satisfied and advised they will continue to use IKO for reasons outside of price. They valued our service, customer experience and added value as paramount to price point.on several occasions. Whilst the like for like report was not rolled out in 2021 due to Covid-19, we are confident that our continued recovery can be attributed to the strong 2019 customer satisfaction continuing and being confirmed by the customer demand remaining very strong in first haft of 2022.

We also have a process in place whereby key accounts managers must visit the customers at least one per month with a quarterly sit-down face to face meeting to discuss how as a business we can go the extra mile.

To further enhanced sustainable and long-term working relationships IKO has an approved contractor list whereby we provide continuous training to our contractors to enable them to work with new product ranges, upskill and keep them involved as the business evolves. This level of support to our contractor base allows long term sustainably of the working relationship. Further ways in which IKO enhances its customer relationship with a long-term outlook is via onsite inspections, toolbox talks and 'lunch & learn' sessions.

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

In support of the above our procurement policy is reviewed every 2 years. Within the policy IKO conduct assessments on relevant suppliers. All suppliers used must comply with relevant national and international regulations and laws e.g. avoidance of child labour or oppressed labour. Suppliers will be selected based on financial stability, compliance with UK and regional laws, environmental registrations/performance and sustainability of sources. All our suppliers are required to fill in a Supplier Audit Form yearly which also includes a Modern Slavery Act Questionnaire. Failure to submit may result in termination of business or not being granted supply chain partner.

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

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

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

STRATEGIC REPORT (continued)

The impact of the company's operations on the community and environment (continued)

- Environmental management that complies with ISO (International Standards Organisation) 14001:2015 (environment management).
- Establish a defined structure of responsibility from the board to all operating units within the UK.
- Commit the necessary resources to fulfil the IKO's environmental and compliance obligations.
- A commitment not to pollute
- Periodically undertake a review of the company's environmental performance.
- Ensure all the leadership team is responsible for ensuring that each site has effective arrangements for identifying and controlling risks in their areas of responsibility and for meeting the site environmental and compliance objectives.
- The Leadership Team, in conjunction with the Occupational Health, Safety and Environmental Department are responsible to the Managing Director for monitoring and reporting on the implementation of this policy.

Further details are given tin the Streamlined Energy and Carbon reporting section below. Other IKO certification held:

- ISO9001- Quality Management
- BES6001 – responsible sourcing of construction products
- Gold Member Sustainability School
- ISO 45001- Occupational Health & Safety

Further support for the environment is shown across all sites, all non-recyclable waste from Appley Bridge is diverted away from Landfill and used to make 'Refused Derived Fuel', we recycle our plastics, paper and cardboard to minimise waste across all our sites. Further demonstration of this includes our Grangemill site reheats and reuses any material not utilised on site as well as our Chesterfield site which granulates and recycles waste PVC generated.

Our mastic asphalt site also has taken the route of achieving the 'CarbonZero™' standard. Through CO2balance, IKO provides a solution with no discernible carbon footprint. By pooling resources and reaching a unanimous decision, we are now in a position to influence the green thinking of every industry in the world– in Britain, Europe and across the globe – to unite with us in the battle against climate change.

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 builds on our aim to act as a good corporate citizen.

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

IKO 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

With the ending of all Covid-19 restrictions in most parts of the UK in early 2022 and a healthy start to Q1 2022 providing there are no further disruptions of the end markets as a result of the pandemic we expect 2022 to remain profitable and in line with budgets set for the year.

Streamlined Energy & Carbon Reporting

The below presents the annual figures around energy consumption, the associated CO2 emissions and the resultant intensity ratio calculations, together with primary measures/actions that were taken during the year to improve energy efficiency.

Below is a summary of the carbon produced by the energy consumed during the year 2021 and 2020(*standard conversion rates obtained from the UK Government). The carbon is measured against the business metric selected (headcount), to provide the required intensity ratio.
The methodology used to calculate total energy consumption and carbon emissions has been taken from invoiced consumption against specific meter points. Transport and fuel data have been derived from internal reporting metrics.

STRATEGIC REPORT (continued)

Consumption Summary

Energy		2021 KWh	2021 kgCO2e	2021 tCO2e	2020 KWh	2020 kgCO2e	2020 tCO2e
Electricity		6,376,049	1,353,826	1,354	6,183,814	1,441,694	1,442
Gas		19,229,478	3,903,007	3,903	18,666,557	3,803,124	3,803
Transport	Diesel	373,180	93,850	94	449,932	115,039	115
	Petrol	381,286	93,842	94	308,038	74,434	74
	Fuel Oil	4,942,542	1,409,959	1,410	5,393,871	1,536,390	1,536
Total Energy Consumption		31.302,535	6,854,484	6,854	31,002,212	6,970,681	6,971
Full Time Employees (FTE)				292			282
Intensity Ratio (tCO2e per FTE)				23.47			24.72

Consumption Analysis – Electricity/Gas

	Electricity Total (kWh) 2021	Electricity Total (kWh) 2020	Gas Total (kWh) 2021	Gas Total (kWh) 2020
Burden Road	-	2,833		
Chesterfield	1,595,007	1,558,707	677,353	435,410
Grangemill	608,906	647,361		
Appley Bridge	4,172,136	3,974,913	18,552,125	18,231,147
Total Consumption	6,376,049	6,183,814	19,229,478	18,666,557
Total Consumption (kgCO2e)	1,353,826	1,441,694	3,903,007	3,813,124
Intensity Ratio (tCO2e per FTE)	4.63	5.11	13.36	13.49

Key performance indicators (KPIs)

KPI	Unit	2021	2020
Scope 1 CO2 emissions	kgCO2e	5,368,991	5,376,920
Scope 2 CO2 emissions	kgCO2e	1,353,826	1,441,694
Scope 3 CO2 emissions	kgCO2e	131,667	152,067
Emissions from energy exports	kgCO2e	0	0
Total CO2e (net energy export)	kgCO2e	0	0
Energy consumption	kWh	31,302,535	31,002,212
Energy exported	kWh	0	0
Total Carbon emissions	kgCO2e	6,854,485	6,970,682
Total Carbon emissions	tCO2e	6,854	6,971
Total Number of Full time Employees	FTE	292	282
Intensity Ratio (tCO2e per FTE)		23.47	24.72

STRATEGIC REPORT (continued)

References

Conversion Factors*	Unit	Conversion Method 2021 (*1)	Conversion Method 2020 (*2)
Electricity (UK Electricity) (KWh)	KGCO2e	x 0.21233	x 0.23314
Gas (Natural Gas) (KWh Net CV)	KGCO2e	x 0.20297	x 0.20274
Diesel (avg. biofuel blend)	KWh per KGCO2e	x 0.25165	x 0.25569
Diesel (litres)	KWh per mile	x 1.08 (Net CV KWh/mile)	x 1.06 (Net CV KWh/mile)
Diesel (litres)	KWh	Diesel KWh per litre x Total Litres	
Petrol (avg. biofuel blend)	KWh per KGCO2e	x 0.24227	x 0.24164
Petrol (litres)	KWh per litre	x 1.16 (Net CV KWh/mile)	x 1.16 (Net CV KWh/mile)
Petrol (litres)	KWh	Petrol KWh per litre x Total Litres	
Gas Oil	KWh per KGCO2e	x 0.27318	x 0.28484
Gas Oil (litres)	KWh per litre	x 10.1 (Net CV KWh/litre)	x 11.18 (Net CV KWh/litre)
Gas Oil (litres)	KWh	Gas Oil KWh per litre x Total Litres	

Unless otherwise stated, all mileage related calculations will be assumed as Average Car (Ford Mondeo - Diesel)

Energy consumption data is captured through utility billing, half-hourly data, meter reads and estimates.

(*1) UK GOV Greenhouse gas reporting: conversion factors 2021

https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021

(*2) UK GOV Greenhouse gas reporting: conversion factors 2020

https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020

Energy efficient actions

The business have made several changes to increase our energy efficiency in line with our commitment to ISO 14001.

All company cars are hybrids and each site has electric vehicle charge ports.

We continue to use video conferencing technology for staff meetings, which we began to use extensively during the Covid-19 pandemic, to reduce the need for travel between sites. Flexible working aids effeciencies further with some employees utilizing working from home arrangements which further reduce CO2 emissions.

We have tasked our employees to reduce plastic cup use on site as well as promoting office recycling improvements.

The production workforce continue to be tasked with reducing production waste along with enviromental condition monitoring.

IKO has worked with the carbon management company CO2 Balance, which runs energy smart projects focusing on Africa, to offset our carbon footprint, using internationally approved carbon credits. All IKO production facilities are included. In 2021 7,143 tonnes of CO2 were offset.

Approved by the Board of Directors and signed on behalf of the Board

A Carlyle

Director

9 AUGUST 2022

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

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 2021. Future developments, the interests of the company's employees and the need to foster the company's business relationships with supplier, customers and others are included within the Strategic Report as permitted by s414C (11) of the Companies Act 2006.

Results and dividends

The profit for the year, after taxation, amounted to £6,962,000 (2020: £7,081,000). There were no dividends paid in the year (2020: £nil). The directors have not recommended the payment of a dividend (2020: £nil).

Directors

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

A Carlyle
F Hautman
J Koschitzky
H M 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 financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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.

Political and charitable donations

Charitable donations in the UK totalled £4,000 (2020: £5,000). No political contributions were made (2020: £nil).

Financial risk management objectives and policies

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

DIRECTORS' REPORT (continued)

Cash flow risk

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

Credit risk

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

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

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

Liquidity risk

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

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

Going concern

With the ending of Covid-19 restrictions in most parts of the UK during February and March 2022, the UK economy recovered from the COVID-19 impact. The actual COVID-19 impact on IKO business was very insignificant. During 2021, the company experienced several waves of price increases for raw materials. The escalation of the Russian-Ukraine crisis in the first quarter of 2022, whilst having no direct impact on the company's operations, was subsequently further pushing the price increases and availability issues for raw materials and extended the inflating price levels to other operating costs, including energy cost, transport cost and labour. The company is making a significant effort to minimise margin erosion. The directors are confident of the operating effectiveness of the company and consider the next financial year to be a positive one and are confident that the company is in a good position from both its order pipeline and its robust working capital position 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.

Research and development activities

The company seeks to enhance the performance of its products through continuous improvements and quality control to meet evolving building design criteria and expected European building standards.

Employee consultation

The company has continued to place a high priority on the training and development of its employees and considerable emphasis has been placed on reviewing and improving health and safety procedures.

The board recognises the need for effective communication with the involvement of employees to ensure good relations and the improvement of the company performance and will continue to hold briefings and presentations when required.

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.

DIRECTORS' REPORT (continued)

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 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 other significant events after the balance sheet date which would require disclosure in this report.

Approved by the Board of Directors and signed on behalf of the Board

A Carlyle

Director

9 AUGUST 2022

Appley Lane North
Appley Bridge
Wigan
Lancashire
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKO PLC

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKO PLC (continued)

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 about their own identification and assessment of the risks of irregularities.

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.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Significant volume rebates are given to customers. The rebates are complex in nature as they differ by customer and by product division for both period and % terms. Therefore the rebates are inherently more risky and susceptible to misstatements. To assess the adequacy of customer rebates we have obtained an understanding of the controls over the rebates and have performed detailed testing on a sample of customer rebates where we have addressed both accuracy and completeness of rebates. For the sample tested, we have agreed back to underlying agreement, agreed to underlying sales records, recalculated the expected rebate and agreed back to credit note or bank statements as appropriate.

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; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKO PLC (continued)

- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations.

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

15 August 2022

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	3	128,174	103,229
Cost of sales		(105,189)	(82,166)
Gross profit		22,985	21,063
Distribution costs		(8,698)	(8,279)
Administrative expenses		(5,670)	(4,797)
Profit/(loss) on disposal of tangible fixed assets	4	18	(109)
Other operating income	6	6	756
Operating profit		8,641	8,634
Interest receivable and similar income	7	5	24
Interest payable and similar expenses	8	(36)	-
Profit before tax	9	8,610	8,658
Taxation on profit	10	(1,648)	(1,577)
Profit after tax		6,962	7,081

All results were derived from continuing operations.

There were no recognised income or expenses for 2021 or 2020 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 17 to 33 form part of these financial statements.

IKO PLC

BALANCE SHEET
As at 31 December 2021

	Note	2021 £'000	2020 £'000 Restated See note 14
FIXED ASSETS			
Goodwill	11	-	238
Tangible fixed assets	12	18,925	19,356
Amounts owed by group undertakings	14	7,702	7,975
		26,627	27,569
CURRENT ASSETS			
Stocks	15	16,493	12,225
Debtors	16	28,744	26,130
Cash at bank and in hand		16,166	22,332
		61,403	60,687
CREDITORS			
Amounts falling due within one year	17	(33,267)	(40,651)
NET CURRENT ASSETS		28,136	20,036
TOTAL ASSETS LESS CURRENT LIABILITIES		54,763	47,605
PROVISIONS FOR LIABILITIES	19	(602)	(406)
NET ASSETS		54,161	47,199
CAPITAL AND RESERVES			
Called-up share capital	20	1,000	1,000
Profit and loss account		54,620	47,658
Merger reserve		(1,459)	(1,459)
SHAREHOLDERS' FUNDS		54,161	47,199

The financial statements of IKO PLC (Registration Number 02678296) were approved and authorised for issue by the Board and were signed on its behalf by:

The notes on pages 17 to 33 form part of these financial statements.

A Carlyle

Director

9 AUGUST 2022

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Called-up share capital £'000	Profit and loss account £'000	Merger reserve £,000	Total equity £'000
At 1 January 2020	1,000	40,577	(1,459)	40,118
Profit for the year and total comprehensive income for the year	-	7,081	-	7,081
At 31 December 2020	1,000	47,658	(1,459)	47,199
Profit for the year and total comprehensive income for the year	-	6,962	-	6,962
At 31 December 2021	1,000	54,620	(1,459)	54,161

The notes on pages 17 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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 within 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 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 26). 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;
- the requirements of Section 11 and 12 Financial Instruments; and
- the requirement to prepare group financial statements (note 13).

This information is included in the consolidated financial statements of IKO U.K. Limited as at 31 December 2021 and these financial statements may be obtained from the company's registered office (see note 26 for further details).

1.4 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The company has made a profit of £6,962,000 is in a net current assets position of £28,136,000 and a net assets position of £54,161,000. The company has cash of £16,166,000 at the year end.

With Covid-19 restrictions ending in most parts of the UK during February and March 2022, the UK economy recovered from the COVID-19 impact. The actual COVID-19 impact on IKO business was very insignificant. During 2021, the company experienced several waves of price increases for raw materials. The escalation of the Russian-Ukraine crisis in the first quarter of 2022, whilst having no direct impact on the company's operations, was subsequently further pushing the price increases and availability issues for raw materials and extended the inflating price levels to other operating costs, including energy cost, transport cost and labour. The company is making a significant effort to minimise margin erosion.

The directors are confident of the operating effectiveness of the company and consider the next financial year to be a positive one and are confident that the company is in a good position from both its order pipeline and its robust working capital position 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1.4 Going concern (continued)

The company has adequate financial resources along with a diverse spread of customers and suppliers. There is no overreliance on any single customer or supplier, and as a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current economic environment.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and in any case for a period of at least 12 months from the date of signing these financial statements. Accordingly ,they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Related party transactions

As the company is a wholly owned subsidiary of IKO U.K. Limited, it has taken advantage of the exemption contained within FRS 102 Section 33 in relation to balances and transactions between other wholly owned entities within the group headed by IKO U.K. Limited.

1.6 Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the value of the consideration received, excluding discounts, rebates, value added taxes or duty. The following criteria must also be met before revenue is recognised:

Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues using the effective interest rate method.

Dividends

Revenue is recognised when the company's right to receive payment is established.

1.7 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Research and development

All expenditure is charged to the profit and loss account as incurred.

1.9 Goodwill

Goodwill, representing the excess of the purchase price over the fair value of the net assets acquired is capitalised and amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight-line basis over the life of the asset. It is written off on a straight-line basis over 5 years as in the opinion of the directors this represents the period over which goodwill is effective. It is reviewed for impairment at the end of the first full financial year following the acquisition and annually thereafter.

1.10 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.

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.

Land is not depreciated. Depreciation on other assets is charged so as 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 - 20 to 50 years

Plant & machinery - 3 to 15 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

1.10 Tangible fixed assets (continued)

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.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Raw materials, consumables and goods for resale are valued on a purchase cost on a first in, first out basis.

Work in progress and finished goods are valued on the basis of the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.13 Foreign currencies

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the Balance Sheet date. Exchange differences are reflected in the profit and loss account for the year.

1.14 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:

(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).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

1.14 Financial instruments (continued)

(i) Financial assets and liabilities (continued)

(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) 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.

(iii) Investments

Investments in subsidiaries are measured at cost less impairment.

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.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

1.14 Financial instruments (continued)

Financial assets (continued)

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans to and from related parties.

Financial assets that are measured at cost and fair value are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.15 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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

No payment is made or received for group relief surrendered to or by the company.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

1.16 Current and deferred taxation (continued)

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

1.17 Pensions

The company participates in an IKO Holdings PLC group pension scheme providing benefits based on final pensionable pay which is closed to future accrual. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as permitted by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in a defined contribution pension scheme being the IKO Group Flexible Retirement Plan. The assets of the schemes are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

1.18 Government grants

Government grants are recognised in other operating income based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Government grants received in respect of operational fixed assets are credited to a deferred income account and released to the profit and loss account over the useful economic life of the asset to which they relate. In response to the Covid-19 pandemic the company took advantage of the Coronavirus Job Retention Scheme which resulted in the company receiving a government grant to cover the salary costs of a number of employees. The receipt was recognised in other income within the profit and loss account.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The directors do not consider that there to be any critical judgements or key sources of estimation uncertainty

3. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below:

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Turnover (continued)

	2021 £'000	2020 £'000
United Kingdom	118,538	92,386
Rest of Europe	9,122	9,477
Rest of the world	514	1,366
	128,174	103,229

4. Profit/(loss) on disposal of tangible fixed assets

	2021 £'000	2020 £'000
Profit/(loss) on disposal of tangible fixed assets	18	(109)

5. Employees

	2021 £'000	2020 £'000
Wages and salaries	11,458	10,887
Social security costs	1,136	1,088
Other pension costs (note 24)	1,956	1,880
	14,550	13,855

The average monthly number of employees (including directors) was:

	2021 No	2020 No
Production	154	141
Selling	117	121
Administration	21	20
	292	282

	2021 £'000	2020 £'000
Directors' emoluments	243	210
Company contributions to pension schemes	27	25
	270	235

During the year retirement benefits were accruing to 1 director (2020: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £243,000 (2020: £210,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £27,000 (2020: £25,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. Other operating income

	2021 £'000	2020 £'000
Furlough receipts	6	756

In response to the Covid-19 pandemic the company took advantage of the Coronavirus Job Retention Scheme which resulted in the company receiving a £6,000 government grant to cover the salary costs of a number of employees (2020: £756,000).

7. Interest receivable and similar income

	2021 £'000	2020 £'000
Deposit account interest received	5	21
Other interest receivable	-	3
	5	24

8. Interest payable and similar expenses

	2021 £'000	2020 £'000
Other interest payable	36	-

9. Profit before tax

The profit before tax is stated after charging/ (crediting):

	2021 £'000	2020 £'000
Depreciation of owned assets (note 12)	1,878	2,027
Amortisation of goodwill (note 11)	238	238
(Profit)/loss on disposal of tangible fixed assets	(18)	109
Auditor's remuneration for the auditing of the financial statements	40	39
Foreign exchange loss/(profit)	353	(289)
Pension contributions (note 24)	1,956	1,880
Operating lease rentals	78	91
Government furlough grant (note 6)	(6)	(756)
Cost of stock recognised as an expense	105,189	82,166

Non audit fees payable to Deloitte LLP were £11,000 (2020: £11,500) in relation to tax compliance.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

10. Taxation

	2021 £'000	2020 £'000
Corporation tax		
Current tax on profits for the year	1,590	1,715
Adjustments in respect of previous periods	(138)	23
Total current tax	1,452	1,738
Deferred tax		
Origination and reversal of timing differences	100	(75)
Adjustments in respect of previous periods	96	(86)
Total current tax	1,648	1,577

Factors affecting current tax charge in the year:

The standard rate of tax for the year, based on the average UK standard rate of corporation tax, is 19% (2020: 19%). The actual current tax charge for the current year and charge for the preceding year is higher (2020: lower) for the reasons set out in the following reconciliation:

	2021 £'000	2020 £'000
Profit before tax	8,610	8,658
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	1,636	1,645
Effects of:		
Expenses not deductible for tax purposes	55	26
Adjustments in respect of previous periods	(42)	(62)
Other timing differences	61	121
Group relief	(53)	(144)
Transfer pricing adjustments	(9)	(9)
Total tax charge for the year	1,648	1,577

Factors that may affect future tax charges

The standard rate of tax applied to the reported profit on ordinary activities is 19% (2020: 19%). Legislation has been introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

11. Goodwill

	Total £'000
Cost	
At 1 January 2021 and at 31 December 2021	1,191
Amortisation	
At 1 January 2021	953
Charge for the year	238
At 31 December 2021	1,191
Net book value	
At 31 December 2021	-
At 31 December 2020	238

12. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2021	14,536	36,007	50,543
Additions	203	1,244	1,447
Disposals	-	(180)	(180)
At 31 December 2021	14,739	37,071	51,810
Depreciation			
At 1 January 2021	3,516	27,671	31,187
Charge for the year	328	1,550	1,878
Disposals	-	(180)	(180)
At 31 December 2021	3,844	29,041	32,885
Net book value			
At 31 December 2021	10,895	8,030	18,925
At 31 December 2020	11,020	8,336	19,356

The plant and machinery asset category, includes assets under construction, for amount of £780,226 at 31 December 2021 (31 December 2020: £nil). In accordance with FRS 102, no depreciation is accounted for these, until actual completion and use of the relating asset.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

13. Fixed asset investments

During September 2016 IKO PLC acquired 100% of the issued share capital of Pure Asphalt Company Limited (Registered address: Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB), a company registered in England and Wales. In 2017, the trade and certain assets of Pure Asphalt Company Limited were sold to the company, after which Pure Asphalt Limited ceased tfo trade. The cost of investment totalling £2,650,000 was transferred to goodwill and merger reserves. The goodwill was limited to that at the date of acquisition and is fully amortised.

In 2021 IKO PLC began a Members Voluntary Liquidation of Pure Asphalt Company Ltd.

The company is consolidated in the financial statements of its parent IKO U.K. Limited which are publicly available, see note 26 for further details, therefore no consolidated financial statements have been prepared.

14. Amounts owed by group undertakings

	2021 £'000	2020 £'000 Restated
Amounts owed by group undertakings	7,702	7,975

The interest rate on amounts owed to group undertakings is nil% per annum (2020: nil%). Amounts are unsecured and repayable on demand. However, these balances are intended for continuing use in the business to support their day-to-day activities, and so should be reported as fixed assets. Accordingly, £7,975,000 has been reclassified from "Amounts owed by group undertakings within debtors falling due within one year to "Amounts owed by group undertakings" within fixed assets in the prior year financial statements.

15. Stocks

	2021 £'000	2020 £'000
Finished goods and goods for resale	10,859	8,001
Raw materials and consumables	5,634	4,224
	16,493	12,225

There is no material difference between the balance sheet value of stocks and their replacement value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

16. Debtors

	2021 £'000	2020 £'000 Restated See note 14
Due within one year		
Trade debtors	23,932	21,073
Amounts owed by group undertakings	3,379	3,232
Amounts owed by related parties	455	715
Other debtors	3	122
Prepayments	817	752
Accrued income	9	85
Investment	149	151
Total debtors	28,744	26,130

The interest rate on amounts owed by group undertakings and by related parties is nil% per annum (2020: nil%). Amounts are unsecured and repayable on demand.

17. Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	5,159	5,276
Amounts owed to group undertakings	11,940	12,888
Amounts owed to related parties	2,909	8,464
Corporation tax	631	1,053
Taxation and social security	1,596	3,049
Other creditors	8,815	7,816
Accruals and deferred income	2,217	2,105
	33,267	40,651

The interest rate on amounts owed to group undertakings and to related parties is nil% per annum (2020: nil%). Amounts are unsecured and repayable on demand.

18. Leasing agreements

Total minimum lease payments under non-cancellable operating leases fall due as follows:

	2021 £'000	2020 £'000
Not later than one year	68	64
Later than one and not later than five years	41	69
	109	133

Amounts charged to the profit and loss account in respect of operating leases totalled £78,000 (2020: £91,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Provision for liabilities

	Deferred tax £'000
At 1 January 2021	(406)
Charge in the year	(196)
At 31 December 2021	(602)

The deferred tax liability is made up as follows:	2021 £'000	2020 £'000
Accelerated capital allowances	(629)	(433)
Other timing differences (with no expiry date)	27	27
	(602)	(406)

20. Share capital

	2021 £'000	2020 £'000
Allotted, called-up and fully paid		
1,000,000 Ordinary shares of £1.00 each	1,000	1,000

Ordinary shares have equal voting rights and rank equally on distribution.

21. Reserves

Profit & loss account

Profit and loss account includes all current and prior year retained profits and losses.

Merger reserve

The merger reserve was created when Pure Asphalt Company Limited ceased to trade in 2017.

22. Capital commitments

At 31 December 2021 the company had capital commitments as follows:

	2021 £'000	2020 £'000
Contracted for but not provided in these financial statements	507	447

23. Contingent liabilities

The company has granted a charge over its premises at Appley Bridge to the Ruberoid PLC Staff Pension Scheme to secure future obligations of its parent company and fellow subsidiaries to the scheme.

24. Pension commitments

The company participates in the Ruberoid PLC Staff Pension Scheme, which provides benefits based on final pensionable pay.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

24. Pension commitments (continued)

The company contributed £1,956,000 (2020: £1,880,000) to pension schemes during the year. This consists of £881,000 (2020: £795,000) to the Ruberoid PLC staff pension scheme and £1,075,000 (2020: £1,085,000) to the defined contribution scheme being the IKO Group Flexible Retirement Plan. There were contributions outstanding at 31 December 2021 of £89,000 (2020: £86,000) to the defined contribution scheme.

The latest full actuarial valuation of the Ruberoid PLC Staff Pension Scheme carried out on 5 April 2020 was updated to 31 December 2021 by a qualified independent actuary. For closed schemes under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The scheme closed to new entrants from 3 April 2003 and to future accrual of benefits of 6 April 2010. From 6 April 2007 changes were introduced limiting the future increases to pensionable salary to 3% per annum and increases to pensions in payment in respect of service after 6 April 2007 to 3% per annum. The employee would pay any increase in the cost of future accrual of benefits. Also, from 6 April 2007 the new Group Stakeholder Scheme was introduced. This is a defined contribution scheme open to members of the Ruberoid PLC Staff Pension Scheme.

The company is joint and severally liable for the obligations of the Scheme and shares the actuarial risk of members' benefits. As the scheme is run for the IKO group as a whole, the company is unable to identify its scheme assets and liabilities on a consistent and reasonable basis. As permitted by FRS 102, the scheme is therefore accounted for by the company as a defined contribution scheme.

Full disclosure is contained within the financial statements of the company's immediate parent company, IKO UK Limited but as these accounts are not available at the time these accounts have been approved and authorized for issue the pension disclosure for the Ruberoid Plc Staff Pension Scheme is presented below.

At 31 December 2021, the scheme as a whole had a deficit on an FRS 102 basis of £12,232,000 (2020: £20,990,000).

The Scheme is subject to the Statutory Funding Objective under the Pension Scheme Act 2004.

Analysis of assets

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

	2021	2020
	%	%
Equities	27	24
Gilts	15	11
Bonds	9	9
Bulk annuity policy	32	36
Diversified growth fund	-	3
Multi-asset credit fund	13	11
Cash	4	6
	100	100

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

The assumptions are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale involved, may not necessarily be borne out by practice.

25. Related party transactions

The company has taken advantage of the exemption under FRS 102 section 33 not to provide information on related party transactions with other undertakings within the IKO U.K. Limited group.

The company has repaid a loan balance with IKO Sales Limited. The carrying value of this loan at 31 December 2021 was £nil (2020: £7,000,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

25. Related party transactions (continued)

Amounts owed by related parties amounted to (Note 16):

	2021 £'000	2020 £'000
British Asphalt and Bitumen Ltd	89	89
IKO Insulations UK Ltd	-	359
IKO Insulations SAS	-	2
IKO SAS	365	264
RW 101 Ltd	1	1
	455	715

Related party sales amounted to:

	2021 £'000	2020 £'000
IKO SAS	2,340	1,729

Amounts owed to related parties amounted to (Note 17):

	2021 £'000	2020 £'000
Axter Ltd	7	-
IKO Europe NV	1,635	1,442
IKO Industries Ltd	6	6
IKO Insulations UK Ltd	1,253	-
IKO Sales International NV	8	16
IKO Sales Limited	-	7,000
	2,909	8,464

Related party purchases relating to goods and services, amounted to:

	2021 £'000	2020 £'000
Axter Ltd	52	-
IKO Europe NV	2,024	1,442
IKO Insulations UK Ltd	36,080	19,355

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

26. Ultimate controlling party

The company's controlling parent company is IKO Enterprises UK ULC, a company incorporated in Canada, and its immediate parent company is IKO Holdings PLC (Registered address: Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB).

The largest and smallest group in which the results of the company are consolidated is IKO Enterprises UK ULC and IKO U.K. Limited respectively. The registered office of IKO Enterprises UK ULC is 700 – 4 Avenue SW, Suite 900, Calgary, Alberta, Canada, TP2 3J4. Copies of the financial statements of IKO U.K. Limited may be obtained from the Company Secretary at the following address:

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

27. Post balance sheet events

There have been no other significant events after the balance sheet date which should be considered for a proper understanding of these financial statements.