

IBP Global Trading Limited

Report and financial statements

Year ended

31 December 2018

Company number: 07577071



IBP Global Trading Limited

Annual report and financial statements For the year ended 31 December 2018

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Country of incorporation of parent company:	England
Legal form:	Limited
Registered office:	Global House, 95 Vantage Point, Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7FT
Company number:	07577071
Directors:	Manouchehr Salehi Bakhtiari Chih-Fan Tang
Auditors:	BDO LLP, Two Snowhill, Birmingham, B4 6GA

IBP Global Trading Limited

Strategic report For the year ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Review of Business

Growth continued across the breadth of its business with its international customer base seeing positive movement in 2018 despite some pressures in the latter part of the year due to underlying economic factors in Europe. The UK domestic market saw some underlying pressures which reflected in the regional sales figures but this also reflected a planned change in its customer base and the mix of products it offered to the market. Launches of new products continued to make progress and this saw improved sales in the international markets and further development of its European customer base. Overall margins improved during the year as the impact derived from of the change in customer and product base filtered through into the underlying results. The sales growth at 16.4% continued the progress from the previous year and this together with the stronger margin reflected in another increase in the profitability for the year. The emphasis on cost control is still a strong driver within the business but investment into future marketing strategies is also important and with this in mind there was an increase in the absolute fixed costs for the year. The benefits seen in 2017 from foreign exchange risk management have continued into 2018. The costs related to the ongoing legal case have had a more significant impact in 2018 on overall profitability. There is continued focus on market development that has seen new product launches during the year which have helped to strengthen the strong customer relationships that have been the focus of the company in the last few years. The principals that underpin the business have been strengthened during the year and this has resulted in the improved performance in 2018. This has also been incorporated into the 2019 forecast and resulted in support for the recognition of a deferred tax asset on the balance sheet of the company.

The continuing support from HSBC Commercial Finance has been enhanced during the year with additional facilities being made available as part of a Group wide approach to funding. The main facility continues to support the business with funding against the majority of its working capital assets with additional new capital being made available to support the improvement of fixed assets in both Poland and Spain. The quality of the assets again improved despite the difficult markets the company operates in and the inevitable risks that come with this.

The group's key financial and other performance indicators used during the year were as follows:

	2018 £000s	2017 £000s	Change
Turnover	142,217	122,154	16.4%
Profit before tax	7,447	5,008	48.7%
Profit for the Year	6,566	5,929	10.7%
Shareholders Equity	32,147	28,888	11.3%
Return on Capital	26.9%	19.6%	
Debtor days	38.1	49.3	
Inventory turns	2.6	2.1	

Service has remained an important factor for the group and is managed closely with the objective of offering constant improvement to the benefit of the customer. Stockholding at year end reflected the targeted approach and tight control of commodities. The reduction was reflected in the number of days which reduced to 141 (2017 - 173). The group continued to underpin its tradition of intercompany trading with increased capital investment in both its production plants which will generated additional capacity during 2019.

During the year the reduction in commodity prices was reflected in the closing debtor balances which reduced despite the increased turnover in the year. The continuing improvement in trading together with the positive forecasts meant the deferred tax asset was maintained at year end. The increase seen in net assets to £32,147k (2017 - £28,888k) shows the strength of the group balance sheet.

IBP Global Trading Limited

Strategic report For the year ended 31 December 2018

During the year the Germany subsidiary Isartor Holding Dreissigste was merged into International Building Products GmbH leaving a single trading entity in Germany and simplifying administration.

Future developments

Despite the volatility in currency markets and the upwards pressure seen in commodity prices the group continued to focus on its core activities and as a result both traditional and new markets realised positive results in 2018. The continuing extension of ranges and specific new product launches has stimulated significant interest and both segments are expected to deliver significant positive growth in 2019. The remainder of the capital investment targeted on the manufacturing plants was delivered in 2018 and has generated additional capacity to satisfy the market growth planned for 2019.

Principal risks and uncertainties

The group's products are based on a small number of metals where prices can fluctuate considerably over the period. In addition the key metal supplies have always been priced in USD. The group seeks to minimise these risks by hedging its supply pricing and foreign exchange in whole or in part wherever it identifies an opportunity to do so.

Group policies are aimed at minimising credit losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to board level and with the rates of return and cash payback periods applied as part of a defined investment process.

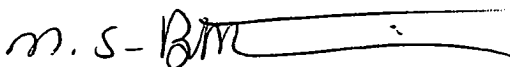
A number of tools are used by the group to monitor these risks with the number of debtors and creditors days together with stock turn providing monthly information to the directors. In addition to these, feedback on service levels is reviewed with the calculated service measures enabling management to quantify the impact of policy changes on the customer experience.

Going concern

The directors have prepared detailed profit and loss and cash flow forecasts for the period to 31 December 2020 and are satisfied that the group will be able to operate within its available bank and other funding facilities for a period of at least 12 months from the date of approval of these financial statements. The group HSBC banking facility was renewed in November 2017 for a further three years to 2020. The directors of the group have received formal confirmation from the directors of its parent company, International Building Products Limited, whereby International Building Products Limited has agreed not to demand repayment of amounts due for at least a year from the date of approval of these financial statements to the extent it would cause the group problems in meeting its liabilities as they fall due and operating within available facilities.

On this basis the directors are satisfied that it is appropriate to continue to prepare the accounts of the group on a going concern basis.

On behalf of the board



Manouchehr Salehi Bakhtiari
Director

Date 24 May 2019

IBP Global Trading Limited

Directors' report for the year ended 31 December 2018

Certain information is not included in the Director's report because it is shown in the Strategic report instead.

Results and dividends

The consolidated statement of comprehensive income is set out on page 8 and shows the profit for the year.

Dividends of £3,503,000 (2017 - £Nil) were paid to the ordinary shareholders. A final dividend of £Nil (2017 - £Nil) has been proposed.

Indemnity provision

Third party indemnity cover for the directors was in place during the financial period and at the period end.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 23 of the financial statements.

Employment of disabled persons

The company and group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Employee involvement

Members of the management team regularly visit branches and discuss matters of current interest and concern to the business with members of staff.

Research and development

The group actively participates in product development through a team at its UK headquarters, supported by teams in the operational facilities in Poland and Spain. It continually seeks to review current production items in addition to new product requests it receives from its customers.

Directors

The directors of the company during the year were:

Manoucher Salehi Bakhtiari
Chih-Fan Tang

IBP Global Trading Limited

Directors' report for the year ended 31 December 2018 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) (United Kingdom Accounting Standards and applicable law).

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

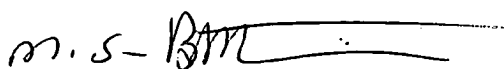
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the company financial statements, 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.

Approval

This Directors' Report was approved by order of the Board on



Manouchehr Salehi Bakhtiari
Director

Date 24 May 2019

Global Trading Limited

Independent auditor's report For the year ended 31 December 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IBP GLOBAL TRADING LIMITED

Opinion

We have audited the financial statements of IBP Global Trading Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (UK Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

IBP Global Trading Limited

Independent auditor's report For the year ended 31 December 2018(continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, 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.

IBP Global Trading Limited

Independent auditor's report For the year ended 31 December 2018(continued)

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

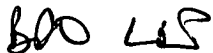
Auditor's responsibilities for the audit of the financial statements

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

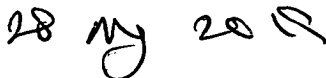
Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Lawton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

Date



BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

IBP Global Trading Limited

Consolidated statement of other comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	3	142,217	122,154
Cost of sales		(107,832)	(93,489)
Gross profit		34,385	28,665
Administrative expenses (including foreign exchange gains and losses – see note 4)		(6,834)	(6,448)
Distribution expenses		(19,381)	(16,223)
Profit from operations	4	8,170	5,994
Finance expense	8	(730)	(664)
Finance income	8	7	11
(Loss on disposal) in equity accounted associates	13b	-	(77)
(Loss on disposal) in equity accounted joint ventures	13c	-	(256)
Profit before tax		7,447	5,008
Taxation	9	(881)	921
Profit after tax		6,566	5,929
Other comprehensive income:			
Exchange (loss) / gain arising on translation of foreign operations		(91)	639
Actuarial (gains) on defined benefit pension scheme	19a	285	48
Other comprehensive income for the year, net of tax		194	687
Total comprehensive income		6,760	6,616

The notes on pages 15 to 49 form part of these financial statements

IBP Global Trading Limited

Consolidated statement of financial position as at 31 December 2018

Company number 07577071	Note	2018 £'000	2017 £'000
Assets			
Current assets			
Inventories	14	41,727	44,294
Trade and other receivables	15	20,111	21,813
Cash and cash equivalents		958	496
		<u>62,796</u>	<u>66,603</u>
Non-current assets			
Property, plant and equipment	10	17,139	13,335
Investment property	10	-	-
Intangible assets	11	6,967	6,713
Deferred tax	18	1,257	1,529
		<u>25,363</u>	<u>21,577</u>
Total assets		<u>88,159</u>	<u>88,180</u>
Liabilities			
Current liabilities			
Trade and other payables	16	42,712	48,897
Non-current liabilities			
Obligations under finance leases	17	3,449	1,995
Deferred tax	18	310	353
Other payables	16	1,681	730
		<u>5,440</u>	<u>3,078</u>
Provisions	19	1,216	-
Pension scheme liabilities	19a	6,644	7,317
		<u>7,860</u>	<u>7,317</u>
Total liabilities		<u>56,012</u>	<u>59,292</u>
Net assets		<u>32,147</u>	<u>28,888</u>

The notes on pages 15 to 49 form part of these financial statements

IBP Global Trading Limited

Consolidated statement of financial position as at 31 December 2018 (continued)

	Note	2018 £'000	2017 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	20	19,800	19,800
Foreign exchange reserve	21	(3)	86
Retained earnings	21	12,350	9,002
		<hr/>	<hr/>
Total equity		32,147	28,888
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2019 and were signed on its behalf by:



Manouchehr Salehi Bakhtiari
Director

The notes on pages 15 to 49 form part of these financial statements

IBP Global Trading Limited

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit for the year	6,566	5,929
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	3,159	3,386
(Profit) on sale of property, plant and equipment	(5)	(65)
(Profit) on sale of investment property	-	(207)
Amortisation of intangible fixed assets	621	551
Finance income	(7)	(11)
Finance expense	577	600
Finance expense – pension	153	64
Loss on disposal of equity accounted associates	-	77
Loss on disposal of equity accounted joint ventures	-	256
Income tax charge / (credit)	881	(921)
Difference between defined benefit pension expense and contributions	(462)	(678)
	11,483	8,981
Change in working capital (including foreign exchange movements)	4,196	(2,201)
Finance income	7	11
Finance costs	(577)	(600)
	15,109	6,191
Cash generated from operations		
Income taxes paid	(550)	(621)
	14,559	5,570
Net cash flows from operating activities		

The notes on pages 15 to 49 form part of these financial statements.

IBP Global Trading Limited

Consolidated statement of cash flows for the year ended 31 December 2018 (continued)

	2018 £'000	2017 £'000
Net cash flows from operating activities brought forward	14,559	5,570
Investing activities		
Purchases of property, plant and equipment	(4,412)	(3,727)
Purchase of intangibles	(875)	(897)
Proceeds from sales of property, plant and equipment	44	423
Proceeds from sale of investment property	-	777
Proceeds from sale of equity accounted associates	-	259
Net cash used in investing activities	(5,243)	(3,165)
Financing activities		
Movement in debt factoring	(4,851)	3,324
New capital loan facility	1,842	959
Loan repaid	(228)	-
Amounts repaid to parent undertaking	(890)	(6,346)
Payments to finance lease creditors (excluding foreign exchange movements)	(1,224)	(646)
Dividends	(3,503)	-
Net cash used in financing activities	(8,854)	(2,709)
Net increase / (decrease) in cash and cash equivalents	462	(304)
Cash and cash equivalents at beginning of year	496	800
Cash and cash equivalents at end of year	958	496

The notes on pages 15 to 49 form part of these financial statements

IBP Global Trading Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Foreign exchange reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2018	19,800	86	9,002	28,888
Comprehensive income for the year				
Profit for the year	-	-	6,566	6,566
Other comprehensive income				
Exchange gain arising on translation of foreign operations	-	(89)	-	(89)
Pension	-	-	285	285
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(89)	6,851	6,762
Contributions by and distributions to shareholders				
Dividends paid (18p per share)	-	-	(3,503)	(3,503)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	19,800	(3)	12,350	32,147

The notes on pages 15 to 49 form part of these financial statements

IBP Global Trading Limited

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	19,800	(553)	3,025	22,272
Comprehensive income for the year				
Profit for the year	-	-	5,929	5,929
Other comprehensive income				
Exchange gain arising on translation of foreign operations	-	639	-	639
Pension	-	-	48	48
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	639	5,977	6,616
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	19,800	86	9,002	28,888
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 15 to 49 form part of these financial statements

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018

1 Accounting policies

Company information

IBP Global Trading Limited is a private company incorporated in England and Wales under the Companies Act. The address of the registered office is Global House, 95 Vantage Point, Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7FT. The nature of the group's operations and its principal activities are the manufacture and distribution of plumbing products.

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in Pound Sterling (£), which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

New standards adopted this year

During the year the group adopted the requirements of IFRS 15 ("Revenue from contracts with customers"), IFRS 9 ("Financial Instruments") and IAS 1 ("Presentation of Financial Statements").

IFRS 15 has replaced IAS 18 *Revenue* (IAS 18) and IAS 11 *Construction Contracts* as well as various Interpretations previously issued by the IFRS Interpretations Committee. Given the nature of the group trading which is the sale of product at a point in time it has not had any impact on the recording of revenue in either the current year or prior periods.

IFRS 9 has replaced IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). Given the nature of the group financial instruments IFRS 9 has not had a material impact on how the results or financial position of the group in the current or prior year. However, the group has applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost (such as trade and other receivables, both current and non-current). This resulted in more formal judgement being applied due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the group considered the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. The group also considered the impact of IFRS 9 on related party loans and are satisfied that no provision is required. The group has chosen not to restate comparatives on adoption of IFRS 9, and therefore these changes have been processed at the date of initial application (i.e. 1 January 2018).

IAS 1 Presentation of Financial Statements has had no impact on the financial statements.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 *(continued)*

1 Accounting policies *(continued)*

New standards, interpretations and amendments not yet effective

IFRS 16 applies to accounting periods beginning on or after 1 January 2019 and requires lessees to recognise all leases on balance sheet with limited exemptions for short-term leases and low value leases. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model. This will result in the recognition of a right-to-use asset and corresponding liability on the balance sheet, with the associated depreciation and interest expense being recorded in the income statement over the lease period. The Group has completed its impact assessment of this standard and the expected impact of applying IFRS 16 in its first full year of application is detailed below:

- The total annual income statement charge is not expected to be materially affected.
- EBITDA is expected to increase by £1,992k as the expense is now depreciation and interest.
- Recognition of a right-of-use asset and lease liability of £10,576k with no impact on net assets.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, any cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparatives.

The following other new standards, amendments and interpretations have been issued but are not yet effective and therefore have not been adopted in these financial statements. Management are considering the impact of the changes on future reporting:

Annual Improvements 2012–2014 Cycle – including IFRS 7 Financial Instruments, IAS 19 Employee Benefits and IAS 34 Interim Reporting.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Going concern

The directors have prepared detailed profit and loss and cash flow forecasts for the period to 31 December 2020 and are satisfied that the group will be able to operate within its available bank and funding facilities for a period of at least 12 months from the date of approval of these financial statements. The group HSBC banking facility was renewed for a further three years until November 2020 and this was done with improved terms on the facility and extended facility limits across the various facilities in Europe and the UK. The directors of the group have received formal confirmation from the directors of its parent company, International Building Products Limited, whereby International Building Products Limited has agreed not to demand repayment of amounts due for at least a year from the date of approval of these financial statements to the extent it would cause the group problems in meeting its liabilities as they fall due and for operating within available facilities.

On this basis the directors are satisfied that it is appropriate to continue to prepare the accounts of the group on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the results of IBP Global Trading Limited and all of its subsidiary undertakings. The acquisition method of accounting was used to consolidate all subsidiary companies with the exception of Conex Universal Limited and Isartor Holding Dreissigste GmbH, which were consolidated using merger accounting as both acquisitions were considered by the directors to be group reconstructions rather than acquisitions. For acquisitions treated as an acquisition, the results of subsidiaries acquired during a period are included in the consolidation from the date of acquisition or up to the date of disposal. For acquisitions treated as mergers, the results of subsidiaries acquired during a period are included in the consolidation in the earliest date of the comparative financial statements.

Investments in equity accounted joint ventures

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries. The group classifies its interests in joint arrangements as a joint venture, where the group has rights to only the net assets of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;
- the legal form of joint arrangements structured through a separate vehicle;
- the contractual terms of the joint arrangement agreement;
- any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Investments in equity accounted associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for amortisation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is an appropriate departure from the requirements of Companies Act 2006, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Impairment tests on goodwill with indefinite useful economic lives are undertaken annually at the financial year end. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the company's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the company expects to benefit from selling the products developed which is 5 years. The amortisation expense is included within the cost of sales line in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold property	-	2% per annum straight line
Plant and machinery	-	7% - 20% per annum straight line
Fixtures, fittings, tools and equipment	-	7% - 20% per annum straight line
Assets under construction	-	Nil

Impairment of assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Inventories

Stocks are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition as follows:

- raw materials - purchase cost determined on a first in-first out basis (FIFO);
- work in progress and finished goods - cost of direct materials and labour plus a measure of attributable overheads which is based on the normal level of activity of the business.

Net realisable value is based on estimated selling price less additional costs to complete and disposal costs.

Financial assets

The Group classifies its financial assets into the categories discussed below. The Group has not classified any of its financial assets as held to maturity or fair value through profit or loss.

Unless otherwise stated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand. Advances secured under debtor factoring financing arrangements are shown within current liabilities in the statement of financial position.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities. The Group has not classified any of its liabilities as being held at fair value through profit or loss.

Unless otherwise indicated, the carrying amounts of the company's financial liabilities are a reasonable approximation of their fair values.

Trade payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 reporting date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Revenue

All of the group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes as once physical delivery of the products to the agreed location has occurred the company no longer has physical possession, has a present right to payment and retains none of the significant risks and rewards of the goods in question.

All of the group's revenue is derived from fixed price contracts and therefore the amount of revenue generated from each contract can be determined by reference to those fixed prices. Exceptions include:

- 1) Some contracts provide customers with a limited right of return. Historical experience enables the group to estimate reliably the value of goods that will be returned and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when goods are returned.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements For the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Revenue (continued)

- 2) Variable consideration relating to volume rebates has been constrained in estimating revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined.

For most contracts, there is a fixed unit price for each product sold and therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered).

Foreign currency

Transactions entered into by Group entities in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss in the statement of comprehensive income.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in other comprehensive income and are credited/(debited) to the foreign exchange reserve.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Defined benefit pension schemes

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements For the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Defined benefit pension schemes (continued)

No increase in the present value of liabilities of the company's defined benefit pension scheme is expected as there are no active members remaining in the scheme. The scheme is closed to new members and to the future accrual of benefit.

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Hedge accounting

The company has entered into foreign exchange forward contracts to manage its exposure to foreign exchange risk. These derivatives are measured at fair value at each reporting date. To the extent that a hedge relationship exists with a hedged item, the hedge is effective and has a material impact on the financial statements, movements in fair value are recognised in other comprehensive income and presented in a separate cashflow hedge reserve. Any ineffective portions of the movements or movements which are not considered material are recognised in profit or loss for the period.

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The directors are required to test whether goodwill has suffered any impairment. The recoverable amounts of the trading entities have been determined based on value in use estimations. The use of this method requires the estimation of the net present value of future cash flows expected to arise from the continuing operation of the entities using an appropriate discount rate.

Development costs

Costs incurred in developing new products are capitalised in accordance with the company's accounting policy for other intangible assets. Determining the amounts to be capitalised requires management to make assumptions and estimates regarding the expected future cash-generation of new products and the expected period of benefits. The directors are satisfied that all recorded development costs will be recovered from the cash flows connected to each relevant project.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (*continued*)

Impairment of assets

Other intangible assets, investments in joint associates and joint ventures are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted the recoverable amount of the assets is based on the net present value of future cash flows expected to arise from the continuing operation of the entities using an appropriate discount rate.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful economic lives based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for appropriateness.

Inventory provisions

Group inventory levels are constantly reviewed and, should there be an indication of impairment or obsolescence, the inventory is written down to its assessed net realisable value.

Bad debt provisions

The company has recognised impairment provisions in respect of bad and doubtful trade debtors. The judgements and estimates necessary to calculate these provisions are based on historical experience and other reasonable factors.

Income taxes

The group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax provisions in the period when such determination is made.

Legal provision

Management have received a legal claim against a subsidiary company and have included provisions for legal and other costs as considered necessary. The provisions made are management's best estimates of the amounts that are expected to be payable based on the circumstances of the claim and the current status of the legal proceedings.

Pension liability

The company has a defined benefit pension scheme with the assets and liabilities included in the balance sheet. An independent qualified actuary measures the fair value of the schemes assets and liabilities on an actuarial basis. The valuation incorporates a discounted rate of return and assumptions made about the mortality of the beneficiaries of the pension scheme, and future rates of inflation. Changes in these assumptions could have a significant impact on the scheme liabilities and recorded deficit. Valuation of the scheme assets and liabilities are detailed in note 19.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (continued)

3 Revenue

	2018 £'000	2017 £'000
Revenue arises from:		
Sale of goods	142,217	122,154
	<u>142,217</u>	<u>122,154</u>
Analysis of revenue by country of destination:		
United Kingdom	12,503	14,582
Europe	101,757	87,106
Rest of the world	27,957	20,466
	<u>142,217</u>	<u>122,154</u>

4 Profit from operations

	2018 £'000	2017 £'000
Cost of inventories recognised as expensed during the year	83,840	67,790
Depreciation of property, plant and equipment	3,159	3,386
Amortisation of intangible assets	621	551
Research and development costs	401	583
Foreign exchange (gains)	(1,264)	(1,319)
Operating lease expense:		
- Plant and machinery	382	402
- Property	2,066	1,949
Profit on disposal of property, plant and equipment	7	(65)
Direct operating expenses arising from investment property	-	16
Profit on disposal of investment property	-	(207)
	<u></u>	<u></u>

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

5 Employee benefit expenses

	2018 £'000	2017 £'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	24,398	23,004
Defined contribution pension cost	473	834
Social security contributions and similar taxes	5,314	5,252
	<u>30,185</u>	<u>29,090</u>

The company did not incur staff costs during the period (2017 - £Nil).

The average number of employees (including directors) during the year was as follows:

	2018 Number	2017 Number
Manufacturing	661	679
Management and administration	49	46
Selling and distribution	285	258
	<u>995</u>	<u>983</u>

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the company listed on page 3.

	2018 £'000	2017 £'000
Key management personnel costs	2,611	2,358
	<u>2,611</u>	<u>2,358</u>

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

6 Directors' remuneration

	2018 £'000	2017 £'000
Directors' emoluments	1,116	730
Contribution to money purchase schemes	40	39

There was 1 director in the company's defined contribution plan (2017 - 1) during the year.

There were no directors who are accruing benefits under a defined benefit scheme (2017 - Nil).

The total amount payable to the highest paid director in respect of emoluments was £1,116,000 (2017 - £730,000). Company pension contributions of £40,000 (2017 - £39,000) were paid to a money purchase scheme on their behalf.

7 Auditors remuneration

	2018 £'000	2017 £'000
Fees payable to the group's auditors in respect of:		
- audit of the company's annual accounts	6	5
- audit of the company's subsidiaries annual accounts	195	103
- taxation services	100	57
- other	23	26

8 Finance income and expense

	2018 £'000	2017 £'000
Finance income		
Interest received on bank deposits	7	11
Total finance income	7	11
Finance expense		
Finance leases (interest portion)	76	66
Bank loans and overdrafts	501	437
Pension interest	153	161
Total finance expense	730	664
Net finance costs recognised in profit or loss	723	653

IBP Global Trading Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (continued)

9 Tax expense	2018 £'000	2017 £'000
<i>Tax expense excluding share of tax of equity accounted associates and equity accounted joint ventures</i>		
Current tax expense		
Current tax on profits for the year	654	351
Total current tax	654	351
Deferred tax expense		
Deferred tax on foreign operations	1	211
Deferred tax on UK operations	226	(1,483)
Total deferred tax	227	(1,272)
Tax charge / (credit)	881	(921)
Total tax expense		
Tax expense excluding share of tax of equity accounted associates and equity accounted joint ventures (as above)	881	(921)
Share of tax expense of equity accounted associates and equity accounted joint ventures	-	12
Total tax charge / (credit)	881	(909)

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

9 Tax expense (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2018 £'000	2017 £'000
Profit for the year	6,566	5,929
Tax expense (including income tax on associate and joint venture)	881	(909)
	<hr/>	<hr/>
Profit before income taxes	7,447	5,020
	<hr/>	<hr/>
Tax using the company's domestic tax rate of 19% (2017 - 19%)	1,415	954
Income not taxable / expenses not deductible	104	(382)
Patent box claims	(400)	(400)
Tax losses utilised	(696)	(429)
Adjustment of tax rate of opening and closing deferred tax	-	211
Recognition of previously unrecognised deferred tax assets	226	(1,083)
Other	232	220
	<hr/>	<hr/>
Total tax expense / (credit)	881	(909)
	<hr/>	<hr/>

Factors affecting future tax changes

During the budget on 16 March 2016 the Chancellor announced that the rate from 1 April 2020 will instead be 17% and this has now been substantively enacted on 15 September 2016. This will reduce the company's current tax accordingly.

The directors have recognised a deferred tax asset of £1,257k (2017: £1,483k) relating to unused tax losses that are considered to be able to be offset against the company's taxable profits expected to arise in the near future.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (*continued*)

10 Property, plant and equipment

	Freehold land and Buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Investment property £'000	Total £'000
Cost						
At 1 January 2018	490	31,413	7,694	2,355	-	41,952
Additions	-	1,197	1,271	4,603	-	7,071
Disposals	-	(2,517)	(432)	-	-	(2,949)
Transfers	-	2,608	82	(2,690)	-	-
Foreign exchange movements	(9)	(117)	(49)	(16)	-	(191)
At 31 December 2018	481	32,584	8,566	4,252	-	45,883
Accumulated depreciation						
At 1 January 2018	374	22,303	5,940	-	-	28,617
Depreciation	30	2,343	786	-	-	3,159
Disposals	-	(2,495)	(413)	-	-	(2,908)
Foreign exchange movements	(7)	(91)	(26)	-	-	(124)
At 31 December 2018	397	22,060	6,287	-	-	28,744
Net book value At 31 December 2018	84	10,524	2,279	4,252	-	17,139
At 31 December 2017	116	9,110	1,754	2,355	-	13,335

The net carrying amount of property, plant and equipment includes the following amounts held under finance leases: Plant, machinery, and motor vehicles £4,160k (2017 - £3,650k).

The total value of capital commitments at the end of the year was £3,867k.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (*continued*)

11 Intangible assets

	Goodwill £'000	Development costs £'000	Total £'000
Cost			
At 1 January 2018	4,645	3,651	8,296
Additions - internally developed	-	875	875
	<hr/>	<hr/>	<hr/>
At 31 December 2018	4,645	4,526	9,171
	<hr/>	<hr/>	<hr/>
Accumulated amortisation			
At 1 January 2018	-	1,583	1,583
Amortisation charge	-	621	621
	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	2,204	2,204
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2018	4,645	2,322	6,967
	<hr/>	<hr/>	<hr/>
At 31 December 2017	4,645	2,068	6,713
	<hr/>	<hr/>	<hr/>

Goodwill has arisen on the acquisition of the subsidiaries of the former Conex Banninger Limited group.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

12 Subsidiaries

The principal subsidiaries of IBP Global Trading Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	
		2018	2017
Conex Universal Limited	United Kingdom	100%	100%
Masterflow Products Limited	United Kingdom	100%	100%
IBP Italia SRL	Italy	100%	100%
IBP Installfittings SP zoo	Poland	100%	100%
IBP Atcosa SL	Spain	100%	100%
International Building Products GmbH	Germany	100%	100%
Conex Banninger France SRL *	France	100%	100%
IBP Group LLC *	USA	100%	100%

* These companies are indirectly owned via direct subsidiaries of IBP Global Trading Limited

Conex Universal Limited registered address is Global House, 95 Vantage Point, Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7FT, England

Masterflow Products Limited registered address is 70 Great Bridgewater Street, Manchester, M1 5ES, England

IBP Italia SRL registered address is Piazza Meuccio Ruini 9A, Parma (PR), Italia

IBP Installfittings SP zoo registered address is ul. Obodrzycka 61, 61-249 Poznan, Poland

IBP Atcosa SL registered address is Poligono industrial Quintos-Aeropuerto. 14006 Cordoba, Spain

International Building Products GmbH registered address is Theodor-Heuss-Strasse 18, 35440 Linden, Germany

Conex Banninger France SRL registered address is 101 rue de Sevres lot 1665 75272 Paris CEDEX 06, France

IBP Group LLC registered office is 5147 Alhambra Avenue, Los Angeles, California, 90032, United States of America

13a Investments in subsidiaries

International Building Products GmbH was merged with Isartor Holdings Dreissigste GmbH on 12th April 2018 and has been accounted for based on merger method accounting.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

13b Investments in equity accounted associates

In the prior year, the Group held a 25% interest in IBP (Shanghai) Limited, and accounted for the investment as an associate. The Company sold its 25% share in IBP (Shanghai) Limited on 31st August 2017.

This transaction has resulted in the recognition of a loss in the statement of comprehensive income, calculated as follows:

	£'000s
Proceeds of disposal (cash)	259
Less: carrying value at date of disposal	(327)
	<hr/>
Loss on disposal	(68)
	<hr/>

The group's share of the post-tax losses to the date of disposal was £9k.

13c Investments in equity accounted joint ventures

In the prior year, the Group held a 50% shareholding in Triflow Concepts Holdings HK Limited which was classified as a joint venture and was accounted for using the equity method. The Directors lost control of Triflow Concepts Holdings HK Limited on 31st July 2017, resulting in a loss on disposal of £256k. The group's share of the post-tax result was £Nil.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

14 Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	6,511	5,744
Work-in-progress	6,486	7,784
Finished goods and goods for resale	28,730	30,766
	<u>41,727</u>	<u>44,294</u>

The cost of inventories expensed in the period and included within cost of sales was £83,840,000 (2017 - £79,620,000)

A provision for slow moving and obsolete stock of £7,468,000 was included at 31 December 2018 (2017 - £6,867,000).

The movement on impairment losses relating to damaged or obsolete inventories and included within cost of sales amounted £601,000 (2017 - £839,000 credit).

15 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	19,646	20,714
Less: provision for impairment of trade receivables	(651)	(718)
Less: rebate provision	(4,821)	(4,224)
	<u>14,174</u>	<u>15,772</u>
Trade receivables – net	14,174	15,772
Receivables from related parties	47	47
Other receivables	4,676	4,204
Corporation tax debtor	200	339
Prepayments	1,014	1,451
	<u>20,111</u>	<u>21,813</u>
Total current trade and other receivables	20,111	21,813
Non-current trade and other receivables		
Deferred tax (note 18)	1,257	1,529
	<u>1,257</u>	<u>1,529</u>
Total non-current trade and other receivables	1,257	1,529
	<u>21,368</u>	<u>23,342</u>
Total trade and other receivables	21,368	23,342

The carrying value of trade and other receivables approximates fair value.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

15 Trade and other receivables (continued)

At 31 December 2018, £13,613k (2017 - £15,415k) of trade receivables had been sold to a provider of invoice discounting and debt factoring services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. The proceeds from transferring the debts of £6,185k (2017 - £8,710k) are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider. Advances secured under debt financing arrangements are secured against the eligible trade debtors and stock balances of the Group.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses trade receivables have been grouped based on similar credit risk and aging. The expected loss rates are based on the group's historical credit losses and knowledge of the customer base. The historical loss rates are then adjusted for current and forward-looking information on key factors affecting the Group's customers. The directors have applied their knowledge of the general economic environment in which the customers operate (guided by views of matters such as GDP and future growth) as the key macroeconomic factors in the consideration of the provision for impairment of trade receivables. The credit note provision is estimated by management based on historical experience and the level of sales to key customers. The credit note provision is recorded as a reduction of revenue.

Given the nature of the trade receivables the directors do not consider that there is any significant specific risk factors that are required to be included in the assessment of expected credit losses.

At 31 December 2018 the expected credit loss provision can be further analysed as -

	Total	Current	Past due 0-3 months	Past due 3-6 months	Past due 6-12 months	Past due > 12 months
Gross carrying amount	19,646	17,421	1,711	3	(34)	545
Expected loss rate	3.31%	0%	6.19%	0%	0%	100.00%
Loss provision	651	-	106	-	-	545

Movements in the impairment allowance for trade receivables are as follows:

	2018 £'000	2017 £'000
At 1 January	718	723
Increase during the year	151	287
Unused amounts reversed	(218)	(292)
At 31 December	651	718

The movement in the impairment allowance for trade receivables has been included in the administration line in the consolidated statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

16 Trade and other payables

	2018 £'000	2017 £'000
Advances under debt factoring	11,092	16,053
Other loan	925	229
Trade payables	17,705	20,233
Amounts owed to parent undertaking	2,500	3,390
Income taxes payable	233	127
Other tax and social security	1,692	764
Obligations under finance leases (note 17)	1,385	1,346
Accruals and other payables	7,180	6,755
Total current trade and other payables	42,712	48,897
Non-current trade and other payables		
Deferred tax (note 18)	310	353
Other loan	1,681	730
Obligations under finance leases (note 17)	3,449	1,995
Total non-current trade and other receivables	5,440	3,078
Total trade and other payables	48,152	51,975

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Advances under debt factoring arrangements are secured against the eligible trade debtors and stock balances of the group.

The Group was also party to an invoice discounting facility with two other banks to support the operations of the Group's Spanish operations. The amounts outstanding at the year end were £3k (2017 - £180k). This amount is unsecured and is repayable on demand.

The Group through its Spanish and Polish operations was party to a capital finance facility this noted as other loan above. The amounts outstanding at the year end were £2,606k (2017 - £959k). This amount is unsecured and is repayable from 2018 – 2025.

The amounts owed to the parent undertaking have no fixed date for repayment. The loans carry interest at a rate of 3 month LIBOR plus 1.85%. The parent company has waived its entitlement to receive interest for the current and prior period. In addition the parent company has provided a formal confirmation to the company which states that the parent company has no intention to withdraw the £2.5m balance for at least the 12 months following the date of approval of these financial statements.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

17 Obligations under finance leases

The Group leases its motor vehicles and some of its fixtures and fittings. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	2018 £'000	2017 £'000
Not later than one year	1,385	1,346
Between one year and five years	3,449	1,995
	<u>4,834</u>	<u>3,341</u>
Current liabilities	<u>1,385</u>	<u>1,346</u>
Non-current liabilities	<u>3,449</u>	<u>1,995</u>

IBP Global Trading Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (*continued*)

18 Deferred tax

The movement on the deferred tax account is as shown below:

	2018 £'000	2017 £'000
At 1 January	(1,176)	89
<i>Recognised in profit and loss</i>		
Tax expense	227	(1,272)
<i>Recognised in other comprehensive income:</i>		
Adjustment arising from exchange rate differences	2	7
	<u> </u>	<u> </u>
At 31 December	(947)	(1,176)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The deferred tax asset is made up as follows:

<i>Deferred tax asset</i>	2018 £'000	2017 £'000
Tax losses carried forward	(1,257)	(1,483)
Other	-	(46)
	<u> </u>	<u> </u>
At 31 December	(1,257)	(1,529)

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures.

The deferred tax provision is made up as follows:

<i>Deferred tax liability</i>	2018 £'000	2017 £'000
Accelerated capital allowances	256	335
Other	54	18
	<u> </u>	<u> </u>
At 31 December	310	353

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

19 Provisions	2018 £'000	2017 £'000
Amounts related to overseas legal case	1,216	-
	<u>1,216</u>	<u>-</u>

The provision is in relation to an ongoing legal case, and the estimated legal costs to defend the case have been provided for.

19a Defined benefit scheme

The defined benefit pension schemes were transferred back into the group as part of the acquisition of Isartor Holding Dreissigste GmbH on 6 October 2017.

There were three defined benefit pensions schemes operated by the group. The schemes were established under an irrevocable Deed of Trust by the company's German subsidiary, - Isartor Holding Dreissigste GmbH. The schemes are known as the International Building Products GmbH scheme, Banninger GmbH Zulauf Renu scheme and the Delta Werkzeugbau GmbH scheme. In addition, and in accordance with German requirements there was an additional Support Fund (U-Kasse) liability in relation to the schemes. The Deed determined the appointment of trustees to the fund who are required to act in the best interests of the beneficiaries.

A full actuarial valuation of the schemes (including the U-Kasse scheme) was carried out at 31 December 2014 and updated at 31 December 2018 by a qualified independent actuary.

	2018 £'000	2017 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	(8,886)	(9,050)
Current service cost	(22)	(23)
Interest cost	(153)	(164)
Actuarial gains	17	40
Exchange losses	(93)	(362)
Benefits paid	656	673
	<u>(8,481)</u>	<u>(8,886)</u>
At the end of the year	(8,481)	(8,886)
<i>Composition of plan liabilities</i>		
Schemes wholly or partly funded	8,481	8,886
	<u>8,481</u>	<u>8,886</u>
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	1,569	1,471
Actuarial gains	267	8
Exchange gains	20	85
Contributions by group	637	678
Benefits paid	(656)	(673)
	<u>1,837</u>	<u>1,569</u>
At the end of the year	1,837	1,569

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

19a Defined benefit scheme (continued)

	2018 £'000	2017 £'000
<i>Reconciliation to statement of financial position</i>		
Present value of funded obligations	(8,481)	(8,886)
Fair value of plan assets	1,837	1,569
	<hr/>	<hr/>
Plan deficit	(6,644)	(7,317)
	<hr/>	<hr/>

The directors considered that no deferred tax asset should have been recognised in respect of the pension scheme deficit as its future recovery from trading profits was not able to be assessed with sufficient certainty.

	2018 £'000	2017 £'000
<i>The amounts recognised in comprehensive income are as follows:</i>		
<i>Included in administrative expenses:</i>		
Current service cost	22	23
<i>Included in other finance (income)/expense:</i>		
Interest cost	153	164
	<hr/>	<hr/>
	175	187
	<hr/>	<hr/>

	2018 £'000	2017 £'000
<i>Analysis of amount recognised in other comprehensive income</i>		
Actual return less expected return on pension plan assets	267	8
Experience gains and losses arising on the scheme liabilities	108	40
Changes in assumptions underlying the present value of the scheme liabilities	(90)	-
	<hr/>	<hr/>
Actuarial gains recognised in the statement of other comprehensive income	285	48
	<hr/>	<hr/>

	2018 £'000	2017 £'000
<i>Cumulative amount of losses recognised in the statement of other comprehensive income</i>		
	(1,979)	(2,264)
	<hr/>	<hr/>

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

19a Defined benefit scheme (continued)

	2018 £'000	2017 £'000
<i>Composition of plan assets</i>		
European bonds	1,837	1,569

Narrative description of the basis used to determine the overall expected rate of return of assets

Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class. This is in line with Section 253 (2) of the German Commercial Code which stipulates that provisions with a residual maturity of more than one year are to be discounted at the average market interest rate calculated by the Deutsche Bundesbank.

	2018 %	2017 %
<i>Principal actuarial assumptions used at the statement of financial position date</i>		
Discount rates	1.80	1.80
Expected rates of return on plan assets:		
Bonds	1.80	1.80
Future salary increases	2.50	2.50
Future pension increases	2.00	2.00
Inflation assumption	2.50	2.50

20 Share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
Ordinary shares of £1 each	19,800,200	19,800	19,800,200	19,800

21 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
<i>Share capital</i>	Represents the nominal value of the shares issued
<i>Foreign exchange reserve</i>	Gains/losses arising on retranslating the net assets of overseas operations into British Sterling
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

22 Leases

Operating leases - lessee

The Group maintains a mixed portfolio of owned and leased properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 5 to 7 years and many have break clauses.

The total future value of minimum lease payments is due as follows:

	2018 £'000	2017 £'000
Not later than one year	2,327	2,276
Later than one year and not later than five years	6,078	6,494
Later than five years	3,190	3,959
	<hr/>	<hr/>
	11,595	12,729
	<hr/>	<hr/>

23 Financial instruments - risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Advances secured under factoring
- Finance leases
- Amounts due to/from group undertakings

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular updates on the effectiveness of the processes put in place and of the current level of risk within the business.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

23 Financial instruments - risk management (continued)

Financial instruments by category

Financial assets

	Loans and receivables at amortised cost	
	2018	2017
	£'000	£'000
Cash and cash equivalents	958	496
Trade and other receivables	18,881	20,023
Total financial assets	19,839	20,519

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	£'000	£'000
Trade and other payables	26,101	26,988
Advances secured under debt factoring	11,092	16,053
Finance leases – current	1,385	1,346
Finance leases – non-current	3,449	1,995
Amounts owed to group undertakings	2,500	3,390
Other loan – current	925	229
Other loan – non-current	1,681	730
Total financial liabilities	47,133	50,731

Due to their short-term nature, the carrying value of cash and cash equivalents, advances secured under debt factoring, trade and other receivables, trade and other payables, amounts owed to group undertakings and current finance leases approximates their fair value. There is no material difference to fair value of the long term finance leases.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The management team has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from management.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 15.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, care is taken when choosing a partner unless specified by a connected financial institution.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

23 Financial instruments - risk management (continued)

Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

	31 December 2018		31 December 2017	
	Rating	Cash at bank £'000	Rating	Cash at bank £'000
Commerzbank	Baa2	199	A2	202
Banco Santander	Baa1	416	A3	106
Sparkasse	-	-	Aa3	67
Bankinter	Baa3	13	Baa2	8
Cariparma	-	-	A3	55
Banco Bilbao	Baa2	24	Baa1	17
Deutsche Bank AG	Ba1	31	Baa2	9
Raiffeisen	Baa3	95	A3	8
BPer	Ba3	117	n/a	-
Other	Various	63	Various	24
		958		496

Market risk

Market risk arises from the Group's use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Group is exposed to interest rate risk from its group borrowings (see note 16) and advances secured under debt factoring arrangements. It attempts to reduce such risk by minimising the outstanding borrowings with the use of available cash balances across the group. Where possible the group has rates linked to LIBOR/EURIBOR and WIBOR, this minimises the risks of the group being charged interest higher than current market rates. This policy is managed centrally. Local operations are not permitted to borrow long-term from external sources. It is the directors considered view that these rates are likely to remain consistent for the foreseeable future and if they should change they are more likely to reduce not increase. In the unlikely event these rates do rise, a 1% increase in all three rates would increase the Group's interest charge by £261,000 (2017 - £75,000) per year.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

23 Financial instruments - risk management (continued)

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives an analysis of the impact of foreign exchange exposure on the main working capital balances and the expected impact on cashflows.

The Group is predominantly exposed to currency risk on purchases made from a major supplier in USD and sales made to major customers denominated in Euro. Purchases from this supplier are made on a central basis and wherever possible the risk is matched with incoming receipts. Apart from these particular cashflows the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

As of 31 December the Group's net exposure to foreign exchange risk was as follows:

	2018 £'000	2017 £'000
Net foreign currency financial assets/(liabilities)		
Euro	(13,746)	(16,852)
US Dollar	(647)	(736)
Polish Zloty	(1,326)	490
Chinese RMB	(6,213)	(7,544)
Swedish Kroner	78	553
Other	(12)	87
	<hr/>	<hr/>
Total net exposure	(21,866)	(24,002)
	<hr/>	<hr/>

The fair value of financial instruments analysed by hedge type are as follows:

	Unrecognised loss on fair value 2018 £'000	Unrecognised loss on fair value 2017 £'000
Forward foreign exchange contracts	45	23
	<hr/>	<hr/>

The loss on fair value of financial instruments above is fully and effectively hedged by the corresponding hedged item. The directors have not recorded the net fair value loss on balance sheet or related movement through cash flow hedge reserve as it is regarded as not material to either the results or financial position of the group.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (*continued*)

23 Financial instruments – risk management (*continued*)

Foreign exchange risk (continued)

The following table reflects the impact of a 10% movement in non-functional currencies retranslated at 31 December 2018.

31 December 2018	10% increase Effect on Profit before tax £'000	10% decrease Effect on Profit before tax £'000
Euro	1,250	(1,250)
US Dollar	59	(59)
Polish Zloty	121	(121)
Chinese RMB	565	(565)
Swedish Kroner	(7)	7
Other	-	-
	<u>1,988</u>	<u>(1,988)</u>
31 December 2017	10% increase Effect on Profit before tax £'000	10% decrease Effect on Profit before tax £'000
Euro	1,548	(1,548)
US Dollar	67	(67)
Polish Zloty	8	(8)
Chinese RMB	686	(686)
Swedish Kroner	(50)	50
Other	(8)	8
	<u>2,251</u>	<u>(2,251)</u>

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 12 months.

The cash position is continually monitored to maintain the optimum balance between cash available and interest rates applicable at any particular point in time.

The Group also uses agreed trade finance facilities where amounts can be drawn against sales invoices and stock and then repaid as the invoices are settled. This gives the Group greater flexibility and reduces some of the liquidity risks associated with the business.

IBP Global Trading Limited

Notes forming part of the consolidated financial statements for the year ended 31 December 2018 (continued)

24 Related party transactions

During the year Group companies entered into the following transactions with related parties who are not members of this Group.

	Sales of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Other group companies headed by the ultimate parent company	-	69	(122)	-	47	47	-	-
Parent company	-	-	-	-	-	-	(2,500)	(3,390)

Details of directors' remuneration are given in note 6.

The Group has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2018 or 2017 regarding related party transactions.

25 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2018 £'000	2017 £'000
Cash at bank available on demand	958	496

Significant non-cash transactions are as follows:

	2018 £'000	2017 £'000
<i>Financing activities</i>		
Assets acquired under finance leases:		
- Motor vehicles	52	297
- Computers	22	-
- Plant and machinery	2,524	988

No forex movements were included in the 2017 individual cash flows as movements were not considered material

IBP Global Trading Limited

Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (continued)

25 Notes supporting statement of cash flows (continued)

	Advances secured under debt factoring £'000	Current - Other loans £'000	Non- current other loans £'000	Group loans £'000	Current – finance leases £'000	Non - current finance leases £'000	Total £'000
At 1 January 2018	16,053	229	730	3,390	1,346	1,995	23,743
Cashflows	(4,851)	(228)	1,842	(890)	(1,012)	(212)	(5,351)
Non- cash flows							
- Foreign exchange	(110)	(1)	34	-	1	118	42
- New finance leases	-	-	-	-	-	2,598	2,598
- Loans and borrowings classified as non – current at 31 December 2017 becoming current during 2018	-	925	(925)	-	1,050	(1,050)	-
At 31 December 2018	11,092	925	1,681	2,500	1,385	3,449	21,032
At 1 January 2017	12,729	-	-	9,736	93	2,609	25,167
Cashflows	3,324	229	730	(6,346)	(93)	(553)	(2,709)
Non- cash flows							
- Foreign exchange	-	-	-	-	-	-	-
- New finance leases	-	-	-	-	-	1,285	1,285
- Loans and borrowings classified as non – current at 31 December 2017 becoming current during 2018	-	-	-	-	1,346	(1,346)	-
At 31 December 2017	16,053	229	730	3,390	1,346	1,995	23,743

IBP Global Trading Limited

**Notes forming part of the consolidated financial statements
for the year ended 31 December 2018 (*continued*)**

26 Ultimate parent company and parental undertaking of larger group

The Company is a wholly owned subsidiary of International Building Products Limited, a company incorporated in Hong Kong. The ultimate parent company is Ideal Dragon Investment Ltd a company incorporated in Belize.

IBP Global Trading Limited

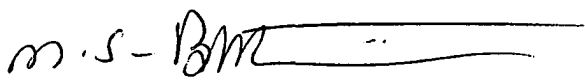
Parent company balance sheet as at 31 December 2018

Company number 07577071	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments in subsidiaries	4	18,248		18,248	
			18,248		18,248
Current assets					
Debtors	5	4,590		2,966	
Creditors: amounts falling due within one year	6	(2,506)		(3,390)	
Net current liabilities			2,084		(424)
			20,332		17,824
Capital and reserves					
Called up share capital	7		19,800		19,800
Profit and loss account			532		(1,976)
Shareholders' funds			20,332		17,824

Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £6,011,000 (2017 – profit of £11,805,000).

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 24 May 2019.


Manouchehr Salehi Bakhitari
Director

The notes on pages 52 to 56 form part of these financial statements.

IBP Global Trading Limited

Parent company statement of changes in equity for the year ended 31 December 2018

	Share Capital £'000	Retained Earnings £'000	Total £'000
At 1 January 2018	19,800	(1,976)	17,824
Profit for the year and total comprehensive income	-	6,011	6,011
Contributions by and distributions to shareholders			
Dividends paid (18p per share)	-	(3,503)	(3,503)
At 31 December 2018	19,800	532	20,332
At 1 January 2017	19,800	(13,781)	6,019
Profit for the year and total comprehensive income	-	11,805	11,805
At 31 December 2017	19,800	(1,976)	17,824

The notes on pages 52 to 56 form part of these financial statements

IBP Global Trading Limited

Notes forming part of the parent company accounts for the year ended 31 December 2018

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 "Application of Financial Reporting Requirements" and Financial Reporting Standard 101 "Reduced Disclosure Framework". The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in the company's functional currency Pound Sterling (£) in round thousands (£'000).

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- disclosure of related party transactions with other wholly owned members of the group headed by IBP Global Trading Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions in respect of financial instruments and impairment of assets have been adopted because equivalent disclosures are included in the consolidated financial statements of IBP Global Trading Limited.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

New standards adopted this year

During the year the company adopted the requirements of IFRS 15 ("Revenue from contracts with customers"), IFRS 9 ("Financial Instruments") and IAS 1 ("Presentation of Financial Statements").

IFRS 9 has replaced IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). Given the nature of the company financial instruments IFRS 9 has not had a material impact on how the results or financial position of the company in the current or prior year. However, the company has applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost (such as trade and other receivables, both current and non-current). This resulted in more formal judgement being applied due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the group considered the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. The group also considered the impact of IFRS 9 on related party loans and are satisfied that no provision is required. The group has chosen not to restate comparatives on adoption of IFRS 9, and therefore these changes have been processed at the date of initial application (i.e. 1 January 2018).

IAS 1 Presentation of Financial Statements and IFRS 15 ("Revenue from contracts with customers"), has had no impact on the financial statements.

IBP Global Trading Limited

Notes forming part of the parent company accounts for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less provision for impairment.

Investments in equity accounted joint arrangements

The company is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The company classifies its interests in joint arrangements as a joint venture, where the company has rights to only the net assets of the joint arrangement.

In assessing the classification of interests in joint arrangements, the company considers:

- the structure of the joint arrangement;
- the legal form of joint arrangements structured through a separate vehicle;
- the contractual terms of the joint arrangement agreement;
- any other facts and circumstances (including any other contractual arrangements).

The company accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Investments in equity accounted associates

Where the company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently, associates are accounted for using the equity method, where the company's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the company's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the company and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

IBP Global Trading Limited

Notes forming part of the parent company accounts
for the year ended 31 December 2018 (continued)

2 Critical accounting estimates and judgements

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. The following is a summary of the critical accounting estimates/judgements that were made in the preparation of these financial statements.

Impairment of investments in subsidiaries

The company is required to test whether investments in subsidiaries, associates and joint venture have suffered any impairment. The recoverable amounts of the trading entities have been determined based on value in use estimations. The use of this method requires the estimation of the net present value of future cash flows expected to arise from the continuing operation of the entities using an appropriate discount rate.

Recoverability of intercompany balances

The Company holds significant debtor balances with group companies. The directors consider these debtors to be recoverable as the groups trading subsidiaries continue to generate sufficient cash flows to enable repayment to be facilitated if and when required, therefore the expected credit loss for these intercompany balances is nil.

3 Profit and loss account

The remuneration of the directors of the Company is disclosed in note 6 to the group financial statements. Auditor's remuneration is disclosed in to note 7 to the group financial statements.

4 Investments

	Shares in subsidiaries £'000	Loans to fellow subsidiaries £'000	Total £'000
Cost			
At 1 January 2018 and 31 December 2018	19,785	615	20,400
Accumulated impairments			
At 1 January 2018 and 31 December 2018	1,537	615	2,152
Net book value			
At 31 December 2018			18,248
At 31 December 2017			18,248

IBP Global Trading Limited

Notes forming part of the parent company accounts
for the year ended 31 December 2018 (continued)

4 Investments (continued)

Subsidiary and associate undertakings

The following subsidiary and associate undertaking are directly/indirectly held by the company.

Directly held	Holding %	Nature of business
Conex Universal Limited	100	Distribution
Masterflow Products Limited	100	Distribution
IBP Banninger Italia SRL	100	Distribution
IBP Instal fittings SP zoo	100	Production
IBP Atcosa SL	100	Production/distribution
International Building Products GmbH	100	Distribution
Conex Banninger France SRL	100	Distribution
IBP Group LLC	100	Distribution

Disclosures regarding investments in equity accounted associates and joint ventures are shown in the consolidated accounts of IBP Global Trading Limited - See note 13.

5 Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed by group undertakings	4,249	2,642
Amounts owed by related parties	47	324
Other debtors	294	-
	<u>4,590</u>	<u>2,966</u>

Loan amounts owed by group undertakings represent loans to Conex Universal Limited, a fellow subsidiary. The loans carry interest at a rate of 3 month LIBOR plus 2.4%. The loan agreement states that the loans are repayable upon 3 months' notice by the lender and are therefore disclosed as due within one year. The directors have provided assurances not to demand repayment of a substantial element of the loan balances for at least one year from the date of approval of these financial statements.

6 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	2,500	3,390
Accruals	6	-
	<u>2,506</u>	<u>3,390</u>

IBP Global Trading Limited

Notes forming part of the parent company accounts
for the year ended 31 December 2018 (*continued*)

6 Creditors: amounts falling due within one year (*continued*)

Although technically repayable on demand the directors do not expect to make payment of the amounts owed to group undertaking for at least 12 months from the date of approval of these financial statements. The loans carry interest at a rate of 3 month LIBOR plus 2.4%. The parent company has waived its entitlement to receive interest for the current and prior period.

7 Share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
<i>Authorised, allotted, called up and fully paid</i>				
Ordinary shares of £1 each	19,800,200	19,800	19,800,200	19,800

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

8 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
<i>Share capital</i>	Represents the nominal value of the shares issued
<i>Profit & loss account</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

9 Ultimate controlling party

The Company is a wholly owned subsidiary of International Building Products Limited, a company incorporated in Hong Kong. The ultimate parent company is Ideal Dragon Investment Ltd, a company incorporated in Belize.