Eurocell Profiles Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2018

Registered Number 02649790

Company Information

Directors
Mark Kelly
Michael Scott

Company Secretary
Gerald Copley

Registered Number
02649790

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

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

Bankers
Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Contents

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2018.

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.

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 14 per cent through its Logik system, along with the Modus window suite. Aspect is the market leading PVC panoramic bi-fold door system.

On 1 August 2018, the Company completed the acquisition of Ecoplas Limited, a recycler of PVC windows, with annual sales of approximately £5 million and for an initial consideration of £5.1 million. Following this investment along with increased capacity, we should consume approximately 2k tonnes of recycled compound from Ecoplas in our primary extrusion process in 2019.

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

Revenue for the year increased 16.6% to £137,225,000 (2017: £117,649,000). Gross profit increased to £59,476,000 (2017: £53,084,000). Profit on ordinary activities before taxation increased by 8% to £17,643,000 (2017: £16,343,000). The hive up of S&S Plastics in 2018 had the following impact on the Income Statement, additional revenue of £5,574,000, additional gross profit of £3,618,000 and additional profit on ordinary activities before taxation of £551,000.

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

- The Company became the market leading UK supplier of window profiles, despite the RMI market remaining subdued in 2018.
- A total of 14 new product ranges were launched in 2018, including Coastline, a weatherproof lightweight composite cladding for use on coastal properties.
- Continued growth in the private new build sector
- The larger trade fabricator customers performed well in 2018. Generally, these customers have been increasing their capacity, by extending or adding factory units and investing in plant and machinery.
- The Company has a strong prospect pipeline, with 17 new accounts moved on to Eurocell product systems in 2018 after 22 accounts were won in 2017.

Strategic Report (continued)

Business review (continued)

- The Company has experienced cost inflation in the form of higher electricity costs, and labour costs have increased due to the increase in both auto-enrolment and the living wage in 2018.
- The increase in cost prices has been mitigated by the use of recycled materials. The use of recycled materials in the Company's primary operations has increased to 9,500 tonnes (2017: 8,300 tonnes).
- Overheads remain tightly controlled, however as a result of our strong sales growth we exceeded our manufacturing capacity in the year, both in terms of volume and mix. This challenged our production and distribution activities, impacting on manufacturing efficiency and leading to increased costs in the short term.

The non-underlying costs in the income statement of £61,000 represent the costs incurred in acquiring Ecoplas 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, in the process becoming the market leader, with Revenue increasing by 16.6% in 2018.
- 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. In our best efforts to meet demand during 2018 it resulted in running the plant at very high levels of utilisation thereby foregoing routine maintenance and driving down Overall Equipment Effectiveness.
- Scrap levels have increased slightly in 2018 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 9.5Kt, 17% of consumption (2017: 8.3.kt, 17% 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. Following the acquisition of Ecoplas and investments in both recycling plants we expect to consume an additional 3kt of recycled compound in 2019, increasing the total recycled consumption to 12.5kt.

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.

Strategic Report (continued)

Future development (continued)

- 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.

There is significant uncertainty over the impact of Brexit, be it related to general macroeconomic factors or specific company risks. At Eurocell we have taken a number of steps to protect the business from potential negative effects. In this context, it is worth noting that almost all of our sales are to UK-based customers and that we expect the vast majority of our workforce will have the right to remain and work in the UK post Brexit. However, some of our key raw materials do originate from Europe, so any disruption in supplies could impact our manufacturing operations. With that in mind, we have concluded a 6-month PVC resin supply agreement for the period to support continuity of supply for our most critical raw material. 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 12 months at current market rates. More generally, the group has refinanced our bank facilities in December 2018, securing additional funding at competitive rates, and have taken out selective credit insurance for 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'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.

Strategic Report (continued)

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:

Principal risks and uncertainties (including financial risk management)

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 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.

Strategic Report (continued)

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

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.

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

Michael Scott
Director
27 June 2019

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends
The profit for the financial year, amounted to £16,426,000 (2017: £14,007,000).
The Directors have declared and paid dividends during the year of £20,000,000 (2017: £nil).

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.

Going concern
As the Company is in a net current liability position 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.

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 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.

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.

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 independent auditors
A resolution to appoint PricewaterhouseCoopers LLP 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

Michael Scott
Director
27 June 2019

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 2018 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 2018; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 2018 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 Directors' Responsibilities Statement 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

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
27 June 2019

Income Statement for the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue	3	137,225	117,649
Cost of sales		(77,749)	(64,565)
Gross profit		59,476	53,084
Distribution costs		(6,384)	(6,622)
Administrative expenses – underlying		(37,192)	(29,646)
Administrative expenses – non-underlying	4	(61)	(255)
Total administrative expenses		(37,253)	(29,901)
Operating profit		15,839	16,561
Income from shares in Group undertakings	10	2,000	-
Finance income	8	255	107
Finance expense	9	(451)	(325)
Profit from ordinary activities before taxation		17,643	16,343
Tax on profit from ordinary activities	11	(1,217)	(2,336)
Profit for the financial year		16,426	14,007

All amounts relate to continuing operations.

Statement of Comprehensive Income for the Year Ended 31 December 2018

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 2018

	Note	2018 £000	2017 £000
Non-current assets			
Intangible assets	13	46	304
Property, plant and equipment	14	18,800	16,880
Investments	15	15,085	9,141
		33,931	26,325
Current assets			
Inventories	16	10,544	7,548
Trade and other receivables	17	26,755	20,520
Cash and cash equivalents		2,627	2,907
		39,926	30,975
Current liabilities			
Trade and other payables	18	(50,900)	(31,229)
Net current liabilities		(10,974)	(254)
Total assets less current liabilities		22,957	26,071
Non-current liabilities			
Trade and other payables	18	(810)	(200)
Provision for liabilities	19	(127)	(277)
Net assets		22,020	25,594
Capital and reserves			
Called up share capital	21	100	100
Retained earnings		21,920	25,494
Total shareholders' funds		22,020	25,594

The financial statements on pages 13 to 36 were approved and authorised for issue by the Board and were signed on its behalf by:

Michael Scott

Michael Scott
Director
27 June 2019

Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance 1 January 2017	**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**
Comprehensive income for the year			
Profit for the financial year	-	16,426	16,426
Total comprehensive income for the year	**-**	**16,426**	**16,426**
Contributions by and distributions to owners			
Dividends paid (Note 12)	-	(20,000)	(20,000)
Balance at 31 December 2018	**100**	**21,920**	**22,020**

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.

As the Company is in a net current liability position 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.

Management reviewed the implementation of IFRS 15, effective 1 January 2018. The management's conclusion was that the impact of IFRS 15 is not material, because the Company's revenue contracts are constructed around the delivery of goods in satisfaction of individual purchase orders, and do not contain multiple performance criteria.

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.

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 all financial assets. In measuring expected credit losses for trade receivables, receivables have been grouped based on shared characteristics and days past due. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. In the prior year, the Company applied the incurred loss model under IAS 39. Under the incurred loss model 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 Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Financial assets (continued)

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 of provisions, 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. In our assessment of IFRS 9 we calculated the difference in provision to be immaterial and therefore no adjustment was made.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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

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

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

Provisions
A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

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

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

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

IFRS 16 Leases (effective from 1 January 2019) removes the distinction between operating and finance leases, and requires most leases to be brought on to the balance sheet. The standard replaces

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Operating leases (continued)

IAS 17 Leases and Related Interpretations, and addresses the definitions of a lease, recognition and measurement of leases and establishes principles for reporting useful information to the users of Financial Statements about the leasing activities of both lessees and lessors.

In adopting this standard the Company intends to apply the Modified Retrospective transition approach. As a result on 1 January 2019 the Company will recognise additional non-current assets and lease liabilities of c.£11 million, with additional depreciation of c.£2 million and finance costs of c.£0.2 million being incurred in the first year of adoption, offset by a corresponding reduction in administrative costs of c.£1 million.

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.

Notes to the Financial Statements (continued)

2. Critical accounting estimates and judgements (continued)

Estimates and assumptions (continued)

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 the payment profile of sales over a 2-year period before 31 December 2018, 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 Income Statement. 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.

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:	**2018**	**2017**
	£000	**£000**
Sale of goods	137,225	117,649

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.

Notes to the Financial Statements (continued)

3. Revenue (continued)

A geographical analysis of revenue by destination is as follows:	2018 £000	2017 £000
United Kingdom	136,053	117,356
European Union	666	293
Rest of World	506	-
	137,225	117,649

4. Administrative expenses – non-underlying

	2018 £000	2017 £000
Acquisition related costs	61	-
Redundancy and settlement costs	-	255
	61	255

The non-underlying administrative expenses of £61,000 (2017: £nil) relate to the acquisition of Ecoplas Limited. The non-underlying administrative expenses of £255,000 in the prior year relate to the reorganisation of the production function. Non-underlying items includes a tax credit relating to the benefit of a second Patent Box claim. The Company makes annual claims for tax relief under HMRC's Patent Bo legislation. In 2018, the Company filed claims in respect of the years ended 31 December 2016 and 31 December 2017. The Company believes that the recognition of the benefit of relief in respect of both years in the underlying result for the year could mislead users of its financial information as to the underlying effective tax rate for the Company. Consequently, the benefit of tax relief in respect of one of those claims of £852,000 would be classified as non-underlying.

5. Expenses by nature

	2018 £000	2017 £000
Depreciation of property, plant and equipment (Note 14)	3,783	3,535
Amortisation of intangible assets (Note 13)	158	156
Profit on disposal of property, plant and equipment & intangible assets	(30)	(55)
Operating lease payments: land and buildings	2,212	2,045
Operating lease payments: other	5,594	5,792
Staff costs (Note 7)	19,943	15,840
Non-underlying costs (Note 4)	61	255
Impairment of Inventories recognised in cost of sales	435	774
Inventories recognised as an expense	67,998	58,058
Other costs	21,232	14,688
Total cost of sales, distribution & administrative costs	121,386	101,088

Notes to the Financial Statements (continued)

6. Auditors' remuneration

	2018 £000	2017 £000
Audit of these financial statements	49	33

7. Staff costs

Staff costs (including Directors) comprise:	2018 £000	2017 £000
Wages and salaries	17,537	13,900
Social security costs	1,776	1,414
Pension costs	630	526
	19,943	15,840

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

	2018 Number	2017 Number
Office and administration	33	25
Selling and distribution	13	12
Warehouse	85	66
Production	450	353
	581	456

Directors' remuneration:	2018 £000	2017 £000
Emoluments	262	463
Apportioned costs relating to share based payments	5	54
Total pension and other post-employment benefit costs	37	49
	304	566

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 (2017: 3).

The highest paid Director received remuneration of £187,000 (2017: £433,000). 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 (2017: £22,000).

Notes to the Financial Statements (continued)

8. Finance income

	2018	2017
	£000	£000
Foreign exchange gains	49	18
Interest on amounts owed by Group undertakings	196	80
Other finance income	10	9
	255	107

9. Finance expense

	2018	2017
	£000	£000
Foreign exchange losses	28	27
Interest on amounts owed to Group undertakings	394	298
Other finance expenses	29	-
	451	325

10. Income from shares in Group undertakings

Dividend income was received from shares in Group undertakings as follows:

	2018	2017
	£000	£000
Vista Panels Limited	2,000	-

11. Tax on profit

	2018	2017
Current tax	£000	£000
Current tax on profits for the year	1,084	2,322
Adjustment for (over) / under provision in prior years	(10)	5
Total current tax	1,074	2,327
Deferred tax		
Origination and reversal of temporary differences	127	109
Adjustments in respect of change in rates	(13)	(13)
Adjustments to deferred tax charge in respect of prior years	29	(87)
Total deferred tax (Note 20)	143	9
Tax on profit	1,217	2,336

The tax assessed for the year is lower (2017: 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:

Notes to the Financial Statements (continued)

11. Tax on profit (continued)

	2018 £000	2017 £000
Profit before taxation	17,643	16,343
Expected tax charge based on the standard rate of United Kingdom corporation tax of 19% (2017: 19.25%)	3,352	3,146
Expenses not deductible for tax purposes	58	23
Dividend income not subject to corporation tax	(380)	-
Patent box relief claim	(967)	(738)
Patent box relief claim non-underlying (Note 4)	(852)	-
Adjustments to tax charge in respect of prior years	19	(82)
Adjustments in respect of change in rates	(13)	(13)
Tax on profit	1,217	2,336

The mainstream rate of UK corporation tax which took effect from April 2017 was 19%. This gives rise to a standard rate of 19% (2017: 19.25%) 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).

12. Dividends paid

	2018 £000	2017 £000
Declared and paid during the year:		
£200 per ordinary £1 share (2017: £nil)	20,000	-

Notes to the Financial Statements (continued)

13. Intangible assets

	Software £000	Technology based £000	Customer related £000	Total £000
Cost				
Balance at 1 January 2018	86	96	3,734	3,916
Transfer	-	-	(399)	(399)
At 31 December 2018	86	96	3,335	3,517
Accumulated amortisation				
At 1 January 2018	45	78	3,489	3,612
Amortisation charge for the year	11	10	137	158
Transfer	-	-	(299)	(299)
At 31 December 2018	56	88	3,327	3,471
Net book value				
At 31 December 2018	30	8	8	46
At 31 December 2017	41	18	245	304

During 2018 customer-related intangible assets with a net book value of £100,000 were transferred to Contract Assets within Trade and Other Receivables.

Notes to the Financial Statements (continued)

14. Property, plant and equipment

	Plant, machinery, equipment £000	Assets under construction £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2018	84,025	1,378	133	85,536
Additions	744	4,962	3	5,709
Disposals	(48)	-	-	(48)
Transfers	3,848	(3,848)	-	-
At 31 December 2018	88,569	2,492	136	91,197
Accumulated depreciation				
At 1 January 2018	68,548	-	108	68,656
Depreciation charge for the year	3,771	-	12	3,783
Disposals	(42)	-	-	(42)
At 31 December 2018	72,277	-	120	72,397
Net book value				
At 31 December 2018	16,292	2,492	16	18,800
At 31 December 2017	15,477	1,378	25	16,880

Notes to the Financial Statements (continued)

15. Investment

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

Name	Principal Activity	Holding 2018	Holding 2017
Cavalok Building Products Limited	Dormant	100%	100%
Merritt Plastics Limited	Dormant	100%	100%
Merritt Engineering Limited	Dormant	100%	100%
Ampco 113 Limited	Dormant	100%	100%
*S. and S. Plastics Limited	Dormant	100%	100%
Vista Panels Limited	Manufacture of doors	100%	100%
Ecoplas Limited	Recycler of PVC windows	95%	-

*This investment is indirectly held via Ampco 113 Limited.

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 2018	9,141
Additions in the year	5,944
Balance at 31 December 2018	15,085

On 1 August 2018, the Company completed the acquisition of Ecoplas Limited, a recycler of PVC windows, with annual sales of approximately £5 million. Initial consideration paid was £5.1 million and deferred consideration of £0.8 million was recognised.

Notes to the Financial Statements (continued)

16. Inventories

	2018 £000	2017 £000
Raw materials	2,611	1,511
Work in progress	1,632	1,205
Finished goods and goods for resale	6,301	4,832
	10,544	7,548

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 2018 amounted to £705,000 (2017: £917,000).

17. Trade and other receivables

	2018 £000	2017 £000
Current:		
Trade receivables	16,016	13,744
Amounts owed by Group undertakings	6,808	4,519
Prepayments and accrued income	3,542	1,915
Other receivables	190	-
	26,556	20,178
Non-current:		
Deferred tax asset (Note 20)	199	342
	26,755	20,520

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

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

	2018 £000	2017 £000
At 1 January	211	497
Provided / (utilised) during the year	38	(278)
Added on hive up	-	4
Receivables written off during the year as uncollectable	(4)	(12)
At 31 December	245	211

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 1.87% (2017: 1.52%).

Book values approximate to fair value at 31 December 2018 and 31 December 2017.

The fair values of trade and other receivables are not materially different to their carrying values. As at 31 December 2018 trade debtors of £1,521,000 (2017: £447,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these debtors is as follows.

	2018 £000	2017 £000
Up to 3 months overdue	1,515	445
Greater than 3 months overdue	6	2
	1,521	447

18. Trade and other payables

	2018 £000	2017 £000
Current:		
Trade payables	17,301	13,370
Amounts owed to Group undertakings	30,968	12,995
Corporation tax	189	1,666
Other tax and social security	-	886
Accruals	2,442	2,312
	50,900	31,229
Non-current:		
Deferred consideration	810	200
Total payables	51,710	31,429

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 1.87% (2017: 1.52%).

Book values approximate to fair value at 31 December 2018 and 31 December 2017.

19. Provision for liabilities

	2018 £000	2017 £000
At 1 January	277	500
Credited to Income Statement	(150)	(223)
	127	277
Amounts falling due after more than one year	127	277

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 taxation

	2018 £000	2017 £000
At 1 January 2018	342	354
Added on hive up	-	(3)
Charge for the year	(143)	(9)
At 31 December 2018	199	342

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 taxation (continued)

	Asset 2018 £000	Liability 2018 £000	Net 2018 £000	Charged to income statement 2018 £000	(Charged)/ credited to equity 2018 £000
Accelerated capital allowances	199	-	199	(143)	-
Net tax assets	199	-	199	(143)	-

	2017 £000	2017 £000	2017 £000	2017 £000	2017 £000
Accelerated capital allowances	342	-	342	(9)	-
Net tax assets	342	-	342	(9)	-

21. Called up share capital

	2018 £000	2017 £000
100,000 (2017:100,000) Ordinary shares of £1 each	100	100

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:

Land and buildings	2018 £000	2017 £000
Not later than one year	1,477	1,426
Later than one year and not later than five years	6,796	5,366
Later than five years	1,245	3,201
	9,518	9,993

Other		
Not later than one year	2,752	3,612
Later than one year and not later than five years	918	2,415
	3,670	6,027

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 £630,000 (2017: £526,000).

Notes to the Financial Statements (continued)

25. Capital commitments

The Company had capital commitments as at 31 December 2018 of £4,680,000 (2017: £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 £30,000,000 (2017: £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