Koppers UK Limited

Annual Report and Financial Statements

31 December 2017

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COMPANIES HOUSE

Koppers UK Limited
Company Registration No. 227623.

Koppers UK Limited

Contents

Officers and Professional Advisers

DIRECTORS

C A Nielsen
J A Sullivan
S R Lacy
K B Svendsen
M J Zugay

SECRETARY

Pinsent and Masons Secretarial Limited

REGISTERED OFFICE

1 Park Row
Leeds
LS1 5AB

BANKERS

Danske Bank
75 King Street
London
EC4N 7DT

AUDITOR

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Strategic Report

The Directors submit their strategic report of Koppers UK Limited for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company was tar distillation on behalf of Koppers International BV (KIBV). For 2017 and going forward the company ceased the distilling activities and now provide a managerial and administrative tolling service for KIBV.

Operating profit margin	- operating profit as a percentage of turnover
Net profit margin	- profit after taxation as a percentage of turnover
Liquidity	- net current assets of the business
Quick ratio	- current assets as a percentage of current liabilities
Average number of employees	- average staff paid through payroll in year

KEY PERFORMANCE INDICATORS

The company's key performance indicators during the year were as follows:

	2017	2016	Change
Turnover (£)	3,636,306	9,072,255	(5,435,949)
Operating profit (£)	492,535	1,970,058	(1,477,523)
Operating profit margin (£)	14%	22%	-8%
Profit after taxation (£)	2,702,054	1,841,068	860,986
Net profit margin	74%	20%	54%
Net current assets (£)	20,430,463	20,346,989	83,474
Current assets as a percentage of current liabilities	1009%	512%	497%
Average number of employees	3	40	(37)

The Company continued through the year to operate as a tolling operator for its parent undertaking Koppers International BV (KIBV). Turnover has decreased on prior year by £5,435,949 due to the cessation of distilling and operations undertaken on site. On 30 June 2016, the sites at Scunthorpe and Port Clarence were sold, together with the transfer of all future environmental liabilities relating to these sites. Due to a restructuring following the sale, there was a significant reduction in future pension liabilities and resulted in a credit to the 2016 Income statement.

The increase in the profit after taxation as a percentage of turnover is higher due to the turnover statistic being lower now that distilling has ceased.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's operations exposed it to a variety of environmental legislation and financial risks that include liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board are implemented by the company's management.

Strategic Report

(Continued)

ENVIRONMENTAL LEGISLATION

The company sold its liabilities in respect to environmental issues along with the sale of the Port Clarence and Scunthorpe sites in July 2016.

LIQUIDITY RISK

The company retains sufficient cash to ensure it has available funds for operations. The company also has access to longer term funding from its immediate parent and ultimate parent undertaking.

INTEREST RATE RISK

The company has interest bearing assets, which include cash balances earning interest at a floating rate and intercompany loans receivable (see note 14). The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

DEFINED BENEFIT PENSION SCHEME

The company's defined benefit scheme is in deficit having used prescribed assumptions. This deficit would be subject to variation if there were changes in those assumptions.

Approved by the Board and signed on its behalf by:

K B Svendsen
Director

31 May 2018

Directors' Report

The directors present their annual report on the affairs of the Company for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £2,702,054 (2016 - £1,841,068). The directors do not recommend a final dividend (2016 - £nil).

During 2017, the Company received dividends totalling £2.1m (2016 - nil) from subsidiary companies, and subsequently paid an interim dividend of £nil (2016 - nil). No final dividends have been approved or paid (2016 - £nil).

FUTURE DEVELOPMENTS

The company has sold its assets at Scunthorpe and Port Clarence to a third party during 2016; and following this a number of employees have transferred to this third party. In addition to other activities, the new owner now operates the Port Clarence site as a tank farm and terminal operation, and the company has entered into a new Terminal Services Agreement with the new owner. This enables the company to utilize certain assets at the Port Clarence site for logistical support purposes.

DIRECTORS

The directors who served during the year were as follows:

C A Nielsen
J A Sullivan
S R Lacy
K B Svendsen
M I Zugay

EMPLOYEES

The group policy is to keep employees informed on matters relevant to them as employees through regular meetings and notices.

DISCLOSURE OF INFORMATION TO AUDITOR

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

Directors' Report

(Continued)

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and will therefore continue in office.

Approved by the Board and signed on its behalf by:

K B Svendsen
Director
1 Park Row
Leeds
LS1 5AB

31 May 2018

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Koppers UK Limited

Opinion

We have audited the financial statements of Koppers UK Limited ("the company") for the year ended 31 December 2017 which comprise the profit and loss account and other comprehensive income, statement of changes in equity, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Independent Auditor's Report to the Members of Koppers UK Limited

(continued)

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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.

Nick Plumb

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
31 May 2018

Profit and Loss Account

Year ended 31 December 2017

	Notes	2017 Total £	2016 Continuing £	2016 Discontinued £	2016 Total £
Turnover	3	3,636,306	1,486,622	7,585,603	9,072,225
Cost of sales		(2,487,638)	(116,668)	(3,466,935)	(3,583,603)
Gross profit		1,148,668	1,369,954	4,118,668	5,488,622
Administrative expenses		(741,189)	(309,767)	(4,520,797)	(4,830,564)
Other operating income		85,056	-	1,312,000	1,312,000
Operating profit	4	492,535	1,060,187	909,871	1,970,058
Loss on disposal of operations	4	-	-	(4,885,859)	(4,885,859)
Release of environmental provisions	4	-	-	4,879,872	4,879,872
Profit before Interest and Tax		492,535	1,060,187	903,884	1,964,071
Interest receivable and similar income	7	1,434,725	1,705,278	-	1,705,278
Interest payable and similar charges	8	(1,149,998)	(1,385,887)	-	(1,385,887)
Investment income (Dividends Received)		2,082,180	-	-	-
Profit before Taxation		2,859,442	1,379,578	903,884	2,283,462
Tax on profit on ordinary activities	9	(157,388)			(442,394)
Profit for the financial year		**2,702,054**			**1,841,068**

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	2017 £	2016 £
Profit for the year		2,702,054	1,841,068
Re-measurement of the net defined benefit liability	17	1,774,000	(2,685,519)
Income tax arising on other comprehensive income	9	(301,580)	428,898
Total comprehensive (loss)/expense for the year		**4,174,474**	**(415,553)**

Koppers UK Limited

Balance Sheet

As at 31 December 2017

	Notes	2017 £	2016 £
Fixed Assets			
Investments	11	306,705	306,705
		306,705	306,705
Current Assets			
Debtors	12	22,443,270	25,237,595
Cash at bank and in hand		235,542	48,221
		22,678,812	25,285,816
Creditors: Amounts falling due within one year	13	(2,248,349)	(4,938,827)
Net Current Assets		20,430,463	20,346,989
Net Assets		20,737,168	20,653,694
Creditors: Amounts falling due after more than one year			
Other creditors	14	(134,303)	(134,303)
		20,602,865	20,519,391
Provision for liabilities:			
Defined benefit pension liability	17	-	(4,091,000)
Net assets including pension liability		**20,602,865**	**16,428,391**
Capital and Reserves			
Called up share capital	15	1,560,000	1,560,000
Capital redemption reserve		1,440,000	1,440,000
Profit and loss account		17,602,865	13,428,391
Shareholders' Funds		**20,602,865**	**16,428,391**

The financial statements of Koppers UK Limited registered number 00227623 were approved by the Board of Directors and authorised for issue by the Board of Directors on 31 May 2018.

Signed on behalf of the Board of Directors

K B Svendsen
Director

Statement in Changes in Equity

Year ended 31 December 2017

	Share capital	Capital Redemption	Profit and loss account	Total shareholders' funds
	£	£	£	£
At 1 January 2016	1,560,000	1,440,000	13,843,944	16,843,944
Profit for the year 2016	-	-	1,841,068	1,841,068
Other comprehensive income	-	-	(2,256,621)	(2,256,621)
Total Comprehensive Income for 2016	0	0	(415,553)	(415,553)
Balance at 31 December 2016	1,560,000	1,440,000	13,428,391	16,428,391
Profit for the year 2017	-	-	2,702,054	2,702,054
Other comprehensive income	-	-	1,472,420	1,472,420
Total Comprehensive Income for 2017	-	-	4,174,474	4,174,474
Balance at 31 December 2017	1,560,000	1,440,000	17,602,865	20,602,865

Notes to the Financial Statements

Year ended 31 December 2017

1. ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies are summarised below.

Statement of compliance

Koppers UK Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report in pages 2 and 3.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Accounts are presented in pound sterling rounded to the nearest pound unless otherwise stated.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Koppers Holdings Inc, which may be obtained at the address in note 20. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Group financial statements

The company is a wholly owned subsidiary undertaking of a non-EC parent registered in the US and advantage has been taken of section 401 of the Companies Act 2006 in that group financial statements have not been prepared. The financial statements therefore present information about the company as an individual undertaking.

Going concern

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

The company has net current assets of £20.4m at the balance sheet date, and with the support of its parent company, where necessary, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The parent company has confirmed that it will provide financial support to the company until at least 12 months from approval of these financial statements to enable it to meet its liabilities as they fall due. Thus given all of these factors, the company continues to adopt the going concern basis of accounting in preparing these financial statements.

Revenue recognition

Turnover comprises revenue recognised by the company in respect of services supplied, exclusive of Value Added Tax. For 2017 and going forward the company ceased the distilling activities and provide administration and management services at the terminal, which are recognised monthly on invoice.

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Investments

Investments held as fixed assets are carried at cost less impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions for environmental costs are charged to the Profit & Loss Account, when the above criteria is considered to have been satisfied. The effect of the time value of money is not material and therefore the provisions are not discounted.

Stocks

As a result of ceasing to distil tar, the company held no stocks.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating lease

Operating lease rentals are charged to the profit and loss account as incurred.

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

The company operates a group defined benefit pension scheme. Contributions are made to a separately administered fund. Pension scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond.

The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the operating profit or loss in the year. The full cost of providing amendments to benefits in respect of past service is also charged to the operating profit or loss in the year.

The expected return on defined benefit pension scheme assets based on the market value of scheme assets at the start of the financial year is included within other finance costs. This also includes a charge representing the expected increase in liabilities of the schemes during the year, arising from the liabilities being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of recognised gains and losses in the year, together with differences from changes in assumptions.

The Defined Benefit Scheme was closed to new members on 1 April 2003. Any employees joining the Company Pension after 1 April 2003 have been enrolled in a Defined Contribution Scheme where the contributions are charged in the profit and loss account as they become payable in accordance with the rules of that scheme.

In 2016 the scheme was closed all members and curtailed in the year, resulting in a pension surplus as at 31 December 2017. Due to the scheme not being recoverable on wind up, in line with FRS 102, the surplus was restricted, with the corresponding entry recognised within Other Comprehensive Income.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The significant estimates and assumptions used in the preparation of the Group's Financial Statements are outlined below:

The company operates a defined benefit schemes. The actuarial valuations of these schemes are reliant on a number of assumptions, including the discount rate and the mortality rate. Please refer to note 17 for further details.

The company is subject to laws and regulations relating to the protection of the environment and human health and safety, including, among other things, the clean-up of contaminated sites and the treatment and disposal of wastes. We accrue for environmental liabilities when a determination can be made that they are probable and reasonably estimable. The sale of the sites at Scunthorpe and Port Clarence together with the associated environmental liabilities has relieved company from this risk. Please refer to note 16 for further details.

3. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties

An analysis of turnover by geographical market is given below:

	2017	2016
	£	£
United Kingdom	-	26,000
Rest of Europe	3,636,306	9,046,225
	3,636,306	9,072,225

An analysis of turnover by goods and services is given below:

	2017	2016
	£	£
Operational and administrative services	3,636,306	8,964,797
Sale of materials	-	107,428
	3,636,306	9,072,225

4. OPERATING PROFIT

	2017	2016
This is stated after charging (crediting):	£	£
Auditor's remuneration - audit services	14,300	16,309
Depreciation of tangible fixed assets	-	49,938
Operating lease expense - motor vehicles	5,655	39,966
Loss on disposal of operations	-	(4,885,859)
Release of environmental provisions	-	4,879,872

Provisions were made in the 2015 accounts to cover the cost of selling the sites at Port Clarence and Scunthorpe, together with the associated redundancy costs and writing off the residual value of the fixed assets remaining on site. The land was sold in July 2016 and a loss on disposal was recognised. The provisions also included the cost of cleaning up the environmental impact of operations. The future liability for any environmental clean-up costs has now been transferred to the new land owners and as a result the provisions were released.

5. DIRECTORS' REMUNERATION

	2017	2016
	£	£
Remuneration	-	-

Directors' fees were waived by all directors.

None of the directors were paid directly by the company. C A Nielsen's remuneration during the period is paid by Koppers International B.V (KIBV), K B Svendsen's remuneration is paid by Koppers Denmark APS and J.A.Sullivan, S R Lacey and M J Zugay's remuneration during the period are paid by Koppers Inc.

6. STAFF COSTS

	2017	2016
	£	£
Wages and salaries	138,638	2,418,075
Social security costs	18,453	135,048
Other pension costs	2,416,943	44,619
	2,574,034	2,597,742

The average number of employees (excluding directors) during the year was made up as follows:

	2017	2016
	£	£
Production	-	31
Other	3	9
	3	40

7. INTEREST RECEIVABLE AND SIMILAR CHARGES

	2017	2016
	£	£
Interest receivable from group undertakings	363,725	427,923
Interest receivable on defined benefit assets	1,071,000	1,277,355
	1,434,725	1,705,278

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Interest payable to group undertakings	-	887
Bank interest payable	2,998	-
Interest expense on defined benefit liabilities	1,147,000	1,385,000
	1,149,998	1,385,887

9. TAX

a) Tax on profit on ordinary activities

The tax credit is made up as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax on the profit for the year	-	(562,409)
Adjustment in respect of previous years	118,538	102
Total current tax	118,538	(562,307)
Deferred tax		
Origination and reversal of timing differences	151,090	1,075,693
Adjustment in respect of previous periods	(94,367)	-
Effect of changes in tax rates	(17,873)	(70,992)
Total deferred tax	38,850	1,004,701
Tax on profit on ordinary activities (note 9(b))	157,388	442,394
Other comprehensive income items:		
Deferred tax current year (credit)/charge	301,580	(428,898)

9. TAX (CONTINUED)

b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016:20.00%). The differences are explained below:

	2017 £	2016 £
Profit before tax	2,859,442	2,283,462
Total tax expense	157,388	442,394
	2,702,054	1,841,068
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (201:20.00%).	550,345	456,693
Effects of:		
Expenses not deductible for tax purposes	1,494	63,441
Income not taxable	(400,749)	-
Tax rate changes	(17,873)	(77,842)
Adjustment from previous periods	24,171	102
Current tax for the year (note 9(a))	157,388	442,394

c) Deferred tax

The deferred tax included in the balance sheet is made up as follows:

	2017 £	2016 £
Provision at start of period	(695,387)	(1,271,190)
Adjustment in respect of prior years	(94,369)	-
Deferred tax charge to income statement	133,218	1,004,701
Deferred tax charge in OCI for the period	301,580	(428,898)
	(354,958)	(695,387)

The deferred tax asset has arisen as a result of the defined benefit pension scheme in both prior and current year.

d) Tax included in statement of total recognised gains and losses

The actuarial gain on pension scheme recognised within the statement of total recognised gains and losses give rise to a deferred tax charge of £301,580 (2016 release of £428,898).

9. TAX (CONTINUED)

e) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reduction to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 8 July 2015 and on 6 September 2016. The deferred tax assets and liabilities are calculated using the rate of 17%.

No deferred tax asset has been recognised on capital losses of £886,935 (2016: £780,416) available to carry forward indefinitely against future chargeable gains arising in the group as the recognition criteria have not been met.

10. DIVIDENDS

	2017	2016
	£	£
Dividends received	2,082,180	-

11. INVESTMENTS

	2017	2016
	£	£
Cost:		
At 1 January 2017 and 31 December 2017	306,705	306,705

Name of Company	Registered office	Holding	Proportion of voting shares held	Nature of business
Koppers UK Investments Limited	1 Park Row, Leeds LS1 5AB	Ordinary shares	99%	Holding Company
Koppers UK Transport Limited*	1 Park Row, Leeds LS1 5AB	Ordinary shares	99%	Haulage
Koppers Speciality Chemicals Limited*	1 Park Row, Leeds LS1 5AB	Ordinary shares	99%	Chemical Manufacture and Trading

*- indicates indirect shareholding

In the opinion of the directors the value of the investment in the direct subsidiary undertaking is not less than the amount at which it is stated in the balance sheet.

12. DEBTORS

	2017 £	2016 £
Trade debtors	39,042	17,445
Amounts owed by group undertakings	21,580,679	23,218,722
Corporation tax	366,224	936,133
Prepayments and accrued income	102,367	369,908
Pension scheme prepayment	-	-
Deferred tax assets (note 9)	354,958	695,387
	22,443,270	25,237,595

Debtors due from group undertakings are unsecured current accounts with Koppers UK Limited and KIBV and do not attract interest.

Within amounts due from group undertakings is an amount of £12.9 with the Company's parent company, KIBV. This balance is unsecured and does not attract interest. There is a further amount of £8.5m with Koppers UK Holding Ltd This balance is also unsecured but has attracted interest of 4% above LIBOR.

Deferred tax assets are due after more than one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	927,264	1,943,838
Amount owed to group undertakings	1,234,038	2,434,414
Corporation tax	-	-
Other taxes and social security costs	9,267	24,597
Accruals and deferred income	77,780	535,978
	2,248,349	4,938,827

Amounts owed to group undertakings include £0.7m to KIBV, £0.4m to Koppers UK Transport Limited and £0.2m to Koppers Nederlands. These balances are unsecured and do not attract an interest charge.

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Environmental provisions	134,303	134,303

Following the sale of the Scunthorpe and Port Clarence sites, the remaining provision relates to the requirement to clean up the Benzole tank at Immingham when the scheme finally closes, which is expected to be in 3 years.

15. ISSUED SHARE CAPITAL

	2017		2016	
	No	£	No	£
Allotted, called up and fully paid				
Ordinary shares of £1 each	1,560,000	1,560,000	1,560,000	1,560,000

16. CAPITAL COMMITMENTS

Capital commitments at 31 December 2017, being amounts authorised and contracted, amounted to £nil (2016 - £nil).

17. PENSIONS

This note relates to the Bitmac Limited Pension and Assurance Scheme (the Scheme), which is a final salary multi- employer pension scheme operated by Koppers UK Limited. The scheme was closed to new entrants with effect from 1 April 2003, and in 2016, was closed to all members.

The Scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees are required to act in the best interests of the Scheme's beneficiaries.

The value of the liabilities at the reporting date have been estimated by updating the results of the actuarial valuation as at 31 March 2014 to allow for the passage of time, benefits paid out of the scheme, the redundancy exercise and closure of the scheme in 2016 and changes in actuarial assumptions over the period from 31 March 2014 to 31 December 2017.

Such an approach is normal for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Scheme at the accounting date and those included in the disclosures.

In accordance with the schedule of contributions dated 26 August 2015 and the level of contributions currently paid by the company, the Company is expected to pay contributions of approximately £2,400,000 over the next accounting period. In addition, the Company is expected to meet the cost of administrative expenses for the Scheme.

Due to the curtailment of the scheme in 2016, a surplus was initially recognised in the 31st December 2017 accounts, and was subsequently restricted to Other Comprehensive Income. This is the result of the scheme not being recoverable on wind up.

17. PENSIONS (CONTINUED)

Main assumptions:	2017	2016
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payments	3.20%	3.40%
Discount rate applied	2.40%	2.60%
Inflation assumption-RPI	3.20%	3.40%
Inflation assumption-CPI	2.20%	2.65%
Life expectancy of male retiring at the reporting date at age 65 (in years)	21.4	21.6
Life expectancy of male retiring 20 years after the reporting date at age 65 (in years)	23.2	23.6
Life expectancy of female retiring at the reporting date at age 65 (in years)	23.1	23.7
Life expectancy of female retiring 20 years after the reporting date at age 65 (in years)	25.0	25.9

The fair value of the plan assets of the scheme and the expected rate of return at 31 December are:

	2017 £000	2016 £000
Equities	22,089	24,001
Bonds	22,038	16,365
Property	-	-
Others	526	333
Fair value of scheme assets	44,653	40,699
Present value of scheme liabilities	(40,173)	(44,790)
Pension surplus (liability)	4,480	(4,091)
Less restriction in surplus	(4,480)	-
	-	(4,091)
Expected return on Scheme assets	3.40%	4.70%

Due to the scheme not being recoverable on wind up, the surplus has been restricted to Other Comprehensive Income, in the line with FRS 102.

17. PENSIONS (CONTINUED)

An analysis of the defined benefit cost recognised in the profit and loss account for the year ended 31 December is as follows:

	2017 £000	2016 £000
Recognised in the profit and loss account		
Service cost	-	127
Scheme administrative cost	2	42
Net interest cost	76	117
Curtailment	-	(1,312)
Total expense	78	(1,026)
Taken to the statement of other comprehensive income (OCI)		
Actuarial losses/(gains) on liability	(4,348)	8,743
Return on assets, excluding interest income	(1,906)	(6,057)
Change in the amount of surplus that is not recoverable	4,480	-
Total re-measurement of the net defined liability to be shown in OCI	(1,774)	2,686

In 2016, there was a reduction in the Scheme's liabilities of £1,312,000 as a result of the curtailment which has been calculated in relation to the impact of the redundancy exercise on 5 July 2016 and the closure of the Scheme to future accrual from 31 July 2016. This figure has been calculated as at 5 July 2016 using assumptions as at this date.

Changes in the present value of the defined benefit obligation:

	2017 £000	2016 £000
At 1 January 2017	44,790	38,305
Service cost	-	127
Contributions by members	-	37
Interest costs	1,147	1,385
Remeasurement: actuarial losses/(gain)	(4,348)	8,743
Benefits paid	(1,416)	(2,495)
Curtailment	-	(1,312)
At 31 December 2017	40,173	44,790

17. PENSIONS (CONTINUED)

Changes in the fair value of plan assets:

	2017 £000	2016 £000
At 1 January 2017	40,699	33,373
Interest income on scheme assets	1,071	1,268
Remeasurement: return on assets less interest income	1,906	6,057
Contributions by employer	2,395	2,501
Contributions by members	-	37
Benefits paid	(1,416)	(2,495)
Scheme administrative costs	(2)	(42)
At 31 December 2017	44,653	40,699

18. OTHER FINANCIAL COMMITMENTS

At 31 December 2017 the company had total commitments under non-cancellable operating leases as set out below:

	Motor vehicles 2017 £000	Motor vehicles 2016 £000
Operating leases which expire:		
Within one year	9	18
In two to five years	12	9
	21	27

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS102 Section 33.1A from disclosing transactions that are part of the Koppers Holdings Inc group.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Koppers European Holdings A/S, a company registered in Denmark.

The ultimate parent undertaking and controlling party is Koppers Holdings Inc, registered in the United States of America. The parent undertaking of the smallest group for which group financial statements arc drawn up and of which the company was a member is Koppers Holdings Inc. Copies of Koppers Holdings Inc group financial statements are available from Koppers Holdings Inc, 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219.