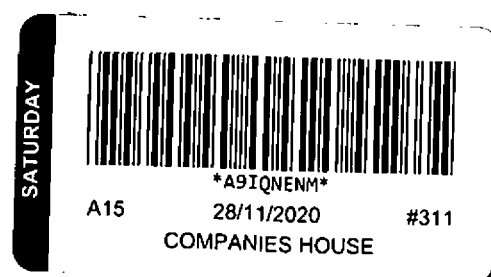


EUROCELL PROFILES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



EUROCELL PROFILES LIMITED

COMPANY INFORMATION

Directors	Mark Kelly Michael Scott
Company secretary	Paul Walker
Registered number	02649790
Registered office	Fairbrook House Clover Nook Road Alfreton Derbyshire DE55 4RF
Independent auditors	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX
Bankers	HSBC Bank plc 8 Canada Square London E14 5HQ Barclays Bank plc 1 Churchill Place Leicester Leicestershire LE87 2BB

EUROCELL PROFILES LIMITED

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EUROCELL PROFILES LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Directors present their Strategic Report on the Company for the year ended 31 December 2019.

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 49,000 tonnes of PVC virgin and recycled compound each year.

Eurocell Profiles Limited is a subsidiary of Eurocell plc, a company listed on the London Stock Exchange. Eurocell plc and its subsidiaries are defined as the "Group".

Business review

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. Eurocell Profiles is now the market-leading UK supplier of window profiles, with an estimated market share of over 15 per cent through its Logik system, 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 7.2% to £147.1m (2018: £137.2m). Gross profit increased to £65.9m (2018: £59.5m). Profit before tax decreased by 19.0% to £14.3m (2018: £17.6m). Net assets increased by £2.4m to £24.4m (2018: £22.0m).

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

- A like-for-like sales increase of 5% which includes the impact of selling price increases implemented in order to recover cost inflation and strong contributions from both existing and new accounts from across our fabricator base.
- An improvement in gross margin is due to selling price increased implemented to recover cost inflation and the continued increased use of recycled material in our primary extrusion process. The use of recycled materials in the Company's primary operations has increased to 13,400 tonnes (2018: 9,500 tonnes).
- Overheads have increased due to the impact on direct labour from higher production volumes, as well as wage and other inflation. Additional warehousing and distribution costs were also incurred as a result of additional demand, thereby exceeding the available operating capacity and leading to inefficiencies and extra costs.

EUROCELL PROFILES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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:

- Increase market share. As previously noted, the Company has continued to grow market share, in the process becoming the market leader.
- Overall 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. Furthermore, substantial capex investment has enabled a further 7 new lines to be fully operational and working well, leading to a better manufacturing performance in 2019 which in turn improved OEE to 73% (2018: 71%).
- Scrap levels have fallen to 8% compared to 9% in 2018 as a result of more efficient use of available capacity.
- Usage of recycled materials. The growing use of both post-consumer (old windows) and post-industrial (factory waste from fabricators) has increased to 13.4kt, 23% of consumption (2018: 9.5kt, 17% of consumption). This is an increase of 41% driving a substantial saving compared to the cost of using virgin material. This increase has been enabled through the expansion of Eurocell Recycle Midlands (formerly 'Merritt Plastics'), the acquisition by the Group of Eurocell Recycle North (formerly 'Ecoplas') and by investment in new co-extrusion tooling, which allows a greater proportion of recycled material to be used in our products.

Future developments

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

- Increase market share of the PVC profiles market to c.20% over the next few years.
- Looking forward, the Company intends to invest to further expand recycling capacity in order to benefit from the substantial savings in using recycled material in the extrusion process.
- Expand our current warehouse capacity to allow for future growth and operating efficiency. We have now secured a new state-of-the-art warehouse facility located nearby to our primary manufacturing site. We will take this opportunity to modernise our storage solutions and picking processes and will convert our existing warehouse to a specialist manufacturing site which will free up space to future-proof extrusion capacity. The new site is to be operational early in 2021.
- By offering the latest in product improvement, developing existing products and introducing new ones, we are committed to maintaining market leadership. Highlights in 2019 include the introduction of a flush window sash profile for our popular Eurologik profile range, a new patio door system (Syncro) and development of a through-colour grey substrate profile.

EUROCELL PROFILES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties (including financial risk management)

There are two key risks faced by the Company: the impact of COVID-19 and of Brexit. Neither impacted the business directly in 2019, but both could foreseeably have a significant impact on certain aspects of the business going forward.

The longer-term impact of the COVID-19 virus is yet to be fully understood, however in the short term the Company was significantly impacted by the Government-enforced lockdown implemented in March 2020, which led to the closure of its operations until 11th May 2020. Manufacturing operations have been re-calibrated to facilitate safe working conditions and social distancing. Sales in May and June remained below seasonal levels, however performance in July and August was strong, with like-for-like sales up 2% in that period. However the outlook remains unclear. The risk of customer defaults has also increased, with many small and owner-managed businesses struggling to meet their obligations due to cash flow pressures.

The future economic outlook will depend heavily upon the continuation, or otherwise, of measures which restrict normal working practices, particularly in the Repairs, Maintenance and Improvements sector to which the Group's trading subsidiaries are heavily exposed. However, the Company has put in place contingency measures to ensure that its employees, customers and suppliers can go about their business safely, and we will continue to ensure that our cost base is proportionate to the level of activity in our markets.

Despite the signing of the Withdrawal Agreement in January 2020 there remains significant uncertainty over the impact of Brexit, be it related to general macroeconomic factors or specific company risks.

Although the vast majority of our sales are made within the UK, some of our key raw materials do originate from Europe, so any disruption in supplies could impact our manufacturing operations. We have taken a number of steps to protect the Company from any negative effects. This includes strengthening our ties to key suppliers and ensuring that related business processes are robust. In addition, whilst we have only limited capacity to hold excess raw material stocks at our own sites, some of our suppliers have agreed to hold additional inventory on our behalf. We also began a finished stock build towards the end of last year, and have locked in electricity prices for the next 9 months at the current market rates.

More generally, the Group refinanced its bank facilities in March 2020, securing additional funding at competitive rates, and we have in place selective credit insurance against large customer accounts. Therefore, whilst we are not able to predict the impact of Brexit on our business, we have taken sensible steps to help mitigate known risks.

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 is 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:

- Price risk
- 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.

EUROCELL PROFILES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

General objectives, policies and processes

The Board of Eurocell plc 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 Group'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. These are then discussed at regular Board meetings.

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:

Price risk

Price risk is the risk of financial loss to the Company if suppliers increase prices. The Company's manufacturing operation is dependent on the supply of PVC resin, a material derivative of crude oil and ethylene. The price of PVC resin can therefore be subject to fluctuations based on the markets for crude oil and ethylene. The ability to pass on PVC price increases will depend on market conditions at the time.

It is Company policy, implemented locally, to mitigate the risks by passing through resin price increases (and decreases) to customers, increasing the use of recycled material in the manufacturing process and using more than one supplier to provide competitive pricing.

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, which is managed on a group-wide basis, 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, 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, which is managed on a group-wide basis, arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group and 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 Group 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 Group and Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

EUROCELL PROFILES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Section 172 statement

The Directors understand the business and the evolving macroeconomic and local environment in which Eurocell Profiles Limited operates, including the challenges presented by Covid-19 and Brexit as discussed above.

The Directors consider our customers, employees, suppliers, finance providers, the environment and our community as our principal stakeholders in addition to our shareholders.

The Directors recognise that our focus with our customers is on high service levels and providing sustainable and quality products. We work in partnership with our customers to ensure the relevance of our business strategy and investment policies.

Employee engagement is key to the achievement of overall business targets. We want to ensure that we attract, retain and motivate the right employees. It is therefore important that we continue to benchmark our remuneration packages to ensure that they remain competitive and remain a responsible employer in terms of our health, safety and workplace environment.

We strive to develop and maintain supplier relationships which are ethical, sustainable and responsible and work closely in partnership with a loyal supplier base. To ensure our product and service supply is maintained to our documented standard we ensure that all relevant raw material suppliers are compliant with appropriate standards.

The Company is committed to protecting and minimising our impact on the environment, and assesses the impact of its operations on the community and the environment by continually reviewing workplace practises. Recycling now sits at the very heart of our operations and the Group is proud to be the leading recycler of PVC windows in the UK.

The Board periodically reviews and approves its code of conduct, ethics and compliance policies, and modern slavery statements to ensure that high standards are maintained within the business and the business relationships we maintain.

Environment

The Group 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.

EUROCELL PROFILES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Employees

Details of the number of employees and related costs can be found in note 6 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 ("SAYE" or "Sharesave" scheme) to encourage the involvement of employees in Company performance.

This report was approved by the Board and signed on its behalf.



Michael Scott
Director

Date: 23 October 2020

EUROCELL PROFILES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have elected to prepare the audited 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'. Under company law the Directors must not approve the audited 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 audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited 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 to enable them to ensure that the audited 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.

Results and dividends

The profit for the year, after taxation, amounted to £12,352,000 (2018: £16,426,000).

A dividend of £100 per share (2018: £200 per share) was paid in the year. Total dividends paid were £10,000,000 (2018: £20,000,000).

EUROCELL PROFILES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

The Company is a subsidiary of Eurocell plc which is financed through equity and debt (guaranteed by its subsidiary trading entities). This has then been invested / lent to other subsidiary companies of Eurocell plc (together the "Group"). As such the ability of the Company to operate as a going concern is inextricably linked to the ability of the Group to continue as a going concern.

A Group wide going concern assessment has been performed covering the period up unto 31 December 2021 regarding the ability of the Group to operate within its existing debt facilities, including covenant compliance. As explained in note 31, the Group increased its debt facility by £15m in March 2020 and raised new Equity in April 2020. Therefore, the impact on cash arising from the reduction in trade during the first half of 2020 has been mitigated. These forecasts showed that, even after applying reasonable downside sensitivities, the Group has access to sufficient financial resources and the ability to operate within the debt covenants attached to the debt facility during this period, to enable the Group to operate as a going concern and pay its debts as and when they fall due. For further comment please refer to the half year report of the Group for the period ended 30 June 2020 available at investors.eurocell.co.uk.

EUROCELL PROFILES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Directors

The Directors who served during the year were:

Mark Kelly
Michael Scott

Engagement with employees

The maintenance of a highly trained workforce is essential to the future of the Company. Every effort is made to ensure the future career development of our existing people. The health and safety at work of all our people is constantly reviewed by the Directors to ensure the high standards set in previous years are maintained.

Qualifying third party indemnity provisions

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

Matters covered in the 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 (including information on price risk, credit risk and liquidity risk), engagement with suppliers, customers and employees.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.



Michael Scott
Director

Date: 23 October 2020

Independent auditors' report to the members of Eurocell Profiles Limited

Report on the audit of the financial statements

Opinion

In our opinion, Eurocell Profiles Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 December 2019 (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
23 October 2020

EUROCELL PROFILES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	3	147,089	137,225
Cost of sales		(81,187)	(77,749)
		<hr/>	<hr/>
Gross profit		65,902	59,476
Distribution costs		(8,310)	(6,384)
Administrative expenses - underlying		(42,683)	(37,192)
Administrative expenses - non-underlying	13	-	(61)
		<hr/>	<hr/>
Operating profit	4	14,909	15,839
Income from shares in group undertakings	8	-	2,000
Interest receivable and similar income	9	836	255
Interest payable and expenses	10	(1,450)	(451)
		<hr/>	<hr/>
Profit before taxation		14,295	17,643
Tax on profit	11	(1,943)	(1,217)
		<hr/>	<hr/>
Profit for the financial year		12,352	16,426
		<hr/>	<hr/>
Total comprehensive income for the year		12,352	16,426
		<hr/>	<hr/>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 15 to 38 form part of these financial statements.

EUROCELL PROFILES LIMITED
REGISTERED NUMBER: 02649790

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	14	40	46
Tangible assets	15	38,132	18,800
Investments	16	15,085	15,085
		<u>53,257</u>	<u>33,931</u>
Current assets			
Stocks	17	12,496	10,544
Debtors	18	28,643	26,755
Cash at bank and in hand		370	2,627
		<u>41,509</u>	<u>39,926</u>
Creditors: amounts falling due within one year	19	(58,297)	(50,900)
Net current liabilities		(16,788)	(10,974)
Total assets less current liabilities		<u>36,469</u>	<u>22,957</u>
Creditors: amounts falling due after more than one year	20	(11,766)	(810)
		<u>24,703</u>	<u>22,147</u>
Provisions for liabilities			
Deferred taxation	21	(204)	-
Other provisions	22	(127)	(127)
Net assets		<u><u>24,372</u></u>	<u><u>22,020</u></u>
Capital and reserves			
Called up share capital	25	100	100
Profit and loss account	26	24,272	21,920
		<u>24,372</u>	<u>22,020</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



Michael Scott
Director

Date: 23 October 2020

The notes on pages 15 to 38 form part of these financial statements.

EUROCELL PROFILES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	100	21,920	22,020
Comprehensive income for the year			
Profit for the financial year	-	12,352	12,352
Dividends paid (note 12)	-	(10,000)	(10,000)
At 31 December 2019	100	24,272	24,372

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	100	25,494	25,594
Comprehensive income for the year			
Profit for the financial year	-	16,426	16,426
Dividends paid (note 12)	-	(20,000)	(20,000)
At 31 December 2018	100	21,920	22,020

The notes on pages 15 to 38 form part of these financial statements.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

1.1 Corporate information

Eurocell Profiles Limited ("the Company") is limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is disclosed on the company information page.

The Company's financial statements are presented in UK pounds sterling, which is also the Company's functional currency and are rounded to the nearest thousand pounds, except where otherwise stated.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been consistently applied throughout the year, unless otherwise stated:

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.3 Exemptions

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 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 32.

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)
- Paragraphs 17 and 18A 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.

The Company has taken advantage of the exemption under FRS 101 not to disclose balances and transactions between itself and other wholly owned members of the Group.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.4 Going concern

The Company is a subsidiary of Eurocell plc which is financed through equity and debt (guaranteed by its subsidiary trading entities). This has then been invested / lent to other subsidiary companies of Eurocell plc (together the "Group"). As such the ability of the Company to operate as a going concern is inextricably linked to the ability of the Group to continue as a going concern.

A Group wide going concern assessment has been performed covering the period up unto 31 December 2021 regarding the ability of the Group to operate within its existing debt facilities, including covenant compliance. As explained in note 31, the Group increased its debt facility by £15m in March 2020 and raised new equity in April 2020. Therefore, the impact on cash arising from the reduction in trade during the first half of 2020 has been mitigated. These forecasts showed that, even after applying reasonable downside sensitivities, the Group has access to sufficient financial resources and the ability to operate within the debt covenants attached to the debt facility during this period, to enable the Group to operate as a going concern and pays its debts as and when they fall due. For further comment please refer to the half year report of the Group for the period ended 30 June 2020 available at investors.eurocell.co.uk.

The Company is in a net current liabilities position, due to the amounts owed to other members of the Group. A letter of support has been received from Eurocell plc, providing assurances that repayment of intercompany balances will only be demanded should the Company be able to make the requested payment without jeopardising its ability to make payments to external creditors as and when they fall due. This letter covers the period up to 31 December 2021.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.5 New accounting standard: IFRS 16 Leases

The Company has no leases previously classified as finance leases. From 1 January 2019 liabilities for leases previously classified as operating leases have been measured in accordance with IFRS 16 using the modified retrospective approach under Paragraph C3 of IFRS 16 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- The Company has not reassessed contracts that were not identified as leases under IAS 17 and IFRIC 4 to determine whether these is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after 1 January 2019.
- For leases previously classified as operating leases under IAS 17 -
 - the Company has applied a single discount rate to a portfolio of leases with similar characteristics.
 - the Company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.

Note 24 summarise the impacts of adopting new reporting standards on the Company's financial statements.

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with a value of less than £5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is calculated based upon a combination of the risk-free rate, financing and asset-specific credit spreads, adjusted for the term of each lease. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 were as follows:

- | | |
|--|-----------|
| • Property | 2% - 2.5% |
| • Motor vehicles, plant and machinery and IT equipment | 2.5% - 3% |

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Prior to the adoption of IFRS 16, operating leases were contractual arrangements conferring the right of use of an asset but where substantially all of the risks and rewards incidental to ownership were not transferred to the Group, the total rentals payable under the lease were charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. The aggregate benefit of lease incentives was recognised as a reduction of the rental expense over the lease term on a straight-line basis.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.6 Foreign currency translation

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 Statement of Comprehensive Income.

1.7 Turnover

Turnover is recognised to the extent that it is probable that economic benefits will flow to the Company and the turnover can be reliably measured, regardless of when the payment is being made.

Turnover 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 turnover 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 turnover arrangements.

Turnover 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.

1.8 Pensions

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as 'Other Comprehensive Income' or to an item recognised directly in equity is also recognised in 'Other Comprehensive Income' or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Balance Sheet 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.

1.10 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.

1.11 Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line cost to acquire 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:

The estimated useful lives range as follows:

Software	-	5 years
Technology based	-	10 to 17 years
Customer related	-	12 years

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- Over the period of the lease
Plant, machinery and equipment	- Between 10% and 25% straight line
Motor vehicles	- Between 20 and 25% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Assets under construction are stated at cost and are not depreciated until the asset is available for use, at which point the asset is transferred into the relevant asset category.

1.13 Right-of-use lease assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

1.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.15 Stocks

Stocks 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 stock 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.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.16 Provisions for liabilities

A provision is recognised in the balance sheet 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, discounted at a pre-tax rate as described above.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.17 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans to group undertakings, trade and other debtors.

Loans and debtors 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 debtors), 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.

The Company applies the simplified approach to measuring expected credit losses under IFRS 9, which uses a lifetime expected loss allowance for all financial assets. In measuring expected credit losses for trade debtors, debtors have been grouped based on shared characteristics and days past due. While cash at bank and in hand is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The loss is recognised in administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade debtor will not be collectible, 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 debtors 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 Statement of Comprehensive Income.

The Company's loans and receivables comprise trade and other debtors and cash at bank and in hand in the Balance Sheet.

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 that are readily convertible to known amounts of cash with insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within creditors on the Balance Sheet.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities which comprise trade creditors and short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost.

1.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.19 Share capital

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

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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:

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.

Recoverability of trade receivables

The Company has adopted IFRS 9 with effect from 1 January 2018 and applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables. Expected loss rates are derived based upon a historic payment profile of sales, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income.

Where the adjusted loss rates are different from the original estimate, such difference will impact on the carrying value of trade receivables and the amount credited or charged on a net basis to operating expenses within the Statement of Comprehensive Income. The key judgement is the extent to which macroeconomic factors impact upon the recoverability of trade receivables. The key estimate is the adjusted loss rate applied to each category of trade receivables.

Lease liability term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise or not exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or change in circumstances brings into question management's earlier judgement.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Turnover

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Sale of goods	147,089	137,225

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	146,827	136,053
Rest of Europe	81	666
Rest of the world	181	506
	147,089	137,225

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

4. Operating profit

Operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible assets	3,815	3,783
Depreciation of right-of use-assets	2,553	-
Amortisation of intangible assets	22	158
Profit on disposal of tangible assets	-	(30)

Depreciation of tangible assets, right-of-use assets and amortisation of intangible assets are charged to administrative expenses in the Statement of Comprehensive Income.

5. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	50	49

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	20,464	17,537
Social security costs	2,053	1,776
Other pension costs	831	630
	<u>23,348</u>	<u>19,943</u>

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

	2019 No.	2018 No.
Office and administration	28	33
Selling and distribution	20	13
Warehouse	99	85
Production	506	450
	<u>653</u>	<u>581</u>

7. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	454	262
Apportioned costs relating to share based payments	61	5
Company contributions to defined contribution pension schemes	43	37
	<u>558</u>	<u>304</u>

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 2 Directors (2018: 2).

The highest paid Director was remunerated through Eurocell Group Limited and received remuneration of £333,000 (2018: £187,000). The highest paid Director did not exercise any share options during the year (2018: £Nil). The disclosures in relation to the highest paid Director reflect the level of services provided to the Company.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £26,000 (2018: £22,000). The pension costs were remunerated through Eurocell Group Limited.

EUROCELL PROFILES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Income from shares in group undertakings

	2019	2018
	£000	£000
Income from investments in group companies	<u>-</u>	<u>2,000</u>

9. Interest receivable and similar income

	2019	2018
	£000	£000
Interest on amounts owed by Group undertakings	793	196
Foreign exchange gains	34	49
Other finance income	9	10
	<u>836</u>	<u>255</u>

10. Interest payable and similar expenses

	2019	2018
	£000	£000
Interest on amounts owed to Group undertakings	1,110	394
Foreign exchange losses	40	28
Interest on lease liabilities (note 23)	295	-
Other loan interest payable	5	29
	<u>1,450</u>	<u>451</u>

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Tax on profit

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	1,499	1,084
Adjustments in respect of prior years	41	(10)
Total current tax	<u>1,540</u>	<u>1,074</u>
Deferred tax		
Origination and reversal of timing differences	399	127
Adjustments in respect of changes in rates	-	(13)
Adjustments to deferred tax charge in-respect of prior years	4	29
Total deferred tax	<u>403</u>	<u>143</u>
Tax on profit	<u>1,943</u>	<u>1,217</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	<u>14,295</u>	<u>17,643</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	2,716	3,352
Effects of:		
Expenses not deductible for tax purposes	32	58
Dividend income not subject to corporation tax	-	(380)
Patent box relief claims	(803)	(1,819)
Adjustments in respect of changes in rates	(47)	(13)
Adjustments in respect of prior years	45	19
Total tax charge for the year	<u>1,943</u>	<u>1,217</u>

Factors that may affect future tax charges

The mainstream rate of UK corporation tax which took effect from April 2017 was 19%. A further reduction to 17% from 1 April 2020 was enacted (as at 8 March 2017 as part of the Budget 2017), however as announced as part of the Budget 2020, the rate will now remain at 19%.

EUROCELL PROFILES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Dividends

	2019 £000	2018 £000
Dividends paid £100 per Ordinary share (2018: £200)	<u>10,000</u>	<u>20,000</u>

13. Administrative expenses - non-underlying

	2019 £000	2018 £000
Acquisition related costs	<u>-</u>	<u>61</u>

14. Intangible assets

	Software £000	Technology- based £000	Customer related £000	Total £000
Cost				
At 1 January 2019	86	96	3,335	3,517
Transfers	8	-	8	16
Disposals	-	-	(8)	(8)
At 31 December 2019	<u>94</u>	<u>96</u>	<u>3,335</u>	<u>3,525</u>
Accumulated amortisation				
At 1 January 2019	56	88	3,327	3,471
Charge for the year	10	8	4	22
Disposals	-	-	(8)	(8)
At 31 December 2019	<u>66</u>	<u>96</u>	<u>3,323</u>	<u>3,485</u>
Net book value				
At 31 December 2019	<u>28</u>	<u>-</u>	<u>12</u>	<u>40</u>
At 31 December 2018	<u>30</u>	<u>8</u>	<u>8</u>	<u>46</u>

EUROCELL PROFILES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Tangible assets

	Short-term leasehold property and improvements £000	Plant, machinery and equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost					
At 1 January 2019	-	88,569	136	2,492	91,197
Impact of change in accounting policy	8,382	25	2,473	-	10,880
At 1 January 2019 (adjusted balance)	8,382	88,594	2,609	2,492	102,077
Additions	97	1,230	5,045	8,642	15,014
Disposals	(6)	-	(50)	-	(56)
Transfers between classes	-	8,436	-	(8,638)	(202)
At 31 December 2019	8,473	98,260	7,604	2,496	116,833
Accumulated depreciation					
At 1 January 2019	-	72,277	120	-	72,397
Charge for the year on owned assets	-	3,810	5	-	3,815
Charge for the year on right-of-use assets	1,295	8	1,250	-	2,553
Disposals	(6)	-	(46)	-	(52)
Transfers between classes	-	(12)	-	-	(12)
At 31 December 2019	1,289	76,083	1,329	-	78,701
Net book value					
At 31 December 2019	7,184	22,177	6,275	2,496	38,132
At 31 December 2018	-	16,292	16	2,492	18,800

Transfers includes assets with a net book value of £182,000 which were made to Ecoplas Limited, a subsidiary of the Eurocell Group.

EUROCELL PROFILES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Tangible assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2019 £000
Tangible fixed assets owned	24,667
Right-of-use tangible fixed assets	13,465
	<hr/> 38,132 <hr/>

Information about right-of-use assets is summarised below:

Net book value

	2019 £000
Property	7,184
Plant and machinery	17
Motor vehicles	6,264
	<hr/> 13,465 <hr/>

Depreciation charge for the year ended

	2019 £000
Property	(1,295)
Plant and machinery	(8)
Motor vehicles	(1,250)
	<hr/> (2,553) <hr/>

Additions

	2019 £000
Additions to right-of-use-assets	5,142
	<hr/>

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Investments

	Investments in subsidiary companies £000
Cost and net book value	
At 1 January 2019	15,085
At 31 December 2019	<u>15,085</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Cavalok Building Plastics Limited	Dormant	Ordinary	100%
Merritt Plastics Limited	Dormant	Ordinary	100%
Merritt Engineering Limited	Dormant	Ordinary	100%
Ampco 113 Limited	Dormant	Ordinary	100%
Vista Panels Limited	Manufacture of doors	Ordinary	100%
Ecoplas Limited	Recycler of PVC windows	Ordinary	95%
S. and S. Plastics Limited *	Dormant	Ordinary	100%

* Investments held indirectly by subsidiary undertakings.

All companies shown above are incorporated in the United Kingdom and share the same registered office as shown on the company information page.

The Company has an investment in Ecoplas of £5.9m. As at 31 December 2019 there were no indicators of impairment. However, as explained in note 31, the impact of COVID 19 on the business and the UK economy as a whole has resulted in an impairment being booked in the half Year consolidated accounts of Eurocell plc of c £5.8m relating to the goodwill arising from the acquisition of Ecoplas.

No impairment was made to the Company's investment in Ecoplas. The impairment review performed for the 31 December 2019 accounts showed headroom of £6.8m. This was calculated based upon the underlying cash flows of Ecoplas and utilising a weighted average cost of capital of 8.45% and a long term growth rate of 2%. The calculations for the goodwill impairment booked in the Group's consolidated accounts at 30 June 2020 were based upon the revised post COVID 19 cash flows for Ecoplas (which were circa 50% below those as at 31 December 2019) and using a weighted average cost of capital of 11% and long term growth rate of 2%. Based upon the Company's impairment review performed for 30 June 2020 there was no remaining headroom and therefore any further underperformance against expectations could result in asset impairment charges being recorded in the 31 December 2020 financial statements. This position is being continually monitored by the Company.

The reduction in forecasted cash flows was due to the impact of COVID 19 on Ecoplas, including lower forecast demand and a lower resin price (due to lower global oil prices).

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. Stocks

	2019 £000	2018 £000
Raw materials	2,548	2,611
Work in progress	1,714	1,632
Finished goods and goods for resale	8,234	6,301
	<u>12,496</u>	<u>10,544</u>

At 31 December 2019 provisions against slow-moving or obsolete stocks amounted to £1,309,000 (2018: £705,000).

Amounts recognised in cost of sales during the year as an expense in relation to stock was £74,093,000 (2018: £67,998,000).

The difference between purchase price or production cost of stocks and their replacement cost is not material.

18. Debtors

	2019 £000	2018 £000
Trade debtors	16,291	16,016
Amounts owed by group undertakings	8,669	6,808
Other debtors	-	190
Prepayments and accrued income	3,683	3,542
Deferred taxation (note 21)	-	199
	<u>28,643</u>	<u>26,755</u>

At 31 December 2019 the provision against trade debtors was £1,066,000 (2018: £245,000).

Amounts owed by group undertakings 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 by the Company for the period from Group companies was 2.05% (2018: 1.87%).

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	15,582	17,301
Amounts owed to group undertakings	36,523	30,968
Corporation tax	1,118	189
Other taxation and social security	235	-
Lease liabilities	2,609	-
Rental income payable	263	-
Accruals and deferred income	1,967	2,442
	<u>58,297</u>	<u>50,900</u>

Amounts owed to group undertakings 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 period from Group companies was 2.05% (2018: 1.87%).

Rental income payable relates to lease liabilities payable to Group companies.

20. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities	10,675	-
Deferred consideration	823	810
Rental income payable	268	-
	<u>11,766</u>	<u>810</u>

Rental income payable relates to lease liabilities payable to Group companies.

EUROCELL PROFILES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Deferred taxation

	2019 £000	2018 £000
At beginning of year	199	342
Charged to profit or loss	(403)	(143)
At end of year	<u>(204)</u>	<u>199</u>

The deferred taxation balance is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	<u>(204)</u>	<u>199</u>

22. Other provisions

	Dilapidation provisions £000
At 1 January 2019	127
At 31 December 2019	<u>127</u>

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. The timing of the utilisation of the provision is variable dependant on the lease expiry dates of the properties concerned.

EUROCELL PROFILES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

23. Leases

Company as a lessee

Lease liabilities are due as follows:

	2019 £000
Not later than one year	2,609
Between one year and five years	9,374
Later than five years	1,301
	<hr/>
	13,284
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Contractual undiscounted cash flows are due as follows:

	2019 £000
Not later than one year	2,802
Between one year and five years	9,926
Later than five years	1,429
	<hr/>
	14,157
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The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2019 £000
Interest expense on lease liabilities	295
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EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

24. Impact of new international reporting standards

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements:

	£000
Total operating lease commitment at 31 December 2018	13,187
Net impact of newly identified leases and short term/low value leases excluded from IFRS 16 scope	(2,659)
Reclassification of accrued rent and trade creditors	481
Re-allocation of Group leases to rental income payable	531
Impact of discounting	(814)
Total lease liability on transition at 1 January 2019	<u>10,726</u>

The newly identified leases predominantly relate to transactions with other entities within the Eurocell plc group of companies. Certain leases are held by Eurocell Group Limited and then these assets are utilised by its subsidiary companies with a recharge being made for the lease costs. These were therefore not included in the Company's lease commitments note as at 31 December 2018 as there was no formal lease agreement between the two entities. For the purposes of IFRS 16 these have been treated as leases by the Company given the nature of this relationship.

25. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
100,000 (2018:100,000) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

26. Reserves

Profit and loss account

The profit and loss account includes all prior and current year profits and losses.

27. Contingent liabilities

The Company has guaranteed the borrowings of other companies in the Eurocell Group, headed by Eurocell plc, of £40,000,000 (2018: £30,000,000). No liability is expected to arise from this commitment.

28. Capital commitments

The Company had capital commitments as at 31 December 2019 of £1,229,000 (2018: £4,680,000).

EUROCELL PROFILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

29. Pension commitments

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 charge represents contributions payable by the Company to the fund and amounted to £831,000 (2018: £630,000).

30. Related party transactions

The Company has taken advantage of the exemption within FRS 101 not to disclose transactions and balances between itself and other wholly owned members of the Eurocell Group.

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

31. Post balance sheet events

During March 2020 the Group closed its operations as part of the Government enforced lockdown, as a result of the growing global pandemic caused by Coronavirus ("COVID 19"). During the period May to July 2020 the Group progressively resumed its operations, following updated guidance and the implementation of safe working practices. As a result of the lockdown the results of the Group, and the Company, were severely impacted as reported in the half year report of the Group for the period ended 30 June 2020. As the events and circumstances relating to COVID 19 were not evident at 31 December 2019, the impact of this is accounted for as a non-adjusting post balance sheet event.

In the Group's half year report for the period ended 30 June 2020 impairment charges of circa £2m were recorded against certain trade receivables relating to Eurocell Profiles Limited customers, reflecting the severe impact that COVID 19 has had on the UK economy. In addition to this an impairment was also recorded against the goodwill relating to the acquisition of Ecoplas. No other impairments were recorded.

During the above period, Government support in the form of the Job Retention Scheme, VAT payment deferrals and business rates relief was claimed by the Group to mitigate some of the impact from the reduced revenues.

The Group acted swiftly and decisively to secure the financial position of the business. On 10 March 2020 the Group increased its unsecured, multi-currency revolving credit facility, provided by Barclays Bank plc and HSBC UK Bank plc, by £15m to £75m. On 1 April 2020 the Group raised £17.1m by way of a share placing, with the net proceeds to be used to ensure we retain headroom on our bank facility. The Group therefore believes it is very well placed to benefit as markets continue to re-open following the COVID-19 shutdown.

32. Controlling party

The Company's immediate parent undertaking is Eurocell Group Limited and the ultimate 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.