

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 PVC 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.

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.

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 paid. 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 Payment (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:

- 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).

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).

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

The requirements in IFRS 7 Financial Instruments: Disclosures.

The requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between 2 or more members of a group.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

34 EMPLOYEE BENEFITS EXPENSE

	2018 £000	2017 £000
Staff costs (including Directors) comprise:		
Wages and salaries	223	213
Social security contributions and similar taxes	27	27
	250	240

The average number of monthly employees was 3 (2017: 3).

35 INVESTMENTS

Cost	Investments in subsidiary undertakings £000
At 31 December 2018 and at 31 December 2017	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:

Name	Principal activity	Holding	
		2018	2017
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%	100%
Ecoplas Limited	Recycler of PVC windows	95%	–
Kent Building Plastics Limited	Sale of building plastic materials	100%	–
Fairbrook Group Limited	Dormant	100%	100%
Fairbrook Limited	Dormant	100%	100%
Fairbrook Holdings 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.

36 TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Prepayments and other debtors	560	45
Amounts owed by Group undertakings	40,297	53,138
Total trade and other receivables	40,857	53,183

37 DEFERRED TAX

	2018 £000	2017 £000
At 1 January	105	94
(Charged)/credited to equity	(36)	50
Charged to Statement of Comprehensive Income	26	(39)
At 31 December	95	105

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 2018 £000	Liability 2018 £000	Net 2018 £000	Statement of Comprehensive Income 2018 £000	Equity 2018 £000
Other temporary differences	95	–	95	26	(36)
Net tax assets	95	–	95	26	(36)

	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

38 TRADE AND OTHER PAYABLES

	2018 £000	2017 £000
Trade and other payables	243	129
Amount owed to Group undertakings	–	26,290
Total current liabilities	243	26,419

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

39 BORROWINGS

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

	Book value 2018 £000	Fair value 2018 £000	Book value 2017 £000	Fair value 2017 £000
Non-current				
Bank borrowings unsecured	29,376	29,376	25,851	25,851
Total borrowings	29,376	29,376	25,851	25,851

Borrowings

The Company has a £60 million committed multi-currency revolving unsecured credit facility with Barclays Bank plc and HSBC UK Bank plc which expires in 2023.

Borrowings of £30,000,000 were drawn down at 31 December 2018 (2017: £26,000,000) less unamortised issue costs of £624,000 (2017: £149,000).

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 2019, and any changes, when applied to the Company's current bank borrowings of £30,000,000 would not lead to a significant change in finance expense.