

Ecoplas Limited

Annual Report and Financial Statements

For the 7 month Period Ended 31 December 2018

Registered Number 03418474



Directors

Ian Tippet

Mark Kelly (appointed 1 August 2018)

Michael Scott (appointed 1 August 2018)

Jane Tippet (resigned 5 February 2018)

Company Secretary

Gerald Copley (appointed 1 August 2018)

Registered Number

03418474

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

Natwest plc

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Waterside Court

Chatham Maritime

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Kent

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Strategic Report

The Directors present their Strategic Report on the Company for the 7 month period ended 31 December 2018.

Principal activities

Ecoplas Limited is a recycler of PVC windows operating from a single site in Selby. The Company is formerly the largest independent PVC-U recycler in the country with one of the most advanced and innovative recycling processes in the industry.

Business review and key performance indicators

On 1 August 2018, Eurocell Profiles Limited acquired 95% of the share for an initial consideration of £5.1 million (or £5.0 million net of cash acquired). Further consideration of up to £1 million will be paid for the final 5% of the ordinary share capital of the company in three to five years' time, contingent upon future performance. As a result of being acquired by Eurocell Profiles Limited, during the period the Company's year end was changed to 31 December 2018 so that it is aligned with the Eurocell Group.

The results for the period are set out in the Income Statement on page 13.

The Directors consider the key performance indicators for the Company to be customer retention, gross margin, gross profit growth and turnover growth.

Loss for the 7 month period ended 31 December 2018 is £468,000 compared to a profit of £29,000 for the year ended 30 May 2018.

Change of accounting reference date

During the period the Company shortened its accounting reference date to 31 December to fall in line with the Eurocell Group of Companies. These Financial Statements are therefore made up for a 7 month period ended 31 December 2018.

Future Developments

The Directors plan to make the Company more profitable in the future through exploiting synergies of being part of Eurocell Group, increasing manufacturing capacity and improving market share.

Strategic Report (continued)

Principal risks and uncertainties (including financial risk management)

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

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

The Company is financed by Group borrowings. The Group risks to which Ecoplas Limited are exposed are discussed in the Annual Report of Eurocell plc which does not form part of this report.

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

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

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, most of our key stocks do originate from the UK, so any disruption in supplies from the EU is unlikely to have a significant impact on our business. We have taken the opportunity to lock in electricity prices for the next 12 months at current market rates. More generally, we 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.

Strategic Report (continued)

General objectives, policies and processes

The Board of Eurocell plc has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's Steering Committee.

The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. These are then discussed at regular Board meetings.

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

Credit risk

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

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

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

Foreign exchange risk

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

Liquidity risk

Liquidity risk, which is managed on a group-wide basis, arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group and Company will encounter difficulty in meeting its financial obligations as they fall due.

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

Strategic Report (continued)

General objectives, policies and processes (continued)

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

Environment

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

Employees

Details of number of employees and related costs can be found in Note 6 to the Financial Statements.

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

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

The Group has introduced a save as you earn 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

27 September 2019

Directors' Report

The Directors present their report and the audited Financial Statements for the 7 month period ended 31 December 2018.

Results and dividends

The loss for the 7 month period ended 31 December 2018 amounted to £468,000 (profit for year ended 30 May 2018: £29,000). The Directors have declared and paid dividends during the period of £2,000 (year ended 30 May 2018: £Nil).

Directors

The Directors who served during the period 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 period and at the date of this report.

Going concern

Management routinely plan future activities including forecasting future cash flows. Management have reviewed their plan with the Directors and have concluded that with support from the Group, which has been provided in a letter of support, 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.

Strategic Report

As permitted by section 414C(11) 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, liquidity risk and cash flow risk) and employees.

Directors' Report (continued)

Statement of Directors' responsibilities

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 period. 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:

- 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.

Statement of disclosure of information to the auditors

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.

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



Michael Scott
Director

27 September 2019

Independent auditors' report to the members of Ecoplas Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ecoplas 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 loss for the 7 month period (the "period") 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 7 month period 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 period 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 Statement of Directors' responsibilities, 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.

Other matter

The financial statements for the year ended 30 May 2018, forming the corresponding figures of the financial statements for the 7 month period ended 31 December 2018, are unaudited.



Mark Smith (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

27 September 2019

Income Statement for the 7 month Period ended 31 December 2018

		Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
	Note		
Revenue	3	3,971	5,602
Cost of sales		(1,174)	(1,669)
Gross profit		<u>2,797</u>	<u>3,933</u>
Distribution costs		(447)	(841)
Administrative expenses		(2,668)	(2,983)
Operating (loss)/profit	4	<u>(318)</u>	<u>109</u>
Finance expenses		(108)	(69)
(Loss)/profit before taxation		<u>(426)</u>	<u>40</u>
Tax on (loss)/profit	7	(42)	(11)
(Loss)/profit for the financial period/year		<u><u>(468)</u></u>	<u><u>29</u></u>

All amounts relate to continuing operations.

Statement of Comprehensive Income for the Period ended 31 December 2018

There is no other comprehensive income for the current period or preceding year.

The accompanying notes are an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2018

		31 December 2018 £000	30 May 2018 £000
	Note		
Non-current assets			
Property, plant and equipment	9	1,533	1,361
		<u>1,533</u>	<u>1,361</u>
Current assets			
Inventories	10	156	90
Trade and other receivables	11	713	1,224
Cash and cash equivalents		409	165
		<u>1,278</u>	<u>1,479</u>
Current liabilities			
Trade and other payables	12	(2,401)	(2,361)
Net current liabilities		<u>(1,123)</u>	<u>(883)</u>
Total assets less current liabilities		<u>410</u>	<u>479</u>
Non-current liabilities			
Trade and other payables	13	-	(202)
Provisions for liabilities	14	(482)	-
Deferred taxation	15	(186)	(65)
		<u>(668)</u>	<u>(267)</u>
Net (liabilities)/assets		<u>(258)</u>	<u>212</u>
Capital and reserves			
Called up share capital	16	50	50
Revaluation reserve		81	81
(Accumulated loss)/retained earnings		(389)	81
(Shareholders deficit)/total equity		<u>(258)</u>	<u>212</u>

The Financial Statements on pages 13 to 32 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Michael Scott
Director

27 September 2019

Statement of Changes in Equity for the Period ended 31 December 2018

	Called Up Share Capital £000	Revaluation Reserve £000	(Accumulated loss)/ retained Earnings £000	Total Shareholders' Funds £000
Balance at 31 May 2017	50	139	(6)	183
Comprehensive income for the year				
Profit for the financial year	-	-	29	29
Total comprehensive income for the year	-	-	29	29
Transfers	-	(58)	58	-
Dividends paid (Note 8)	-	-	-	-
Total transactions with owners recognised directly in equity	-	-	-	-
Balance at 30 May 2018	50	81	81	212
Comprehensive expense for the period				
Loss for the financial period	-	-	(468)	(468)
Total comprehensive expense for the period	-	-	(468)	(468)
Dividends paid (Note 8)	-	-	(2)	(2)
At 31 December 2018	50	81	(389)	(258)

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

Corporate information

Ecoplas 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 is a recycler of PVC windows operating from a single site in Selby.

Basis of preparation

The Financial Statements have been prepared under the historical cost convention, on a going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. Information on the first-time adoption of FRS 101 is given in note 23.

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 have reviewed future forecasts with the Directors and have concluded that that with support from the Group, which has been provided in a letter of support, 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. The Directors therefore consider it is appropriate for the accounts to be prepared on a going concern basis.

The Company's Financial Statements are presented in UK Pounds Sterling and are rounded to the nearest thousand pounds, except where otherwise stated.

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:

- As permitted by FRS 101 the Company has taken advantage of the disclosure exemptions available under that standard in relation to presenting comparative information in respect of property, plant and equipment and intangible assets, financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and related party transactions with other wholly- owned members of the Group. Where required, equivalent disclosures are given in the Group Financial Statements of Eurocell plc. The Group Financial Statements of Eurocell plc are available to the public and can be obtained as set out in note 22.
- 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)

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Basis of preparation (continued)

- 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

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Revenue (continued)

Management reviewed the implementation of IFRS 15, effective 31 May 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.

Property, plant and equipment

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

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

Plant, machinery and equipment	Between 10% and 50%
Land and buildings	The term of the primary lease

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.

Provisions

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

The Company has recognised provisions for liabilities of uncertain timing or amount in respect of leasehold dilapidations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate as described above.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Financial assets

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

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

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:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Deferred taxation

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

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

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

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

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

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)

Operating leases (continued)

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 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 c.£260k with additional depreciation c.£210k and finance costs c.£5k of being incurred in the first year of adoption, offset by a corresponding reduction in administrative costs c.£210k.

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 FRS 101 not to disclose balances and transactions between itself and other wholly owned members of the Eurocell plc Group.

Notes to the Financial Statements (continued)

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:

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

Where the adjusted loss rates are different from the original estimate, such difference will impact on the carrying value of trade receivables and the amount credited or charged on a net basis to operating expenses within the 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.

Notes to the Financial Statements (continued)

3. Revenue

Revenue arises from:

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
Sale of goods	3,971	5,602

The whole of the revenue is attributable to the sale of recycled PVC windows.

A geographical analysis of revenue is as follows:

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
United Kingdom	3,599	4,640
European Union	372	962
	<u>3,971</u>	<u>5,602</u>

4. Expenses by nature

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
Depreciation of property, plant and equipment (Note 9)	174	225
Cost of inventories	1,174	1,669
Employee benefit expense (Note 6)	1,184	1,874
Operating lease payments: land and buildings	112	177
Dilapidations expense (Note 14)	482	-
Other expenses (represented)	1,163	1,548
Total cost of sales, distribution costs and administrative expenses	<u>4,289</u>	<u>5,493</u>

5. Auditors' remuneration

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
Audit of these financial statements	14	44

Notes to the Financial Statements (continued)

6. Staff costs

Staff costs (including Directors) comprise:

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
Wages and salaries	1,061	1,703
Social security costs	109	157
Other pension costs	14	14
	<u>1,184</u>	<u>1,874</u>

The average monthly number of employees, including Directors, during the period were as follows:

	Period ended 31 December 2018 No.	Year ended 30 May 2018 No.
Office and administration	48	46
Distribution	13	12
	<u>61</u>	<u>58</u>

Directors' remuneration

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
Emoluments	66	84
Total pension and other post-employment benefit costs	<u>-</u>	<u>-</u>

During the period retirement benefits were accruing to 1 Director (year ended 30 May 2018: 1).

The value of the Company's contributions paid to a defined contribution scheme in respect of the highest paid director amounted to £Nil (year ended 30 May 2018: £Nil).

Directors' remuneration is in relation to one director (year ended 30 May 2018: 2). The remaining Directors were remunerated via Eurocell Group Limited and the amounts were not recharged to the Company.

Notes to the Financial Statements (continued)

7. Tax on (loss)/profit

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
Current tax		
Current tax on (losses)/profits for the period/year	(79)	-
Adjustments to current tax charge in respect of prior periods	-	-
Total current tax credit	<u>(79)</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	117	11
Adjustments in respect of changes in rates	4	-
Adjustments in respect of change in rates	-	-
Total deferred tax charge (Note 15)	<u>121</u>	<u>11</u>
Tax on (loss)/profit	<u>42</u>	<u>11</u>

The tax assessed for the year is lower than (year ended 30 May 2018: higher 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 in the United Kingdom applied to (losses) / profits for the period/year are as follows:

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
(Loss)/profit before taxation	(426)	40
Expected tax charge based on the standard rate of UK corporation tax at the domestic rate of 19% (year ended 30 May 2018: 19%)	<u>(81)</u>	<u>8</u>
Expenses not deductible for tax purposes	9	1
Adjustments to tax charge in respect of prior periods	4	-
De-recognition of deferred tax losses	110	-
Adjustments in respect of change in rates	-	2
Total tax expense	<u>42</u>	<u>11</u>

The mainstream rate of UK corporation tax which took effect from April 2017 was 19%. A further reduction to 17% from 1 April 2020 has been substantively enacted (as at 8 March 2017 as part of the Budget 2017), and so deferred tax has been re-measured at 17%.

Notes to the Financial Statements (continued)

8. Dividends paid and proposed

	Period ended 31 December 2018 £000	Year ended 30 May 2018 £000
Dividend for period of £0.04 per share (year ended 30 May 2018: £nil)	2	-

9. Property, plant and equipment

	Plant, machinery and equipment £000	Land and buildings £000	Total £000
Cost			
At 31 May 2018	3,100	72	3,172
Additions	346	-	346
At 31 December 2018	<u>3,446</u>	<u>72</u>	<u>3,518</u>
Accumulated depreciation			
At 31 May 2018	1,742	69	1,811
Depreciation charge for the period	173	1	174
At 31 December 2018	<u>1,915</u>	<u>70</u>	<u>1,985</u>
Net book value			
At 31 December 2018	<u>1,531</u>	<u>2</u>	<u>1,533</u>
At 30 May 2018	<u>1,358</u>	<u>3</u>	<u>1,361</u>

Notes to the Financial Statements (continued)

10. Inventories

	31 December	30 May
	2018	2018
	£000	£000
Finished goods and goods for resale	156	90

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

11. Trade and other receivables

	31 December	30 May
	2018	2018
	£000	£000
Trade receivables	571	964
Corporation tax	80	-
Prepayments and accrued income	62	260
Total	713	1,224

The fair values of trade and other receivables are not materially different to their carrying values. At 31 December 2018 the provision for impairment of trade debtors is £5,000 (2017: £nil) with trade debtors of £38,000 (30 May 2018: £54,000) being past due but not impaired. They relate to customers with no default history.

The ageing analysis of these debtors is as follows:

	31 December	30 May
	2018	2018
	£000	£000
Up to 3 months overdue	562	967
Greater than 3 months overdue	9	13

Notes to the Financial Statements (continued)

12. Trade and other payables

	31 December 2018 £000	30 May 2018 £000
Bank loans and overdrafts	-	722
Obligations under finance leases	-	223
Other borrowings	-	9
Trade payables	584	602
Amounts owed to Group undertakings	1,453	-
Other tax and social security payments	96	212
Other creditors	2	70
Accruals and deferred income	266	523
Total	<u>2,401</u>	<u>2,361</u>

The bank loans and finance leases were secured by fixed charges over the assets of the Company. Included under bank loans and overdrafts is an amount of £nil (30 May 2018: £708,000) in respect of an Invoice Discounting Facility.

The amounts owed to Group undertakings are unsecured, repayable on demand and subject to interest charges which are agreed from time to time between the companies. The average interest rate charged to the Company for the period from Group companies was 1.87% (year ended 30 May 2018: nil).

13. Trade and other payables – non-current

	31 December 2018 £000	30 May 2018 £000
Bank loans	-	25
Obligations under finance leases	-	156
Other borrowings	-	21
Total	<u>-</u>	<u>202</u>

The bank loans and finance leases were secured by fixed charges over the assets of the Company.

Notes to the Financial Statements (continued)

14. Provisions for liabilities

	Dilapidations and environmental provisions	
	31 December	30 May
	2018	2018
	£000	£000
Opening balance	-	-
Charge during period/year	482	-
Closing balance	<u>482</u>	<u>-</u>

Under property operating lease agreements, the Company has obligations to maintain all properties to the standard that prevailed at the inception of the respective leases. The provision represents the Directors' best estimate of the costs associated with this obligation.

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

15. Deferred taxation

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

	Period ended	Year ended
	31 December	30 May
	2018	2018
	£000	£000
Opening balance	65	54
Charge during period/year	121	11
Closing balance	<u>186</u>	<u>65</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)

15. Deferred taxation (continued)

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

	31 May 2018 £000	Charged to income statement £000	31 December 2018 £000
Accelerated capital allowances	175	11	186
Tax losses	(110)	110	-
Net deferred tax liabilities	<u>65</u>	<u>121</u>	<u>186</u>
	31 May 2017 £000	£000	30 May 2018 £000
Accelerated capital allowances	184	(9)	175
Tax losses	(130)	20	(110)
Net deferred tax liabilities	<u>54</u>	<u>11</u>	<u>65</u>

Notes to the Financial Statements (continued)

16. Called up and allotted share capital

	31 December 2018 £	30 May 2018 £
50,000 (30 May 2018: 50,000) Ordinary shares of £1.00 each	<u>50,000</u>	<u>50,000</u>

The ordinary shares, which carry no right to fixed income, each carry the right to one vote at meetings of the company.

17. Reserves

Retained Earnings

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

Revaluation Reserve

The revaluation reserve included all historical revaluation gains and losses recognised on freehold property.

18. Operating leases

The Company has entered into commercial leases on certain land and buildings and other items 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.

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

	31 December 2018 £000	Represented 30 May 2018 £000
Land and buildings		
Not later than one year	186	182
Later than one year and not later than 5 years	3	111
	<u>189</u>	<u>293</u>
	31 December 2018 £000	Represented 30 May 2018 £000
Other		
Not later than one year	89	51
Later than one year and not later than 5 years	156	25
	<u>245</u>	<u>76</u>

Notes to the Financial Statements (continued)

18. Operating leases (continued)

On review of the disclosure for the year ended 30 May 2018, the operating lease commitment note has been amended to be in line with the disclosure for the period to 31 December 2018.

19. 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 funds. The pension cost represents contributions payable by the Company to the fund and totalled £14,000 (30 May 2018: £14,000).

20. Capital commitments

The Company had no capital commitments as at 31 December 2018 and at 30 May 2018.

21. Related party transactions

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

22. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Eurocell Profiles Limited and the ultimate controlling party is Eurocell plc, which is registered in England and Wales.

Eurocell plc is listed on the London Stock Exchange.

The smallest and largest Group for which Group financial statements are prepared by Eurocell plc. Consolidated financial statements are available from investors.eurocell.co.uk.

23. First time adoption of FRS 101

This is the first year the company has presented its results under FRS 101. The last financial statements for year ended 30 May 2018 were prepared in accordance with FRS 102.

The date of transition to FRS 101 was 30 May 2018. The transition had no impact on the previously reported profit for the financial period ended 30 May 2018 or total equity as at 31 May 2017 and as at 30 May 2018.