

Eurocell Profiles Limited

Annual report and financial statements

For the year ended 31 December 2015

Registered Number 02649790

TUESDAY



A5CZNSOQ

A22

09/08/2016

#400

COMPANIES HOUSE

Eurocell Profiles Limited

**Company information page
For the year ended 31 December 2015**

Directors P Bateman (resigned 30 June 2016)
M K Edwards (resigned 30 June 2016)
G R Parkinson
M J W Kelly (appointed 29 March 2016)

Company Secretary M K Edwards (resigned 15 April 2016)
G Copley (appointed 15 April 2016)

Registered Number 02649790

Registered Office Fairbrook House
Clover Nook Road
Alfreton
Derbyshire
DE55 4RF

Independent Auditor PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Eurocell Profiles Limited
Contents
For the year ended 31 December 2015

Contents

1-3	Strategic report
4-5	Directors' report
6-7	Independent Auditors' report to the members of Eurocell Profiles Limited
8	Income statement
9	Statement of financial position
10	Statement of changes in equity
11-31	Notes forming part of the financial statements

Eurocell Profiles Limited
Strategic Report
For the year ended 31 December 2015

Principal activities

The company engages in the manufacturing and marketing of rigid extruded PVC profiles which are then supplied to third party fabricators from which windows, doors, and cavity closer systems are then fabricated. The company also manufactures foam roofline products and trims which are sold through the Eurocell Building Plastics Limited branch network.

The company's products are manufactured in two purpose built extrusion facilities in Alfreton, Derbyshire, which the directors consider combine to be one of the largest facilities in the UK with capacity to produce enough profiles for approximately 23,000 windows a week. Currently the company is consuming in excess of 36,000 tonnes of PVC compound each year.

Business review

In March 2015, Eurocell plc, the ultimate parent company of Eurocell Profiles Limited floated on the main market of the London Stock Exchange.

In July 2015, Eurocell Profiles Limited acquired 100% of the ordinary share capital of S. and S. Plastics Limited. S. and S. Plastics Limited specialises in injection moulding in the windows market and other profitable sectors. The acquisition is allowing the Group to extend its customer base and also provide further cross-selling opportunities for the extended product range.

The directors believe Eurocell Profiles Limited has established a reputation for designing and manufacturing innovative window system profiles which are compliant with recent thermal efficiency standards and building regulations. There are three main window and door systems developed by Eurocell Profiles Limited: Logik, Aspect and Modus. With an estimated market share of almost 10 per cent, Logik is one of the leading window profile products in the UK, Aspect is the market leading PVC panoramic bi-fold door system.

In addition Eurocell Profiles Limited designs and manufactures and supplies traditional and contemporary conservatory roofing systems.

Revenue for the year was broadly flat £103,733,000 (2014: £104,735,000). Profit on ordinary activities before taxation increased by 36.5% to £17,220,000 (2014: £12,611,000).

The Directors believe that there are a number of key factors contributing to these results:

- Revenue was negatively impacted by the slowing of the RMI market and the delay in signing a major new customer.
- Margin benefitted from low PVC Resin prices (through market forces and better procurement), reduced costs of other raw materials and production efficiencies.
- Investment in the recycling plant has delivered increased recycled material at lower cost.
- Overheads remain tightly controlled.

The non-underlying costs in the income statement of £643,000 represent costs recharged from Eurocell plc in respect of the IPO (£600,000) and costs incurred in acquiring S. and S. Plastics Limited (£43,000).

The Board uses many performance indicators to monitor performances. Some of the key indicators which are monitored by the Board are as follows:

- Operation Equipment Efficiency (OEE) and usage of recycled materials. Training has been provided at all levels in order to drive the manufacturing facilities' efficiency forward. The training concentrates on asset care, management and appraisals, production techniques and scrap reduction. Through investment in machinery and tooling as well as people skills the OEE has improved to 76% (2014: 71%)
- Usage of recycled materials. The growing use of both consumer (old windows) and post-industrial (factory waste from fabricators) has increased to 3.5kt (2014: 2.4kt). This is as a result of investment into new extrusion tooling which increases the % recycled material for the same profile. The difference in cost between virgin and recycled material remains high despite the falling resin price

Eurocell Profiles Limited
Strategic Report (*continued*)
For the year ended 31 December 2015

Principal risks and uncertainties

The company continues to offset the risk of competitive pressure through continuing to focus on customer needs. Price is an important consideration and the company strives to reduce costs by identifying non value added processes whilst continuing to exceed customer expectations.

The company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The company was previously financed by Asset Based Lending from PNC Financial Services UK Limited and loans from other group companies, and following the IPO is now financed by group borrowings.

The Group risks to which Eurocell Profiles Limited are exposed are discussed in Eurocell plc's Annual Report which does not form part of this report.

The company is exposed through its operations to the following financial risks:

- credit risk
- market risk
- foreign exchange risk
- liquidity risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated.

General objectives, policies and processes

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function.

The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to credit risk through its trade receivables arising from its normal commercial activities. It is company policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Existing credit risks associated with trade receivables are managed in line with company policies as discussed in the financial assets section of accounting policies.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This risk is mitigated by ensuring that deposits are only made with banks and financial institutions with a minimum rating "A" as issued by an industry recognised independent third party e.g. Standard and Poor's.

Market risk

Prior to the IPO, the company was financed by Asset Based Lending from PNC Financial Services UK Limited and as such was subject to market risk through these borrowings which incurred variable interest rate charges linked to base rate plus a margin.

The company is now financed by group borrowings.

Eurocell Profiles Limited
Strategic Report (continued)
For the year ended 31 December 2015

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of a financial instrument or future cashflow will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign exchange risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency. The Group manages its exposure to fluctuations in currency rates by wherever possible negotiating both purchasing and sales to be denominated in Sterling. The effect on the income statement from likely changes in foreign exchange is not significant.

Liquidity risk

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

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, annual cash flow models are prepared and updated on a regular basis to ensure that the company has adequate headroom in its facilities.

The Board receives monthly updates on the liquidity position and any issues are reported by exception. At the end of the financial year, these projections indicated that the company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Environment

Eurocell Profiles Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Employees

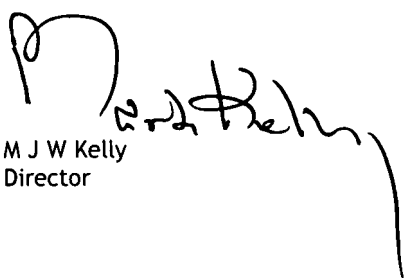
Details of number of employees and related costs can be found in note 7 to the financial statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in Eurocell plc's policies and practices to keep employees informed on matters relevant to them through appropriate means, such as employee meetings and newsletters. This ensures that there is a common awareness across all employees in relation to the financial and economic factors that affect the performance of the company. The company also encourages and provides opportunities for employees to contribute their views.

The group plans to introduce a save as you earn scheme ("SAYE" or "Sharesave" scheme) in the future to encourage the involvement of employees in company performance.

This report was approved by the board on 28 July 2016 and signed on its behalf


M J W Kelly
Director

Eurocell Profiles Limited
Directors' Report
For the year ended 31 December 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Parent company listing

On 11 March 2015 the company's ultimate parent, Eurocell plc, listed on the London Stock Exchange. As part of that process the group refinanced its borrowings.

Results and dividends

The profit for the year, after taxation amounted to £14,199,000 (2014: £9,260,000).

The directors have declared and paid dividends during the year of £13,000,000 (2014: £Nil).

Events after the balance sheet date

On 9 March 2016, the company acquired 100% of the share capital of Vista Panels Limited for a gross cash outflow of £7.2m.

Subsequent to 31 December 2015 the company paid a dividend of £100 per share (a total of £10,000,000).

Directors

The directors who served during the year and up to the date of signing the financial statements are noted on the company information page.

All of the directors benefited from qualifying third-party indemnity provisions in place during the year and at the date of this report.

Strategic report

As permitted by section 414C of the Companies Act 2006, certain information required to be included in the Directors' report has been included in the Strategic Report. Specifically, this relates to information on the likely future developments of the business, financial risk management and application of employment for disabled persons.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Eurocell Profiles Limited

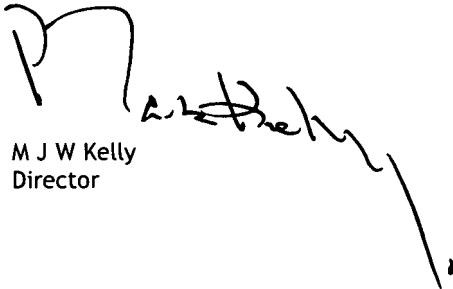
Directors' Report (*continued*)
For the year ended 31 December 2015

Statement of directors' responsibilities (*continued*)

In accordance with section 418 of the Companies Act 2006, each director in office at the date of the directors' report has confirmed that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 28 July 2016 and signed on its behalf by:



M J W Kelly
Director

Eurocell Profiles Limited

Independent Auditors' report to the members of Eurocell Profiles Limited For the year ended 31 December 2015

Report on the financial statements

Our opinion

In our opinion, Eurocell Profiles Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Eurocell Profiles Limited

Independent Auditor's report to the members of Eurocell Profiles Limited (*continued*) For the year ended 31 December 2015

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

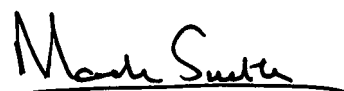
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 July 2016

Eurocell Profiles Limited
Income Statement
For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Revenue	3	103,733	104,735
Cost of sales		(54,784)	(60,285)
Gross profit		<u>48,949</u>	<u>44,450</u>
Distribution costs		(7,905)	(6,420)
Administrative expenses		(23,019)	(24,657)
Administrative expenses - non-underlying	5	(643)	(246)
Total administrative expenses		(23,662)	(24,903)
Operating profit	4	<u>17,382</u>	<u>13,127</u>
Finance income	8	46	87
Finance expense	9	(208)	(603)
Profit on ordinary activities before taxation		<u>17,220</u>	<u>12,611</u>
Income tax expense	10	(3,021)	(3,351)
Profit for the financial year		<u><u>14,199</u></u>	<u><u>9,260</u></u>

All amounts relate to continuing operations.

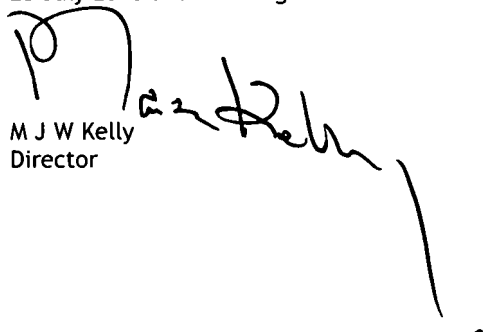
There is no other comprehensive income for the current or preceding year. The accompanying notes are an integral part of these financial statements.

Eurocell Profiles Limited
Registered Number: 02649790

Statement of financial position
As at 31 December 2015

	Note	2015 £000	2014 £000
Non-current assets			
Intangible assets	12	127	86
Property, plant and equipment	13	15,651	14,681
Investments in subsidiaries	14	2,451	1
		<u>18,229</u>	<u>14,768</u>
Current assets			
Inventories	15	8,882	7,094
Trade and other receivables	16	16,615	16,128
Cash and cash equivalents		-	1,122
		<u>25,497</u>	<u>24,344</u>
Trade and other payables - current	17	(24,113)	(19,774)
Net current assets		<u>1,384</u>	<u>4,570</u>
Total assets less current liabilities		19,613	19,338
Trade and other payables - non-current	17	(350)	(1,274)
Provisions	19	(500)	(500)
Net assets		<u>18,763</u>	<u>17,564</u>
Capital and reserves			
Called up share capital	21	100	100
Retained earnings		18,663	17,464
Total shareholders' funds		<u>18,763</u>	<u>17,564</u>

The financial statements on pages 8 to 31 were approved and authorised for issue by the Board of Directors on 28 July 2016 and were signed on its behalf by:


 M J W Kelly
 Director

Eurocell Profiles Limited

**Statement of changes in equity
For the year ended 31 December 2015**

	Called up share capital (note 21) £000	Retained earnings £000	Total Shareholders' funds £000
At 1 January 2014	100	8,204	8,304
Profit for the financial year	-	9,260	9,260
At 31 December 2014	<u>100</u>	<u>17,464</u>	<u>17,564</u>
Profit for the financial year	-	14,199	14,199
Dividends paid	-	(13,000)	(13,000)
At 31 December 2015	<u>100</u>	<u>18,663</u>	<u>18,763</u>

Eurocell Profiles Limited

Notes forming part of the financial statements For the year ended 31 December 2015

1 Accounting policies

Corporate information

Eurocell Profiles Limited ("the company") is a limited company incorporated and domiciled in England and Wales. The registered office is Fairbrook House, Clover Nook Road, Alfreton, Derbyshire, DE55 4RF.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The company has adequate resources to continue in operational existence for the foreseeable future and as a result of this the going concern basis has been adopted in preparing the financial statements.

The company's financial statements are presented in UK pounds sterling and are rounded to the nearest thousand pounds, except where otherwise stated.

The company has taken advantage of the exemption from the requirement to prepare financial statements by virtue of Section 400 of the Companies Act 2006, as the company is a wholly owned subsidiary. These financial statements therefore present information about the company as an individual undertaking and not about its group.

As permitted by FRS 101 the company has taken advantage of the disclosure exemptions available under that standard in relation to presenting comparative information in respect of property, plant and equipment and intangible assets, financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and related party transactions with other wholly-owned members of the group. Where required, equivalent disclosures are given in the group accounts of Eurocell plc. The group financial statements of Eurocell plc are available to the public and can be obtained as set out in note 26.

Notes forming part of the financial statements (*continued*)
For the year ended 31 December 2015

1 Accounting policies (*continued*)

FRS 101 exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (when the goods are delivered). The amounts are recognised net of any discounts or rebates payable, which are accrued at the point at which the goods are delivered.

Administrative expenses - Non-underlying

The company presents some material items of income and expense as non-underlying costs. This is done when in the opinion of the directors the nature and expected infrequency of the circumstances merit separate presentation in the financial statements. This treatment allows a better understanding of the elements of financial performance in the year; it facilitates comparison with prior periods; and it helps in understanding trends in financial performance.

Eurocell Profiles Limited

**Notes forming part of the financial statements (continued)
For the year ended 31 December 2015**

1. Accounting policies (continued)

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The significant intangibles recognised by the company, their useful economic lives and the methods used to determine the cost of intangibles are as follows:

Intangible asset	Useful economic life	Valuation method
Software	Five years	Cost to acquire
Technology based	Ten to seventeen years	Cost to acquire
Customer related	Twelve years	Cost to acquire

Property, plant and equipment

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

Depreciation is provided on all property, plant and equipment so as to write off their cost less residual value over their expected useful economic lives. It is provided at the following rates:

Plant, machinery and equipment	-	Between 10% and 25 %
Mixing plant	-	13 years based on production usage
Extruders	-	5 to 10 years based on production usage
Stillages and tooling	-	5 years
Motor vehicles	-	Between 20% and 25%
Computer equipment	-	Between 20% and 25%

Investments in subsidiaries

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

Inventory

Inventory is initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes forming part of the financial statements (*continued*)
For the year ended 31 December 2015

1 Accounting policies (*continued*)

Financial assets

The company classifies all of its financial assets as loans and receivables and has not classified any of its financial assets as held to maturity.

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the profit and loss account. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the income statement.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less from inception, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial liabilities

The company classifies its financial liabilities as other financial liabilities which include the following items:

- bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.
- trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost.

Notes forming part of the financial statements (*continued*)
For the year ended 31 December 2015

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the company.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Provisions

A provision is recognised in the statement of financial position when the company has a present 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

The company has recognised provisions for liabilities of uncertain timing or amount in respect of leasehold dilapidations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Share capital

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

Dividends

Dividends are recognised when they become legally payable. In the case of all dividends to equity shareholders, this is when declared by the directors.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period. The company has no obligation to pay future pension benefits.

Operating leases

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

Notes forming part of the financial statements *(continued)*
For the year ended 31 December 2015

1 Accounting policies *(continued)*

Foreign currency

The company's financial statements are presented in UK pounds sterling, which is also the parent company's functional currency.

Transactions entered into in a currency other than the currency of the primary economic environment in which the company operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately as a finance cost or gain in the income statement.

2 Critical accounting estimates and judgements

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

Estimates and assumptions

a) Determination of useful lives, residual values and carrying values of property, plant and equipment

Depreciation is provided so as to write down assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment. The selection of these residual values and estimated lives requires the exercise of judgement.

The company is required to see whether there is indication of impairment to the carrying values of assets. In making that assessment, judgements are made in the estimating value in use. The directors consider that individual carrying values of operating assets are supportable either by value in use or market values.

Further disclosures relating to property, plant and equipment are provided in note 13.

b) Carrying value of inventories

Management review the market value of, and demand for, its inventories on a periodic basis to ensure inventory is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of inventories. Management use their knowledge of market conditions to assess future demand for the company's products and achievable selling prices.

Further disclosures relating to inventory are provided in note 15.

Notes forming part of the financial statements (*continued*)
For the year ended 31 December 2015

2 Critical accounting estimates and judgements (*continued*)

c) Recoverability of trade receivables

Management makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and the charge in the income statement.

Further disclosures relating to trade receivables are provided in note 16.

d) Dilapidation provisions

The group recognises dilapidation provisions on the leasehold properties it occupies. Management assess the level of provision required on a property by property basis based on past experience within the property portfolio. These provisions are reviewed annually to ensure that they reflect the current best estimate of the provision required.

Further disclosures relating to dilapidation provisions are provided in note 19.

e) Assumptions relating to tax

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

Further disclosures relating to tax are provided in note 10.

Eurocell Profiles Limited

Notes forming part of the financial statements (continued)
For the year ended 31 December 2015

3 Revenue

Revenue arises from:	2015 £000	2014 £000
Sale of goods	103,733	104,735

The whole of the revenue is attributable to the extrusion of PVC window and building products to the new and replacement window market.

A geographical analysis of revenue is as follows:

	2015 £000	2014 £000
United Kingdom	103,395	104,484
Rest of European Union	338	251
	<u>103,733</u>	<u>104,735</u>

4 Operating profit

This is stated after charging:

	2015 £000	2014 £000
Depreciation of property, plant and equipment	3,431	3,499
Impairment of property, plant and equipment	236	-
Amortisation of intangible assets	23	92
Research and development costs	244	270
Operating lease payments: land and building	1,687	1,705
Operating lease payments: other	562	1,341
	<u>6,183</u>	<u>6,907</u>

Amortisation charges on the company's intangible assets are recognised in the administrative expense line in the income statement.

Eurocell Profiles Limited

Notes forming part of the financial statements *(continued)*
For the year ended 31 December 2015

5 Administrative expenses - non-underlying

	2015 £000	2014 £000
Restructuring costs	-	246
Management charge - contribution to Eurocell plc IPO charges	600	-
Acquisition costs	43	-
	<u>643</u>	<u>246</u>
	<u><u>643</u></u>	<u><u>246</u></u>

In 2014, Restructuring costs relate to the restructuring of the distribution department following the outsourcing of product distribution in 2013.

Management charges relate to the company's contribution to Eurocell plc's flotation costs.

The acquisition costs relate to the acquisition of Ampco 113 Limited and its subsidiary S. and S. Plastics Limited during the year.

6 Auditors' remuneration

	2015 £000	2014 £000
Audit of these financial statements	30	29
Amounts receivable by auditors and their associates in respect of: Services relating to taxation	-	3
	<u>30</u>	<u>32</u>
	<u><u>30</u></u>	<u><u>32</u></u>

Eurocell Profiles Limited

Notes forming part of the financial statements (continued)
For the year ended 31 December 2015

7 Staff costs

	2015	2014
	£000	£000
Staff costs (including directors) comprise:		
Wages and salaries	11,933	12,941
Social security costs	1,208	1,332
Other pension costs	435	414
	<u>13,576</u>	<u>14,687</u>

	2015	2014
	No.	No.
The average monthly number of employees, including directors, during the year were as follows:		

Office and administration	29	17
Distribution	22	43
Production	351	375
	<u>402</u>	<u>435</u>

Directors' remuneration

	2015	2014
	£000	£000
Emoluments	375	279
Apportioned costs relating to share based payments	119	-
Total pension and other post-employment benefit costs	32	26
	<u>526</u>	<u>305</u>

The directors' were remunerated by Eurocell Group Limited and recharged by provided level of service.

During the year retirement benefits were accruing to 3 directors (2014: 3).

The highest paid director received remuneration of £273,000 (2014: £194,000). The remuneration received includes company pension contributions.

The value of the company's contributions paid to a defined contribution scheme in respect of the highest paid director amounted to £21,000 (2014: £17,000).

8 Finance income

	2015	2014
	£000	£000
Foreign exchange gains	46	87

9 Finance expense

	2015	2014
	£000	£000
Bank loans	88	485
Group loans	120	118
	<u>208</u>	<u>603</u>

Eurocell Profiles Limited

**Notes forming part of the financial statements (continued)
For the year ended 31 December 2015**

10 Income tax expense

	2015 £000	2014 £000
Current tax		
Current tax on profits for the year	2,741	2,621
Adjustment for (over) / under provision in prior years	(88)	199
Total current tax	<u>2,653</u>	<u>2,820</u>
Deferred tax		
Origination and reversal of temporary differences - current year	366	426
Adjustments to deferred tax charge in respect of prior years	2	105
Total deferred tax (note 20)	<u>368</u>	<u>531</u>
Income tax expense	<u><u>3,021</u></u>	<u><u>3,351</u></u>

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

	2015 £000	2014 £000
Profit on ordinary activities before tax	<u>17,220</u>	<u>12,611</u>
Expected tax charge based on the standard rate of United Kingdom corporation tax of 20.25% (2014: 21.5%)	3,487	2,711
Expenses not deductible for tax purposes	60	20
Patent box relief claim	(375)	-
Difference between capital allowances and depreciation	(63)	313
Adjustments to tax charge in respect of prior periods	(88)	199
Other short term timing differences	(2)	3
Adjustments to deferred tax charge in respect of prior years	2	105
Total income tax expense for the year	<u><u>3,021</u></u>	<u><u>3,351</u></u>

Changes in tax rates and factors affecting the future tax charge

A reduction in the mainstream rate of UK corporation tax from 21% to 20% took effect from April 2015 which gives rise to an effective rate of 20.25% for the year. A further reduction to 19% from 1 April 2017 and 18% from 1 April 2020 have been substantively enacted. UK temporary differences are measured at the rate at which they are expected to reverse.

Eurocell Profiles Limited

Notes forming part of the financial statements (continued)
For the year ended 31 December 2015

11 Dividends paid and proposed

	2015 £000	2014 £000
Declared and paid during the year: £130 per ordinary £1 share	13,000	-
	<u>13,000</u>	<u>-</u>

Subsequent to 31 December 2015 the company paid a dividend of £100 per share (a total of £10,000,000).

12 Intangible assets

	Software £000	Technology based £000	Customer related £000	Total £000
Cost				
Balance at 1 January 2015	116	96	3,275	3,487
Additions	65	-	-	65
Disposals	(1)	-	-	(1)
Balance at 31 December 2015	<u>180</u>	<u>96</u>	<u>3,275</u>	<u>3,551</u>
Accumulated amortisation and impairment				
Balance at 1 January 2015	78	48	3,275	3,401
Amortisation charge for the year	13	10	-	23
Disposals	-	-	-	-
Balance at 31 December 2015	<u>91</u>	<u>58</u>	<u>3,275</u>	<u>3,424</u>
Net book value				
At 31 December 2015	<u>89</u>	<u>38</u>	<u>-</u>	<u>127</u>
At 31 December 2014	<u>38</u>	<u>48</u>	<u>-</u>	<u>86</u>

Eurocell Profiles Limited

Notes forming part of the financial statements (*continued*)
For the year ended 31 December 2015**13 Property, plant and equipment**

	Plant, machinery and equipment £000	Assets under construction £000	Motor vehicles £000	Total £000
<i>Cost or valuation</i>				
Balance at 1 January 2015	69,701	2,137	118	71,956
Additions	595	4,062	-	4,657
Disposals	(580)	-	-	(580)
Transfers	3,672	(3,588)	(8)	76
Impairment	(236)	-	-	(236)
Balance at 31 December 2015	<u>73,152</u>	<u>2,611</u>	<u>110</u>	<u>75,873</u>
<i>Accumulated depreciation</i>				
Balance at 1 January 2015	57,200	-	75	57,275
Depreciation charge for the year	3,420	-	11	3,431
Transfers	84	-	(8)	76
Disposals	(560)	-	-	(560)
Balance at 31 December 2015	<u>60,144</u>	<u>-</u>	<u>78</u>	<u>60,222</u>
<i>Net book value</i>				
At 31 December 2015	<u>13,008</u>	<u>2,611</u>	<u>32</u>	<u>15,651</u>
At 31 December 2014	<u>12,501</u>	<u>2,137</u>	<u>43</u>	<u>14,681</u>

Details of plant and machinery pledged as security over loans is disclosed within note 18.

Eurocell Profiles Limited

Notes forming part of the financial statements (continued)
For the year ended 31 December 2015

14 Investments in subsidiaries

The following were direct subsidiary undertakings of the company, all incorporated in England and Wales:

Name	Principal activity	Holding	
		2015	2014
Northampton Profiles Limited	Dormant	100%	100%
Cavalok Building Products Limited	Dormant	100%	100%
Merritt Plastics Limited	Dormant	100%	100%
Merritt Engineering Limited	Dormant	100%	100%
Ampco 113 Limited	Holding Company	100%	n/a
S. and S. Plastics Limited	Injection Moulding	100%	n/a

**Investments in
subsidiary
undertakings
£000**

Cost and net book value

Balance at 1 January 2015	1
Additions in the year	2,450
Balance at 31 December 2015	<u>2,451</u>

On 31 July 2015, the company acquired 100% of the ordinary share capital of Ampco 113 Limited and its wholly owned subsidiary S. and S. Plastics Limited.

S. and S. Plastics Limited specialises in injection moulding, predominately in the windows market. The acquisition took place to allow the group to expand their customer base and provide cross -selling opportunities of the group's extruded product range.

The consideration was £2,450,000, of which £350,000 is deferred and is outstanding at the balance sheet date. This amount is not contingent and will be settled once the group financial statements for the year ended 31 December 2018 have been approved.

Eurocell Profiles Limited

Notes forming part of the financial statements *(continued)*
For the year ended 31 December 2015

15 Inventories

	2015	2014
	£000	£000
Raw materials	2,240	2,252
Work in progress	1,850	2,035
Finished goods and goods for resale	4,792	2,807
	<u>8,882</u>	<u>7,094</u>

In the opinion of the directors, there is no material difference between the replacement cost of inventory and the amount stated above.

During 2015, £49,516,000 (2014: £54,879,000) was recognised as an expense for inventory carried at net realisable value. This is recognised within cost of sales. The cost of inventory recognised as an expense includes a credit of £1,612,000 (2014: £388,000 expense) in respect of write-downs of inventory to net realisable value.

Details of inventories pledged as security over loans is disclosed within note 18.

Eurocell Profiles Limited

Notes forming part of the financial statements (continued)
For the year ended 31 December 2015

16 Trade and other receivables

	2015 £000	2014 £000
Current:		
Trade receivables	10,736	9,360
Amounts owed by group companies	3,656	4,812
Prepayments and accrued income	1,575	1,007
Other receivables	67	
	<u>16,034</u>	<u>15,179</u>
Non-current:		
Deferred tax asset (note 20)	581	949
	<u>16,615</u>	<u>16,128</u>

The amounts owed from group companies are unsecured, interest free and repayable on demand which are agreed from time to time between the companies.

17 Trade and other payables

	2015 £000	2014 £000
Current:		
Bank loan (note 18)	-	6,110
Bank overdraft	2,812	-
Trade payables	11,783	8,823
Amounts owed to group companies	5,866	-
Corporation tax	920	1,941
Other tax and social security	-	510
Accruals	2,732	2,390
	<u>24,113</u>	<u>19,774</u>
Non-current:		
Bank loan (note 18)	-	1,274
Deferred consideration	350	-
	<u>24,463</u>	<u>21,048</u>

The amounts owed to group companies are unsecured, repayable on demand and subject to interest charges which are agreed from time to time between the companies. The average interest rate charged to the company for the year from group companies was 1.50% (2014: 0.76%).

Book values approximate to fair value at 31 December 2015 and 31 December 2014.

Eurocell Profiles Limited

**Notes forming part of the financial statements (continued)
For the year ended 31 December 2015**

18 Loans and borrowings

On 11 March 2015, the company's ultimate parent company, Eurocell plc, listed on the London Stock Exchange. As part of that process the group refinanced all of its borrowings. Consequently, the external debt was settled during the year.

The bank loans outstanding at 31 December 2014 were secured by way of a fixed and floating charge over the assets of the company as follows:

	2015 £000	2014 £000
Secured over trade receivables	-	5,347
Secured over plant and machinery	-	2,037
	<u>-</u>	<u>7,384</u>
	<u>-</u>	<u>7,384</u>

Details in respect of the loans outstanding at 31 December 2014 were as follows:

- The plant and machinery loan was repayable by instalment over 44 equal instalments. Interest was payable at 2.5% above base rate.
- The loans secured over trade receivables were not repayable by instalments. Interest was payable at 2% above base rate.
- The fair value of loans and borrowings at 31 December 2014 was equivalent to the book value.

The currency profile of the company's external loans and borrowings is as follows:

	2015 £000	2014 £000
Loan - Sterling	-	7,384
Overdraft - Sterling	2,812	-
	<u>2,812</u>	<u>7,384</u>
	<u>2,812</u>	<u>7,384</u>

Eurocell Profiles Limited

Notes forming part of the financial statements *(continued)*
For the year ended 31 December 2015

19 Provisions and liabilities

	2015 £000	2014 £000
At 1 January	500	500
Arising during the year	-	-
	<u>500</u>	<u>500</u>
At 31 December	<u>500</u>	<u>500</u>
Amounts falling due after more than one year	<u>500</u>	<u>500</u>

Dilapidations

The provision is for the potential dilapidation costs likely to be incurred to restore leased properties to their original state. The provision represents the directors' best estimate of costs to be incurred upon exit of the company's leased properties.

20 Deferred tax

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

	2015 £000	2014 £000
At 1 January	949	1,480
Movement during year	(368)	(531)
At 31 December	<u>581</u>	<u>949</u>

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

Eurocell Profiles Limited

**Notes forming part of the financial statements (continued)
For the year ended 31 December 2015**

20 Deferred tax (continued)

The movements in deferred tax assets and liabilities during the year, together with amounts recognised in the income statement are as follows:

	Asset 2015 £000	Liability 2015 £000	Net 2015 £000	(Charged)/ credited to profit or loss 2015 £000	(Charged)/ credited to equity 2015 £000
Accelerated capital allowances	581	-	581	210	-
Other temporary differences	-	-	-	158	-
Net tax assets	<u>581</u>	<u>-</u>	<u>581</u>	<u>368</u>	<u>-</u>
	2014 £000	2014 £000	2014 £000	2014 £000	2014 £000
Accelerated capital allowances	791	-	791	(528)	-
Other temporary differences	158	-	158	(3)	-
Net tax assets	<u>949</u>	<u>-</u>	<u>949</u>	<u>(531)</u>	<u>-</u>

21 Called up share capital

Allotted, called up and fully paid

	2015 £000	2014 £000
100,000 (2014: 100,000) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Eurocell Profiles Limited

Notes forming part of the financial statements (continued) For the year ended 31 December 2015

22 Operating leases

The company has entered into commercial leases on certain items of land and buildings as these arrangements are a cost effective way of obtaining the short-term benefits of these assets. There are no restrictions placed on the company by entering into these leases.

Eurocell Group Limited has historically taken out contractual leases on behalf of the Eurocell group for property, plant and equipment, motor vehicles and other items.

The total value of minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	2015	2014
	£000	£000
Not later than one year	1,100	1,100
Later than one year and not later than five years	4,400	4,400
Later than five years	5,408	6,508
	<u> </u>	<u> </u>

23 Retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £435,000 (2014: £414,000).

24 Related party transactions

The Company has taken advantage of the exemption included within FRS101 not to disclose transactions and balance between itself and other wholly owned members of the Eurocell plc group.

The company did not enter into transactions with key management personnel or other related parties.

25 Contingent liabilities

The company has guaranteed the borrowings of other companies in the Eurocell Group of £25,700,000 (2014: £8,766,000), headed by Eurocell plc.

26 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Eurocell Group Limited and the ultimate holding company is Eurocell plc, which is registered in England and Wales.

Eurocell plc is listed on the London Stock Exchange.

The smallest and largest group for which group financial statements are prepared is Eurocell plc. Consolidated financial statements are available from www.eurocell.co.uk

Eurocell Profiles Limited

**Notes forming part of the financial statements (*continued*)
For the year ended 31 December 2015**

27 Events after the balance sheet date

Acquisition

On 9 March 2016, the company acquired 100% the share capital of Vista Panels Limited for a consideration of £6,687,000. As part of the acquisition Eurocell Profiles Limited also agreed to settle on completion £485,000 owed by Vista Panels Limited to its former ultimate parent undertaking CorpAcq Limited. The total amount paid was therefore £7,172,000.

Dividend

Subsequent to the year ended 31 December 2015, the company paid a dividend of £10,000,000 up to Eurocell Group Limited.