

Eurocell Profiles Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2017
Registered Number 02649790

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Company Information

Directors

Mark Kelly

Glenin Parkinson (resigned 27 October 2017)

Michael Scott (appointed 9 August 2017)

Company Secretary

Gerald Copley

Registered Number

02649790

Registered Office

Fairbrook House

Clover Nook Road

Alfreton

Derbyshire

DE55 4RF

Independent Auditors

PricewaterhouseCoopers LLP

Cornwall Court

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Birmingham

B3 2DT

Bankers

Barclays Bank Plc

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Contents

4	Strategic Report
9	Directors' Report
11	Independent Auditors' Report to the Members of Eurocell Profiles Limited
13	Income Statement
13	Statement of Comprehensive Income
14	Statement of Financial Position
15	Statement of Changes in Equity
16	Notes to the Financial Statements

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2017.

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 43,000 tonnes of PVC virgin and recycled compound each year.

Business review

On 31 December the business completed the purchase of the trade, assets and liabilities of S. and S. Plastics Limited, a member of the Eurocell plc Group, for a consideration of £2,144,000, equal to the net assets acquired. S. and S. Plastics specialises in injection moulding, principally in the windows market but also specialist areas such as health care and electrical distribution.

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 7% to £117,649,000 (2016: £110,187,000). Gross profit increased to £53,084,000 (2016: £52,155,000). Profit on ordinary activities before taxation increased by 0.4% to £16,343,000 (2016: £16,280,000).

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

- The Company has continued to gain market share, despite the RMI market remaining subdued in 2017.
- Continued growth in the private new build sector, where sales were up more than 15% in 2017.
- The larger trade fabricator customers performed well in 2017. Generally, these customers have been increasing their capacity, by extending or adding factory units and investing in plant and machinery.
- The Company has also continued to build their prospect pipeline. In the fourth quarter, sales started to come through from customers who have recently moved on to Eurocell product systems.
- The Company has experienced higher price pressure for raw materials. Resin was up 13% in 2017, representing an additional cost to the business of approximately £2.6m.
- The increase in raw material prices has been mitigated by the use of recycled materials. The use of recycled materials in the Company's primary operations has increased to 17% (2016: 14%).
- Overheads remain tightly controlled.

Strategic Report (continued)

Business review (continued)

The non-underlying costs in the income statement of £255,000 represent restructuring costs, with a number of redundancies made as part of a process to redefine the operational structure of production activities. The 2016 non-underlying costs of £97,000 represent the costs incurred in acquiring Vista Panels 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:

- Increase market share. As previously noted, the Company has continued to grow market share, with Revenue increasing by 7% in 2017.
- 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.
- Scrap levels have increased slightly in 2017 which is a function of planned initiatives to mitigate raw material cost inflation. This includes the increased trials of alternative materials, including resin from potential new suppliers and other materials used in the extrusion process (e.g. compound stabilisers), as well as tests of new technologies (e.g. tooling) to support the use of recycled material in the extrusion process.
- Usage of recycled materials. The growing use of both post-consumer (old windows) and post-industrial (factory waste from fabricators) has increased to 8.3Kt, 17% of consumption (2016: 6.0kt, 14% 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.

Future development

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

- Increase share of the PVC profiles market to utilise the spare extrusion capacity of facilities.
- 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.
- Target of 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 continuous improvement and expansion of the Modus and Skypod window suite, the introduction of Slateskin and the InSite construction hinge.

Principal risks and uncertainties (including financial risk management)

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.

Strategic Report (continued)

Principal risks and uncertainties (including financial risk management)(continued)

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. The Group risks to which Eurocell Profiles Limited are exposed are discussed in the principal risk and uncertainties section of 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.

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 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.

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 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.

Strategic Report (continued)

Principal risks and uncertainties (including financial risk management)(continued)

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 note 1 to the financial statements.

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. This risk is managed on a group-wide basis. 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 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.

Strategic Report (continued)

Principal risks and uncertainties (including financial risk management)(continued)

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 and signed on its behalf by:



Michael Scott
Director
29 March 2018

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the financial year, amounted to £14,007,000 (2016: £12,824,000).

The Directors have declared and paid dividends during the year of £nil (2016: £20,000,000).

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 (including information on price risk, credit risk, and liquidity risk) 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 and signed on its behalf by:



Michael Scott
Director
29 March 2018

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 2017 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 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, 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 when:

- 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.

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

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 2017 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 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
29 March 2018

Income Statement for the Year Ended 31 December 2017

	Note	2017 £000	2016 £000
Revenue	3	117,649	110,187
Cost of sales		(64,565)	(58,032)
Gross profit		53,084	52,155
Distribution Costs		(6,622)	(9,669)
Administrative expenses – underlying		(29,646)	(25,807)
Administrative expenses – non-underlying	4	(255)	(97)
Total administrative expenses		(29,901)	(25,904)
Operating profit	5	16,561	16,582
Finance income	8	107	165
Finance expense	9	(325)	(467)
Profit from ordinary activities before taxation		16,343	16,280
Tax on profit from ordinary activities	10	(2,336)	(3,456)
Profit for the financial year		14,007	12,824

All amounts relate to continuing operations.

Statement of Comprehensive Income for the Year Ended 31 December 2017

There was 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 2017

	Note	2017 £000	2016 £000
Non-current assets			
Intangible assets	12	304	552
Property, plant and equipment	13	16,880	16,423
Investments in subsidiaries	14	9,141	9,141
		<u>26,325</u>	<u>26,116</u>
Current assets			
Inventories	16	7,548	6,698
Trade and other receivables	17	20,520	18,525
Cash and cash equivalents		2,907	1,587
		<u>30,975</u>	<u>26,810</u>
Current liabilities			
Trade and other payables	18	(31,229)	(40,489)
Net current (liabilities) / assets		<u>(254)</u>	<u>(13,679)</u>
Total assets less current liabilities		<u>26,071</u>	<u>12,437</u>
Non-current liabilities			
Trade and other payables	18	(200)	(350)
Provisions	19	(277)	(500)
Net Assets		<u><u>25,594</u></u>	<u><u>11,587</u></u>
Capital and reserves			
Called up share capital	21	100	100
Retained earnings		25,494	11,487
Total shareholders' funds		<u><u>25,594</u></u>	<u><u>11,587</u></u>

The financial statements on pages 13 to 35 were approved and authorised for issue by the Board and were signed on its behalf by:



Michael Scott
Director
29 March 2018

Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance 1 January 2016	100	18,663	18,763
Comprehensive income for the year			
Profit for the financial year	-	12,824	12,824
Total comprehensive income for the year	-	12,824	12,824
Contributions by and distributions to owners			
Dividends paid (note 11)	-	(20,000)	(20,000)
Balance at 31 December 2016	100	11,487	11,587
Comprehensive income for the year			
Profit for the financial year	-	14,007	14,007
Total comprehensive income for the year	-	14,007	14,007
Balance at 31 December 2017	100	25,494	25,594

The accompanying notes are an integral part of these financial statements.

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 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 28.

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)
- 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.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Property, plant and equipment (continued)

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:

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 that are readily convertible to known amounts of cash with insignificant risk of change in value, 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.

Related party transactions

The Company has taken advantage of the exemption under FRS101 not to disclose balances and transactions between itself and other wholly owned members of the Eurocell plc Group.

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:

	2017 £000	2016 £000
Sale of goods	117,649	110,187

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:

	2017 £000	2016 £000
United Kingdom	117,356	109,710
European Union	293	477
	117,649	110,187

4. Administrative expenses – non-underlying

	2017 £000	2016 £000
Redundancy and settlement costs	255	-
Acquisition related costs	-	97
	255	97

Notes to the Financial Statements (continued)

4. Administrative expenses – non-underlying (continued)

The non-underlying administrative expenses of £255,000 (2016: £nil) relate to the reorganisation of the production function. They have been classified as non-underlying because they relate to termination costs for positions that no longer exist. The acquisition costs in the prior year relate to the acquisition of Vista Panels Limited.

5. Expenses by nature

	2017	2016
	£000	£000
Depreciation of property, plant and equipment	3,535	3,714
Amortisation of intangible assets	156	150
Profit on disposal of property, plant and equipment & intangible assets	(55)	-
Research and development costs	-	268
Operating lease payments: land and buildings	2,045	1,913
Operating lease payments: other	5,792	614
Staff costs (Note 7)	15,840	14,699
Non-underlying costs (Note 4)	255	-
Impairment of inventories recognised in cost of sales	774	956
Inventories recognised as an expense	58,058	51,380
Other costs	19,797	19,911
Total cost of sales, distribution & administrative costs	101,088	93,605

6. Auditors' remuneration

	2017	2016
	£000	£000
Audit of these financial statements	33	32

7. Staff costs

Staff costs (including Directors) comprise:	2017	2016
	£000	£000
Wages and salaries	13,900	12,939
Social security costs	1,414	1,322
Pension costs	526	438
	15,840	14,699

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

	2017	2016
	Number	Number
Office and administration	25	31
Selling and distribution	12	25
Warehouse	66	-
Production	353	362
	456	418

Notes to the Financial Statements (continued)

7. Staff costs (continued)

Directors' remuneration:	2017 £000	2016 £000
Emoluments	463	451
Apportioned costs relating to share based payments	54	82
Total pension and other post-employment benefit costs	49	39
	<u>566</u>	<u>572</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 3 Directors (2016: 4).

The highest paid Director received remuneration of £433,000 (2016: £296,000). The remuneration received includes Company pension contributions.

The value of the Company's contributions paid in cash in lieu of pension in respect of the highest paid member of Director amounted to £22,000 (2016: £16,000).

8. Finance income

	2017 £000	2016 £000
Foreign exchange gains	18	43
Interest on amounts owed by Group undertakings	80	117
Other finance income	9	5
	<u>107</u>	<u>165</u>

9. Finance expense

	2017 £000	2016 £000
Foreign exchange losses	27	105
Interest on amounts owed to Group undertakings	298	362
	<u>325</u>	<u>467</u>

Notes to the Financial Statements (continued)

10. Tax on profit on ordinary activities

	2017	2016
	£000	£000
Current tax		
Current tax on profits for the year	2,322	3,204
Adjustment for under / (over) provision in prior years	5	25
Total current tax	<u>2,327</u>	<u>3,229</u>
Deferred tax		
Origination and reversal of temporary differences	109	87
Adjustments in respect of change in rates	(13)	100
Adjustments to deferred tax charge in respect of prior years	(87)	40
Total deferred tax (note 20)	<u>9</u>	<u>227</u>
Tax on profit on ordinary activities	<u>2,336</u>	<u>3,456</u>

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the United Kingdom. The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax applied to profits for the year are as follows:

	2017	2016
	£000	£000
Profit from ordinary activities before taxation	16,343	16,280
Expected tax charge based on the standard rate of United Kingdom corporation tax of 19.25% (2015: 20.00%)	3,146	3,256
Expenses not deductible for tax purposes	23	35
Patent box relief claim	(738)	(451)
Adjustments to tax charge in respect of prior years	(82)	516
Adjustments in respect of change in rates	(13)	100
Tax on profit on ordinary activities	<u>2,336</u>	<u>3,456</u>

The mainstream rate of corporation tax for the fiscal year ended 5 April 2016 was 20%.

The mainstream rate of UK corporation tax which took effect from April 2017 was 19%. This gives rise to an effective rate of 19.25% (2016: 20%) for the year. A further reduction to 17% from 1 April 2020 has been substantively enacted (as of 8 March 2017 as part of the 2017 Budget).

11. Dividends paid

	2017	2016
	£000	£000
Declared and paid during the year:		
£nil per ordinary £1 share (2016: £200)	<u>-</u>	<u>20,000</u>

Notes to the Financial Statements (continued)

12. Intangible assets

	Software £000	Technology based £000	Customer related £000	Total £000
Cost				
Balance at 1 January 2017	195	96	3,835	4,126
Additions	-	-	-	-
Added on hive up (note 15)	27	-	-	27
Disposals	-	-	(101)	(101)
Transfer	(136)	-	-	(136)
At 31 December 2017	<u>86</u>	<u>96</u>	<u>3,734</u>	<u>3,916</u>
Accumulated amortisation				
At 1 January 2017	105	68	3,401	3,574
Added on hive up (note 15)	4	-	-	4
Amortisation charge for the year	8	10	138	156
Disposals	-	-	(50)	(50)
Transfer	(72)	-	-	(72)
At 31 December 2017	<u>45</u>	<u>78</u>	<u>3,489</u>	<u>3,612</u>
Net book value				
At 31 December 2017	<u>41</u>	<u>18</u>	<u>245</u>	<u>304</u>
At 31 December 2016	<u>90</u>	<u>28</u>	<u>434</u>	<u>552</u>

During the year the Company transferred assets to Eurocell Group Limited at a net book value of £64,000.

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 2017	77,869	2,222	128	80,219
Additions	776	2,973	-	3,749
Added on hive up (note 15)	1,756	3	5	1,764
Disposals	(68)	-	-	(68)
Transfers	3,692	(3,820)	-	(128)
At 31 December 2017	<u>84,025</u>	<u>1,378</u>	<u>133</u>	<u>85,536</u>
Accumulated depreciation				
At 1 January 2017	63,706	-	90	63,796
Depreciation charge for the year	3,522	-	13	3,535
Added on hive up (note 15)	1,437	-	5	1,442
Disposals	(52)	-	-	(52)
Transfers	(65)	-	-	(65)
At 31 December 2017	<u>68,548</u>	<u>-</u>	<u>108</u>	<u>68,656</u>
Net book value				
At 31 December 2017	<u>15,477</u>	<u>1,378</u>	<u>25</u>	<u>16,880</u>
At 31 December 2016	<u>14,163</u>	<u>2,222</u>	<u>38</u>	<u>16,423</u>

During the year the Company transferred assets to Eurocell Group Limited at a net book value of £63,000.

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:

Name	Principal Activity	Holding	
		2017	2016
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%	100%

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 2017 and 31 December 2017	9,141

15. Purchase of trade, assets and liabilities

On 31 December the business completed the purchase of the trade, assets and liabilities of S. and S. Plastics Limited, a member of the Eurocell plc Group, for a consideration of £2,144,000, equal to the net assets acquired.

Notes to the Financial Statements (continued)

15. Purchase of trade, assets and liabilities (continued)

The net assets of S. and S. Plastics on 31 December was as follows:

	Net assets acquired £000
Intangible assets	23
Property, plant and equipment	322
Inventories	449
Trade and other receivables (net of £4k impairment provision)	4,610
Cash and cash equivalents	1,744
Deferred taxation provisions	(3)
Trade and other payables	(5,001)
	<u>2,144</u>

16. Inventories

	2017 £000	2016 £000
Raw materials	1,511	1,575
Work in progress	1,205	1,396
Finished goods and goods for resale	4,832	3,727
	<u>7,548</u>	<u>6,698</u>

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

Inventory provisions at 31 December 2017 amounted to £917,000 (2016: £1,557,000). Of this, £317,000 (2016: £nil) relates to the inventory provision transferred on the hive up of S. and S. Plastics Limited.

17. Trade and other receivables

	2017 £000	2016 £000
Current:		
Trade receivables	13,744	12,083
Amounts owed by Group undertakings	4,519	4,955
Prepayments and accrued income	1,915	1,133
	<u>20,178</u>	<u>18,171</u>
Non-current:		
Deferred tax asset (note 20)	342	354
	<u>20,520</u>	<u>18,525</u>

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

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

	2017	2016
	£000	£000
At 1 January	497	492
Provided / (utilised) during the year	(278)	286
Added on hive up	4	-
Receivables written off during the year as uncollectable	(12)	(281)
At 31 December	<u>211</u>	<u>497</u>

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 1.52% (2016: 2.01%).

Book values approximate to fair value at 31 December 2017 and 31 December 2016.

The fair values of trade and other receivables are not materially different to their carrying values. As at 31 December 2017 trade debtors of £447,000 (2016: £615,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these debtors is as follows.

	2017	2016
	£000	£000
Up to 3 months overdue	445	615
Greater than 3 months overdue	2	-
	<u>447</u>	<u>615</u>

18. Trade and other payables

	2017	2016
	£000	£000
Current:		
Trade payables	13,370	11,950
Amounts owed to Group undertakings	12,995	23,630
Corporation tax	1,666	1,957
Other tax and social security	886	347
Accruals	2,312	2,605
	<u>31,229</u>	<u>40,489</u>
Non-current:		
Deferred consideration	200	350
Total payables	<u>31,429</u>	<u>40,839</u>

Notes to the Financial Statements (continued)

18. Trade and other payables (continued)

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 1.52% (2015: 2.01%).

Book values approximate to fair value at 31 December 2017 and 31 December 2016.

19. Provisions

	2017 £000	2016 £000
At 1 January	500	500
Utilised / released	(223)	-
	<u>277</u>	<u>500</u>
Amounts falling due after more than one year	<u>277</u>	<u>500</u>

Dilapidations

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

20. Deferred tax

	2017 £000	2016 £000
At 1 January 2017	354	581
Added on hive up	(3)	-
Charge for the year	(9)	(227)
At 31 December 2017	<u>342</u>	<u>354</u>

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

Notes to the Financial Statements (continued)

20. Deferred Tax (continued)

	Asset 2017 £000	Liability 2017 £000	Net 2017 £000	Charged to income statement 2017 £000	(Charged)/ credited to equity 2017 £000
Accelerated capital allowances	342	-	342	(9)	-
Net tax assets	<u>342</u>	<u>-</u>	<u>342</u>	<u>(9)</u>	<u>-</u>

*Included in the net asset figure is a deferred tax liability of £3,000 transferred on hive up of S. and S. Plastics Limited.

	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000
Accelerated capital allowances	354	-	354	(227)	-
Net tax assets	<u>354</u>	<u>-</u>	<u>354</u>	<u>(227)</u>	<u>-</u>

21. Called up share capital

	2017 £000	2016 £000
100,000 (2016:100,000) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

22. Reserves

Retained earnings

The retained earnings includes all prior and current year profits and losses.

Notes to the Financial Statements (continued)

23. 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, where the commitment lies with Eurocell Profiles Limited, are as follows:

	2017 £000	2016 £000
Land and buildings		
Not later than one year	1,426	1,100
Later than one year and not later than five years	5,366	4,400
Later than five years	3,201	4,308
	<u>9,993</u>	<u>9,808</u>
Other		
Not later than one year	3,612	-
Later than one year and not later than five years	2,415	-
	<u>6,027</u>	<u>-</u>

The Company has for the first time included operating lease commitments as at 31 December 2017 the future minimum lease payments in respect of the outsourcing of its logistic operation, which amount to £6,027,000 (2016: £9,639,000)

24. 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 £526,000 (2016: £438,000).

Notes to the Financial Statements (continued)

25. Capital commitments

The Company had capital commitments as at 31 December 2017 of £1,499,000.

26. 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.

27. Contingent liabilities

The Company has guaranteed the borrowings of other companies in the Eurocell Group, headed by Eurocell plc, of £26,000,000 (2016: £26,000,000). No liability is expected to arise from this commitment.

28. 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