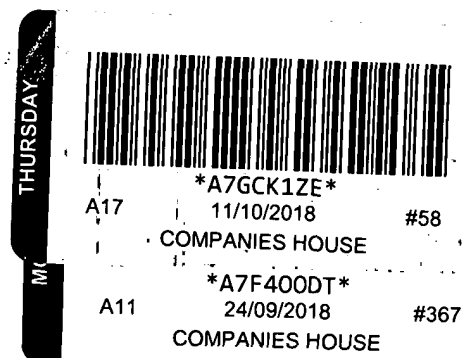


# Xtratherm UK Limited

## Reports and Financial Statements for the year ended 31 December 2017

Registered number: 4404208



**XTRATHERM UK LIMITED**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**XTRATHERM UK LIMITED**

**DIRECTORS AND OTHER INFORMATION**

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**DIRECTOR**

Lieven Malfait (Belgium)  
Robert Bester (Ireland)  
Barry Rafferty (Ireland) (appointed 11 January 2017)

**SECRETARY**

Gerald Beggy (Ireland)

**REGISTERED OFFICE**

Holmewood Industrial Park  
Holmewood  
Chesterfield  
Derbyshire S42 5UY  
England

**REGISTERED NUMBER**

4404208

**AUDITOR**

KPMG  
Chartered Accountants  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland

**BANKERS**

Bank of America Merrill NA  
2 King Edward Street  
London  
EC1A 1HQ

Santander Corporate Banking  
Omnia One  
125 Queen Street  
Sheffield  
S1 2DG

Bank of Ireland  
41 Castle Street  
Liverpool  
L2 9SH

## **XTRATHERM UK LIMITED**

### **STRATEGIC REPORT**

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The directors present the strategic report for the year ended 31 December 2017.

#### **REVIEW OF THE DEVELOPMENT OF THE BUSINESS**

The company is engaged in the sale of polyiso and phenolic insulation products manufactured at its plant in Holmewood together with product supplied from related companies in Ireland and Belgium. In common with businesses within this industry during the year, the Company experienced restrictions on the availability of raw material resulting in a reduction in volumes sold. Turnover reduced by 12.7% during 2017 (2016: 8.4%). During the year, the company's ultimate holding company was Mohawk Industries Inc., a company incorporated and operating in the United States of America.

The profit and loss account for the year ended 31 December 2017 and the balance sheet at that date are set out on pages 11 and 12 respectively. The profit on ordinary activities for the year before taxation amounted to Stg£2,712,129 (2016: Stg£2,318,417). The taxation charge for the year amounts to Stg£622,079 (2016: Stg£558,743). The surplus carried forward at the end of the year was Stg£2,090,050 (2016: Stg£1,759,674).

The company specific key performance indicators (KPI's) are based on gross profit, profit before tax and operating manufacturing indicators. These are constantly monitored to assist the company to control costs.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties faced by the company are those risks associated with price, foreign exchange and credit payment terms offered to customers. Price risk is controlled through constant review of margin and supplier costs. Credit risk is controlled through monitoring of collections against agreed trading terms and conditions.

#### **RESEARCH & DEVELOPMENT**

During the year the company spent Stg£165,395 (2016: Stg£68,695) on certification of products and developing more efficient production methods and procedures. The results of this work will assist the company to control production costs.

#### **EMPLOYEE AND ENVIRONMENTAL MATTERS**

The well-being of the company's employees is safeguarded through adherence to health and safety standards. The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health and safety issues.

#### **FUTURE DEVELOPMENTS**

In the opinion of the directors, the company will continue to develop and expand the company's market share in the United Kingdom.

By order of the Board:



Gerald Beggy  
Secretary

Date: 27 June 2018

## **XTRATHERM UK LIMITED**

### **DIRECTORS' REPORT**

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The directors present the report and the audited financial statements for the year ended 31 December 2017.

#### **DIVIDENDS**

The directors of the company do not propose the payment of a dividend (2016: *Stg£Nil*).

#### **DIRECTORS, SECRETARY AND THEIR INTERESTS**

The director and secretary, who served at any time during the financial year except as noted, were as follows:

##### **Directors:**

Lieven Malfait  
Robert Bester  
Barry Rafferty

##### **Secretary:**

Gerald Beggy

The present directors and secretary are listed above and unless otherwise stated have held office throughout the financial year.

The directors and secretary who held office at 31 December 2017 do not hold any notifiable interests in any of the group companies in the Mohawk group.

#### **GOING CONCERN**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

#### **FUTURE DEVELOPMENTS**

Details of future developments can be found in the strategic report on page 3 and form part of this report by cross reference.

#### **POLITICAL CONTRIBUTIONS**

The company made no political contributions or incurred any political expenditure during the year.

#### **SUBSEQUENT EVENTS**

There have been no significant events since the balance sheet date that would impact on the financial statements.

**FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES**

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

*Cash flow risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The company's cash flow requirements are managed by a related company within the Mohawk Group.

*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 credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

*Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company is supported by a related company within the Mohawk Group for day to day cash flow requirements.

**TAX STRATEGY**

As indicated in the notes to the Financial Statements, the company is a subsidiary of a publicly quoted body and as such there is a strong focus on corporate responsibility which includes the responsible administration and payment of taxation liabilities.

**RISK MANAGEMENT, BOARD OVERSIGHT & SYSTEMS AND CONTROLS**

Due to the nature of environment in which the company operates, the Board acknowledges that managing its tax affairs is complex and both internal and external structures are in place to manage its tax compliance:

- The Board fully understand the importance of tax compliance and how the Company achieves it.
- The Board regularly engages with the members of the finance team reviewing the methods of managing the tax risk.
- The Board encourages and acknowledges the benefits of having a transparent and open view towards tax compliance.
- The Board invest in the training of staff tasked with the management of tax obligations.
- The Board avail of external tax advisors to assist in the meeting of our taxation obligations and management of our relationship with the tax authorities.

## **XTRATHERM UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

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#### **TAX STRATEGY (CONTINUED)**

##### ***TAX PLANNING, ATTITUDE TOWARDS RISK & COMPLIANCE WITH TAX REGULATIONS***

The Board has a responsibility to minimise the Company's tax risk and undertakes tax compliance as part of our overall tax strategy. We look to obtain expert advice from trusted professional advisors on specialist areas of taxation relevant to our business to clarify complexities in tax regulations. The Company undertakes to provide those advisors with accurate information required so as to ensure that their advice is provided on an open and transparent basis.

Compliance with tax legislation is fundamental to the management of our tax risk with regards to the consideration of business decisions and the avoidance of any negative publicity associated with non-compliance.

##### ***RELATIONSHIP WITH HM Revenue & Customs (HMRC)***

We reduce our tax risk by the following means:

- Filing tax returns with the tax authority on a timely basis.
- Adhering to payment deadlines on a timely basis.
- Responding accurately and in a timely fashion to communications raised by the HMRC.
- Engaging professional tax advisors to act as our agents to liaise on specific issues with the HMRC on the Company's behalf.

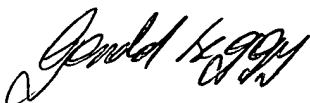
#### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the directors at the date of approval of this report confirm that so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and that each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **AUDITOR**

During the year, KPMG, Chartered Accountants, were appointed auditor pursuant to section 485 of the Companies Act 2006.

By order of the Board:



Gerald Beggy  
Secretary

Date: 27 June 2018

## **XTRATHERM UK LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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The directors are responsible for preparing the Directors' Report, Strategic 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 they have elected to prepare the financial statements in accordance with 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 assets, liabilities and financial position of the company and of its profit or loss for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2006.

On behalf of the Board:



Gerald Beggy  
Secretary

Date: 27 June 2018





**KPMG**  
**Audit**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
D02 DE03  
Ireland

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XTRATHERM UK LIMITED**

### **1 Report on the audit of the financial statements**

#### ***Opinion***

We have audited the financial statements of Xtratherm UK Limited ("the company") for the year ended 31 December 2017 set out on pages 11 to 27, which comprise the Statement of Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

#### ***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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

#### ***We have nothing to report on going concern***

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XTRATHERM UK LIMITED (CONTINUED)**

### **1 Report on the audit of the financial statements *(continued)***

#### ***Other information***

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic and directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report and strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

#### ***Matters on which we are required to report by exception***

Under the Companies Act 2006 we are required to report to you 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report on these matters/in regard to these matters.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XTRATHERM UK LIMITED (CONTINUED)**

### **2 Respective responsibilities and restrictions on use**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set on page 7, 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has 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 fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

#### ***The purpose of our audit work and to whom we owe our responsibilities***

Our 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.

John Corrigan (Senior Statutory Auditor)

**for and on behalf of**

**KPMG, Statutory Auditor**

Chartered Accountants

1 Stokes Place

St. Stephen's Green

Dublin 2

Ireland

Date: 27 June 2018

**XTRATHERM UK LIMITED****STATEMENT OF PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<i>Note</i>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
<b>TURNOVER</b>	<b>4</b>	<b>82,361,533</b>	<b>94,328,488</b>
Cost of sales		<b>(72,480,182)</b>	<b>(84,524,542)</b>
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		<b>9,881,351</b>	<b>9,803,946</b>
Administrative expenses		<b>(958,786)</b>	<b>(511,928)</b>
Selling and distribution expenses		<b>(6,108,232)</b>	<b>(5,762,071)</b>
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>		<b>2,814,333</b>	<b>3,529,947</b>
Interest receivable and similar income	<b>5</b>	<b>25,776</b>	<b>17,907</b>
Interest payable and similar charges	<b>5</b>	<b>(127,980)</b>	<b>(1,229,437)</b>
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>3,6</b>	<b>2,712,129</b>	<b>2,318,417</b>
Taxation on profit on ordinary activities	<b>7</b>	<b>(622,079)</b>	<b>(558,743)</b>
		<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,090,050</b>	<b>1,759,674</b>
		<hr/>	<hr/>

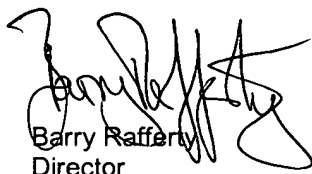
The company had no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the profit and loss account, and on that basis, a statement of other comprehensive income is not presented.

**XTRATHERM UK LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2017**

	<b>Note</b>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
<b>Fixed assets</b>			
Tangible assets	8	12,273,630	12,122,969
<b>Current assets</b>			
Stocks	9	3,603,129	2,280,457
Debtors	10	30,879,236	24,599,104
Cash at bank and in hand		35,268	221,602
		34,517,633	27,101,163
<b>Creditors: Amounts falling due within one year</b>	11	(18,873,515)	(13,390,234)
<b>Net current assets</b>		15,644,118	13,710,929
<b>Total assets less current liabilities</b>		27,917,748	25,833,898
<b>Provision for liabilities and charges</b>			
Deferred taxation	12	(10,500)	(16,700)
<b>NET ASSETS</b>		27,907,248	25,817,198
<b>Capital and reserves</b>			
Called-up share capital	13	4	4
Share premium		12,104,998	12,104,998
Capital contribution		5,964,700	5,964,700
Profit and loss account		9,837,546	7,747,496
<b>SHAREHOLDERS' FUNDS</b>		27,907,248	25,817,198

The financial statements of Xtratherm UK Limited, registered number 4404208, were approved by the Board of Directors on 27 June 2018 and signed on its behalf by:

  
Barry Raftery  
Director

**XTRATHERM UK LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	<b>Called up share capital Stg£</b>	<b>Share premium Stg£</b>	<b>Capital contribution Stg£</b>	<b>Profit and loss account Stg£</b>	<b>Total Stg£</b>
Balance at 1 January 2016	2	-	5,964,700	5,987,822	11,952,524
<i>Total comprehensive income for the year</i>					
Profit for the year	-	-	-	1,759,674	1,759,674
<i>Transactions with owners, record directly in equity</i>					
Issue of shares	2	12,104,998	-	-	12,105,000
<b>Balance at 31 December 2016</b>	<b>4</b>	<b>12,104,998</b>	<b>5,964,700</b>	<b>7,747,496</b>	<b>25,817,198</b>
<i>Total comprehensive income for the year</i>					
Profit for the year	-	-	-	2,090,050	2,090,050
<b>Balance at 31 December 2017</b>	<b>4</b>	<b>12,104,998</b>	<b>5,964,700</b>	<b>9,837,546</b>	<b>27,907,248</b>

On the 7th of April 2016, the company issued 2 ordinary shares to Xtratherm Limited in exchange for release of intercompany debt to the value of Stg£12,105,000.

The accompanying notes form an integral part of the financial statements.

**1. ACCOUNTING POLICIES**

Xtratherm UK Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on page 3.

The financial statements have been prepared in accordance Financial Reporting Standard 102 *The Financial Reporting Standard applicable in UK and Ireland* (FRS 102) as issued by the Financial Reporting Council as issued in September 2015, however the amendment arising from the implementation of the EU Accounting directive in the UK have been disapplied.

The functional currency of Xtratherm UK Limited is the Sterling (Stg£) because that is the currency of the primary economic environment in which the company operates.

The company's ultimate holding undertaking, Mohawk Industries Inc. includes the company in its consolidated financial statements. The consolidated financial statements of Mohawk Industries Inc. are prepared in accordance with International Financial Reporting Standards as adopted by the EU. These are available to the public and may be obtained from its registered office at P.O. Box 12069, 160 South Industrial Boulevard, Calhoun, Georgia 30703, U.S.A.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Mohawk Industries Inc. include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Schedule 3, paragraphs 38 and 39 of the Companies Act 2014.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Measurement Convention**

The financial statements are prepared on the historical cost.

**Going Concern**

The financial statements have been prepared on the going concern basis.

**1. ACCOUNTING POLICIES (CONTINUED)**

**Foreign Currencies**

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**Turnover and Revenue Recognition**

Turnover comprises of sales to third parties and intercompany sales at invoice price exclusive of value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer which is when the goods are physically delivered to the customer.

**Expenses**

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives with the corresponding hire purchase obligation being capitalised as a liability.

*Interest receivable and Interest payable*

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue. Foreign currency gains and losses are reported on a net basis.



**1. ACCOUNTING POLICIES (CONTINUED)**

**Taxation**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

*Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria is met.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

**Tangible Fixed Assets**

*Recognition and measurement*

Tangible assets are measured at costs less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

*Depreciation*

Depreciation is calculated to write off the costs of tangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Buildings - Premises	2% straight line method
Plant and equipment	7.7%, 10% and 20% straight line method
Vehicles	20% straight line method
Office equipment	25% and 33.33% straight line method

Construction in Progress is not depreciated.

The residual value, if not significant, is reassessed annually.

## 1. ACCOUNTING POLICIES (CONTINUED)

### **Stocks**

Stocks and work in progress are valued at the lower of cost (on a first-in, first-out basis) and net realisable value. In the case of finished goods and work-in-progress, cost comprises direct material, direct labour and an appropriate proportion of manufacturing fixed and variable overheads to the extent that they relate to the period of production. Net realisable value comprises actual or estimated selling price (net of trade discounts) less all further costs to completion or to be incurred in marketing, selling and distribution.

### **Retirement Benefits Obligation**

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution pension plan. Annual contributions are charged to the profit and loss account in the year to which they relate. Pension benefits represent the matching of employee contributions to a maximum of 7.5% of pensionable salaries for qualifying employees in accordance with the scheme rules.

### **Government Grants**

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. All other grants are credited to the profit and loss account in the period in which they relate.

### **Basic Financial Instruments**

#### *Trade and other debtors and creditors*

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the Cash Flow Statement.

### **Other Financial Instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**Other Financial Instruments (continued)**

*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.

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.

**Impairment Excluding Stocks, and Deferred Tax Assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

**Dividends**

Dividends to the company's equity shareholders (holders of ordinary shares) are recognised as a liability of the company when approved by the company's shareholders.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. 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.

**Critical Judgements in Applying the Company's Accounting Policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Customer rebates – Provisions are calculated for customer rebates based on standard agreements and arrangements which may overlap accounting periods. The amount payable will be determined at the end of the agreed trading period following a review of various performance indicators such as payment record, turnover and product mix.

**Key Source of Estimation Uncertainty**

It has been assumed that the average historic customer rebate percentages will continue for the foreseeable future and as such that the amount recoverable from trade debtors (Stg£27,908,431) will not be materially affected.

**3. EMPLOYEES AND REMUNERATION**

The average number of persons employed by the company (including directors) during the year was as follows:

	2017 Number	2016 Number
Administration	4	7
Selling and distribution	14	16
Production	105	102
	<b>123</b>	<b>125</b>
	<b>Stg£</b>	<b>Stg£</b>
<b>The staff costs comprise:</b>		
Wages and salaries	3,281,677	3,148,537
Social security costs	321,666	290,136
Retirement costs (Note 14)	81,444	94,245
	<b>3,684,787</b>	<b>3,532,918</b>

**XTRATHERM UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017****3. EMPLOYEES AND REMUNERATION (cont'd)**

The company has also been recharged for wages and salaries by personnel contract hire agencies £65,223 (2016 - £11,281) and by other group companies.

**4. TURNOVER**

Turnover, all of which arises from continuing operations, represents amounts invoiced by the company in respect of goods, excluding value added tax.

Segmental analysis of turnover has not been given, because in the opinion of the Directors, to do so would be prejudicial to the interests of the Group.

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2017 Stg£	2016 Stg£
Bank interest earned	9	3,654
Interest received from parent company	25,377	14,253
Other interest	390	-
	<u>25,776</u>	<u>17,907</u>

**INTEREST PAYABLE AND SIMILAR CHARGES**

	2017 Stg£	2016 Stg£
Bank overdraft interest	28	20
Finance lease interest	9,427	8,754
Interest paid to related company	1,190	2,807
Other interest	2,603	-
Net foreign exchange loss	114,732	1,217,856
	<u>127,980</u>	<u>1,229,437</u>

**XTRATHERM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
The profit on ordinary activities before taxation is stated after charging/(crediting):		
Directors' remuneration and emoluments	-	-
<i>Auditor remuneration</i>		
Audit of company's financial statements	<b>18,191</b>	16,000
Depreciation	<b>1,034,026</b>	1,037,019
Foreign exchange loss	<b>114,732</b>	1,217,856
Loss/(profit) on disposal of assets	<b>722</b>	(13,857)
Operating leases - plant	<b>223,491</b>	216,507
- buildings	-	2,800
	<b>2017 Stg£</b>	<b>2016 Stg£</b>
<i>Directors' remuneration</i>		
Emoluments	-	-
Company contributions to money purchase pension scheme	-	-
	-	-
<i>Remuneration of the highest paid director:</i>		
Emoluments	-	-
Company contributions to money purchases pension schemes	-	-
	-	-
Aggregate contributions paid, treated as paid or payable during the year to a retirement benefit scheme in respect of a qualifying service of directors:		
	<b>2017</b>	<b>2016</b>
	<b>Number of Directors</b>	<b>Number of Directors</b>
	<b>Stg£</b>	<b>Stg£</b>
Defined contribution scheme	-	-
<b>Total</b>	-	-

**XTRATHERM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>7. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
<i>(a) Recognised in the profit and loss account</i>		
Current tax		
Current year	<b>627,792</b>	570,043
Prior financial year under provision	<b>487</b>	-
	<b>628,279</b>	570,043
Deferred tax credit (Note 12)	<b>(6,200)</b>	(11,300)
<b>Total tax charge for the financial year</b>	<b>622,079</b>	558,743

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

<i>(b) Reconciliation of effective tax rate</i>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
Profit on ordinary activities before taxation	<b>2,712,129</b>	2,318,417
Profit on ordinary activities multiplied by the standard aggregate rate of corporation tax in the UK of 19.25% (2016: 20%)	<b>521,992</b>	463,683
Effects of:		
Expenses not deductible for tax purposes	<b>99,488</b>	96,245
Other timing differences	<b>112</b>	(1,185)
Prior year under/(over)provision	<b>487</b>	-
<b>Total tax charge for the financial year</b>	<b>622,079</b>	558,743

*(c) Circumstances affecting current and future tax charges:*

The current corporation tax rate of 19% is expected to change to 18% from the 1st of April 2020.

**XTRATHERM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**8. TANGIBLE FIXED ASSETS**

	Premises Stg£	Plant and Equipment Stg£	Vehicles Stg£	Office Equipment Stg£	Construction in Progress Stg£	Total Stg£
<b>Cost:</b>						
At 1 January 2017	11,423,351	9,303,276	126,489	596,582	-	21,449,698
Additions	-	240,049	-	-	946,044	1,186,093
Disposals	-	(9,820)	(4,700)	-	-	(14,520)
<b>At 31 December 2017</b>	<b>11,423,351</b>	<b>9,533,505</b>	<b>121,789</b>	<b>596,582</b>	<b>946,044</b>	<b>22,621,271</b>
<b>Depreciation:</b>						
At 1 January 2017	1,722,801	6,988,067	68,054	547,807	-	9,326,729
Charged in year	250,889	735,764	20,321	27,051	-	1,034,025
Disposals	-	(8,414)	(4,699)	-	-	(13,113)
<b>At 31 December 2017</b>	<b>1,973,690</b>	<b>7,715,417</b>	<b>83,676</b>	<b>574,858</b>	<b>-</b>	<b>10,347,641</b>
<b>Net book value:</b>						
<b>At 31 December 2017</b>	<b>9,449,661</b>	<b>1,818,088</b>	<b>38,113</b>	<b>21,724</b>	<b>946,044</b>	<b>12,273,630</b>
At 31 December 2016	9,700,550	2,315,209	58,435	48,775	-	12,122,969



**XTRATHERM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**8. TANGIBLE FIXED ASSETS (CONTINUED)**

	<b>Cost Stg£</b>	<b>Depreciation Stg£</b>	<b>Net book value Stg£</b>
<b>Plant held under hire purchase and finance lease contracts:</b>			
<b>At 31 December 2017</b>	<b>3,501,490</b>	<b>(2,840,097)</b>	<b>661,393</b>
<b>At 31 December 2016</b>	<b>3,501,490</b>	<b>(2,606,665)</b>	<b>894,825</b>

**9. STOCKS**

	<b>2017 Stg£</b>	<b>2016 Stg£</b>
Raw materials	1,382,098	1,762,346
Finished goods	1,746,913	-
Expense stocks	474,118	518,111
	<b>3,603,129</b>	<b>2,280,457</b>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to Stg£65,013,736 (2016: Stg£78,573,287).

There was no write-down of stocks to net realisable value during the year.

The replacement value of stocks at 31 December 2017 did not differ materially from the amounts shown above.

**10. DEBTORS: Amounts falling due within one year**

	<b>2017 Stg£</b>	<b>2016 Stg£</b>
Trade debtors	27,908,431	22,300,835
Amounts owed by group undertakings	2,680,215	2,082,548
Prepayments and accrued income	290,590	215,721
	<b>30,879,236</b>	<b>24,599,104</b>

Amounts owed by group undertaking are interest free and repayable on demand except for the amount due from Mohawk International Holdings SARL Stg£2,673,516 (2016: Stg£6,066) which attracts a variable rate of interest.

**XTRATHERM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>11. CREDITORS: Amounts falling due within one year</b>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
Trade creditors	3,413,254	2,414,265
Amounts owed to group undertakings	1,027,570	264,904
Revenue related accruals	9,848,012	7,935,464
PAYE and social security costs	87,202	75,862
Value added tax	3,687,391	1,831,475
Corporation tax	189,981	518,625
Accruals	620,105	349,639
	<u>18,873,515</u>	<u>13,390,234</u>

Trade creditors include an amount of Stg£2,396,580 (2016: Stg£1,653,065) owing to suppliers who purport to include reservation of ownership clauses in their conditions of sale.

Amounts owed to group undertaking are interest free and repayable on demand except for the amount due to Mohawk International Holdings SARL of Stg£Nil (2016: Stg£264,030) which attracts a variable rate of interest.

<b>12. DEFERRED TAXATION</b>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
Balance at beginning of year	16,700	28,000
Credit to the profit and loss account for year (Note 7)	(6,200)	(11,300)
	<u>10,500</u>	<u>16,700</u>

**The deferred taxation provision consists of :**

Tax effect of timing differences due to:		
Capital allowances	10,500	16,700

<b>13. CALLED UP SHARE-CAPITAL</b>	<b>2017 Stg£</b>	<b>2016 Stg£</b>
<b>Authorised</b>		
200,000 Ordinary shares of Stg£1 each	200,000	200,000
<b>Allotted, called up and fully paid (ordinary share of Stg£1 each)</b>		
As at 1 January 4 shares (2016: 2 shares)	4	2
Issued during the year (2016: 2 shares)	-	2
	<u>4</u>	<u>4</u>
As at 31 December 4 shares (2016: 4 shares)	4	4

The company has one class of ordinary share which carry no right to fixed income.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**14. RETIREMENT BENEFIT OBLIGATIONS**

The group operates an externally funded defined contribution pension scheme for certain employees and directors. The assets of the schemes are held separately from those of the company in independently administered funds. The pension charge for the year was Stg£81,441 (2016: Stg£94,245) of which Stg£13,758 (2016: Stg£12,470) was accrued at 31 December 2017.

**15. COMMITMENTS***Operating leases*

Total future commitment under non-cancellable operating leases are as follows:

<i>Payable on leases which expire</i>	<b>Land and Buildings Stg£</b>	<b>Plant and Equipment Stg£</b>	<b>2017 Total Stg£</b>	<b>Land and Buildings Stg£</b>	<b>Plant and Equipment Stg£</b>	<b>2016 Total Stg£</b>
- Within one year	-	38,020	38,020	-	45,172	45,172
- Between 2 and 5 years	-	230,670	230,670	-	155,218	155,218
- After five years	-	-	-	-	-	-
	<u>-</u>	<u>268,690</u>	<u>268,690</u>	<u>-</u>	<u>200,390</u>	<u>200,390</u>

*Capital Commitments*

At the year end, the Company's capital commitments authorised by the directors and not provided for in the accounts were as follows:

	<b>2018 Total Stg£</b>	<b>2017 Total Stg£</b>
- Contracted for	5,770	-
- Approved but not contracted for	17,275	-
	<u>23,045</u>	<u>-</u>

**16. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption granted in FRS 102, "Related Party Disclosures", from disclosing intra-group transactions with wholly-owned subsidiaries of its parent undertaking. Details of the availability of group consolidated financial statements are given in note 17 to these financial statements.

**17. ULTIMATE PARENT UNDERTAKINGS AND CONTROLLING PARTIES**

The company's immediate controlling party is Xtratherm Limited, a company incorporated in the Republic of Ireland. The ultimate controlling party is Mohawk Industries Inc, a company incorporated in the United States of America.

The smallest and largest group of which the company is a member, and for which group financial statements are prepared, is Mohawk Industries Inc, a company incorporated in the United States of America with a registered office at P.O.Box 12069, 160 South Industrial Boulevard, Calhoun, Georgia 3070, U.S.A. Copies of its group financial statements are available from its registered office or on its website at [www.mohawkind.com](http://www.mohawkind.com).

**18. SUBSEQUENT EVENTS**

There were no events between the balance sheet date and the date on which these financial statements were approved that would require either adjustment to, or disclosure in, these financial statements.

**19. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 27 June 2018.