Notes to the Company Financial Statements

For the year ended 31 December 2017

33 ACCOUNTING POLICIES (COMPANY)

Corporate information

Eurocell plc (the 'Company') is a publicly listed company incorporated and domiciled in England and Wales. The registered office is Fairbrook House, Clover Nook Road, Alfreton, Derbyshire, DE55 4RF.

The Company is principally engaged as a holding company for its subsidiaries which are engaged in the extrusion of UPVC window and building products to the new and replacement window market and the sale of building materials across the UK.

Basis of preparation

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.

The Company has adequate resources to continue in operational existence for the foreseeable future and, as a result of this, the going concern basis has been adopted in preparing the Financial Statements.

The Company Financial Statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). These Financial Statements have been prepared under the historical cost convention in accordance with UK GAAP and the Companies Act 2006.

Changes in accounting policies and disclosures applicable to the Company

There were no standards or interpretations which took effect in the year which materially affect the Financial Statements.

Investments in subsidiary undertakings

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

Financial assets

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

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written-off against the associated provision.

From time to time, the Company elects to renegotiate the terms of trade 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 administrative expenses.

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less from inception, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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 balance sheet. Further information is provided in Note 3.
- trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

33 ACCOUNTING POLICIES (COMPANY) CONTINUED

Deferred taxation

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor 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.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

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 either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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 interim dividends to equity Shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the Shareholders at the Annual General Meeting.

Further information regarding dividends is provided in Note 13.

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:

Paragraphs 45(b) and 46 to 52 of IFRS 2, Share-Based Payments (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).

Paragraph 38 of IAS 1, Presentation of Financial Statements, comparative information requirements in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(iii) 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).

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).

The requirements in IFRS 7 Financial Instruments: Disclosures.

Paragraph 17 of IAS 24, Related Party Disclosures (key management compensation).

The requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

34 EMPLOYEE BENEFITS EXPENSE

	2017 £000	2016 £000
Staff costs (including Directors) comprise:		
Wages and salaries	**213**	213
Social security contributions and similar taxes	**27**	27
	240	240

The average number of monthly employees was three (2016: three).

35 INVESTMENTS

Cost	Investments in subsidiary undertakings £000
At 31 December 2017 and at 31 December 2016	17,839

The subsidiaries of Eurocell plc, all of which have been incorporated in the United Kingdom are included in these Consolidated Financial Statements, as follows:

		Holding	
Name	Principal activity	**2017**	2016
Eurocell Holdings Limited*	Holding company	**100%**	100%
Eurocell Group Limited	Holding company	**100%**	100%
Eurocell Building Plastics Limited	Sale of building plastic materials	**100%**	100%
Eurocell Profiles Limited	Manufacture and sale of building plastic materials	**100%**	100%
S&S Plastics Limited	Manufacture and sale of injection moulded products	**100%**	100%
Vista Panels Limited	Manufacture and sale of doors	**100%**	100%
Security Hardware Limited	Sale of locks and security hardware products	**100%**	–
Fairbrook Group Limited	Dormant	**100%**	100%
Northampton Profiles Limited	Dormant	**100%**	100%
Peninsula Plastics Limited	Dormant	**100%**	100%
Sheet Plastic UK Limited	Dormant	**100%**	100%
Fairbrook Limited	Dormant	**100%**	100%
Fairbrook Holdings Limited	Dormant	**100%**	100%
Reversible Systems Limited	Dormant	**100%**	100%
Brunel Building Plastics Limited	Dormant	**100%**	100%
Eurocell Window Systems Limited	Dormant	**100%**	100%
Eurocell Plastics Limited	Dormant	**100%**	100%
Cavalok Building Products Limited	Dormant	**100%**	100%
Merritt Plastics Limited	Dormant	**100%**	100%
Merritt Engineering Limited	Dormant	**100%**	100%
Deeplas Limited	Dormant	**100%**	100%
Deeplas Building Plastics Limited	Dormant	**100%**	100%
Ampco 113 Limited	Dormant	**100%**	100%

* Directly held by Eurocell plc.

All of the above have a registered address of Fairbrook House, Clover Nook Road, Alfreton, Derbyshire, DE55 4RF.

Notes to the Company Financial Statements continued

For the year ended 31 December 2017

36 TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Prepayments and other debtors	**45**	129
Amounts owed by Group undertakings	**53,138**	48,012
Total trade and other receivables	**53,183**	48,141

37 DEFERRED TAX

	2017 £000	2016 £000
At 1 January	**94**	58
Credited/(charged) to equity	**50**	(50)
(Charged)/credited to Statement of Comprehensive Income	**(39)**	86
At 31 December	**105**	94

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

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year, together with amounts recognised in the Consolidated Statement of Comprehensive Income and amounts recognised in other comprehensive income are as follows:

	Asset 2017 £000	Liability 2017 £000	Net 2017 £000	Statement of Comprehensive Income 2017 £000	Equity 2017 £000
Other temporary differences	**105**	**–**	**105**	**(39)**	**50**
Net tax assets	**105**	**–**	**105**	**(39)**	**50**

	Asset 2016 £000	Liability 2016 £000	Net 2016 £000	Statement of Comprehensive Income 2016 £000	Equity 2016 £000
Other temporary differences	94	–	94	86	(50)
Net tax assets	94	–	94	86	(50)

38 TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Trade and other payables	**129**	117
Amount owed to Group undertakings	**26,290**	12,775
Total current liabilities	**26,419**	12,892

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

Trade payables are non-interest bearing and are generally settled on 30 – 60 day terms.

39 BORROWINGS

The book value and fair value of borrowings are as follows:

	Book Value 2017 £000	Fair Value 2017 £000	Book Value 2016 £000	Fair Value 2016 £000
Non-current				
Bank borrowings unsecured	**25,851**	**25,851**	25,785	25,785
Total borrowings	**25,851**	**25,851**	25,785	25,785

Borrowings

The Company has a £45,000,000 committed multi-currency revolving unsecured credit facility with Barclays Bank plc and Santander UK plc which expires in 2020.

Borrowings of £26,000,000 were drawn down at 31 December 2017 (2016: £26,000,000) less unamortised issue costs of £149,000 (2016: £215,000).

Interest is charged at an excess over base rate of between 1.25% and 2.25% per annum and is dependent upon the ratio of total net debt to consolidated EBITDA.

Based upon current economic and market trends, management consider that the Sterling LIBOR rate will remain relatively stable during the next reporting period to 31 December 2018, and any changes, when applied to the Company's current bank borrowings of £25,851,000 would not lead to a significant change in finance expense.