NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 ACCOUNTING POLICIES (GROUP)

Corporate information

Eurocell plc (the 'Company') and its subsidiaries (together the 'Group') 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 Group is principally 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 years presented, unless otherwise stated.

The Group 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 Group Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention, as modified by fair values.

The preparation of the Group Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries at 31 December 2018 and present the results as if they formed a single entity. Where the Company has power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases. Intercompany transactions and balances, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

The Consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

Changes in accounting policies and disclosures applicable to the Company and the Group

The Company has applied the following new standards and guidance for the financial reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Annual improvements 2014-16 cycle;
- IFRS 2 Share-based payment;
- IAS 40 Investment Property; and
- IFRIC 22 Foreign Currency Transactions and Advanced Consideration.

The Group changed its accounting policies in respect of revenue recognition and impairment of financial assets following the adoption of IFRS 9 and IFRS 15, with no material impact on the Financial Statements. Of the other standards listed, none have had a material impact on the Company or Group for the year ended 31 December 2018.

Certain new standards and interpretations have been issued but are not yet effective (and in some cases not yet approved by the EU) for the year ended 31 December 2018:

- IFRS 16 Leases (effective from 1 January 2019);
- IFRS 17 Insurance Contracts (effective from 1 January 2021);
- IAS 28 Investments in Associates and Joint Ventures (effective from 1 January 2019); and
- IFRIC 23 Uncertainty Over Income Tax Treatment (effective from 1 January 2019).

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.

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Changes in accounting policies and disclosures applicable to the Company and the Group continued

In adopting this standard the Group intends to apply the Modified Retrospective transition approach. As a result on 1 January 2019 the Group will recognise additional non-current assets and lease liabilities of c.£35 million, with additional depreciation of c.£9 million and finance costs of c.£1 million being incurred in the first year of adoption, offset by a corresponding reduction in administrative costs of c.£9 million. This is lower than the charge disclosed in Note 6 (£14.7 million) due to short term leases not requiring to be presented in accordance with IFRS 16. Operating cash flows will increase, and financing cash flows decrease, by c.£8 million due to the repayment of the principal portion of lease liabilities being classified as cash flows from financing activities.

The key judgements in applying IFRS 16 are the discount applied to the future cash flows arising on lease contracts and management's assessment of the likelihood of lease extensions and terminations.

With the exception of IFRS 16, none of the standards in issue but not yet effective are expected to have a material impact on the Group's future Financial Statements. The Group does not intend to adopt any standard, revision or amendment before the required implementation date.

Revenue

The Group manufactures and distributes a range of building plastic materials, along with associated ancillary products, via direct sales to its Fabricator customers and through its branch network. Revenue is recognised when control of the products has transferred. Control is considered to have transferred once the customer has taken delivery of the products, or has collected them from the branch, has full discretion over the future use of those products, and where there is no unfulfilled obligation that could affect the customer's acceptance of the products. See Note 2 relating to critical accounting estimates and judgements.

A receivable is recognised on the transfer of the products, as this is the point at which consideration is deemed to be unconditional.

Where costs are incurred by the Group in securing a contract to supply products, those costs are recognised as an asset in the Consolidated Statement of Financial Position, and amortised over the period in which revenue pertaining to those costs is recognised.

Non-underlying items

The Group presents some material items of income and expense as non-underlying items. 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 users of the Financial Statements to better understand the elements of financial performance in the year; it facilitates comparison with prior periods and it helps in understanding trends in financial performance. Further details as to why certain items have been classified as non-underlying are provided in Note 7.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is initially measured at cost, being the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the acquisition date. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated Statement of Comprehensive Income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Consolidated Statement of Comprehensive Income on the acquisition date.

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.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see Note 2 relating to critical estimates and judgements below).

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Software	5 to 10 years	Cost to acquire
Technology-based	10 to 17 years	Cost to acquire
Marketing-related	10 to 15 years	Cost to acquire

The amortisation charge for the year is included within administration costs within the Consolidated Statement of Comprehensive Income.

Impairment of tangible assets, intangible assets and investments

Impairment tests on non-current assets are undertaken annually at the financial year end or at any other time when an indication of impairment arises. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows – its cash-generating unit ('CGU'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the Consolidated Statement of Comprehensive Income, except to the extent they reverse gains previously recognised in Other Comprehensive Income. An impairment loss recognised for goodwill is not reversed.

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.

Freehold land and assets in the course of construction are not depreciated. Depreciation is provided on all other items of property, plant and equipment 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 policy
Freehold property	2.5% per annum straight-line
Leasehold improvements	Equal instalments over the period of the lease
Plant and machinery	
Mixing plant	Between 20% and 25% per annum on cost
Extruders	13 years based on production usage
Stillages and tooling	5 to 10 years based on production usage
Other	Between 10% and 25% per annum on cost
Motor vehicles	Between 20% and 25% per annum on cost
Office equipment and fixtures	Between 20% and 25% per annum on cost

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and conversion and other costs incurred in bringing the inventories to their 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 a proportion of attributable overheads.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred up to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial assets

The Group classifies all of its financial assets as loans and receivables and has not classified any of its financial assets as held to maturity. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

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, 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 Group 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. The Group has two types of financial asset that are subject to the expected credit loss model: trade receivables and contract 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 Group 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 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 Consolidated 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.

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Financial assets continued

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 loans and borrowings in current liabilities in the balance sheet.

Financial liabilities

The Group 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.
- 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.

Taxation

Tax on the profit for both the current and prior periods comprises both current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates that have been enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

The Group recognises a current tax asset in respect of relief claimed under the Patent Box when the inflow of economic benefits arising from that asset is virtually certain, deemed to be the submission of a claim to HM Revenue and Customs.

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 Group 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 future taxable profits will arise 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 Group 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.

Provisions

A provision is recognised in the balance sheet when the Group 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 Group 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.

Share capital

The Group'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.

Retirement benefits: defined contribution scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. The Group has no obligation to pay future pension benefits.

Operating leases

Operating leases are contractual arrangements conferring the right of use of an asset but where substantially all of the risks and rewards incidental to ownership are not transferred to the Group, the total rentals payable under the lease are charged to the Consolidated Statement of Comprehensive Income 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.

Foreign currency

The Group's Financial Statements are presented in British pounds sterling. For each entity, the Group determines the functional currency, and items included in the Financial Statements of each entity are measured using that functional currency.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the prevailing rate 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 in the Consolidated Statement of Comprehensive Income.

Share-based payment transactions

The Group has applied the requirements of IFRS 2 Share-based Payment.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is determined at the grant date using the Black-Scholes valuation model and equity-settled share-based payments are expensed on a straight-line basis over the vesting period, based upon the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured based on the value of options over shares on the date of grant and the likelihood of all or part of the option vesting.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and judgements 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 judgements.

Critical estimates and judgements

The estimates and judgements 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.

a) Revenue recognition

The critical judgement with regard to revenue is the point at which control is deemed to have passed to the customer. The Group considers this to be the point at which the goods are physically transferred to the customer. This is due to the fact that very little time transpires between the transfer of goods and their use in fabrication or installation by the customer, such that any quality or other issues, and therefore any subsequent reversal of revenue, would be apparent almost immediately.

A further critical estimate is the recoverability of contract assets. Contract assets are regularly assessed for indications of impairment by reviewing revenue and profitability projections over the period of each contract. Where the present value of future cash flows associated with a contract is below the book value of the asset, the carrying value is reduced via an impairment charge.

b) Carrying value of inventories

Management review the market value of, and demand for, its inventories on a periodic basis to ensure inventory is 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. The key judgement is the extent to which items of inventory remain saleable as they age. Management use their knowledge of market conditions to assess future demand for the Group's products and achievable selling prices.

Further disclosures relating to inventories are provided in Note 17.

c) Recoverability of trade receivables

The Group 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.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Critical estimates and judgements continued

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 Consolidated Statement of Comprehensive Income. 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. If loss rates were, on average, 500 basis points higher than current estimates, the provision for impairment would increase by £35,000.

Further disclosures relating to trade receivables are provided in Note 18.

Other estimates and judgements

The following estimates and judgements are important, but are not considered to have a significant risk of leading to a material misstatement.

d) Dilapidation provisions

The Group recognises dilapidation provisions on the leasehold properties it occupies. The key estimate is the level of provision required for each property, which management assesses based on past experience within the property portfolio. If the actual cost of dilapidations in respect of the Group's branch network was on average 10% greater or less than expected, the provision would change by less than £50,000. These provisions are reviewed semi-annually to ensure that they reflect the current best estimate of the provision required. Further disclosures relating to dilapidation provisions are provided in Note 21.

e) Carrying value of intangible assets

Management assesses the carrying value of its goodwill and intangible assets at least annually, or when an indication of impairment arises. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Recoverable amounts are determined from 'value-in-use' calculations applied to each Cash Generating Unit ('CGU'), which have been predicated on discounted cash flow projections from formally approved budgets covering a three-year period. The key estimates as highlighted in Note 16 are the discount rate and the level of profit growth assumed in perpetuity. If the discount rate increased by 100 basis points, or if the level of profit growth in perpetuity was zero, none of the Group's CGUs would be at risk of impairment.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

- credit risk;
- market risk;
- foreign exchange risk; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Financial Statements. There have been no substantive changes in the Group'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 in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash and cash equivalents;
- trade and other payables;
- bank overdrafts; and
- floating-rate bank loans.

The Group finances its activities using cash generated from operations and its revolving credit facility. It does not use invoice discounting or any other financing facilities.

A summary of the financial instruments held by category is provided below:

Financial assets	2018 £000	2017 £000
Cash and cash equivalents	**5,862**	11,361
Trade and other receivables	**34,117**	27,702
Total financial assets	**39,979**	39,063

Financial liabilities	2018 £000	2017 £000
Trade and other payables	**42,129**	33,729
Borrowings	**30,000**	25,851
Total financial liabilities	**72,129**	59,580

Impairment of financial assets
Impairments of trade receivables are outlined in Note 18. No further impairments to financial assets are considered necessary. The Group 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.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group'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. 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 Group'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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk through its trade receivables arising from its normal commercial activities. It is Group policy, implemented locally, to assess the credit risk of new customers before entering into contracts.

Existing credit risks associated with trade receivables are managed in line with Group 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).

Further disclosures regarding financial assets are provided in Note 18.

Market risk
The Group is exposed to market risk from bank borrowings which incur variable interest rate charges linked to base rate plus a margin. The Group's policy aims to manage the interest cost of the Group within the constraints of its financial covenants and forecasts.

During 2018 and 2017 the Group's borrowings at variable rate were denominated in sterling. Further disclosures relating to bank borrowings are provided in Note 19.

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. 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 purchases and sales to be denominated in sterling. The profit or loss arising from likely changes in foreign exchange is not significant.

Liquidity risk
Liquidity risk 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 will encounter difficulty in meeting its financial obligations as they fall due.

The Group'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, cash flow forecasts are prepared and updated on a regular basis to ensure that the Group has adequate headroom in its facilities.

The Board receives monthly updates on the Group's liquidity position and any issues are reported by exception.

At the end of the financial year, the most recent cash flow projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably foreseeable circumstances.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

General objectives, policies and processes continued

Liquidity risk continued

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

At 31 December 2018	Total £000	Up to 3 months £000	Between 3 and 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Trade and other payables	(42,129)	(40,904)	(300)	(115)	(810)	–
Borrowings	(30,000)	–	–	–	(30,000)	–
Total	(72,129)	(40,904)	(300)	(115)	(30,810)	–

At 31 December 2017	Total £000	Up to 3 months £000	Between 3 and 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Trade and other payables	(33,729)	(32,905)	(106)	(307)	(411)	–
Borrowings	(26,000)	–	–	–	(26,000)	–
Total	(59,729)	(32,905)	(106)	(307)	(26,411)	–

Capital management

The Group's objective when managing capital, which is deemed to be total equity plus total debt and which totalled £89.5 million (2017: £75.2 million) at the balance sheet date, is to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance, and to maintain good headroom on its debt facilities and financial covenants. The Group manages its capital structure and makes appropriate decisions in the light of current economic conditions and its strategic objectives.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain the future development of the business.

The funding requirements of the Group are met by the utilisation of external borrowings together with available cash.

A key objective of the Group's capital management is to maintain comfortable headroom over the covenants set out in its existing facility agreements.

The financial covenants which are in place are as follows:

- Leverage: the ratio of total net debt to consolidated EBITDA of any relevant period of not more than 3:1.
- Interest cover: the ratio of EBITDA to net interest payable in respect of any relevant period of not less than 4:1.

Covenants are measured semi-annually on a rolling 12-month basis. As at 31 December 2018 they were 0.7:1 and 46:1 respectively (2017: 0.5:1 and 57:1). The Group operated well within its covenants throughout the current and prior periods.

The following table sets out the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date:

	As at 31 December 2018			
	GBP £000	EUR £000	USD £000	Total £000
Trade and other receivables	33,954	146	17	34,117
Cash and cash equivalents	5,519	340	3	5,862
Other interest-bearing borrowings	(30,000)	–	–	(30,000)
Trade and other payables	(41,087)	(993)	(49)	(42,129)
	(31,614)	(507)	(29)	(32,150)

	As at 31 December 2017			
	GBP £000	EUR £000	USD £000	Total £000
Trade and other receivables	31,403	175	–	31,578
Cash and cash equivalents	11,073	288	–	11,361
Other interest-bearing borrowings	(25,851)	–	–	(25,851)
Trade and other payables	(33,271)	(458)	–	(33,729)
	(16,646)	5	–	(16,641)

4 REVENUE

Revenue arises from:

	2018 £000	2017 £000
Sale of goods	**253,691**	224,906

External revenue by location of customers:

	2018 £000	2017 £000
United Kingdom	**250,139**	221,667
Rest of European Union	**3,021**	2,943
Rest of World	**531**	296
	253,691	224,906

There are no customers with sales in excess of 10% of total Group revenues.

5 AUDITORS' REMUNERATION

Total amounts payable to the Group's auditors were as follows:

	2018 £000	2017 £000
Audit of these Financial Statements	**50**	43
Amounts receivable by auditors and their associates in respect of:		
Audit of Financial Statements of subsidiaries pursuant to legislation	**134**	116
Audit-related assurance services	**25**	25
	209	184

6 EXPENSES BY NATURE

	2018 £000	2017 £000
Depreciation of property, plant and equipment	**5,481**	5,119
Amortisation of intangible assets	**1,614**	1,558
Profit on disposal of property, plant and equipment and intangible assets	**(33)**	(51)
Cost of inventories	**113,243**	100,210
Employee benefits expense (Note 8)	**56,134**	47,378
Non-underlying operating expenses (Note 7)	**326**	843
Rentals under operating leases	**14,711**	10,415
Other expenses	**39,329**	35,220
Total cost of sales, distribution costs and administration expenses	**230,805**	200,692

7 NON-UNDERLYING ITEMS

Amounts included in the Consolidated Statement of Comprehensive Income are as follows:

	2018 £000	2017 £000
Acquisition-related costs	**326**	414
Redundancy and settlement costs	**–**	361
HSE penalty	**–**	68
Non-underlying operating expenses	**326**	843
Finance expense – unamortised prepaid arrangement fees	**88**	–
Total non-underlying expenses	**414**	843
Tax on non-underlying expenses	**7**	(70)
Benefit of second Patent Box claim in the year	**(852)**	–
Taxation	**(845)**	(70)
Impact on profit after tax	**(431)**	773

7 NON-UNDERLYING ITEMS CONTINUED

Operating expenses

Expenses arising from the acquisition of subsidiary undertakings are classified as non-underlying due to the fact that they relate solely to the transfer of ownership rather than ongoing operations. All of the £326,000 acquisition costs (2017: £92,000) relate to professional fees and transaction costs incurred in respect of completed acquisitions and none (2017: £322,000) relate to contingent consideration which is dependent upon continued employment.

In 2017, redundancy and settlement costs of £361,000 related to a reorganisation of the production function in the Profiles division and were classified as non-underlying because they related to termination costs for positions that no longer existed. The 2017 penalty of £68,000 related to a fine imposed by the Health and Safety Executive ('HSE') following their prosecution of the Company in respect of an accident incurred in August 2016. The penalty was classified as non-underlying because such costs are not in the normal course of business and were not expected to recur in the foreseeable future.

Finance expense

In December 2018 the Group refinanced, cancelling its £45 million Revolving Credit Facility ('RCF') and replacing it with a new £60 million RCF. As a result of this extinguishment, unamortised prepaid arrangement fees relating to the existing facility were expensed to the Consolidated Statement of Comprehensive Income. This gave rise to an additional finance expense of £88,000, which has been classified as non-underlying because it does not relate to the Group's ongoing financing arrangements.

Taxation

Non-underlying items includes a tax charge on non-underlying items of £7,000 (2017: credit of £70,000). It also includes the benefit of a second Patent Box claim. The Group makes annual claims for tax relief under HMRC's Patent Box legislation. In 2018, the Group filed claims in respect of the years ended 31 December 2016 and 31 December 2017, realising a total benefit of £1,820,000 in cash tax. The benefit of the second claim (£852,000) is presented as non-underlying because the Group typically makes only one claim in each financial year.

8 EMPLOYEE BENEFITS EXPENSE

	2018 £000	2017 £000
Staff costs (including Directors) comprise:		
Wages and salaries	**49,388**	41,808
Share-based payments	**249**	260
Social security costs	**5,086**	4,137
Pension costs – defined contribution plans	**1,411**	1,173
	56,134	47,378

	2018 No.	2017 No.
The average monthly number of employees, including Directors, during the year was as follows:		
Production	**538**	432
Office and administration	**354**	302
Distribution	**774**	762
	1,666	1,496

Key management personnel compensation and Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, which is considered to be the Directors of the Company and the Directors of the Group's subsidiary companies.

	2018 £000	2017 £000
Emoluments	**1,208**	1,889
Share-based payments	**39**	169
Pension and other post-employment benefit costs	**117**	190
	1,364	2,248

Directors' remuneration is set out in the Remuneration Report.

During the year, retirement benefits were accruing to two Directors in respect of defined contribution pension schemes (2017: two).

The highest paid Director received remuneration of £459,000 (2017: £916,000).

No share options were exercised by Directors of the Group during the year (2017: 123,864).

The value of contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £56,000 (2017: £55,000).

The Group's policy for consulting with, sharing information with, and encouraging the involvement employees is discussed on pages 22 and 23.

9 SEGMENTAL INFORMATION

The Group organises itself into a number of operating segments that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Internal reporting provided to the chief operating decision-maker, which has been identified as the executive management team including the Chief Executive Officer and the Chief Financial Officer, reflects this structure.

The Group has aggregated its operating segments into two reported segments, as these business units have similar products, production processes, types of customer, methods of distribution, regulatory environments and economic characteristics:

- Profiles – extrusion and sale of PVC window and building products to the new and replacement window market across the UK. This segment includes Vista Panels, S&S Plastics and Ecoplas.
- Building Plastics – sale of building plastic materials across the UK. This segment includes Security Hardware and Kent Building Plastics.

The Corporate segment includes amortisation in respect of acquired intangible assets.

	Profiles 2018 £000	Building Plastics 2018 £000	Corporate 2018 £000	Total 2018 £000
Revenue				
Total revenue	**159,496**	**147,345**	**–**	**306,841**
Inter-segmental revenue	**(51,768)**	**(1,382)**	**–**	**(53,150)**
Total revenue from external customers	**107,728**	**145,963**	**–**	**253,691**
Adjusted EBITDA	**22,008**	**8,394**	**(95)**	**30,307**
Amortisation	**(158)**	**(53)**	**(1,403)**	**(1,614)**
Depreciation	**(4,074)**	**(908)**	**(499)**	**(5,481)**
Operating profit before non-underlying expenses	**17,776**	**7,433**	**(1,997)**	**23,212**
Non-underlying expenses				**(326)**
Finance expense				**(793)**
Profit before tax				**22,093**

	Profiles 2017 £000	Building Plastics 2017 £000	Corporate 2017 £000	Total 2017 £000
Revenue				
Total revenue	139,553	131,877	–	271,430
Inter-segmental revenue	(45,377)	(1,147)	–	(46,524)
Total revenue from external customers	94,176	130,730	–	224,906
Adjusted EBITDA	23,166	8,568	–	31,734
Amortisation	(159)	(112)	(1,287)	(1,558)
Depreciation	(3,859)	(795)	(465)	(5,119)
Operating profit before non-underlying expenses	19,148	7,661	(1,752)	25,057
Non-underlying expenses				(843)
Finance expense				(553)
Profit before tax				23,661

9 SEGMENTAL INFORMATION CONTINUED

	Profiles 2018 £000	Building Plastics 2018 £000	Corporate 2018 £000	Total 2018 £000
Additions to plant, property, equipment and intangible assets	**6,249**	**1,002**	**1,389**	**8,640**
Segment assets	**75,000**	**46,204**	**16,090**	**137,294**
Segment liabilities	**(25,016)**	**(17,173)**	**(1,977)**	**(44,166)**
Borrowings				**(29,376)**
Corporation tax payable				**(1,162)**
Deferred tax liability				**(2,502)**
Total liabilities				**(77,206)**
Total net assets				**60,088**

	Profiles 2017 £000	Building Plastics 2017 £000	Corporate 2017 £000	Total 2017 £000
Additions to plant, property, equipment and intangible assets	4,044	2,423	1,116	7,583
Segment assets	58,861	39,965	15,805	114,631
Segment liabilities	(19,274)	(13,974)	(1,540)	(34,788)
Borrowings				(25,851)
Corporation tax payable				(2,448)
Deferred tax liability				(2,170)
Total liabilities				(65,257)
Total net assets				49,374

10 FINANCE EXPENSE

	2018 £000	2017 £000
Finance expense		
Bank borrowings	**558**	535
Other borrowings	**100**	18
Unwinding of discounting	**47**	–
Underlying finance expense	**705**	553
Non-underlying finance expense (Note 7)	**88**	–
Total finance expense	**793**	553

11 TAXATION

	2018 £000	2017 £000
Current tax expense		
Current tax on profits for the year	**2,643**	4,253
Adjustment in respect of prior years	**(40)**	(170)
Total current tax	**2,603**	4,083
Deferred tax expense		
Origination and reversal of temporary differences	**(165)**	53
Adjustment in respect of change in rates	**(21)**	(15)
Adjustment in respect of prior years	**57**	(102)
Total deferred tax	**(129)**	(64)
Total tax expense	**2,474**	4,019

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 profits for the year are as follows:

	2018 £000	2017 £000
Profit before tax	**22,093**	23,661
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2017: 19.25%)	**4,198**	4,555
Taxation effect of:		
Expenses not deductible for tax purposes	**136**	439
Patent Box claims	**(1,820)**	(738)
Adjustments to tax charge in respect of prior years	**17**	(272)
Tax on share-based payments recognised in equity	**(36)**	50
Adjustment in respect of change in rates	**(21)**	(15)
Total tax expense	**2,474**	4,019

Changes in tax rates and factors affecting the future tax charge

The mainstream rate of UK corporation tax changed in April 2017 from 20% to 19%. This gives rise to an effective rate of 19% (2017: 19.25%) for the year. A further reduction to 17% from 1 April 2020 has been substantively enacted. Deferred taxes at the year-end date have been measured using these enacted tax rates and reflected in the Financial Statements.

There are no material uncertain tax provisions.

Tax on non-underlying items

The net tax charge arising on non-underlying items within the Comprehensive Income Statement is £7,000 (2017: credit of £70,000). Non-underlying tax also includes a credit of £852,000, being the benefit of a second Patent Box claim in the year.

Tax included in Other Comprehensive Income

The tax charge arising on share-based payments within Other Comprehensive Income is £36,000 (2017: credit of £50,000).

Based on the current investment plans of the Group, and assuming the rates of capital allowances on capital expenditure continue into the future, there is little prospect of any significant part of the deferred tax liability becoming payable over the next three years.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. Adjusted earnings per share excludes the impact of non-underlying items.

	2018 £000	2017 £000
Profit attributable to ordinary Shareholders	**19,619**	19,642
Profit attributable to ordinary Shareholders excluding non-underlying items	**19,188**	20,415

	Number	Number
Weighted average number of shares – basic	**100,278,663**	100,040,383
Weighted average number of shares – diluted	**100,627,058**	100,301,071

	Pence	Pence
Basic earnings per share	**19.6**	19.6
Adjusted basic earnings per share	**19.1**	20.4
Diluted earnings per share	**19.5**	19.6
Adjusted diluted earnings per share	**19.1**	20.4

13 DIVIDENDS

	2018 £000	2017 £000
Dividends paid during the year		
Final dividend for 2017 of 6.0p per share (2016: 5.7p per share)	**6,008**	5,700
Interim dividend for 2018 of 3.1p per share (2017: 3.0p per share)	**3,110**	3,004
	9,118	8,704
Dividends proposed		
Final dividend for 2018 of 6.2p per share (2017: 6.0p per share)	**6,219**	6,008

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Office equipment and fixtures £000	Assets under construction £000	Total £000
Cost							
Balance at 1 January 2017	8,644	63	31,406	197	84	2,301	42,695
Additions	–	122	3,484	45	–	3,417	7,068
Added on acquisition	–	–	43	–	–	–	43
Disposals	–	–	(103)	(30)	–	–	(133)
Transfers	23	–	3,876	–	–	(4,003)	(104)
Balance at 1 January 2018	**8,667**	**185**	**38,706**	**212**	**84**	**1,715**	**49,569**
Additions	**12**	**13**	**2,412**	**26**	**13**	**5,904**	**8,380**
Added on acquisition	**–**	**4**	**1,321**	**45**	**19**	**–**	**1,389**
Disposals	**–**	**–**	**(205)**	**(32)**	**(82)**	**–**	**(319)**
Transfers	**336**	**–**	**4,187**	**–**	**–**	**(4,969)**	**(446)**
Balance at 31 December 2018	**9,015**	**202**	**46,421**	**251**	**34**	**2,650**	**58,573**
Accumulated depreciation							
Balance at 1 January 2017	679	43	12,538	57	84	–	13,401
Charge for the year	228	7	4,839	45	–	–	5,119
Disposals	–	–	(88)	(30)	–	–	(118)
Balance at 1 January 2018	**907**	**50**	**17,289**	**72**	**84**	**–**	**18,402**
Charge for the year	**230**	**16**	**5,176**	**36**	**23**	**–**	**5,481**
Disposals	**–**	**–**	**(199)**	**(32)**	**(82)**	**–**	**(313)**
Balance at 31 December 2018	**1,137**	**66**	**22,266**	**76**	**25**	**–**	**23,570**
Net book value							
At 31 December 2018	**7,878**	**136**	**24,155**	**175**	**9**	**2,650**	**35,003**
At 31 December 2017	7,760	135	21,417	140	–	1,715	31,167

Included within freehold property is non-depreciable land of £2,320,000 (31 December 2017: £2,320,000).

During the year £446,000 of assets under construction were transferred to Intangible Assets.

15 INTANGIBLE ASSETS

	Software £000	Technology -based £000	Customer -related £000	Marketing -related £000	Goodwill £000	Total £000
Cost						
Balance at 1 January 2017	745	1,612	5,926	6,338	8,328	22,949
Additions	510	–	5	–	–	515
Added on acquisition	–	–	486	–	222	708
Disposals	–	–	(101)	–	–	(101)
Transfers	104	–	–	–	–	104
Balance at 1 January 2018	**1,359**	**1,612**	**6,316**	**6,338**	**8,550**	**24,175**
Additions	**255**	**–**	**–**	**5**	**–**	**260**
Added on acquisition	**–**	**–**	**1,376**	**–**	**7,996**	**9,372**
Transfers	**446**	**–**	**(399)**	**–**	**–**	**47**
Balance at 31 December 2018	**2,060**	**1,612**	**7,293**	**6,343**	**16,546**	**33,854**
Accumulated amortisation						
Balance at 1 January 2017	329	317	1,343	1,247	–	3,236
Charge for the year	158	95	882	423	–	1,558
Disposals	–	–	(50)	–	–	(50)
Balance at 1 January 2018	**487**	**412**	**2,175**	**1,670**	**–**	**4,744**
Charge for the year	**213**	**95**	**984**	**322**	**–**	**1,614**
Transfers	**–**	**–**	**(299)**	**–**	**–**	**(299)**
Balance at 31 December 2018	**700**	**507**	**2,860**	**1,992**	**–**	**6,059**
Net book value						
At 31 December 2018	**1,360**	**1,105**	**4,433**	**4,351**	**16,546**	**27,795**
At 31 December 2017	872	1,200	4,141	4,668	8,550	19,431

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

16 IMPAIRMENT

For the purpose of impairment testing, goodwill is allocated to Cash Generating Units ('CGUs') as follows:

	2018 £000	2017 £000
Ecoplas	**5,768**	–
Eurocell Building Plastics	**4,812**	2,584
Eurocell Profiles	**3,350**	3,350
Vista Panels	**2,243**	2,243
S & S Plastics	**151**	151
Security Hardware	**222**	222
	16,546	8,550

During the year the Group recognised Goodwill in respect of the acquisition of Ecoplas (£5,768,000) and Kent Building Plastics (£2,228,000), with the latter being incorporated into the Eurocell Building Plastics CGU.

The recoverable amounts of the CGUs have been determined from 'value-in-use' calculations which have been predicated on discounted pre-tax cash flow projections based on a three-year business plan approved by the Board. These projections are based on all available information and growth rates do not exceed growth rates achieved in prior periods.

The key assumptions in preparing these forecasts are in line with our published strategy of continuing to open further branches, developing new products, increasing our use of recycled materials and adding bolt-on acquisitions when they arise.

	2018	2017
Period on which management approved forecasts are based (years)	**3**	3
Discount rate (pre-tax)	**10%**	10%
Profit growth rate in perpetuity	**2%**	2%

The goodwill is considered to have an indefinite useful life. The discount rate was estimated based on past experience and an estimated industry average weighted average cost of capital.

16 IMPAIRMENT CONTINUED

The total recoverable amount in respect of goodwill, as assessed by the Directors using the above assumptions, is greater than the carrying amount and therefore no impairment charge has been recorded. The Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the headroom.

17 INVENTORIES

	2018 £000	2017 £000
Raw materials	**2,759**	1,108
Work in progress	**1,632**	1,209
Finished goods and goods for resale	**23,932**	18,777
	28,323	21,094

All inventories are carried at cost less a provision to take account of slow-moving and obsolete items. At 31 December 2018 the inventory provision amounted to £1.8 million (2017: £1.8 million).

18 TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Trade receivables	**34,751**	28,833
Less: provision for impairment of trade receivables	**(740)**	(880)
Less: provision for rebates payable	**(443)**	(354)
Net trade receivables	**33,568**	27,599
Contract assets	**3,140**	–
Total financial assets other than cash and cash equivalents classified as loans and receivables	**36,708**	27,599
Prepayments	**3,054**	3,876
Other receivables	**549**	103
Total trade and other receivables	**40,311**	31,578

Trade receivables are non-interest bearing and are generally on 30 days credit.

The fair values of trade and other receivables classified as loans and receivables are not materially different to their carrying values.

The Group has adopted IFRS 9 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.

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.

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018 £000	2017 £000
At 31 December – calculated under IAS 39	**880**	738
Amounts restated through comprehensive income	**(59)**	–
At 1 January – calculated under IFRS 9	**821**	738
Charged during the year	**867**	826
Added on acquisition (Note 29)	**23**	–
Released or utilised during the year	**(450)**	(476)
Receivables written-off during the year as uncollectible	**(521)**	(208)
At 31 December	**740**	880

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

In accordance with IFRS 15 Revenue from Contracts with Customers, contract assets have been separately disclosed for the first time in 2018. Contract assets held within prepayments and intangible assets at 31 December 2017 amounted to £1,466,000.

19 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

The bank borrowings outstanding at 31 December 2018 are classified as non-current liabilities as they relate to committed facilities available to the Group until 2023. The book value and fair value are not considered to be materially different.

Borrowings

Following a refinancing in December 2018 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. The previous facility, a £45 million committed multi-currency revolving unsecured credit facility, was cancelled, with all unamortised prepaid arrangement fees being expensed as a non-underlying interest charge in the Consolidated Statement of Comprehensive Income.

Fees of £635,000 incurred in the course of arranging the new facility have been capitalised within bank borrowings, and will be expensed to the Consolidated Statement of Comprehensive Income over the remaining period of the new facility.

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 Group's current bank borrowings of £30,000,000 would not lead to a significant change in finance expense.

All of the Group's borrowings are denominated in sterling.

19 BORROWINGS CONTINUED

Borrowings continued

The analysis of repayments on the combined borrowings is as follows:

	2018 £000	2017 £000
Within 1 year or repayable on demand	**–**	–
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**29,376**	25,851
	29,376	25,851

20 TRADE AND OTHER PAYABLES

	2018 £000	2017 £000
Current liabilities		
Trade payables	**29,706**	23,179
Other tax and social security	**4,117**	4,429
Other payables	**1,064**	429
Accruals	**6,416**	4,974
Total current trade and other payables	**41,303**	33,011
Non-current liabilities		
Other payables	**1,230**	718

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

21 PROVISIONS

	Dilapidations and environmental provisions £000
At 1 January 2017	1,511
Credited to Statement of Comprehensive Income	(477)
Discounting of provisions	(47)
Utilised	(25)
Added on acquisition	97
At 1 January 2018	**1,059**
Credited to Statement of Comprehensive Income	**(157)**
Discounting of provisions	**21**
Utilised	**(62)**
Added on acquisition (Note 29)	**772**
At 31 December 2018	**1,633**
Current	**492**
Non-current	**1,141**
At 31 December 2018	**1,633**

Dilapidations and environmental provisions

Under property operating lease agreements, the Group 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 dependent on the lease expiry dates of the properties concerned, which vary between 1 and 10 years.

22 DEFERRED TAX

The movement in the net deferred tax liability is as follows:

	2018 £000	2017 £000
At 1 January	**(2,170)**	(2,194)
Credited to Statement of Comprehensive Income	**129**	64
(Charged)/credited to equity	**(36)**	50
Added on acquisition (Note 29)	**(191)**	–
Recognised on acquisition (Note 29)	**(234)**	(90)
At 31 December	**(2,502)**	(2,170)

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
Accelerated capital allowances/intangible fixed assets	**238**	**(2,923)**	**(2,685)**	**102**	**–**
Other temporary differences	**114**	**69**	**183**	**27**	**(36)**
Net tax assets/(liabilities)	**352**	**(2,854)**	**(2,502)**	**129**	**(36)**

* Included in the net liability is a deferred tax liability of £425,000 relating to the acquisitions of Ecoplas Limited and Kent Building Plastics Limited.

	Asset 2017 £000	Liability 2017 £000	Net* 2017 £000	Statement of Comprehensive Income 2017 £000	Equity 2017 £000
Accelerated capital allowances/intangible fixed assets	380	(2,742)	(2,362)	(63)	–
Other temporary differences	117	75	192	127	50
Net tax assets/(liabilities)	497	(2,667)	(2,170)	64	50

* Included in the net liability is a deferred tax liability of £90,000 relating to the acquisition of Security Hardware Limited.

23 SHARE CAPITAL

	Allotted, called up and fully paid 2018 Number	2017 Number
Ordinary shares of £0.001 each	**100,310,472**	100,137,186

	2018 £000	2017 £000
Ordinary shares of £0.001 each	**100**	100
Share premium account	**2,381**	2,104

The ordinary shares carry the rights to attend and vote at general meetings, the right to receive payment in respect of dividends declared and the right to participate in the distribution of capital. The ordinary shares are not redeemable.

During the year no shares were issued in respect of share-based payment transactions for Directors and 43,288 shares vested and were issued in respect of share-based payment transactions for other key management personnel.

24 SHARE-BASED PAYMENTS

The Group enters into equity-settled payment transactions with its employees. For the year ended 31 December 2018, the charge was £249,000 (2017: £260,000). The overall Consolidated Statement of Financial Position is unchanged as a result of this.

The Group operates an annual Save As You Earn scheme, allowing employees to make monthly contributions over a three year period which are then used to purchase Company shares at a fixed price. This price is agreed at the inception of the scheme, and carried a discount on the market value at that date of 20%.

For details of share-based payment schemes see pages 63 to 65 of the Directors' Remuneration Report.

No further disclosure has been provided on the grounds of materiality.

25 OPERATING LEASES

The Group has entered into commercial leases on certain non-current assets. There are no restrictions placed on the Group by entering into these leases.

The total future value of minimum lease payments under non-cancellable operating leases are as follows:

Land and buildings	2018 £000	2017 £000
Not later than 1 year	**5,989**	5,062
Later than 1 year and not later than 5 years	**17,521**	10,169
Later than 5 years	**3,076**	3,443
	26,586	18,674

Other	2018 £000	2017 £000
Not later than 1 year	**5,440**	6,712
Later than 1 year and not later than 5 years	**6,065**	8,179
Later than 5 years	**–**	38
	11,505	14,929

Included within operating lease commitments as at 31 December 2018 are the total future minimum lease payments in respect of the outsourcing of the Group's logistics operation, which amount to £2,415,000 (2017: £6,027,000).

26 CONTINGENT ASSETS AND LIABILITIES

The Group has entered into a cross-guarantee arrangement to cover the bank borrowings of all other Group companies in the event of default. As at 31 December 2018 the bank borrowings were £30.0 million (2017: £26.0 million).

The Group had no other material contingent assets or liabilities (31 December 2017: £nil).

27 RETIREMENT BENEFITS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £1,411,000 (2017: £1,173,000).

28 RELATED PARTY TRANSACTIONS

The remuneration of Executive and Non-executive Directors is disclosed on pages 52 to 67.

Transactions with key management personnel

Kalverboer Management UK LLP is controlled by P H L Kalverboer, a Director of Eurocell plc. Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who is a Director of Eurocell plc.

	2018 £000	2017 £000
Kellmann Recruitment Limited – recruitment services	**70**	84
Kalverboer Management UK LLP – Director Remuneration	**40**	40

The following balances are outstanding at the balance sheet date:

	2018 £000	2017 £000
Kellmann Recruitment Limited	**–**	13
Kalverboer Management UK LLP	**20**	10

29 ACQUISITION OF SUBSIDIARIES

The Group acquired two businesses in the year: Ecoplas Limited and Kent Building Plastics Limited.

Goodwill represents potential synergies arising from the enlarged Group. The amount of Goodwill deductible for tax purposes is £nil. Goodwill has been calculated as follows:

Total **Acquiree's net assets at the acquisition date**	**Book value on acquisition £000**	**Fair value adjustments £000**	**Recognised values on acquisition £000**
Intangible assets	**3**	**1,373**	**1,376**
Property, plant and equipment	**1,407**	**(18)**	**1,389**
Inventories	**443**	**(12)**	**431**
Trade and other receivables	**1,610**	**(5)**	**1,605**
Cash and cash equivalents	**766**	**–**	**766**
Borrowings	**(1,126)**	**–**	**(1,126)**
Trade and other payables	**(2,009)**	**(2)**	**(2,011)**
Provisions	**–**	**(772)**	**(772)**
Corporation tax	**(112)**	**–**	**(112)**
Deferred tax	**(191)**	**(234)**	**(425)**
Identifiable assets and liabilities	**791**	**330**	**1,121**
Cash consideration paid			**7,934**
Cash consideration not yet paid			**399**
Present value of put and call option			**784**
Goodwill on acquisition			**7,996**

Cash flows arising on the acquisitions were £7,168,000 comprising the consideration paid less cash acquired.

On 1 August 2018, the Group acquired 95% of the ordinary share capital of Ecoplas Limited, a recycler of PVC windows, with annual sales of approximately £7 million. Initial consideration paid was £5.1 million (or £5.0 million net of cash acquired). Further consideration of up to £1.0 million will be paid for the final 5% of the ordinary share capital of the company in 3 to 5 years' time, contingent upon future performance.

Ecoplas Limited **Acquiree's net assets at the acquisition date**	**Book value on acquisition £000**	**Fair value adjustments £000**	**Recognised values on acquisition £000**
Intangible assets	–	898	898
Property, plant and equipment	1,359	(18)	1,341
Inventories	80	–	80
Trade and other receivables	1,168	(5)	1,163
Cash and cash equivalents	168	–	168
Borrowings	(1,126)	–	(1,126)
Trade and other payables	(1,287)	–	(1,287)
Provisions	–	(752)	(752)
Deferred tax	(182)	(153)	(335)
Identifiable assets and liabilities	**180**	**(30)**	**150**
Cash consideration paid			5,134
Present value of put and call option			784
Goodwill on acquisition			**5,768**

29 ACQUISITION OF SUBSIDIARIES CONTINUED

On 8 December 2018, the Group acquired 100% of the ordinary share capital of Kent Building Plastics Limited, a distributor of building plastic materials, with annual sales of approximately £4.5 million. Initial consideration paid was £2.8 million, with a further £0.4 million payable in 2019 in relation to cash acquired taking total consideration to £3.2 million. The Group has provisionally assessed the fair values of assets and liabilities acquired as follows:

Kent Building Plastics Limited Acquiree's net assets at the acquisition date	Book value on acquisition £000	Fair value adjustments £000	Provisionally assessed fair values £000
Intangible assets	3	475	478
Property, plant and equipment	48	–	48
Inventories	363	(12)	351
Trade and other receivables	442	–	442
Cash and cash equivalents	598	–	598
Trade and other payables	(722)	(2)	(724)
Provisions	–	(20)	(20)
Corporation tax	(112)	–	(112)
Deferred tax	(9)	(81)	(90)
Identifiable assets and liabilities	**611**	**360**	**971**
Cash consideration paid			2,800
Cash consideration not yet paid			399
Goodwill on acquisition			**2,228**

Fair value adjustments

- The adjustment to intangible assets is to recognise intangible assets in respect of customer relationships, and has been valued using discounted cash flows.
- The adjustment to inventories is to reflect the fair value of finished goods acquired.
- The adjustment to trade receivables is a bad debt provision which has been made as part of the fair value exercise.
- The adjustments to provisions is to recognise a dilapidations and environmental provision in respect of the leased premises.
- The adjustment to deferred taxation is to recognise the associated deferred tax liability arising on the intangible assets.

Subsequent payments

Under the terms of the acquisition agreement, the vendor of Ecoplas is entitled to cash consideration for their remaining 5% shareholding in the Company based on financial performance for the years ended 31 December 2020-23, via a put and call option (the 'option'), provided they remain employed by the Group. The estimated total amount payable under the option is £1,000,000, and a liability for the present value of this amount (£784,000) has been recognised within non-current liabilities. The discount will be unwound through interest expense.

Acquisition-related costs

The Group incurred acquisition-related costs of £326,000 in relation to professional fees and transaction costs arising upon acquisition.These costs have been expensed to the Consolidated Statement of Comprehensive Income.

Impact of acquisitions on the Consolidated Statement of Comprehensive Income

Included within the Consolidated Statement of Comprehensive Income is revenue of £2.5 million and loss before tax of £0.1 million relating to Ecoplas Limited and Kent Building Plastics Limited. Had the acquisitions occurred on 1 January 2018 revenue of £10.8 million and profit before tax of £0.4 million would have been recognised by the Group.

Acquisition after the balance sheet date

On 6 March 2019 the Group acquired 100% of the ordinary share capital of Trimseal Limited, a distributor of building plastic materials, for a total consideration of £0.4m.

30 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2018 £000	2017 £000
Profit after tax	**19,619**	19,642
Taxation	**2,474**	4,019
Finance expense	**793**	553
Operating profit	**22,886**	24,214
Adjustments for:		
Depreciation of tangible fixed assets	**5,481**	5,119
Amortisation of intangible fixed assets	**1,614**	1,558
Profit on sale of property, plant and equipment and intangible fixed assets	**(33)**	(51)
Share-based payments	**249**	260
Increase in inventories	**(6,798)**	(2,789)
Increase in trade and other receivables	**(7,051)**	(3,057)
Increase in trade and other payables	**5,547**	3,575
Decrease in provisions	**(219)**	(549)
Cash generated from operations	**21,676**	28,280

31 RECONCILIATION OF NET DEBT

	1 January 2018 £000	Added on acquisition £000	Cash flows £000	Non-cash movements* £000	31 December 2018 £000
Cash and cash equivalents	**11,361**	**–**	**(5,499)**	**–**	**5,862**
Borrowings	**(25,851)**	**(1,126)**	**(2,874)**	**475**	**(29,376)**
Total	**(14,490)**	**(1,126)**	**(8,373)**	**475**	**(23,514)**

* Non-cash movements relate to the recognition and amortisation of prepaid arrangement fees in respect of the Group's borrowings.

	1 January 2017 £000	Cash flows £000	Non-cash movements* £000	31 December 2017 £000
Cash and cash equivalents	5,559	5,802	–	11,361
Borrowings	(25,827)	42	(66)	(25,851)
Total	(20,268)	5,844	(66)	(14,490)

* Non-cash movements relate to the amortisation of arrangement fees in respect of the Group's borrowings.

31 December 2018	Current assets £000	Current liabilities £000	Non-current liabilities £000	Total £000
Cash and cash equivalents	**5,862**	**–**	**–**	**5,862**
Borrowings	**–**	**–**	**(29,376)**	**(29,376)**
Total	**5,862**	**–**	**(29,376)**	**(23,514)**

31 December 2017	Current assets £000	Current liabilities £000	Non-current liabilities £000	Total £000
Cash and cash equivalents	11,361	–	–	11,361
Borrowings	–	–	(25,851)	(25,851)
Total	11,361	–	(25,851)	(14,490)

32 EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any material events that have occurred after 31 December 2018 which would require disclosure under IAS 10.