

COMPANIES HOUSE COPY

Ardex UK Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 0668297

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Ardex UK Limited

Report and financial statements for the year ended 31 December 2016

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Directors

P R Bell
M Eslamlooy

Secretary and registered office

C Knight, Homefield Road, Haverhill, Suffolk, CB9 8QP

Company number

0668297

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Ardex UK Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

Principal activities and review of the business and future developments

The company's principal activity is the manufacture of products for the flooring and tiling industries.

The directors are pleased to report yet another year of strong growth for the company with turnover increased by 17.2%. This growth was again reflected across both of the company's two major business segments of Tiling and Flooring. Operating profit was reduced as a result of exchange losses and one-off costs incurred which are not expected to repeat in future years.

Trading conditions are progressively improving with more major construction projects coming on stream, but the growth achieved is ahead of that across the sector.

Key performance indicators

| | 2016 | 2015 |
|-----------------------|--------------|-------------|
| Turnover (£m) | 29.5 | 24.4 |
| Gross profit (£m) | 11.8 | 10.4 |
| Operating profit (£m) | 4.1 | 4.1 |
| Operating profit % | 13.7% | 16.7% |

We rely on these and several other financial and non-financial performance indicators to continually monitor the performance of the business. The key performance metrics are reported and reviewed at local management meetings on a regular basis and form the basis of an annual business review with management from our ultimate parent group in Germany.

After many years of contraction we finally noted encouraging signs of a progressive upturn in the construction market during the latter part of the year and the Company is ideally positioned to benefit from this recovery in the market, through a continuous investment in our people supported by a robust sales and marketing plan to grow the business and continue to take market share off our competitors.

Due to a strong emphasis on the principles of quality and innovation the Company has retained its ISO 14001 certification and has a well developed new product development programme, with a continuous programme of new product launches across its key market sectors, designed to generate incremental turnover for the business going forward.

Principal risks and uncertainties

Currency risk

The Company is exposed to currency exchange fluctuations from both customers and suppliers. Because of the natural hedge from net currency inflows and outflows, the board of directors does not consider there to be a material risk from currency fluctuations.

Credit risk

The Company has a policy of insuring the majority of its trade debt risk and any uninsured debt requires the prior approval of a board director and appropriate credit checks before sales are made.

Ardex UK Limited

Strategic report for the year ended 31 December 2016 (*continued*)

Principal risks and uncertainties (*continued*)

Price risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed equity investments.

Liquidity risk

The Company has no external debt finance and the board considers that its available funds and those expected to be generated from operations will be sufficient for operational and planned expansion requirements.

By order of the board



C Knight
Secretary

17 JULY 2017,
Date

Ardex UK Limited

Report of the directors for the year ended 31 December 2016

The directors present their report for the year ended 31 December 2016.

Strategic report

The review of the business, key performance indicators, future developments and the principal risks and uncertainties are not shown in the directors report as they are shown in the strategic report in accordance with S414C (11) of the Companies Act 2006.

Results and dividends

The statement of comprehensive income is set out on page 7 and shows the profit for the year.

Interim dividends of £2.86 per share were paid to ordinary shareholders during the year (2015 - £Nil). The directors do not recommend the payment of a final dividend.

Director indemnity

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

Directors

The directors of the company during the year and up to the date of approval were:

P R Bell
M Eslamlooy

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

Ardex UK Limited

Report of the directors for the year ended 31 December 2016 (continued)

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.

Post balance sheet events

There have been no significant events affecting the company since the year end.

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.

By order of the board



C Knight
Secretary

17 JULY 2017,

Date

Ardex UK Limited

Independent auditor's report

To the members of Ardex UK Limited

We have audited the financial statements of Ardex UK Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Ardex UK Limited

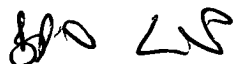
Independent auditor's report (*continued*)

Matters on which we are required to report by exception

Based on our knowledge and understanding of the company and its environment obtained during the course of the audit we have identified no material misstatements in the strategic report or the directors report.

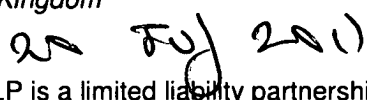
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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).

Ardex UK Limited

Statement of comprehensive income for the year ended 31 December 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|------|---------------|---------------|
| Turnover | 3 | 29,492 | 24,422 |
| Cost of sales | | 17,655 | 14,051 |
| Gross profit | | 11,837 | 10,371 |
| Distribution costs | | 5,624 | 4,808 |
| Administrative expenses | | 2,452 | 1,733 |
| Other operating income | | 294 | 253 |
| Operating profit | 4 | 4,055 | 4,083 |
| Other interest receivable and similar income | 7 | 31 | 17 |
| Profit on ordinary activities before taxation | | 4,086 | 4,100 |
| Taxation on profit from ordinary activities | 8 | 879 | 833 |
| Profit and total comprehensive income for the year | | 3,207 | 3,267 |

All amounts relate to continuing activities.

There were no recognised gains and losses in the current and prior year other than those included in the statement of comprehensive income.

The notes on pages 10 to 23 form part of these financial statements.

Ardex UK Limited

Balance sheet at 31 December 2016

| <i>Company number 0668297</i> | Note | 2016 £'000 | 2016 £'000 | 2015 £'000 | 2015 £'000 |
|---|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 3,845 | | 3,856 |
| Current assets | | | | | |
| Stocks | 11 | 2,472 | | 2,289 | |
| Debtors | 12 | 9,575 | | 6,854 | |
| Cash at bank and in hand | | 4,192 | | 5,921 | |
| | | 16,239 | | 15,064 | |
| Creditors: amounts falling due within one year | 13 | 6,345 | | 4,331 | |
| Net current assets | | | 9,894 | | 10,733 |
| Provisions for liabilities | 14 | | 40 | | 97 |
| Total assets less current liabilities | | | 13,699 | | 14,492 |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 1,400 | | 1,400 |
| Profit and loss account | | | 12,299 | | 13,092 |
| Shareholders' funds | | | 13,699 | | 14,492 |

The financial statements were approved by the Board of Directors and authorised for issue on **17 JULY 2017**



P R Bell
Director

The notes on pages 10 to 23 form part of these financial statements.

Ardex UK Limited

Statement of changes in equity for the year ended 31 December 2016

| Year ended 31 December 2016 | | | |
|---|--------------------------------|--|-------------------------------|
| | Share capital £'000 | Profit and loss account £'000 | Total equity £'000 |
| 1 January 2016 | 1,400 | 13,092 | 14,492 |
| Profit and total comprehensive income for the year | - | 3,207 | 3,207 |
| Distributions to owners | - | (4,000) | (4,000) |
| 31 December 2016 | 1,400 | 12,299 | 13,699 |
| Year ended 31 December 2015 | | | |
| | Share capital £'000 | Profit and loss account £'000 | Total equity £'000 |
| 1 January 2015 | 1,400 | 9,825 | 11,225 |
| Profit and total comprehensive income for the year | - | 3,267 | 3,267 |
| 31 December 2015 | 1,400 | 13,092 | 14,492 |

The purpose of each reserve within equity is as follows:

| | |
|-------------------------|--|
| Share Capital | The nominal value of allotted and fully paid up ordinary share capital. |
| Profit and loss account | Cumulative net gains and losses recognised in the statement of comprehensive income, net of dividends. |

The notes on pages 10 to 23 form part of these financial statements.

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016

1 Accounting policies

Ardex UK Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in the contents page and its principal activities are set out in the strategic report.

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

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

The accounts have been prepared in the company's functional currency, pounds sterling.

In preparing the financial statements, advantage has been taken of the following disclosure exemptions available within FRS 102 as a result of the financial statements being included within the consolidated financial statements of its ultimate parent company. They do not therefore include the requirements of:

- Section 3 'Financial Statement Presentation' paragraph 3.17(d);
- Section 7 'Statement of Cash Flows';
- Section 11 'Financial Instruments' paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- Section 33 'Related Party Disclosures' paragraphs 33.1A and 33.7

This information is included in the consolidated financial statements of Ardex Luxembourg Holding S.a.r.l for the year ended 31 December 2016 and are publically available as explained in note 20.

The following principal accounting policies have been consistently applied:

Revenue

Revenue represents sales to external customers of invoiced amounts less value added tax, trade discounts and rebates on sales.

Revenue from the sales of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, the company defers recognition of revenue until the right to return has lapsed.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

1 Accounting policies *(continued)*

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The rates applied are as follows:

| | |
|---|-------------------------|
| Freehold buildings | 4% straight line |
| Plant and machinery | 10% straight line |
| Fixtures, fittings, tools and equipment | 14% - 25% straight line |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the statement of comprehensive income.

Impairment of fixed assets

Assets that are subject to depreciation 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 (or CGU'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 (CGUs). 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.

Stocks

Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in statement of comprehensive income.

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

1 Accounting policies *(continued)*

Foreign currency translation

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

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.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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.

Deferred balances are recognised in respect of all non-permanent timing differences that have originated but not reversed by the balance sheet date, except:

- 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 difference between the fair values of assets acquired and the future tax deductions available for them and the difference 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. Deferred tax balances are not discounted.

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to statement of comprehensive income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to statement of comprehensive income over the term of the lease.

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Pension costs

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

Contributions to defined contribution pension scheme are charged to statement of comprehensive income in the year in which they become payable. The assets of the plan are held separately from the company in independently administrated funds.

Research and development

All expenditure on research and development is charged against the profits of the year in which it is incurred.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Financial instruments

Financial assets

Financial assets comprise cash at bank and in hand, trade debtors, amounts owed by group undertakings and other debtors; these are initially recorded at cost on the date they originate and are subsequently recorded at cost less provisions for impairment. The company considers evidence of impairment for all individual trade and other debtors and amounts owed by group undertakings, and any subsequent impairment is recognised in the statement of comprehensive income.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulties of the counterparty, default or significant delays in payment.

Impairment provisions represent the difference between the net carrying amount of a financial asset and the value of the expected future cash receipts from that asset.

Financial liabilities

Financial liabilities comprise bank overdrafts, trade creditors, amounts owed to group undertakings and other creditors and accruals; these are initially recorded, and subsequently carried, at cost on the date they originate.

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

- *Depreciation of tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Impairment of tangible assets*

Determine whether there are indicators of impairment of tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- *Stock provisions*

The company has recognised amounts for the impairment of stock. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors. This provision is based on the assessment of quantities on hand and usage. The value of stock in note 11 is net of the provision for the impairment of stock.

- *Quality provision*

The company has provisions in respect of potential claims brought against it by customers. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on the validity of claims, probability of success and management's experience.

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

3 Analysis of turnover

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Analysis by class of business: | | |
| Product sales | 29,492 | 24,422 |
| | <hr/> | <hr/> |
| Analysis of turnover by country of destination: | | |
| United Kingdom | 26,735 | 22,217 |
| Rest of Europe | 2,534 | 1,989 |
| Rest of the world | 223 | 216 |
| | <hr/> | <hr/> |
| | 29,492 | 24,422 |
| | <hr/> | <hr/> |

4 Operating profit

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| This has been arrived at after charging/(crediting): | | |
| Depreciation of tangible fixed assets | 648 | 650 |
| Hire of other assets - operating leases | 226 | 224 |
| Foreign exchange differences | 1,487 | (487) |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 25 | 24 |
| | <hr/> | <hr/> |

5 Employees

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Staff costs (including directors) consist of: | | |
| Wages and salaries | 4,514 | 4,073 |
| Social security costs | 504 | 466 |
| Pension costs | 309 | 288 |
| | <hr/> | <hr/> |
| | 5,327 | 4,827 |
| | <hr/> | <hr/> |

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

5 Employees *(continued)*

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

| | 2016 Number | 2015 Number |
|----------------|----------------|----------------|
| Administration | 65 | 64 |
| Production | 48 | 43 |
| | <hr/> 113 | <hr/> 107 |

6 Directors' remuneration

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Directors' emoluments | 270 | 270 |
| Company contributions to money purchase pension schemes | 33 | 33 |
| | <hr/> | <hr/> |

There was 1 director in the company's defined contribution pension scheme (2015 - 1).

Emoluments of the highest paid director were £270,000 (2015 - £270,000). Company pension contributions of £33,000 (2015 - £33,000) were made to a money purchase scheme on his behalf.

7 Interest receivable and similar income

| | 2016 £'000 | 2015 £'000 |
|---------------------------|---------------|---------------|
| Loans to group companies | 20 | 12 |
| Other interest receivable | 11 | 5 |
| | <hr/> 31 | <hr/> 17 |

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

8 Taxation on profit from ordinary activities

| | 2016 £'000 | 2016 £'000 | 2015 £'000 | 2015 £'000 |
|--|---------------|---------------|---------------|---------------|
| <i>UK corporation tax</i> | | | | |
| Current tax on profits of the year | 932 | | 853 | |
| Adjustment in respect of previous periods | 4 | | 16 | |
| | | 936 | | 869 |
| <i>Deferred tax</i> | | | | |
| Origination and reversal of timing differences | (50) | | 3 | |
| Changes to tax rates | 7 | | (11) | |
| Adjustment in respect of previous periods | (14) | | (28) | |
| | | (57) | | (36) |
| Taxation on profit on ordinary activities | | 879 | | 833 |

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | 4,086 | 4,100 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 – 20.25%) | 817 | 830 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 52 | 26 |
| Adjustment to tax charge in respect of previous periods | (10) | (12) |
| Tax rate changes | 7 | (11) |
| Other timing differences | 13 | - |
| Total tax charge for period | 879 | 833 |

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

8 Taxation on profit from ordinary activities *(continued)*

Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the March 2016 Budget, including that the main rate of corporation tax would reduce to 17% with effect from 1 April 2020. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements.

9 Dividends

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Ordinary shares | | |
| Interim paid of £2.86 (2015 - Nil) per share | 4,000 | - |

10 Tangible assets

| | Freehold land and buildings £'000 | Plant and machinery £'000 | Assets under construction £'000 | Fixtures, fittings, tools and equipment £'000 | Total £'000 |
|-----------------------|---|---------------------------------|--|---|----------------|
| <i>Cost</i> | | | | | |
| At 1 January 2016 | 4,781 | 7,966 | 121 | 2,107 | 14,975 |
| Additions | 187 | 260 | - | 190 | 637 |
| Transfers | 121 | - | (121) | - | - |
| Disposals | - | - | - | - | - |
| At 31 December 2016 | 5,089 | 8,226 | - | 2,297 | 15,612 |
| <i>Depreciation</i> | | | | | |
| At 1 January 2016 | 3,291 | 6,667 | - | 1,161 | 11,119 |
| Provision for year | 75 | 324 | - | 249 | 648 |
| Disposals | - | - | - | - | - |
| At 31 December 2016 | 3,366 | 6,991 | - | 1,410 | 11,767 |
| <i>Net book value</i> | | | | | |
| At 31 December 2016 | 1,723 | 1,235 | - | 887 | 3,845 |
| At 31 December 2015 | 1,490 | 1,299 | 121 | 946 | 3,856 |

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

10 Tangible assets *(continued)*

Included in land and buildings is freehold land with a cost of £127,000 (2015 - £127,000) which is not depreciated.

11 Stocks

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 1,724 | 1,298 |
| Finished goods and goods for resale | 748 | 991 |
| | <hr/> 2,472 | <hr/> 2,289 |

There is no material difference between the replacement cost of stocks and the amounts stated above.

The cost of inventories expensed in the period and included within cost of sales was £12,880,000 (2015 - £10,046,000). Impairment losses relating to damaged or obsolete inventories and included within cost of sales amounted to £15,000 (2015 - £13,000).

12 Debtors

| | 2016 £'000 | 2015 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 3,693 | 2,295 |
| Amounts owed by group undertakings | 5,524 | 2,583 |
| Other debtors | 126 | 126 |
| Prepayments and accrued income | 232 | 219 |
| | <hr/> 9,575 | <hr/> 6,853 |

All amounts shown under debtors fall due for payment within one year.

Amounts owed from group undertakings arise on trading balances and are recoverable under normal trading terms. They are unsecured and interest free.

The impairment loss recognised in the statement of comprehensive income for the period in respect of bad and doubtful trade debtors was £128,000 (2015 - £12,000).

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

13 Creditors: amounts falling due within one year

| | 2016 £'000 | 2015 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 1,922 | 1,418 |
| Amounts owed to group undertakings | 562 | 419 |
| Corporation tax | 349 | 372 |
| Other taxation and social security | 717 | 655 |
| Other creditors | 1,894 | 872 |
| Accruals and deferred income | 901 | 595 |
| | <u>6,345</u> | <u>4,331</u> |

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

Other creditors include £27,680 relating to the fair value loss on forward exchange contracts entered into at 31 December 2016.

Included within other creditors are amounts recognised by the company in respect of product claims brought against it by customers.

14 Provisions for liabilities

| | Deferred taxation £ | Total £ |
|---|---------------------------|------------|
| At 1 January 2016 | 97 | 97 |
| Net of charge to statement of comprehensive income and utilisation | (57) | (57) |
| | <u>40</u> | <u>40</u> |
| At 31 December 2016 | <u>40</u> | <u>40</u> |

Deferred taxation

| | 2016 £'000 | 2015 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | <u>40</u> | <u>97</u> |

15 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £309,000 (2015 - £288,000). There was £33,000 of outstanding contributions (2015 - £Nil) payable to the fund at 31 December 2016.

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

16 Share capital

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| <i>Allotted, called up and fully paid</i> | | |
| 1,400,000 ordinary shares of £1 each | 1,400 | 1,400 |

17 Commitments under operating leases

The company had total lease payments under non-cancellable operating leases as set out below:

| | Other 2016 £'000 | Other 2015 £'000 |
|--|------------------------|------------------------|
| Not later than 1 year | 153 | 168 |
| Later than 1 year and not later than 5 years | 96 | 119 |
| Total | 249 | 287 |

18 Capital commitments

| | 2016 £'000 | 2015 £'000 |
|---------------------------------|---------------|---------------|
| Contracted but not provided for | 22 | 63 |

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

19 Related party disclosures

The ultimate controlling party of the company is Ardex Luxembourg Holding S.a.r.l. .

Related party transactions and balances

| | Sales to related party £'000 | Purchases from related parties £'000 | Amounts owed by related parties £'000 | Amounts owed to related parties £'000 | Royalties £'000 |
|----------------------------------|---------------------------------------|---|---|---|--------------------|
| 2016 | | | | | |
| Ardex Anlagen GmbH | - | - | 1,023 | (339) | (1,394) |
| Ardex GmbH | 210 | 797 | 9 | - | - |
| Ardex Endura (India) PVT Limited | 9 | - | 8 | - | - |
| Ardex Cemento SA | 27 | - | 5 | - | - |
| Ardex France SAS | 3 | - | - | - | - |
| Ardex Singapore Pte Ltd | - | - | 25 | - | - |
| Ardex LP | 15 | 7 | - | (11) | - |
| Lugato GmbH & Co KG | - | 93 | - | - | - |
| Ardex Hong Kong Ltd | 24 | - | 1 | - | - |
| Ardex Baustoff GmbH | 50 | - | - | - | - |
| Seire Products S.L. | 6 | 2 | - | (1) | - |
| Ardex Scandinavia A/S | 4 | 3 | - | - | - |
| Wakol GmbH | - | 314 | - | (18) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 2015 | | | | | |
| Ardex Anlagen GmbH | - | - | 1,011 | (296) | (1,201) |
| Ardex GmbH | 141 | 604 | 1 | (24) | - |
| Ardex Endura (India) PVT Limited | 17 | - | 75 | - | - |
| Ardex Cemento SA | 124 | - | - | - | - |
| Ardex France SAS | - | - | - | - | - |
| Ardex Singapore Pte Ltd | - | - | 25 | - | - |
| Ardex LP | 18 | - | 22 | - | - |
| Lugato GmbH & Co KG | - | 25 | - | - | - |
| Ardex Hong Kong Ltd | 5 | - | - | - | - |
| Ardex Baustoff GmbH | 33 | - | - | - | - |
| Seire Products S.L. | 4 | 2 | - | (2) | - |
| Ardex Scandinavia A/A | 9 | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

Ardex UK Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

19 Related party disclosures (*continued*)

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £732,000 (2015 - £698,000).

20 Ultimate parent company and parent undertaking of larger groups

The immediate parent undertaking is Ardex Investments UK Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Ardex Luxembourg Holding S.a.r.l., incorporated in Luxembourg. The consolidated accounts of this company are available to the public and may be obtained from 398 route d'Esch, BP 2501, L-1205 Luxembourg. No other group accounts include the results of the company.