Eurocell Profiles Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2016

Registered Number 02649790

Company Information

Directors
Mark Kelly (appointed 29 March 2016)
Glenn Parkinson
Patrick Bateman (resigned 30 June 2016)
Matthew Edwards (resigned 30 June 2016)

Company Secretary
Gerald Copley (appointed 15 April 2016)
Matthew Edwards (resigned 15 April 2016)

Registered Number
02649790

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

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

Bankers
Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Contents

Strategic Report

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 combined 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

Eurocell Profiles Limited successfully completed the acquisition of Vista Panels Limited, acquiring 100% of the ordinary share capital in March 2016. Vista Panels Limited specialises in the manufacture of composite and PVC doors, with the acquisition allowing Eurocell Profiles Limited to extend its customer base, and 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 12 per cent, Logik is one of the leading window profile products in the UK, along with the Modus window suite. 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 increased 6% to £110,187,000 (2015: £103,733,000). Gross profit increased to £52,155,000 (2015: £48,949,000). Profit on ordinary activities before taxation decreased by 5% to £16,280,000 (2015: £17,220,000).

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, which has remained subdued through 2016, however we have made good progress with our strategic priorities and other self-help initiatives.
- Solid growth in the private new build sector, with a shift in demand towards thermal efficiency products.
- With our customer base there are positive trends across the spectrum. Over the last 12 months large fabricators have increased capacity by extending or adding factory units and progress with continued investment in plant and machinery.

Strategic Report (continued)

Business review (continued)

- Investment in the recycling plant has delivered increased recycled material at lower cost, helping mitigate current and future adverse movement in raw material prices, enhancing product stability, and lowering the carbon footprint of our manufactured products.
- Overheads remain tightly controlled.

The non-underlying costs in the income statement of £97,000 represent the costs incurred in acquiring Vista Panels Limited. The 2015 non-underlying costs of £643,000 relate to the Company's contribution towards Eurocell Plc's flotation costs, as well as the acquisition of S. and S. Plastics Limited.

Key performance indicators

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

- Operation Equipment Efficiency (OEE). 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, with waste and scrap levels falling during the year.
- Usage of recycled materials. The growing use of both post- consumer (old windows) and post-industrial (factory waste from fabricators) has increased to 6.0kt, 14% of consumption (2015: 4.1kt, 9% of consumption). This is as a result of investment into new extrusion tooling which increases the percentage of recycled material for the same profile. The difference in cost between virgin and recycled material remains high despite the falling resin price.

Future development

In order to support sustainable growth in sales and profits at above market level growth rates, our main strategic priorities are as follows:

- Increase our share of the PVC profiles market to utilise the spare extrusion capacity of our facilities.
- We intend to target new build, commercial and public sector work to deliver incremental volume growth. New build in particular, with increasing demand for our brand, strong technical support, and market specific innovations, is helping support growth.
- By offering the latest in product improvement, developing existing products and introducing new ones, we are committed to maintaining market leadership. Recent examples being the expansion of the Modus window suite, and the introduction of a wider range of Roomline products.

Principal risks and uncertainties

The Company continues to mitigate 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 is financed by Group borrowings.

Strategic Report (continued)

Principal risks and uncertainties (continued)
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
- 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 Steering Group.

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 good rating issued by an industry-recognised independent third party e.g. Standard and Poor's.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of a financial instrument or future cash flow 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

Strategic Report (continued)

Principal risks and uncertainties (continued)
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 has introduced a save as you earn scheme ("SAYE" or "Sharesave" scheme) to encourage the involvement of employees in Company performance.

This report was approved by the Board on 30 June 2017 and signed on its behalf

Mark Kelly
Director

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the financial year, amounted to £12,824,000 (2015: £14,199,000).
The Directors have declared and paid dividends during the year of £20,000,000 (2015: £13,000,000).

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.

Management routinely plan future activities including forecasting future cash flows. Management have reviewed their plan with the Directors and have collectively formed a judgement that the Company has adequate resources to continue as a going concern for at least 12 months from the date of signing of these financial statements.

In arriving at this judgement the Directors have reviewed cash flow projections of the Company in light of the trading and financial uncertainties in the current economic climate and have considered existing commitments together with the financial resources available to the Company and its wider group.

The Directors have also received confirmation from its ultimate parent company, Eurocell plc, that it will continue to provide financial support as required to enable the Company to meet its obligations as and when they fall due and in any event for a period of at least 12 months from the date of signing the financial statements.

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 employees.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

Directors' Report (continued)

Statement of Directors' responsibilities in respect of the financial statements (continued)

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors
A resolution to appoint PricewaterhouseCoopers as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board 30 June 2017 and signed on its behalf by:

Mark Kelly
Director

Independent auditors' report to the members of Eurocell Profiles Limited

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2016;
- 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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.

Independent auditors' report to the members of Eurocell Profiles Limited (continued)

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.

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 in respect of the financial statements, 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Mark Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 June 2017

Income Statement for the Year Ended 31 December 2016

	Note	2016 £000	2015 £000
Revenue	3	110,187	103,733
Cost of sales		(58,032)	(54,784)
Gross profit		52,155	48,949
Distribution Costs		(9,669)	(7,905)
Administrative expenses – underlying		(25,807)	(23,019)
Administrative expenses – non-underlying	4	(97)	(643)
Total administrative expenses		(25,904)	(23,662)
Operating profit	5	16,582	17,382
Finance income	8	165	46
Finance expense	9	(467)	(208)
Profit on ordinary activities before taxation		16,280	17,220
Income tax expense	10	(3,456)	(3,021)
Profit for the financial year		12,824	14,199

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.

Statement of Financial Position as at 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Intangible assets	12	552	127
Property, plant and equipment	13	16,423	15,651
Investments in subsidiaries	14	9,141	2,451
		26,116	18,229
Current assets			
Inventories	15	6,698	8,882
Trade and other receivables	16	18,525	16,615
Cash and cash equivalents		1,587	-
		26,810	25,497
Current liabilities			
Trade and other payables - current	17	(40,489)	(24,113)
Net current (liabilities) / assets		(13,679)	1,384
Total assets less current liabilities		12,437	19,613
Non-current liabilities			
Trade and other payables – non-current	17	(350)	(350)
Provisions	19	(500)	(500)
Net Assets		11,587	18,763
Capital and reserves			
Called up share capital	21	100	100
Retained earnings		11,487	18,663
Total shareholders' funds		11,587	18,763

The financial statements on pages 12 to 33 were approved and authorised for issue by the Board on 30 June 2017 and were signed on its behalf by:

Mark Kelly
Director

Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
At 1 January 2015	100	17,464	17,564
Profit for the financial year	-	14,199	14,199
Dividends paid (note 11)	-	(13,000)	(13,000)
At 31 December 2015	100	18,663	18,763
Profit for the financial year		12,824	12,824
Dividends paid (note 11)	-	(20,000)	(20,000)
At 31 December 2016	100	11,487	11,587

Notes to the Financial Statements

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. 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.

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 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.

Management routinely plan future activities including forecasting future cash flows. Management have reviewed their plan with the Directors and have collectively formed a judgement that the Company has adequate resources to continue as a going concern for at least 12 months from the date of signing of these financial statements.

In arriving at this judgement the Directors have reviewed cash flow projections of the Company in light of the trading and financial uncertainties in the current economic climate and have considered existing commitments together with the financial resources available to the Company and its wider group.

The Directors have also received confirmation from its ultimate parent company, Eurocell plc, that it will continue to provide financial support as required to enable the Company to meet its obligations as and when they fall due and in any event for a period of at least 12 months from the date of signing 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 consolidated 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

Notes to the Financial Statements (continued)

1. **Accounting policies (continued)**

Basis of preparation (continued)
financial statements 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.

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 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (detail of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- 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'; and
  - 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.

Notes to the Financial Statements (continued)

1. **Accounting policies (continued)**

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.

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	5 years	Cost to acquire
Technology based	10 to 17 years	Cost to acquire
Customer related	12 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, except assets under construction, so as to write off their cost less residual value over their expected useful economic lives. It is provided at the following rates:

Notes to the Financial Statements (continued)

1. **Accounting policies (continued)**

Property, plant and equipment (continued)

Asset class	**Depreciation rate**
Plant, machinery and equipment	Between 10% and 25% straight line
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% straight line
Computer equipment	Between 20% and 25% straight line

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

Inventories
Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the 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.

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 income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Financial assets (continued)
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 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.

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

Notes to the Financial Statements (continued)

1. **Accounting policies (continued)**

Deferred taxation (continued)
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 they are approved by the shareholders.

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 income statement 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 to the Financial Statements (continued)

1. Accounting policies (continued)

Foreign currency

The Company's financial statements are presented in UK pounds sterling, which is also the 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

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.

Carrying value of inventories

Management review the market value of, and demand for, its inventories on a periodic basis to ensure inventories are 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.

Notes to the Financial Statements (continued)

2. Critical accounting estimates and judgements (continued)

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. Management review customers on an account by account basis and none within the Company financial statements are considered material.

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.

3. Revenue

Revenue arises from:	2016 £000	2015 £000
Sale of goods	110,187	103,733

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

A geographical analysis of revenue by destination is as follows:	2016 £000	2015 £000
United Kingdom	109,710	103,395
European Union	477	338
	110,187	103,733

4. Administrative expenses – non-underlying

	2016 £000	2015 £000
Management charge	-	600
Acquisition costs	97	43
	97	643

The management charge is in respect of a contribution to Eurocell plc IPO costs.

Notes to the Financial Statements (continued)

4. Administrative expenses – non-underlying (continued)

2015 management charges relate to the Company's contribution to Eurocell Plc's flotation costs.

The acquisition costs relate to the acquisition of Vista Panels Limited during the year (2015: Ampco 113 Limited and its subsidiary S. and S. Plastics Limited).

5. Operating profit

This is stated after charging:

	2016 £000	2015 £000
Depreciation of property, plant and equipment	3,714	3,431
Impairment of property, plant and equipment	-	236
Amortisation of intangible assets	150	23
Research and development costs	268	244
Operating lease payments: land and buildings	1,913	1,687
Operating lease payments: other	614	562

6. Auditors' remuneration

	2016 £000	2015 £000
Audit of these financial statements	32	30
Amounts receivable by auditors and their associates in respect of other services	-	-
	32	30

7. Staff costs

Staff costs (including Directors) comprise:

	2016 £000	2015 £000
Wages and salaries	12,939	11,933
Social security costs	1,322	1,208
Pension costs	438	435
	14,699	13,576

Notes to the Financial Statements (continued)

7. Staff costs (continued)

The average monthly number of employees, including Directors, during the year was as follows:

	2016 Number	2015 Number
Office and administration	31	29
Distribution	25	22
Production	362	351
	418	402

Directors' remuneration:	2016 £000	2015 £000
Emoluments	451	375
Apportioned costs relating to share based payments	82	119
Total pension and other post-employment benefit costs	39	32
	572	526

The Directors were remunerated by Eurocell Group Limited and recharged based on the provided level of service.

During the year retirement benefits were accruing to 4 Directors (2015: 3).

The highest paid Director received remuneration of £280,000 (2015: £273,000). 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 member of Director amounted to £16,000 (2015: £21,000).

8. Finance income

	2016 £000	2015 £000
Foreign exchange gains	43	46
Interest on amounts owed by Group undertakings	117	-
Other finance income	5	-
	165	46

Notes to the Financial Statements (continued)

9. Finance expense

	2016 £000	2015 £000
Foreign exchange losses	105	-
Bank loans	-	81
Interest on amounts owed by Group undertakings	362	120
Other finance costs	-	7
	467	208

10. Income tax expense

	2016 £000	2015 £000
Current tax		
Current tax on profits for the year	3,204	2,741
Adjustment for under / (over) provision in prior years	25	(88)
Total current tax	3,229	2,653
Deferred tax		
Origination and reversal of temporary differences	87	366
Adjustments in respect of change in rates	100	-
Adjustments to deferred tax charge in respect of prior years	40	2
Total deferred tax (note 20)	227	368
Income tax expense	3,456	3,021

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:

	2016 £000	2015 £000
Profit on ordinary activities before taxation	16,280	17,220
Expected tax charge based on the standard rate of United Kingdom corporation tax of 20.00% (2015: 20.25%)	3,256	3,487
Expenses not deductible for tax purposes	35	(5)
Patent box relief claim	-	(375)
Adjustments to tax charge in respect of prior years	65	(86)
Adjustments in respect of change in rates	100	-
Income tax expense	3,456	3,021

Notes to the Financial Statements (continued)

10. Income tax expense (continued)

Changes in tax rates and factors affecting the future tax charge

The mainstream rate of UK corporation tax which took effect from April 2015 was 20%. This gives rise to an effective rate of 20% (2015: 20.25%) for the year. Further reductions to 19% from 1 April 2017 and 17% from 1 April 2020 have been substantively enacted during the year, and so deferred tax has been re-measured at 17%.

11. Dividends paid

	2016 £000	2015 £000
Declared and paid during the year:		
£200 per ordinary £1 share (2015: £130)	20,000	13,000

12. Intangible assets

	Software £000	Technology based £000	Customer related £000	Total £000
Cost				
Balance at 1 January 2016	180	96	3,275	3,551
Additions	-	-	560	560
Transfer	15	-	-	15
At 31 December 2016	195	96	3,835	4,126
Accumulated amortisation				
At 1 January 2016	91	58	3,275	3,424
Amortisation charge for the year	14	10	126	150
At 31 December 2016	105	68	3,401	3,574
Net book value				
At 31 December 2016	90	28	434	552
At 31 December 2015	89	38	-	127

Notes to the Financial Statements (continued)

13. Property, plant and equipment

	Plant, machinery, equipment £000	Assets under construction £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2016	73,152	2,611	110	75,873
Additions	725	3,787	18	4,530
Disposals	(169)	-	-	(169)
Transfers	4,161	(4,176)	-	(15)
At 31 December 2016	77,869	2,222	128	80,219
Accumulated depreciation				
At 1 January 2016	60,144	-	78	60,222
Depreciation charge for the year	3,702	-	12	3,714
Disposals	(140)	-	-	(140)
At 31 December 2016	63,706	-	90	63,796
Net book value				
At 31 December 2016	14,163	2,222	38	16,423
At 31 December 2015	13,008	2,611	32	15,651

Notes to the Financial Statements (continued)

14. Investment in subsidiaries

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

		Holding	
Name	**Principal Activity**	**2016**	**2015**
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%	100%
S. and S. Plastics Limited	Injection Moulding	100%	100%
Vista Panels Limited	Manufacture of doors	100%	n/a

The registered address for all companies is Fairbrook House, Clover Nook Road, Alfreton, Derbyshire, DE55 4RF.

	Investment in subsidiary undertakings £000
Cost and net book value	
Balance at 1 January 2016	2,451
Additions in the year	6,690
Balance at 31 December 2016	9,141

On 9 March 2016, the Company acquired 100% of the ordinary share capital of Vista Panels Limited.

Vista is a manufacturer of composite and PVC panel doors, supplying the social housing and private RMI sectors. Vista is also the sole supplier of composite doors to Eurocell Building Plastics, while Eurocell Profiles supplies Vista with profiles for use in the manufacture of door frames.

The consideration paid was £6,690,000 (£6,300,000 net of cash acquired). Related to the acquisition, the Group agreed to settle on completion £485,000 owed by Vista to its former ultimate parent undertaking CorpAcq Limited.

Notes to the Financial Statements (continued)

15. Inventories

	2016 £000	2015 £000
Raw Materials	1,575	2,240
Work in progress	1,396	1,850
Finished goods and goods for resale	3,727	4,792
	6,698	8,882

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

During 2016, £52,336,000 (2015: £49,516,000) was recognised as an expense for inventories within cost of sales. The cost of inventories recognised as an expense includes £956,000 (2015: £1,612,000) in respect of write-downs of inventories to net realisable value. Inventory provisions at 31 December 2016 amounted to £1,557,000 (2015: £2,540,000).

16. Trade and other receivables

	2016 £000	2015 £000
Current:		
Trade receivables	12,083	10,736
Amounts owed by Group undertakings	4,955	3,656
Prepayments and accrued income	1,133	1,576
Other receivables	-	66
	18,171	16,034
Non-current:		
Deferred tax asset (note 20)	354	581
	18,525	16,615

Movements in the provision for impairment of trade debtors are as follows:

	2016 £000	2015 £000
At 1 January	492	1,479
Provided during the year	286	(643)
Receivables written off during the year as uncollectable	(281)	(344)
At 31 December	497	492

The amounts owed by Group companies are unsecured and repayable on demand. Interest charged is agreed from time to time between companies. The average interest rate charged by the Company for the year from Group companies was 2.01% (2015: 1.50%).

Book values approximate to fair value at 31 December 2016 and 31 December 2015.

Notes to the Financial Statements (continued)

16. Trade and other receivables (continued)

The fair values of trade and other receivables are not materially different to their carrying values. As at 31 December 2016 trade debtors of £615,200 (2015: £278,792) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these debtors is as follows.

	2016 £000	2015 £000
Up to 3 months overdue	615	271
Greater than 3 months overdue	-	8
	615	279

17. Trade and other payables

	2016 £000	2015 £000
Current:		
Bank overdraft	-	2,812
Trade payables	11,950	11,783
Amounts owed to Group undertakings	23,630	5,866
Corporation tax	1,957	920
Other tax and social security	347	-
Accruals	2,605	2,732
	40,489	24,113
Non-current:		
Deferred consideration	350	350
Total payables	40,839	24,463

The amounts owed to Group companies are unsecured, and repayable on demand. Interest charged is agreed from time to time between companies. The average interest rate charged to the Company for the year from Group companies was 2.01% (2015: 1.50%).

Book values approximate to fair value at 31 December 2016 and 31 December 2015.

18. Loans and borrowings

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

	2016 £000	2015 £000
Overdraft - Sterling	-	2,812
	-	2,812

Notes to the Financial Statements (continued)

19. Provisions

	2016 £000	2015 £000
At 1 January 2016 and 31 December 2016	500	500
Amounts falling due after more than one year	500	500

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

	2016 £000	2015 £000
At 1 January 2016	581	949
Charge for the year	(227)	(368)
At 31 December 2016	354	581

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.

	Asset 2016 £000	Liability 2016 £000	Net 2016 £000	Charged to income statement 2016 £000	(Charged)/ credited to equity 2016 £000
Accelerated capital allowances	354	-	354	(227)	-
Other temporary differences	-	-	-	-	-
Net tax assets	354	-	354	(227)	-
	2015 £000	**2015 £000**	**2015 £000**	**2015 £000**	**2015 £000**
Accelerated capital allowances	581	-	581	(210)	-
Other temporary differences	-	-	-	(158)	-
Net tax assets	581	-	581	(368)	-

Notes to the Financial Statements (continued)

21. Called up share capital

	2016 £000	2015 £000
100,000 (2015:100,000) Ordinary shares of £1 each	100	100

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 takes out contractual leases on behalf of other members of the Eurocell Group for property, plant and equipment, motor vehicles and other items. The rental charges in respect of these leases are recharged by Eurocell Group Limited to the relevant company, and disclosed as operating lease rentals where appropriate in that Company's financial statements. The legal commitments under the leases remain with Eurocell Group Limited. The necessary operating lease commitment disclosures in respect of those leases are therefore made within the financial statements of Eurocell Group Limited.

The total value of minimum lease payments under non-cancellable operating leases for land and buildings, where the commitment lies with Eurocell Profiles Limited, are as follows:

	2016 £000	2015 £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	4,308	5,408
	9,808	10,908

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 £438,000 (2015: £435,000).

24. Related party transactions

The Company has taken advantage of the exemption included within FRS101 not to disclose transactions and balances 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.

Notes to the Financial Statements (continued)

25. Contingent liabilities

The Company has guaranteed the borrowings of other companies in the Eurocell Group, headed by Eurocell plc, of £26,000,000 (2015: £25,700,000).

26. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Eurocell Group Limited and the ultimate parent company and controlling party 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 investors.eurocell.co.uk