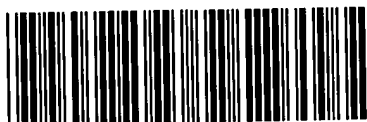


**GLYNWED PIPE SYSTEMS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

THURSDAY



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COMPANIES HOUSE

**Glynwed Pipe Systems Limited**  
**2017 Financial Statements**

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**COMPANY DETAILS**

	01698059
Company registration number	
Registered office	Dickley Lane Lenham Kent ME17 2DE
Auditor	KPMG LLP 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT

## **STRATEGIC REPORT**

### **Principal Activities, Review of Activities and Future Developments**

The principal activity of Glynwed Pipe Systems Limited ("the company") is the manufacture and sale of thermoplastic pipework systems.

We have developed several medium-term financial targets which measure the effectiveness of our strategy to deliver shareholder value. The company is focused on delivering these financial objectives through organic growth both in home markets and export markets.

Revenue from continuing operations increased in 2017 to £85.7 million (2016: £77.9 million). Operating profits from continuing operations of £11.4 million was higher than the £8.6 million profit achieved in 2016. Profit after taxation from continuing operations was also higher at £8.7 million (2016: £6.5 million).

Return on capital employed – in 2017 the company achieved a return on capital employed of 22% (2016: 19%).

Return on sales at current operating level – this rose to 13% in 2017 from 11% in 2016.

The company currently produces strategic plans annually covering three years future trading expectations.

In 2015 there was, sadly, a fatality on site and it was investigated by the Health & Safety Executive (HSE). In March 2018, the court determined a fine of £1 million was due, which was paid in April 2018, the costs being fully covered in the 2017 accounts.

The company continues to derive the majority of its turnover from the UK market and this represents 89.7% (2016: 90.9%) of the total. Other business within Europe represents a further 4.7% (2016: 5.1%) and Asia 2.7% (2016: 1.6%).

### **Cash flow**

The cash flow generated from operations in the year was lower than the previous year at £8.6 million inflow compared to an inflow of £9.9 million in 2016. Cash and cash equivalents were £0.2 million (2016: £0.4 million) at the year end.

Capital expenditure in the year was £6.3 million (2016: £0.9 million) due to a major investment in new storage area, which was completed in 2017. This compares to depreciation and impairment of £1.1 million (2016: £1.0 million). Tax payments in the year were £1.6 million (2016: £1.7 million). No interim dividend was paid during the year (2016: nil million interim dividend).

### **Pensions**

We continue to monitor closely the financial health of our pension schemes. The company participates in defined benefit, defined contribution and group personal pension schemes, with the largest scheme being the defined benefit scheme. A formal actuarial valuation of the defined benefit scheme was prepared by the scheme actuary Willis Towers Watson as at 31 March, 2016. The assumptions used to calculate the liabilities and surplus reported in the financial statements are consistent with this valuation. On an IAS19 basis, the actuarial surplus was £11.0 million at 31 December 2017 (2016: £9.9 million surplus). At the end of 2017, the scheme liabilities of £78.3 million (2016: £75.9 million) were exceeded by scheme assets of £89.3 million (2016: £85.7 million). The cash contribution for current employees was £nil (2016: £nil).

In 2011, the UK defined benefit pension scheme was closed to future benefit accrual.

### **Risks and uncertainties**

This section highlights some of the particular risks which affect the company but it is not intended to be an extensive analysis of all risks which may arise in the ordinary course of business or otherwise. Some risks may be unknown to the company and other risks, currently regarded as immaterial, could turn out to be material.

There are a number of potential risks and uncertainties which could have a material impact on the company's long-term performance and achievement of its strategy. These risks and uncertainties arise as a result of operational, regulator, financial and market driven factors, among other things. The company takes a proactive approach to managing risk through risk management processes. These processes also help to identify business, product and performance opportunities. Although the company has been successful in managing and mitigating these risks in the past, there is no guarantee that it can continue to do so.

#### **External risks**

External risks include, but are not limited to the following:

Global, political and economic conditions

All the company's principal operations are located in the UK, with sales being made around the world. Whilst it benefits from the opportunities and growth in other countries, the company is exposed to political and economic risks associated with such international trade. Political risks can include sudden change in regulation, imposition of trade barriers, limits on the export of currency and the volatility of currencies, prices and taxes.

The diverse nature of our products and services and our international spread help to mitigate the impact of any individual exposure to economic conditions. However, some 90% (2016: 91%) of our revenues are from customers in the United Kingdom and we are thus particularly affected by economic conditions there. The effect of Brexit is unknown, but is being monitored by the company to enable appropriate action to maximise opportunities available and to minimise any potential downside. FX hedging was introduced in 2016 prior to the Brexit vote to minimise that risk.

Legislation and regulation

The company is subject to varying laws and regulations around the world and operates in sectors that can be impacted by changes in the regulatory environment leading to product specification changes. Whilst failure to comply with laws and regulations, including health and safety and environmental regulations, could impact performance and could damage the reputation of the company, changes in legislation and regulations can also provide opportunities for the development of new products and can open up new markets for existing products.

Raw material and utility prices

The company uses large amounts of electricity, gas, raw material plastic compounds and related commodities. Volatility and changes in the pricing and availability of these could have a significant impact on the company's results. In particular, the prices of utilities and raw material plastics compounds have increased significantly in recent years and only very recently have they fallen from historically high levels.

Our raw materials are sourced on the world market and in general we have access to multiple sources of supply. However, should there be a significant change in global balance of supply and demand, or should there be a cessation of supply of a key commodity, the performance of the company could be adversely affected.

Changes in trends and spending

The company derives a significant proportion of its revenue from the building sector in the UK and mainland Europe. The company's financial and operating performance will depend, in part, on factors which affect the level and patterns of utility and building spend (including changes in customer preferences and trends and general economic conditions).

The company's future success and revenues will be dependent, in part, on the strength of its principal trading brands. The company monitors changing consumer preferences, brand perception, price points and other trends such as environmental awareness, etc to better understand and anticipate its customers and their preferences. The company has focussed on internationalising its principal trading brands to further help mitigate these risks.

The company relies primarily on trade secret, copyright, design, trademark and patent law and contractual protections to protect the company's propriety technology and other proprietary rights. Notwithstanding the precautions taken, the company will continue to take action to protect its intellectual property rights. It is possible that third parties may copy or otherwise obtain and use the company's proprietary technology without authorisation or may otherwise infringe on the company's rights. In some cases, including a number of the company's most important products, there may be no effective legal recourse against duplication by competitors. The company relies on registered and unregistered rights and uses these rights wherever possible to protect its proprietary rights, brand and reputation.

#### Innovation and actions of competitors

The company operates in highly competitive markets characterised by changing technology and evolving industry standards. Innovative new products and technical advances by competitors could adversely affect the company. However, the diversity of our products mitigates the potential impact from an individual competitor or innovation.

The markets in which the company competes are fragmented but many of the company's competitors are large and may enjoy substantially greater financial, marketing, technological and personnel resources. The company is subject to their competitive actions and although the company believes that the performance and price characteristics of its products provide competitive solutions for the customers' needs, there can be no assurance that the existing customers will continue to choose our products over products offered by competitors. The company has a good understanding of the markets in which it operates, and its key competitors and their strategies, and monitors and develops its strategy to mitigate these risks.

#### Pension funding

The company's defined benefit pension scheme forms a section within the wider Group's UK pension scheme and is financially relatively significant, as detailed in note 17 to the financial statements. The funding position of the scheme is likely to fluctuate year on year on account of changes in economic conditions, demographic experience and the investment performance of the scheme's assets. The potential risks and uncertainties are mitigated by careful management and continual monitoring of the schemes and by appropriate and timely action to ensure as far as possible that the company's defined benefit pension liabilities do not increase disproportionately. The scheme was closed to future benefit accrual on 31 May 2011,

Scheme assets are defensively invested with the year end asset portfolio analysis being described in note 17. The company works closely with the scheme trustees and believes that a strong Corporate covenant is the best way to allow a systematic and measured approach to managing the inherent risk of such a scheme.

#### Customer market dynamics

The company's key customers include major and independent building product distribution chains both in the UK and abroad. If key customers change their capital expenditure programmes, suffer a significant loss of market share or in the event of an economic down turn / seasonality this could have a material adverse effect on the company's financial condition and results of operations.

These risks are mitigated by monitoring industry and competitive developments to help prevent the company from becoming unduly dependent on any one customer.

#### Internal risks

Internal risks include but are not limited to:

##### New product and technological developments

The company continually seeks to refine and improve upon the performance, utilities and physical attributes of its existing products and to develop new products. As a result, the company's business is subject to risks associated with new product and technological development, including unanticipated technical, marketing or other problems. The occurrence of any of these risks could cause a substantial change in the design, delay in the development or abandonment of new technologies and product. Such risks could have a material adverse effect on the company's financial condition and operating results.

#### Succession planning

The future success of the company is dependent on the continued services and continuing contributions of the company's directors and other key personnel. The loss of the services of these individuals could adversely affect our ability to maintain the loyalty of certain key customers, to continue to develop important markets or to implement our future strategy.

The company has reviewed its succession plans and the board is kept informed of the succession planning in place for directors and senior management. Appropriate internal development is in place to ensure individuals can, where possible, be promoted from within to middle and senior management positions.

#### Controls failure

The company is ISO 9001 accredited and operates internal controls as such. Control processes are reviewed on a regular and controlled basis, by means of internal audits. The company is also subject to internal audit from the Aliaxis Internal Audit function.

#### Treasury risk and policy

The company operates a central treasury which operates in accordance with a Treasury policy and procedures manual setting out guidelines for managing foreign exchange risk, interest rate risk, credit risk and the financial instruments to be used in managing these risks.

The objective of the treasury policy is to manage the company's financial risk. The treasury policy applied by the company and the specific guidelines to manage the main financial risks are outlined under the accounting policies.

#### Liquidity risk

The company's funding objective is to have sufficient long-term committed facilities, in addition to uncommitted facilities and finance agreements to meet its funding needs.

The company maintains relationships with several large financial institutions. Group treasury management spends significant amounts of time with its lenders keeping them informed of the company's development plan when appropriate to do so.

The wider Aliaxis group has significant committed facilities available to it and the company benefits from being able to call on group funds as required.

#### Foreign exchange risk

The company operates predominantly in the UK and Europe and as such the exposure to movements in exchange rates is mainly against the Euro. As activity has grown internationally there has been an increased level of foreign currency transactions. The Group's treasury function hedges currency on the company's behalf where appropriate to reduce the potential risk of currency exposure.

#### Legal and other matters

The company is committed to operating within the law in all applicable jurisdictions, and seeks to benefit from the rights and protections afforded by relevant laws. The company aims to anticipate and meet the changing requirements of the markets it serves, as legal and regulatory reforms impact those markets. There were no material legal, regulatory or compliance matters to be disclosed during the period under review and no significant post balance sheets events to be disclosed.

#### Resources

The company has significant resources to support its core business operations. Key strengths and resources which assist the company in the pursuit of its key objectives include:

##### Our people

We have consistently sought to recruit and retain the best employees in our sector and this has contributed to our success in developing, manufacturing and selling our products in our traditional markets and in entering and developing our presence in new markets. The company has its own approach to identifying and attracting the appropriate skills and expertise it needs, in line with both its own and the company's strategy and requirements.

Vacancies and development opportunities are advertised internally and where suitable candidates cannot be identified conventional recruitment channels are used. The company regularly reviews its training and development needs to ensure we have people with the appropriate levels of skills, qualifications and experience to assist it in achieving our strategy.

The company's policy is to keep employees as fully informed as possible about its activities and to encourage meetings of employees at various levels. All employees participate in, and benefit from, remuneration schemes linked to the company's performance.

Further, it is our policy to offer equal opportunities to disabled persons, whether registered or not, applying for vacancies having regard to their aptitude and abilities in relation to the job for which they apply. The company's employment policies incorporate the training, career development and promotion of disabled people. The company also actively promotes the continued employment and training of persons who become disabled while in the company's employment.

The company is an equal opportunities employer.

#### Our market position

We have a strong corporate reputation for quality products and award winning service which is based on our longevity in supplying customers and on our development of new products using advanced technology and innovative design. The company is amongst the larger players within the sector and now has growing international reach and is well-placed in product terms.

#### Our manufacturing facilities

A key differentiator for our product is our manufacturing facilities which not only maximises the efficiency in our production processes but also means that we have a reputation for high quality products. This efficiency has been replicated following the relocation of certain manufacturing operations to the Aliaxis Lenham site.

#### Intellectual property rights

The company has registered a number of patents to support its business and to protect its competitive advantage. Some of the intellectual property and product innovation developed by our research and development teams results in new patents being secured.

In addition, we have a large number of registered trademarks and designs to protect our world renowned brands and trading styles. We monitor market developments closely to identify any potential violations of our proprietary rights and take appropriate legal action where considered necessary.

#### Procurement

The central procurement team works with the company to enable us to negotiate contracts to ensure we benefit from the synergies available from the wider Group's buying power, whilst ensuring the quality of components and products is to our high standards and that delivery is scheduled to support our lean manufacturing processes. We are increasingly taking advantage of procurement opportunities by emerging economies where it is ethical and appropriate to do so.

#### Cautionary statement

The intention of the business review is to provide information to shareholders and should not be relied upon by any other part or for any other purpose. The business review and other sections of this annual report contain certain forward-looking statements with respect to the operations, performance and financial condition of the company. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements which are made by the directors in good faith are based on the information available to them up to the date of their approval of the financial statements and the company undertakes no obligation to update these forward-looking statements. The forward-looking statement should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Nothing in this annual report should be construed as a profit forecast.

The business review has been prepared for the company as a whole and therefore gives greater emphasis to those matters which are of significance to Glynwed Pipe Systems Limited.



I C McNair  
Company Secretary

24 September 2018

**DIRECTORS' REPORT**

The directors present the financial statements for the year ended 31 December 2017. They are reported in accordance with International Financial Reporting Standards (IFRS).

**Directors**

The directors who held office throughout the year are as follows:

A J Bentley	Resigned 6 October 2017
F A Bejarro Castillo	
W H Davies	Resigned 31 January 2017
K D Decuypere	
G Eckert	Resigned 30 November 2017
M J Gisbourne	
P Guyot	Resigned 24 May 2017
S C James	Appointed 1 February 2018

The Aliaxis SA group operates a stock option plan for certain employees and the directors of the company have options to acquire shares in the ultimate parent undertaking, Aliaxis SA. Details are provided in note 17 to the financial statements.

**Disclosure of information to the 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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

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

By order of the Board



I C McNair  
Company Secretary

24 September 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 IFRSs as adopted by the EU and applicable laws.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 GLYNWED PIPE SYSTEMS LIMITED

### **Opinion**

We have audited the financial statements of Glynwed Pipe Systems Limited ("the company") for the year ended 31 December 2017 which comprise the statements of comprehensive income, financial position, cash flow and changes in equity, and related notes, including the accounting policies in note 3.

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 International Financial Reporting Standards as adopted by the European Union;
- 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
- 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 4, 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.

### **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](http://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.



Julie Wheeldon (Senior Statutory Auditor)  
for and on behalf of  
KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 Forest Gate, Brighton Road  
Crawley, West Sussex  
RH11 9PT

25 September 2018

**Glynwed Pipe Systems Limited**  
**2017 Financial Statements**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2017**

(£ '000s)

<b>Continuing operations</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Revenue		85,719	77,905
Cost of sales		65,703	58,577
<b>Gross profit</b>		<b>20,016</b>	<b>19,328</b>
Commercial expenses		4,520	4,777
Administrative expenses		939	3,575
R&D expenses		590	727
Other operating expenses	5	2,566	1,693
<b>Operating profit</b>	4	<b>11,401</b>	<b>8,556</b>
Interest expense, net	7	(34)	(1)
Other finance (expense) / income	8	(274)	(474)
<b>Profit before income taxes</b>		<b>11,093</b>	<b>8,081</b>
Income taxes	9	(2,422)	(1,587)
<b>Profit of the year</b>		<b>8,671</b>	<b>6,494</b>

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2017**

Profit of the year		8,671	6,494
Items that will not be transferred to profit or loss			
Actuarial changes in employee benefits			
- Employee benefit	17	461	(1,524)
- Deferred tax on employee benefit	18	(78)	259
Items that are or may be reclassified to profit and loss:			
Net change in fair value of cash flow hedges transferred to profit or loss		34	(137)
<b>Total comprehensive income</b>		<b>9,088</b>	<b>5,092</b>

The notes on pages 15 to 34 form a part of these financial statements.

**Glynwed Pipe Systems Limited**  
**2017 Financial Statements**

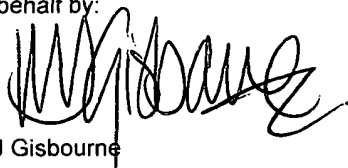
**STATEMENT OF FINANCIAL POSITION**

(£'000s)

As at 31 December	Notes	2017	2016
<b>Non-current assets</b>		<b>65,495</b>	<b>58,488</b>
Property, plant & equipment	10	16,029	10,868
Investments in subsidiary undertakings	11	12,967	12,967
Amounts receivable	13	25,479	24,551
Employee benefits	17	10,996	9,880
Deferred tax assets	18	24	222
<b>Current assets</b>		<b>22,291</b>	<b>19,897</b>
Inventories	12	11,426	9,196
Amounts receivable	13	10,676	10,254
Cash & cash equivalents	14	189	447
<b>TOTAL ASSETS</b>		<b>87,786</b>	<b>78,385</b>
<b>Equity attributable to equity holders of the company</b>		<b>56,858</b>	<b>47,770</b>
Share capital	15	11,189	11,189
Share premium		1,690	1,690
Retained earnings		44,082	35,028
Hedging Reserve		(103)	(137)
<b>Total equity</b>		<b>56,858</b>	<b>47,770</b>
<b>Non-current liabilities</b>		<b>9,146</b>	<b>9,128</b>
Non-interest bearing loans	16	7,179	7,179
Employee benefits	17	46	56
Deferred tax liabilities	18	1,921	1,893
<b>Current liabilities</b>		<b>21,782</b>	<b>21,487</b>
Employee benefits	17	48	52
Provisions	19	1,639	2,021
Other amounts payable	20	20,095	19,414
<b>Total liabilities</b>		<b>30,928</b>	<b>30,615</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>87,786</b>	<b>78,385</b>

The notes on pages 15 to 34 form a part of these financial statements.

These financial statements were approved by the board of directors on 24 September 2018 and signed on its behalf by:



M J Gisbourne  
Director  
Glynwed Pipe Systems Limited  
Company Number: 01698059

**Glynwed Pipe Systems Limited**  
**2017 Financial Statements**

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2017**

(£ '000s)

	Notes	2017	2016
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		11,093	8,081
Depreciation	10	1,112	1,023
Derivative instruments - fair value adjustment through income statement	8	(15)	105
Interest expense		6	1
Loss on disposal of property, plant and equipment	4	-	178
<b>Cash flow from operating activities before changes in working capital and provisions</b>		<b>12,196</b>	<b>9,388</b>
(Increase) in inventories		(2,230)	(130)
(Increase) in amounts receivable		(188)	(738)
Increase in amounts payable		121	2,139
Movement in provisions and pension asset		(1,315)	(761)
<b>Cash flow generated from operations</b>		<b>8,584</b>	<b>9,898</b>
Income tax paid		(1,635)	(1,696)
<b>Cash flow from operating activities</b>		<b>6,949</b>	<b>8,202</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		-	544
Acquisition of property, plant and equipment	10	(6,273)	(921)
Loans paid		(928)	(6,834)
<b>Cash flow from investing activities</b>		<b>(7,201)</b>	<b>(7,211)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	15	-	-
Interest paid		(6)	(1)
<b>Cash flow absorbed by financing activities</b>		<b>(6)</b>	<b>(1)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(258)</b>	<b>990</b>
Cash and cash equivalents at the beginning of the year	14	447	(543)
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>189</b>	<b>447</b>

The notes on pages 15 to 34 form a part of these financial statements.

**Glynwed Pipe Systems Limited**  
**2017 Financial Statements**

**STATEMENT OF CHANGES IN EQUITY**

		ATTRIBUTABLE TO EQUITY HOLDERS OF GLYNWED PIPE SYSTEMS LIMITED				
(£ '000s)	Notes	Share capital	Share premium	Retained earnings	Hedging reserve	Total
<b>As at 31 December 2015</b>		11,189	1,690	29,799	-	42,678
Result of the year		-	-	6,494	-	6,494
Other comprehensive income		-	-	(1,265)	(137)	(1,402)
Total comprehensive income		-	-	5,229	(137)	5,092
Dividends to shareholders	15	-	-		-	
<b>As at 31 December 2016</b>		11,189	1,690	35,028	(137)	47,770
Result of the year		-	-	8,671		8,671
Other comprehensive expense		-	-	383	34	417
Total comprehensive income		-	-	9,054	34	9,088
<b>As at 31 December 2017</b>		11,189	1,690	44,082	(103)	56,858

The notes on pages 15 to 34 form a part of these financial statements.

**Glynwed Pipe Systems Limited**  
**2017 Financial Statements**

**Notes to the financial statements**

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**Notes to the financial statements**

**1 Company information**

Glynwed Pipe Systems Limited ("the company") is a company incorporated in the UK. The address of the company's registered office is Dickley Lane, Lenham, Kent ME17 2DE. The financial statements of the company as at and for the year ended 31 December 2017 comprise solely those of the company.

The financial statements were approved by the Board of Directors on 24 September 2018.

**2 Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union up to 31 December 2017.

**(b) Going Concern**

The directors, having considered all relevant risk factors, believe the company has adequate financial resource to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

**(c) Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for the following:

- derivative financial instruments are measured at fair value

**(d) Functional and presentation currency**

These financial statements are presented in pounds sterling, which is the company's functional currency. All financial information in pounds has been rounded to the nearest thousand, unless otherwise stated.

**(e) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 18 - measurement of defined benefit obligations.

**Measurement of fair values**

Certain company accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair values of an asset and liability, the company uses market observable data as far as possible.



Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the note 21.

### **3 Significant accounting policies**

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

The financial statements are prepared as of and for the year ended 31 December 2017.

#### **(a) Foreign currencies**

##### **Foreign currency transactions**

Transactions in foreign currencies are translated to pounds sterling at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non monetary assets and liabilities denominated in foreign currencies that are carried at historical cost are translated at the reporting date at exchange rates at the dates of the transactions. Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the reporting date at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

#### **(b) Intangible assets**

##### **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see note 3(e)).

##### **Amortisation**

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets with a finite life, from the date that they are available for use. The estimated useful lives are as follows:

• Patents, concessions and licenses	5 years
• Capitalised development costs	3-5 years
• IT software	5 years

#### **(c) Property, plant and equipment**

##### **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see note 3(e)). The company elected to measure certain items of property, plant and equipment at 1 January 2005, the date of transition to IFRS, at fair value and used those fair values as deemed cost at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset; e.g. costs incurred to bring the asset to its working condition and location for its intended use, costs where relevant of dismantling and removing the asset and restoring the site on which that asset is located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where an asset meets the definition of a qualifying asset, the borrowing costs are capitalised, otherwise these are expensed.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

#### Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless there is certainty that the company will take ownership at the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

• Buildings:	
- Structure	40-50 years
- Roof and cladding	15-40 years
- Installations	15-20 years
• Plant, machinery and equipment:	
- Silos	20 years
- Machinery and surrounding equipment	10 years
- Moulds	3-5 years
• Furniture	10 years
• Vehicles	5 years
• IT & IS	3-5 years

Depreciation methods and useful lives, together with residual values if not insignificant, are reassessed at each reporting date.

#### (d) Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset, as well as the lease liability, is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the company's statement of financial position.

#### (e) Impairment

##### Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For equity securities, one possible indicator is a significant or prolonged decline.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis; the remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and such reversal is recognised in the statement of comprehensive income. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets (see note 3(m)), are reviewed at each reporting date to determine whether there is any external or internal indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at least annually. Those assets were also tested for impairment at 1 January 2005, the date of transition to IFRS.

#### **(f) Investments in subsidiary undertakings**

##### Recognition and measurement

Investments in subsidiaries are measured at cost less impairment losses (see note 3(e)).

#### **(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle for raw materials, packaging materials, consumables, purchased components and goods purchased for resale, and on the first-in first-out principle for finished goods, work in progress and produced components.

The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost also includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **(h) Amounts receivable**

Amounts receivable which comprise trade and other receivables are carried at amortised cost less impairment losses

#### **(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits and are shown net of bank overdrafts where the company has right of set-off. Bank overdrafts are repayable on demand and form an integral part of the company's cash management.

#### **(j) Dividends**

Dividends are recognised as liabilities in the period in which they are declared.

#### **(k) Employee benefits**

##### Post employment benefits

The company participates in a UK-wide defined benefit plan, the Aliaxis UK Defined Benefit Pension Scheme, the assets of which are held in separate trustee-administered funds. The company also participates in a UK-wide defined contribution plan, the Aliaxis Group Pension Plan. The pension plans are funded by payments from employees and the company.

##### • Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income when they are due.

- **Defined benefit plan**

The company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the company's obligations.

The calculation is performed annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income.

The actuarial gains and losses, arising from differences between estimates and actual experience, are recognised through the statement of other comprehensive income.

The defined benefit pension scheme was closed to future benefit accrual on 31 May 2011.

**Short-term benefits and long term incentive plans**

Short-term employee benefit obligations such as bonuses and long term incentive plan benefits are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term and long-term incentive plan benefits if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(l) Provisions**

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation, and is reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. In addition, incremental costs (e.g. lawyer and expert fees) are included in the measurement of the provisions.

**(m) Amounts payable**

Amounts payable which comprise trade and other amounts payable are carried at amortised cost.

**(n) Derivative financial instruments**

At times, the company holds derivative financial instruments to hedge its exposure to foreign currency risks arising from investing activities. As a policy, the company does not engage in speculative transactions, and does therefore not hold or issue derivative financial instruments for trading purposes. However, derivatives are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

**Measurement**

The fair value of forward exchange contracts is based on their listed market price.

**(o) Revenue**

**Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

**(p) Finance income**

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in the statement of comprehensive income. Interest income is recognised as it accrues, using the effective interest method.

**(q) Finance expenses and lease payments**

**Finance expenses**

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except losses on receivables) and losses on hedging instruments that are recognised in the statement of comprehensive income. All borrowing costs are recognised in the statement of comprehensive income using the effective interest method.

**Operating lease payments**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of the total lease expense, over the term of the lease. When an operating lease is terminated before the lease period is expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**(r) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(s) Contingencies**

Contingent liabilities are not recognised in the financial statements, except if they arise from a business combination. They are disclosed, when material, unless the possibility of a loss is remote. Contingent assets are not recognised in the financial statements but are disclosed, when material, if the inflow of economic benefits is probable.

**(t) Intra-group financial instruments**

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**(u) Non current assets held for sale**

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification non current assets held for sale are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment, once classified as held for sale or distribution, is not amortised or depreciated.

**(v) Events after the reporting date**

Events after the reporting date which provide additional information about the company's position as at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date which are non adjusting events are disclosed in the notes to the financial statements, when material.

**(w) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been applied in preparing these consolidated financial statements.

In particular, IFRS 15, revenue from contracts with customers and IFRS 9, financial instruments; which have been estimated to have no effect and IFRS 16, leases, where the effect is estimated to be minimal as the current applicable operating leases end in 2018, and the Company intends to apply the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information.

#### 4 Operating profit

(£ '000s)	2017	2016
This is stated after charging:		
Depreciation - owned tangible and intangible fixed assets	1,112	1,023
Operating leases - plant, equipment & vehicles	251	208
Loss on disposal of fixed assets	-	178
Statutory auditor's remuneration - for audit of these financial statements	80	72

All costs relating to the statutory auditor are included within administrative expenses.

#### 5 Other operating expenses

(£ '000s)	2017	2016
Restructuring costs	181	139
Other rental income	(8)	-
Management fees	2,357	1,490
Other	36	64

<b>Other operating expenses</b>	<b>2,566</b>	<b>1,693</b>
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#### 6 Additional information on operating expenses

(£ '000s)	2017	2016
Wages & salaries	8,206	8,004
Social security contributions	771	745
Net change in restructuring provisions	-	139
Expenses for defined benefit plans	44	(295)
Contributions to defined contribution plans	657	627
Other personnel expenses	388	404

<b>Personnel expenses</b>	<b>10,066</b>	<b>9,624</b>
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The total average number of personnel was as follows:  
(in units)

	2017	2016
Production	131	131
Sales and marketing	69	72
R&D and administration	12	16

<b>Total workforce</b>	<b>212</b>	<b>219</b>
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Personnel expenses, depreciation, amortisation and impairment charges are included in the following line items of the statement of comprehensive income:

(£ '000s)	Personnel expenses	Depreciation and impairment of property and plant & equipment
Cost of sales	4,930	1,105
Commercial charges	3,939	-
Administrative charges	711	2
R&D expenses	486	5
<b>Total</b>	<b>10,066</b>	<b>1,112</b>

## Remuneration of directors

From 2014, the directors were paid by the holding companies.

(£ '000s)	2017	2016
<b>Emoluments paid by Group Companies re duties to the company</b>	<b>331</b>	<b>398</b>

One of the directors was accruing benefits under the defined contribution pension schemes.  
One of the directors has entitlements under a defined benefit pension scheme in relation to past service only. Increases to their accrued entitlement derives from indexation; no current service benefit is accruing

## 7 Interest expense, net

(£ '000s)	2017	2016
Interest income from cash and cash equivalents	-	3
Interest expenses on financial borrowings	(6)	(4)
Net interest on other assets, liabilities and provisions	(28)	-
<b>Interest expense, net</b>	<b>(34)</b>	<b>(1)</b>

## 8 Other finance (expenses) / income

(£ '000s)	2017	2016
Revaluation of gains / (losses) on financial instruments	104	(105)
Foreign exchange (losses) / gains, net	(375)	(369)
Bank Fees	(3)	-
<b>Other finance (expenses)</b>	<b>(274)</b>	<b>(474)</b>

## 9 Income taxes

Income taxes recognised in the statement of comprehensive income can be detailed as follows:

(£ '000s)	2017	2016
Current taxes for the year	(1,817)	(1,372)
Adjustments to current taxes in respect of prior periods	(457)	80
<b>Total current tax expense</b>	<b>(2,274)</b>	<b>(1,292)</b>
Origination and reversal of temporary differences	(202)	(222)
Adjustment to deferred taxes in respect of prior periods	54	(73)
<b>Total deferred tax expense</b>	<b>(148)</b>	<b>(295)</b>
<b>Income tax expense in the income statement</b>	<b>(2,422)</b>	<b>(1,587)</b>



The reconciliation of the effective tax rate with the standard tax rate can be summarised as follows:

(£ '000s)	2017	%	2016	%
Profit before taxes	11,093		8,081	
Tax at UK corporation tax rate	(2,135)	19.2%	(1,616)	20.0%
Tax effect of:				
Non-deductible expenses-provision release	183	(2.3)%	-	-
Non-deductible expenses	(84)	1.0%	(69)	0.9%
Current tax adjustments in respect of prior periods	(457)	4.1%	80	(1.0)%
Deferred tax adjustments in respect of prior periods	54	(0.5)%	(73)	0.9%
Other	17	0.2%	91	(1.1)%
<b>Income tax expense</b>	<b>(2,422)</b>	<b>21.8%</b>	<b>(1,587)</b>	<b>19.6%</b>

#### 10 Property, plant and equipment

(£ '000s)	2017					2016
	Land & buildings	Plant, machinery & equipment	Other	Under construction & advance payments	Total	Total
<b>Cost or deemed cost</b>						
As at 1 January	5,484	21,341	190	599	27,614	37,295
Acquisitions	-	48	83	6,142	6,273	921
Disposals & retirements	-	(204)	-	-	(204)	(10,602)
Transfers	(9)	381	-	(372)	-	-
<b>As at 31 December</b>	<b>5,475</b>	<b>21,566</b>	<b>273</b>	<b>6,369</b>	<b>33,683</b>	<b>27,614</b>
<b>Depreciation and impairment losses</b>						
As at 1 January	(1,009)	(15,644)	(93)	-	(16,746)	(25,603)
Movements during the year:						
Charge for the year	(43)	(1,035)	(34)	-	(1,112)	(1,023)
Disposals & retirements	-	204	-	-	204	9,880
<b>As at 31 December</b>	<b>(1,052)</b>	<b>(16,475)</b>	<b>(127)</b>	<b>-</b>	<b>(17,654)</b>	<b>(16,746)</b>
<b>Carrying amount at 31 December</b>	<b>4,423</b>	<b>5,091</b>	<b>146</b>	<b>6,369</b>	<b>16,029</b>	<b>10,868</b>

Management considers that residual values of depreciable plant, vehicles and equipment are insignificant.

# 11 Investments in subsidiary undertakings

(£ '000s)	Cost	Shares Provision	Net
<b>Non current assets</b>			

As at 1 January and at 31 December 2017	13,003	(36)	12,967
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Investments in shares relate to the company's holding in the ordinary share capital in each of its direct subsidiary undertakings. The country of incorporation shown is also the country of operation.

	Holding	Country of incorporation
Glynwed Properties Limited*	100%	UK
Wask - RMF Limited*	100%	UK
Glynwed Foundry Products Limited	100%	UK
Glynwed V Limited	100%	UK

Registered Office for all subsidiaries: Dickley Lane, Lenham, Kent, ME17 2DE

\* indicates subsidiary is held directly.

Investments are stated at the lower of cost and net realisable value. All subsidiaries are dormant.

# 12 Inventories

(£ '000s)	2017	2016
<b>As at 31 December</b>		
Raw materials, packaging materials and consumables	1,050	1,044
Components	298	238
Work in progress	1	9
Finished goods	9,504	7,480
Goods purchased for resale	573	425
<b>Inventories</b>	<b>11,426</b>	<b>9,196</b>

The total write-down of inventories amounts to £911,000 at 31 December 2017 (2016: £608,000).

The cost of inventories (valued at full cost) recognised as an expense amounted to £37,434,000 (2016: £32,192,000).

# 13 Amounts receivable

(£ '000s)  
**Non current**

<b>As at 31 December</b>	<b>2017</b>	<b>2016</b>
<b>Loan to parent company</b>	<b>25,479</b>	<b>24,551</b>

The loan to the parent company is non-interest bearing and has no fixed date for repayment.

## Current

<b>As at 31 December</b>	<b>2017</b>	<b>2016</b>
Trade receivables	10,997	10,508
Allowance for doubtful debts	(582)	(846)
<b>Trade receivables</b>	<b>10,415</b>	<b>9,662</b>
Other taxes recoverable	-	469
Derivative financial instruments with positive fair values	55	84
Other	206	39
<b>Amounts receivable</b>	<b>10,676</b>	<b>10,254</b>

#### 14 Cash and cash equivalents

(£ '000s)

As at 31 December

	<u>2017</u>	<u>2016</u>
Bank current accounts	189	447
<b>Cash &amp; cash equivalents in the statement of cash flows</b>	<b>189</b>	<b>447</b>

#### 15 Equity

##### Share capital

		<u>2017</u>	<u>2016</u>
Authorised share capital - shares of 25p each	Number	62,200,000	62,200,000
	Value £	15,550,000	15,550,000
The issued and fully paid ordinary shares	Number	44,757,845	44,757,845
- shares of 25p each	Value £	11,189,461	11,189,461

The holders of ordinary shares are entitled to receive dividends as declared and to one vote per share at shareholders' meetings of the company.

##### Dividends

An interim dividend of £nil was declared and paid in the year (2016: £nil).

No final dividend is proposed for the current year by the directors (2016: no dividend).

#### 16 Non-interest bearing loans

(£ '000s)

As at 31 December

	<u>2017</u>	<u>2016</u>
<b>Non-current</b>		
Loans from other group undertakings (note 25)	7,179	7,179
<b>Non-current non-interest bearing loans</b>	<b>7,179</b>	<b>7,179</b>

The company has unsecured loans from a fellow group undertaking that are non-interest bearing and which have no fixed date for repayment.

#### 17 Employee benefits

The company participates in group retirement and other long-term benefit plans.

In addition, certain directors participate in the Group share-based payment plans.

##### Defined contribution plan

The company made contributions of £657,000 (2016: £627,000) to the defined contribution scheme in the year to 31 December 2017. Once the contributions have been paid, the company has no further payment obligation. The cash contributions constitute an expense for the year in which they are due.

### Defined benefit plan

The company acts as a participating employer in the Aliaxis UK Defined Benefit Pension Scheme, a defined benefit contributory pension scheme, the constitution and governance of which are in conformity with the requirements of the Pensions Act 1985. The Scheme provides benefits based on final pensionable pay, with all assets being held in an independent and separately administered trustee fund. The funding of the Scheme is assessed in accordance with the advice of an independent and professionally qualified actuary. The Scheme is closed to new members. New and existing employees were eligible to join an enhanced Defined Contribution scheme, the Aliaxis UK Defined Contribution Pension Scheme, until 31 July 2012 and the Aliaxis Group Personal Pension Plan from 1 August 2012.

The company's net asset for the post-employment benefit plan comprises the following at 31 December:

(£ '000s)	2017	2016
Present value of funded obligations	(78,328)	(75,854)
Fair value of plan assets	89,324	85,734
<b>Present value of net funded obligations</b>	<b>10,996</b>	<b>9,880</b>
Long term incentive plan	(94)	(108)
<b>Total employee benefit assets</b>	<b>10,902</b>	<b>9,772</b>
Liabilities	(94)	(108)
Assets	10,996	9,880
<b>Net asset at 31 December</b>	<b>10,902</b>	<b>9,772</b>
Liabilities analysed		
Non-current balance at the end of the period	(46)	(56)
Current balance at the end of the period	(48)	(52)

The movements in the net asset for defined benefit obligations recognised in the statement of financial position at 31 December are as follows:

(£ '000s)	2017	2016
Net asset at 1 January	9,880	10,613
Employer contributions	699	496
Pension (expense) / credit recognised in the statement of comprehensive income	(44)	295
Actuarial gains / (losses)	461	(1,524)
<b>Net asset at 31 December</b>	<b>10,996</b>	<b>9,880</b>

The changes in the present value of the defined benefit obligations are as follows:

(£ '000s)	2017	2016
Defined benefit obligation at 1 January	(75,854)	(62,606)
Interest cost	(1,960)	(2,359)
Actuarial (losses) / gains	(2,565)	(13,997)
Benefits paid	2,051	3,108
<b>Defined benefit obligation at 31 December</b>	<b>(78,328)</b>	<b>(75,854)</b>

The changes in the fair value of plan assets are as follows:

(£ '000s)	2017	2016
Fair value of plan assets at 1 January	85,734	73,219
Expected return	2,223	2,764
Actuarial gains / (losses)	3,026	12,473
Administration costs incurred	(307)	(110)
Contributions by employer	699	496
Benefits paid	(2,051)	(3,108)
<b>Fair value of plan assets at 31 December</b>	<b>89,324</b>	<b>85,734</b>

	2017	2016
The actual return gain on plan assets	5,249	15,237

During 2017, the defined benefit obligation has increased due mainly due to changes in the assumptions on the obligations. However, the fair value of plan assets has also increased. The funded position, i.e. the ratio of assets to the defined benefit obligation, has increased slightly at 114% (2016: 113%).

The net defined benefit asset has increased during the year from £9,880,000 to £10,996,000

The total employer contributions are £655,000 (2016: £791,000) comprising normal cash contributions of £699,000 (2016: £496,000) plus the pension charge of £44,000 (2016: credit of £295,000) retained in the scheme.

The company expects to pay normal contributions of approximately £0.6 million to its defined benefit plan in 2017.

The historical evolution of the present value of the defined benefit obligation, the fair value of plan assets, the actuarial gains and losses, the past service costs and the recognised assets is as follows:

(£ '000s)	2017	2016
<b>At 31 December</b>		
Present value of defined benefit obligations	(78,328)	(75,854)
Fair value of plan assets	89,324	85,734
Actuarial gains / (losses)	461	(1,524)
Change in the actuarial gains /(losses) during the year of which:		
* due to experience adjustments on obligations	14	3,158
* due to assumption adjustments on obligations	(2,578)	(17,155)

The expense / (credit) recognised in the statement of comprehensive income with regard to defined benefit plans can be detailed as follows:

(£ '000s)	2017	2016
Interest cost	1,960	2,359
Expected return on plan assets	(2,223)	(2,764)
Administration Cost	307	110
<b>Total</b>	<b>44</b>	<b>(295)</b>

The employee benefit expense / (credit) is included in the following lines in the statement of comprehensive income.

(£ '000s)	2017	2016
Cost of sales	23	(160)
Commercial charges	12	(81)
Administrative charges	6	(39)
R&D expenses	3	(15)
<b>Total</b>	<b>44</b>	<b>(295)</b>

The principal actuarial assumptions can be summarised as follows:

	2017	2016
Discount rate at 31 December	2.4%	2.6%
Expected return on assets at 31 December	2.8%	3.1%
Rate of salary increases	n/a	n/a
Pension increase rate	3.1%	3.2%

A sensitivity analysis of the impact on the defined benefit obligation from changes to the main actuarial assumptions is shown below:

	Impact on DBO
Increase life expectancy by 1 year	+3.0%
Increase discount rate by 0.1%	-2.0%
Increase price inflation by 0.1%	+1.0%

Demographic assumptions are shown below:

	Years
Average life expectancy from age 65 years:	
- for a male, currently aged 65 years old	23.5
- for a female, currently aged 65 years old	24.5
- for a male, reaching age 65 in 20 years time	25.7
- for a female, reaching age 65 in 20 years time	26.8

The average remaining duration of the plan's liabilities is about 23 years.

At 31 December the plan assets are broken down into the following categories according to the asset portfolios weighted by the amount of assets:

	2017	2016
Insurance contract	37%	15%
Diversified Growth Fund	26%	-
Government bonds	37%	40%
Corporate bonds	-	18%
Equity instruments	-	27%
	100%	100%

The plan assets do not include investments in the Company's own shares or in property occupied by the Company.

#### Share-based payments

Share-based payments are accounted for in the direct parent company.

#### 18 Deferred tax assets and liabilities

The change in deferred tax assets and liabilities is as follows:

(£'000s)	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
As at 1 January	222	372	(1,893)	(2,007)	(1,671)	(1,635)
Recognised in the income statement	(198)	(150)	50	(145)	(148)	(295)
Recognised directly in equity	-	-	(78)	259	(78)	259
<b>As at 31 December</b>	<b>24</b>	<b>222</b>	<b>(1,921)</b>	<b>(1,893)</b>	<b>(1,897)</b>	<b>(1,671)</b>

Deferred tax assets and liabilities are attributable to the following items:

(£'000s)	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	1	135	(52)	(213)	(51)	(78)
Post employment benefit	-	-	(1,869)	(1,680)	(1,869)	(1,680)
Provisions	23	79	-	-	23	79
Other assets and liabilities	-	8	-	-	-	8
<b>Tax assets / liabilities</b>	<b>24</b>	<b>222</b>	<b>(1,921)</b>	<b>(1,893)</b>	<b>(1,897)</b>	<b>(1,671)</b>

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and a reduction to 17% (effective from 1 April 2020) was substantively enacted on 9 September 2016. The deferred tax net liability at 31 December 2017 has been calculated based on the rate of 17%.

## 19 Provisions

<u>Current provisions</u>	Product & Legal liability	Restructur- ing	TOTAL
(£ '000s)			
As at 1 January 2017	1,666	355	2,021
<i>Movements during the year:</i>			
Provisions created	32	281	313
Provisions used	(8)	(545)	(553)
Provisions reversed	(142)	-	(142)
<b>As at 31 December 2017</b>	<b>1,548</b>	<b>91</b>	<b>1,639</b>

The product & legal liability provisions is for a number of potential product and legal liabilities. The largest liability is due to an action brought by the Health & Safety Executive (HSE) for a fatality on site in 2015. In March 2018, the court determined a fine of £1 million was due, which is fully covered in the provision and was paid in April 2018.

## 20 Other amounts payable

(£'000s)		
<u>As at 31 December</u>	<u>2017</u>	<u>2016</u>
Trade payables	16,746	15,551
Payroll and social security payable	429	356
Income taxes payable	2,147	1,509
Other taxes payable	(38)	1,223
Derivative financial instruments with negative fair values	248	326
Other payables	563	449
<b>Amounts payable</b>	<b>20,095</b>	<b>19,414</b>

## 21 Financial instruments

Risks relating to credit worthiness, interest rates, exchange rates and liquidity arise in the company's normal course of business. However the most significant financial exposure for the company relates to the fluctuation in currency exchange rates.

The company addresses these risks and defines strategies to limit their economic impact on its performance in accordance with its financial risk management policy.

The fair value of the financial instruments is materially the same as the amortised cost at which the financial instruments are carried in the financial statements.

### Credit risk

The company provides credit to customers in the normal course of business and the amount that appears on the balance sheet is net of an allowance of £582,000 (2016: £846,000) for doubtful receivables due to age.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

The trade receivables as at 31 December are aged as follows:

(£'000s)	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	7,555	(131)	8,180	-
Past due 0 - 30 days	2,267	(59)	1,951	(435)
Past due 31 - 90 days	707	(125)	363	(326)
Past due 91 - 365 days	450	(249)	(30)	(29)
More than one year	18	(18)	44	(56)
<b>As at 31 December</b>	<b>10,997</b>	<b>(582)</b>	<b>10,508</b>	<b>(846)</b>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017	2016
As at 1 January	(846)	(865)
Provision created	(107)	(229)
Provision used	30	248
Provision reversed	341	-
<b>As at 31 December</b>	<b>(582)</b>	<b>(846)</b>

### Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

2017	Carrying value	Contractual cash flow	Under 1 year	1 to 5 years	Over 5 years
Employee benefits	94	94	48	46	-
Unsecured intercompany loan	7,179	7,179	-	-	7,179
Provisions	1,639	1,639	1,639	-	-
Trade and other payables	20,095	20,095	20,095	-	-
	<b>29,007</b>	<b>29,007</b>	<b>21,782</b>	<b>46</b>	<b>7,179</b>
2016	Carrying value	Contractual cash flow	Under 1 year	1 to 5 years	Over 5 years
Employee benefits	108	108	52	56	-
Unsecured intercompany loan	7,179	7,179	-	-	7,179
Provisions	2,021	2,021	2,021	-	-
Trade and other payables	19,414	19,414	19,414	-	-
	<b>28,722</b>	<b>28,722</b>	<b>21,487</b>	<b>56</b>	<b>7,179</b>



## Foreign currency risk

### Transaction exposure

The company is exposed to foreign currency risk on transactions and balances with group companies denominated in non-sterling currencies. Currencies giving rise to such risk are primarily the Euro and the US dollar.

Where there is no natural hedge, the foreign currency risk is primarily managed by the use of forward exchange contracts. All contracts have maturities of less than one year.

Foreign currency risk on firm commitments and forecast transactions is subject to hedging (in whole or in part) when the underlying operating transactions are reasonably expected to occur within a determined time frame.

The table below presents the positive and negative fair values of derivative held as cash flow hedges as reported in the statement of financial position under current amounts receivable and current amounts payable respectively. Also included are the notional amounts of the derivative financial instruments per maturity as presented in the statement of financial position.

(£'000s)	Fair Value		Notional Amount		Total
	Positive	Negative	<6m	6 to 12	
	Current	Current	months	months	
<b>Derivatives</b>	<b>55</b>	<b>(248)</b>	<b>200,325</b>	<b>42,805</b>	<b>243,130</b>

Fair values of derivatives are determined by using the discounted cash-flows valuation method, and are a level 2

The fair value adjustment for the effective portion of those derivatives is recognised directly in Other Comprehensive Income under hedging reserve. The evolution in the hedging reserve is as follows:

	2017	2016
As at 1 January	(137)	-
Created in year	34	(137)
Utilised in year	-	-
<b>As at 31 December</b>	<b>(103)</b>	<b>(137)</b>

The derivative financial instruments which cease to meet the criteria to be eligible for hedge accounting are accounted for as derivatives held-for-trading and the changes in fair value of those instruments are accounted for in profit or loss. In 2017, the net fair value adjustment through Financial Income or Expense was a gain of £104,000 (2016: £105,000 loss).

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the profit and loss as part of foreign currency gains and losses.

### Statement of financial position exposure

(£'000s)

	2017 TOTAL	GBP	EUR	USD	Other
Amounts receivable	10,415	8,517	651	1,247	-
Cash & cash equivalents	189	92	97	-	-
Accounts Payable	(16,746)	(8,763)	(7,535)	(167)	(281)
<b>Statement of financial position exposure</b>	<b>(6,142)</b>	<b>(154)</b>	<b>(6,787)</b>	<b>1,080</b>	<b>(281)</b>

	2016 TOTAL	GBP	EUR	USD	Other
Amounts receivable	9,662	8,288	824	547	3
Cash & cash equivalents	447	371	76	-	-
Accounts Payable	(15,551)	(7,177)	(7,758)	(229)	(387)
<b>Statement of financial position exposure</b>	<b>(5,442)</b>	<b>1,482</b>	<b>(6,858)</b>	<b>318</b>	<b>(384)</b>

A 10% weakening of the following currencies against the pound sterling at 31 December would have increased equity and profit by the amounts shown below.

	EUR 2017	USD 2017	Other 2017	EUR 2016	USD 2016	Other 2016
Equity and profit or loss	679	(108)	28	686	(32)	38

#### Interest rate risk

As a member of a UK cash pooling arrangement, the company benefits from centrally managed interest rates.

## 22 Operating lease commitments

	2017 Cost as a lessee	2016 Cost as a lessee
(£'000s)		
<u>Commitments as at 31 December</u>		
Not later than one year	156	20
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
<b>Total committed</b>	<b>156</b>	<b>20</b>

## 23 Capital Commitments

The company had £nil of capital commitments at the end of the year (2016: nil).

## 24 Contingencies

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Company takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Company cannot make a sufficiently reliable estimate of the potential obligation.

Contingencies relating to the cross guarantees given in respect of fellow UK group subsidiaries' bank accounts are detailed in note 25.

## 25 Related Parties

(£'000s)

#### Transactions with subsidiaries:

#### Sales to fellow subsidiaries are shown below:

		2017	2016
Philmac Pty Ltd	Australia	1	154
Glynwed Pipe Systems Shanghai	China	507	269
Akatherm - FIP GmbH	Germany	293	276
Aliaxis Utilities & Industy SAS	France	106	295
FIP Srl	Italy	1	45
Ipex USA LLC	USA	491	985
Innoge PEI	Monaco	-	161
Akatherm International BV	The Netherlands	260	224
Glynwed Pipe Systems (Asia) Pte Ltd	Singapore	36	22
Vinidex Pty Ltd	Australia	214	41
Other fellow subsidiaries		92	188
<b>Total inter-group sales</b>		<b>2,001</b>	<b>2,660</b>

#### Management fees incurred from fellow Group companies:

		2017	2016
Aliaxis Services SA	France	2,357	1,490

**Transactions with Aliaxis Holdings UK Ltd, parent company:**

	<b>2017</b>	<b>2016</b>
<b>Non-current inter-company loan receivable at 1 January</b>	<b>24,551</b>	<b>17,717</b>
Cash pooling	1,089	6,839
Invoice settlement	(161)	(5)
Dividend paid	-	-
<b>Non-current inter-company receivable at 31 December</b>	<b>25,479</b>	<b>24,551</b>

**Transactions with other fellow group companies:**

<b>Wask-RMF Limited</b>	<b>2017</b>	<b>2016</b>
<b>Non-current inter-company loan payable at 1 January and 31 December</b>	<b>(7,179)</b>	<b>(7,179)</b>

<b>Recharge of expenses from fellow group company:</b>	<b>2017</b>	<b>2016</b>
DHM Plastics Limited	2,650	2,362

**Contingent Liabilities**

(£'000s)

The company has guaranteed the following borrowings of fellow group undertakings:

	<b>2017</b>	<b>2016</b>
Aliaxis Holdings UK Limited	-	-
<b>Total guarantees</b>	<b>-</b>	<b>-</b>

The guarantees relate to current account cross guarantees with Fortis Bank SA/NV, UK branch.

**26 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company's ultimate parent undertaking is Aliaxis SA, a company incorporated in Belgium. The company's immediate parent undertaking is Aliaxis Holdings UK Limited, a company incorporated in England.

The largest and smallest group in which the results of the company are consolidated is headed by Aliaxis SA, a company incorporated in Belgium. The accounts of Aliaxis SA are available to the public and may be obtained from Avenue Arnaud Fraiteur 15-23, 1050 Ixelles, Belgium.