



Epwin Group

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2016

Investment Case

Epwin Group Plc is a vertically integrated manufacturer of low maintenance building products for the Repair, Maintenance and Improvement (“RMI”), social housing and new build markets. The business has significant market share in its core products and has continually invested in its operations to improve efficiency and the range of products available to its customers.

Established business model

- B2B specialist provider of low maintenance building products
- Leading UK market shares
- Multiple brands and routes to market
- Large and diverse customer base

Executing on strategy in a fragmented market

- Acquisitions
 - Three since 2014 IPO
 - All performing well
- Investment in innovation and new products
 - New window system
 - New materials
 - Other new products planned
 - Simplifying the build process
- Ongoing operational improvements and margin enhancement
- Strong balance sheet

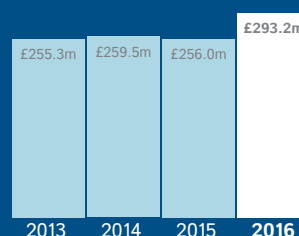
Building track record

- Four-year growth in operating profit and cash
- Stable senior management team

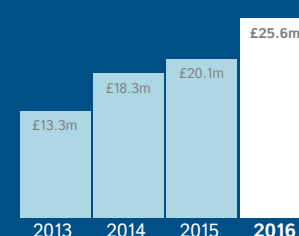
Long-term market drivers

- Significant underinvestment in ageing UK housing stock
- Growth drivers in new areas such as GRP, WPC and other materials
- Strong new build demand cycle
- Political impetus for renewed social housing activity

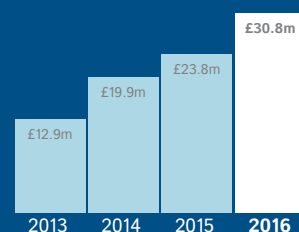
Revenue
(£m)



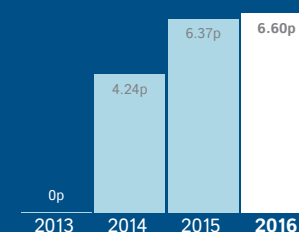
Underlying operating profit (£m)



Pre-tax operating cash flow (£m)



Dividend per share (pence)



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Highlights

UNDERLYING
OPERATING PROFIT¹
+27.4%

£25.6m

2015: £20.1m

OPERATING
PROFIT
+25.7%

£24.0m

2015: £19.1m

UNDERLYING
OPERATING PROFIT
MARGIN¹
+80bps

8.7%

2015: 7.9%

REVENUE
+14.5%

£293.2m

2015: £256.0m

BASIC EPS
+22.3%

13.85p

2015: 11.32p

DIVIDEND
PER SHARE
+3.6%

6.60p

2015: 6.37p

NET DEBT

£20.6m

2015: £14.4m

0.6x leverage

OPERATING
CASH CONVERSION²

120%

2015: 118%

¹ Underlying operating profit and margin is operating profit before amortisation of acquired intangible fixed assets, acquisition expenses and share-based payments (see page 16).

² Operating cash conversion is pre-tax operating cash flow as a percentage of underlying operating profit (see page 43).

Financial highlights


- Underlying operating profit up 27.4% to £25.6 million
- Revenue up 14.5% at £293.2 million
- Acquisition strategy benefitting performance
- Continued improvement in operating margins, up 80 bps
- Continued strong cash generation; operating cash conversion 120%
- Balance sheet supports further investment in products, acquisitions and organic growth; leverage ratio at year end 0.6 times
- Proposed final dividend 4.40 pence per ordinary share, totalling 6.60 pence for the year (3.6% increase)



Operational highlights

Delivering on our strategy

- Acquisitions made during the final quarter of 2015, Ecodek and Stormking, are integrating and performing well, both growing revenues and profits in the year.
- Launch of new, market leading window system, "Optima", in April 2016 on time and to budget. The award-winning system already has a strong market presence, reflected in the full conversion of the existing Profile 22 customer base as well as new customer wins.
- Acquisition of National Plastics in June 2016, significantly increasing the scale of Epwin's distribution operation and strengthening a route to market for the Group's expanding range of products.
- Making good progress with material and product development that will benefit the Group in the medium-term.
- Continued good performance in Extrusion and Moulding, like for like revenue up 2%.
- Continuing with actions to improve performance in the Fabrication business improvement in underlying Distribution business.



Group Overview

Business overview and principal activities

Epwin is a vertically integrated manufacturer of low maintenance building products, supplying products and services to the Repair, Maintenance and Improvement (RMI), new build and social housing sectors.

The Epwin business has grown and developed both organically and by acquisition over the last 40 years to become a leading manufacturer supplying a broad range of PVC, Glass Reinforced Plastic (GRP) and Wood Plastic Composite (WPC) low maintenance building products and services in the UK.

The Group has developed and acquired a portfolio of nationally and regionally recognised “B2B” brands, which are used to maximise the sales opportunities presented by the diverse markets that the Group serves.

The Board and senior management view the Group as having two distinct business segments that operate from a number of well-invested facilities located across the UK.



Extrusion and Moulding business

The Extrusion and Moulding business manufactures and supplies market leading extruded window profile, roofline, cladding, rainwater, drainage and decking systems, as well as a variety of GRP building components. These include:

- Leading brands of PVC-ue extruded “cellular” roofline and cladding system for the replacement and installation of fascias, soffits, barge boards and cladding. Epwin is the market leader.
- Complementary range of PVC-u rainwater and drainage products. A relatively new development in the Group with considerable scope for volume and market share growth in the coming years.
- Complete extruded PVC-u window profile systems for fabricators of windows, doors, cavity closers and curtain walling. Epwin is one of the leading UK manufacturers.
- Glass Reinforced Plastic building components for the housebuilding industry in the UK. The product range includes porches, dormers, chimneys, bay window roofs, entrance canopies, copings and other bespoke components. We plan to capitalise on the opportunities for these products in the RMI and social housing markets.
- Wood Plastic Composite products, the current primary application being an environmentally friendly hardwood substitute for balconies and outdoor decking. We plan to expand the range of products and use of these and other recycled materials currently being developed over the coming years.
- The business operates from extrusion and moulding facilities in Telford, Tamworth, Macclesfield, Wrexham and Scunthorpe.



Read more about Extrusion performance on page 17

Fabrication and Distribution business

Serves the specialist requirements of social, new build and trade customers with fabricated windows and doors from the Group’s own profile systems. Added value services include bespoke design, scheduling, plot and installation management. The business also distributes the Group’s products through a national network of distribution outlets, complementing the Group’s commitment to its independent distributor customers.

- Manufactures window frames, GRP and Thermoplastic door sets, and glass sealed units.
- Operates from five window and door fabrication sites and two glass sealed unit manufacturing sites in Paignton, Walsall, Telford, Cardiff, Upton-upon-Severn, Northampton and Newton Abbot.
- Operates a national network of 56 building plastic trade distribution centres and, separately, 16 Window Stores to service local demand for the Group’s manufactured products.



Read more about Fabrication and Distribution performance on page 17

Chairman's Statement

Underlying operating profit has risen to £25.6 million, demonstrating the strength and robustness of the Epwin model.

Andrew Eastgate
Chairman

Delivering on our strategy

2017 has been another year of substantial progress for the Group. In what have been challenging market conditions, underlying operating profit has risen to £25.6 million, an increase of 27.4%, demonstrating the strength and robustness of the Epwin model and the benefits of its diversification of products, materials and routes to market as well as our ability to execute accretive acquisitions.

Growing profit in uncertain times

As has been widely documented, 2016 was a challenging year for the sector and wider UK economy with the result of the referendum on leaving the European Union impacting consumer confidence and creating uncertainty going into the key summer trading months for the industry. During this period, the Board has reviewed and remains committed to its strategy of operational improvement, product development, selective acquisitions to broaden our product portfolio and capabilities, as well as cross-selling across our brands.

The businesses acquired during 2015, Stormking and Ecodek, have been substantially integrated and are performing well. Both have delivered year on year revenue and profit growth and will present further market and product development opportunities in the medium-term.

In 2016 the Group completed the acquisition of National Plastics, a distributor of plastic building products to the trade. The acquisition increased the footprint of Epwin's own distribution network and will thus enable the more rapid commercial distribution of products from the Stormking and Ecodek acquisitions of 2015, as well as maintaining the historic balance between owned and independent distributors in the market. Fundamentally, the Group remains committed to serving the independent distributor market with the consequent diversity and flexibility that this offers.

As well as the investment in acquisitions, the Group launched its award-winning, market leading window system, "Optima". The roll-out of the system across the Group's fabrication customer base was executed on time and to budget, with the full conversion of our existing Profile 22 customer base and new customer wins. I have been very impressed by the professionalism and commitment of the staff that have carried this project through and are now engaged in further product development initiatives for our customers.



UNDERLYING
OPERATING PROFIT
+ 27.4%
£25.6m

Results

The Board's strategy has delivered another year of strong profit growth with a 27.4% increase in underlying operating profit to £25.6 million, driven mainly by acquisitions and continued operational improvements. Cash generation remained strong, resulting in an operating cash flow before taxation of £30.8 million (2015: £23.8 million). Net debt at the year-end was £20.6 million, (2015: £14.4 million), the increase principally as a result of the investment in the National Plastics acquisition and capital expenditure required for the Optima window system.

Dividends

I am particularly pleased that Epwin continues to deliver on its promise to deliver strong shareholder returns. In October 2016, we paid an interim dividend of 2.20 pence per ordinary share, and the Board is recommending a final dividend of 4.40 pence per ordinary share to be paid on 5 June 2017 to shareholders on the register on 12 May 2017. This takes the full year dividend to 6.60 pence per ordinary share, an increase of 3.6% on 2015.

As we move forward, the Board will continue to prioritise the long-term financial security of the Group whilst looking to be progressive in shareholder returns when the opportunity arises.

People

Last year I welcomed the employees of Ecodek and Stormking to the Group and have been delighted with how well they have integrated with and contributed to the Epwin Group. This year I would like to welcome the employees of National Plastics and look forward to their contribution to the Group.

On behalf of the Board and our shareholders I would like to thank all of our employees for the levels of commitment shown to the Group during the year. Combined with the support from shareholders and the investment decisions taken by the Board, I believe that there is a strong foundation for all stakeholders for the years ahead.

Summary and outlook

Market conditions are expected to remain challenging in 2017 and the long-term impact of the outcome of the EU referendum on consumer confidence and demand remains unclear. However, the Board remains confident in the long-term market drivers for Epwin's products and considers that the Group's flexible business model, with its broad range of products, material technologies and routes to market, is an advantage during these uncertain times.

Andrew Eastgate
Chairman

5 April 2017





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Marketplace

Market overview and outlook

Against a backdrop of depressed household disposable incomes and the economic uncertainty in the wake of the European Referendum result, the RMI market has remained largely static year on year.

Consequently, the backlog of private housing repair and maintenance expenditure continues to grow as the housing stock ages and significant underinvestment by property owners has continued. Whilst this leads to lacklustre market performance in the short-term, there remains strong potential future demand for the Group's products as this repair and maintenance expenditure eventually becomes unavoidable. Of the UK's housing stock, 77% was built before 1980 (ONS), and at the current rate of new house building, 80% of the domestic properties that the UK will have in 2050 have already been built (Green Building Council). Very clearly, the need to focus on the condition of the UK's housing stock is becoming pressing, more so with the need to insulate homes more efficiently to meet climate change commitments and combat rising energy prices.

Within the fenestration industry, figures indicate that around 4.3 million window frames are replaced each year, representing a replacement rate of less than 2% per annum. The Group believes that a replacement rate significantly above this is required to address the ageing population of fenestration products. Today's products offer significant benefits over those produced even just a decade ago and most of the installed population predates this by some way.

Similar dynamics are true for the cellular roofline business although it is also believed that further growth potential exists in this market as it has been estimated that cellular products have only c.50% penetration into the residential property market, with the balance still being largely installed with timber. Replacement of cellular roofline products will also represent an opportunity for rainwater product sales which are typically renewed at the same time.

The New Build sector continues to flourish and demonstrate strong demand from which the Group benefits, albeit this is a less significant market in volume terms for the Group's traditional products than the RMI market. Opportunities are also developing for our products with the growth of off-site construction which is beginning to supplement traditional New Build activities in meaningful numbers. Additionally, whilst social housing construction has continued to be subdued in the year, there is now strong political impetus for a return to growth in this area during this parliament, offering further potential opportunities for the Group which has traditionally held a strong position in the social housing sector.

The outlook for the markets we have entered via recent acquisitions is positive. The Wood Plastic Composite decking market is relatively new in the UK and we believe will demonstrate good growth. The Glass Reinforced Plastic canopy and door market, whilst being more mature, has also grown impressively as new housebuilders in particular look to improve efficiency via off-site manufacture.

One of the immediate consequences of the vote to leave the European Union has been the significant raw materials cost inflation that the sector has experienced as a result of the weakening of Sterling. We continue to work hard to mitigate the impact of this to the bottom line of the Group and to our customers by identifying cost base and operational improvements where we can. However, as is the case with many construction materials, price increases have been unavoidable in order to address this issue fully in the market.






Whilst the full impact of the EU referendum will remain unclear for the medium-term, the Board is confident in the long-term fundamentals of the Group and the opportunities from the markets in which it operates.

Consequently, the Group's strategy continues to be focused on extending our product portfolio, technical capability and channels to market, both through investment in new products and acquisitions; operational improvement; cross-selling across our customer base; and leveraging the recognition and channels of our brands for the benefit of the Group. We remain confident of our ability to progress these areas even in the immediate challenging market conditions.

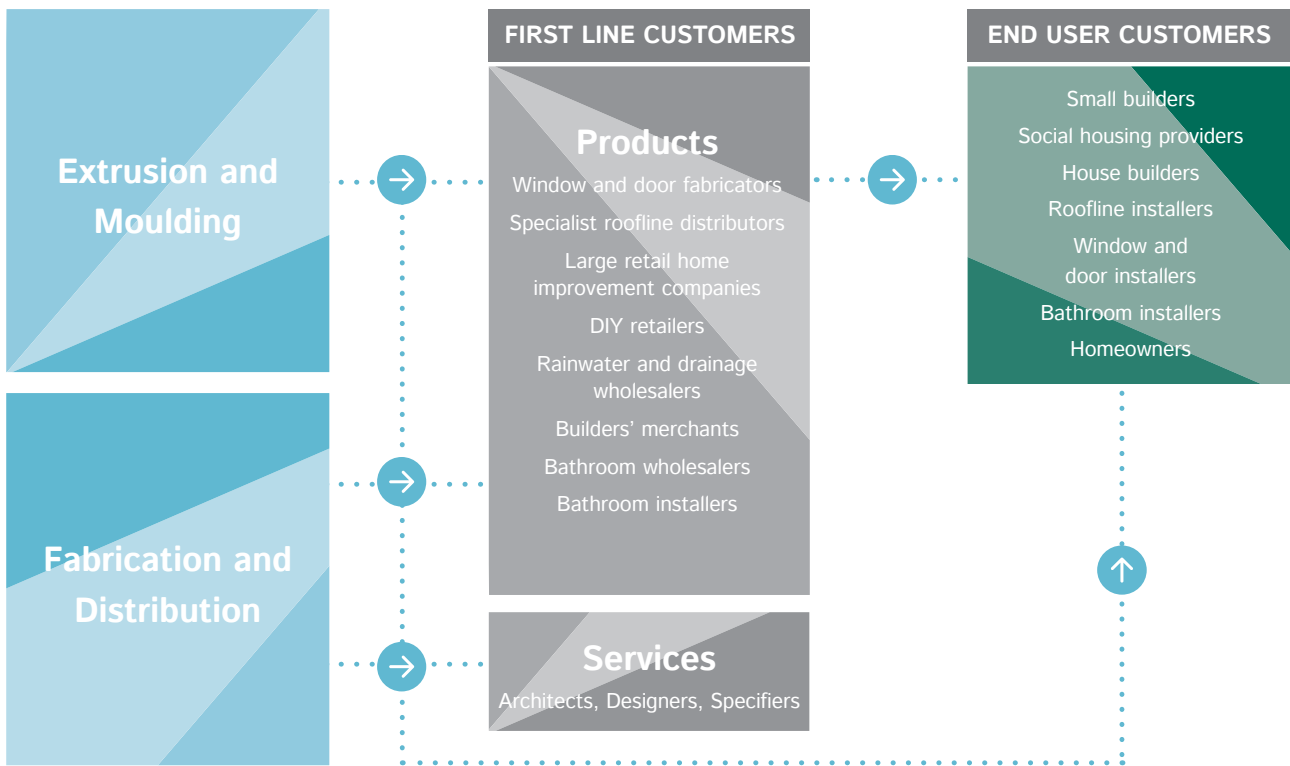


Strategy

The strategy therefore remains:

	Strategic Aim	2016 Progress
Acquisitions 	<ul style="list-style-type: none"> To broaden the product portfolio. To widen materials production and technical capabilities. To consolidate operations of existing products and markets. 	<ul style="list-style-type: none"> 2015 acquisitions of Ecodek and Stormking extended the product range and enhanced the Group's technical capabilities, both performing in line with management's expectations. 2016 acquisition of National Plastics broadens reach and sales channels.
Operational Leverage 	<ul style="list-style-type: none"> To utilise existing spare capacity to enhance shareholder returns with either added volumes or site consolidations. 	<ul style="list-style-type: none"> The Group's main market, RMI, has continued to be static.
Operational Efficiency 	<ul style="list-style-type: none"> To focus on producing existing products and delivering services more cost effectively. 	<ul style="list-style-type: none"> This continues to progress well in the Extrusion and Moulding operations and a similar programme is being pursued in Fabrication and Distribution.
Brand Extension 	<ul style="list-style-type: none"> To develop the use of existing brands to grow market awareness for the Group's products with end customers. 	<ul style="list-style-type: none"> This is a medium-term strategic aim to be pursued in conjunction with product and market development which continues.
Cross-selling/ Collaboration 	<ul style="list-style-type: none"> To identify and develop opportunities to sell more of its existing and new products to existing customers. 	<ul style="list-style-type: none"> The Group has sought opportunities to bring more of its product to existing customers, rainwater to cellular roofline customers being a good example. There are more opportunities being pursued with both existing and new products.

Business Model



KEY STRENGTHS

Extrusion and Moulding

- › High barriers to entry with technical products and specialist equipment
- › Alternative systems catering for varying customer requirements

Fabrication and Distribution

- › Leading brands focus on specific market sectors in a fragmented market
- › Complementary products generate cross-selling opportunities

Group-wide

- › Economies of scale
- › Diverse end user sectors with varying demand patterns
- › Multiple brands and routes to market de-risk the model
- › Vertically integrated

THE MODEL DELIVERS BENEFITS TO:

Customers

- › Large range of complementary building products
- › Focus on high quality product and service delivery
- › Focused marketing and tailored support services

End users

- › High performance, quality building components
- › Desirable and customisable design options

Shareholders

- › Financial discipline
- › Prudent acquisition strategy solidifies and diversifies portfolio of products, manufacturing technology and brands

Key Performance Indicators

The Group has a range of performance indicators, both financial and non-financial, that allow the Board to monitor the performance of the Group as well as manage the business.

Operating KPIs are focused on the customer experience in terms of quality and service as well as key cost drivers such as input prices and material and labour efficiency. Health and safety KPIs are monitored to drive continuous improvement.

The Group has financial KPIs that it monitors on a regular basis at Board level and where relevant at operational management meetings as follows:



Operational Performance

We had another year of substantial progress having continued to deliver on our long-term strategy by investing in our product portfolio, completing a further acquisition in the year and continuing the drive to improve operational efficiency.

Jonathan Bednall
Chief Executive Officer

Strategic and operational review

During 2016 the Group has made substantial progress towards our strategic goals. The acquisitions at the end of 2015 of Ecodek and Stormking have integrated well into the Group during the year, expanding our product range, materials knowledge and capabilities. They have contributed well to our financial performance in the year and additional products and materials are being developed within those businesses with the aim of further broadening our product range and our market opportunities in the future. The National Plastics acquisition in the middle of this year will support the development of new market opportunities for these earlier acquisitions, as well as giving opportunities to enhance the reach of our existing products. We will also benefit from the economies of scale of setting this business alongside our existing distribution businesses and independent stockist customers.

We have invested substantially in the new Profile 22 window system, "Optima", which has been well received by both our existing Profile 22 customers and the wider market. This all-new system has been designed as a basis for continued product development and innovation over the coming years, as we look to broaden and deepen the breadth of our fenestration product range and the services that we offer to our customers. Alongside this, we have added further to our other product ranges to ensure that our market offer remains strong.

Additionally, we have continued to invest in our plant and equipment in order to maintain and improve the efficiency of our operations. Investment in maintaining and developing



our capital base has been key to the Group's success to date and there are further opportunities identified which will enable us to continue to improve our overall operational performance and customer service.

We have further developed our warehousing and logistics operations in order to better serve our customers' requirements and will continue to review this area to ensure that we can meet the changing demands of the market, as well as making further investment in IT to support these operations and improve their efficiency.

Progress, too, has been made towards our goal of cross-selling more of our products into different market segments and across existing customers. Again, there is scope for us to do more here as we grow our product ranges and capabilities, as well as continuing to adapt to the changing needs of the dynamic markets we serve.

The Group has considerable experience in developing and using recycled material and alternative material formulations and, alongside our materials development activities, we continue to utilise recycled material when it makes sense to do so and where we are confident that it does not compromise the quality or performance of our products or their compliance with relevant materials standards.

Operationally, we continue to share knowledge across our operations to improve labour efficiency, optimise our plant utilisation and maintain low scrap rates. All of this is essential in maintaining the financial performance of the Group as the industry faces the challenges of rising input costs, funding the National Living Wage, Auto-Enrolment pension contributions, the Apprenticeship Levy and other similar costs.

The operational and investment decisions taken in 2015 to reduce costs and improve the efficiency of interaction between fabrication sites are progressing and will continue through 2017. As part of this, a significant programme of IT systems investment is being planned in order to enable greater site integration at both a functional and operational level. The efficiency improvements implemented following the move of the door factory in 2015 are now being realised and operational focus has now moved to the window fabrication operations.

Acquisitions

Following on from the acquisitions of Stormking and Ecodek in 2015, the Group acquired Specialist Plastics Distribution Limited, which trades as "National Plastics", in June 2016. National Plastics is a distributor of plastic building products operating a network of 30 plastics centres as well as an online presence. The acquisition will enable the Group to develop new routes to market for Stormking and Ecodek products, as well as maintaining the historic balance between owned and independent distributors of the Group's products into the market.

Health and safety

The Group is committed to ensuring a safe, clean and healthy working environment for all of its employees. The Group actively promotes health and safety and the continuous improvement in health and safety standards across all operations.



Financial Review

Underlying operating profit was £25.6 million, representing growth of 27.4%.

Christopher Empson
Group Finance Director

Total revenue for the year ended 31 December 2016 increased to £293.2 million (2015: £256.0 million), mainly as a consequence of the full year impact of the 2015 acquisitions of Stormking and Ecodek as well as the June 2016 acquisition of National Plastics.

Underlying operating profit was £25.6 million (2015: £20.1 million), representing growth of 27.4%, as a result of the full year effect of the acquisitions made in 2015 and ongoing cost savings and operational improvements from synergy and rationalisation projects.

Polymer prices, which had started to increase in the second half of 2015, remained stable at this level during H1 2016. Post the UK referendum on membership of the EU, polymer prices increased sharply as suppliers implemented price increases in response to the weakening of sterling against both the US Dollar and Euro. The Group sought to mitigate the increasing polymer price in H2 by implementing price increases where market conditions would permit.

Operating profit increased to £24.0 million (2015: £19.1 million).

Key financials

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Revenue	293.2	256.0
Underlying operating profit (*)	25.6	20.1
Amortisation of acquired intangible fixed assets	(1.1)	–
Acquisition expenses	(0.2)	(0.6)
Share-based payments	(0.3)	(0.4)
Operating profit	24.0	19.1
Underlying operating margin (*)	8.7%	7.9%
Operating margin	8.2%	7.5%

(*) Underlying operating profit and margin are before amortisation of acquired intangible fixed assets, acquisition expenses and share-based payments.

Reportable segments

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Revenue		
Extrusion and Moulding	181.9	146.6
Fabrication and Distribution	111.3	109.4
Total	293.2	256.0
Underlying segmental operating profit		
Extrusion and Moulding	24.5	17.7
Fabrication and Distribution	2.9	4.2
Underlying segmental operating profit before corporate costs	27.4	21.9
Corporate costs	(1.8)	(1.8)
Underlying operating profit	25.6	20.1
Amortisation of acquired intangible fixed assets	(1.1)	–
Acquisition expenses	(0.2)	(0.6)
Share-based payments	(0.3)	(0.4)
Operating profit	24.0	19.1

Extrusion and Moulding

- Revenue increased by 24.1% to £181.9 million (2015: £146.6 million) during the year and underlying operating profit increased to £24.5 million from £17.7 million.
- On a like for like basis, revenue before the 2015 acquisitions increased by 2%.
- Operating margins improved to 13.5% compared to 12.1% in 2015, principally due to the higher margin products associated with the acquisitions made in 2015.

Fabrication and Distribution

- Revenue increased to £111.3 million (2015: £109.4 million).
- On a like for like basis, before the 2016 acquisition and new branches, the Distribution businesses revenue increased by 1%. The Fabrication business revenue was down by 13% due to a depressed trade sector, operational issues in new build fabrication which have now been addressed and contract delays in social housing.
- Consequently, underlying operating profit of £2.9 million was down from £4.2 million in 2015, reflecting the above issues, continuing operational inefficiencies in the Fabrication businesses as well as the costs of remedial action.

Financial Review continued

Non-underlying and exceptional items

To assist users of the financial statements to understand underlying trading performance, non-underlying and exceptional items have been excluded from operating profit in arriving at underlying operating profit. Non-underlying and exceptional items include:

i) **Amortisation of acquired intangible fixed assets**

Amortisation of £1.1 million was charged during the year, (2015: £nil million), relating to the brand and customer relationship intangible fixed assets recognised on the 2015 and 2016 acquisitions.

ii) **Acquisition expenses**

2016 acquisition expenses of £0.2 million (2015: £0.6 million) relate to professional fees and stamp duty for the acquisition of National Plastics.

iii) **Share-based payments**

Share-based payments include the IFRS 2: *Share-based payments* charge in respect of the Management Incentive Plan of £0.2 million (2015: £0.3 million) and Save As You Earn ("SAYE") scheme of £0.1 million (2015: £0.1 million).

Cash flow

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Pre-tax operating cash flow	30.8	23.8
Tax paid	(3.8)	(2.3)
Acquisitions	(10.2)	(20.9)
Acquisition of intangible fixed assets	(1.1)	–
Net capital expenditure	(11.6)	(9.0)
Finance leases	(0.2)	(0.2)
Net interest paid	(1.0)	(0.5)
Facility arrangement fee	–	0.3
Dividends	(9.1)	(6.7)
Net (increase) in net debt	(6.2)	(15.5)
Opening net (debt)/funds	(14.4)	1.1
Closing net (debt)	(20.6)	(14.4)

Pre-tax operating cash flow increased by 29.4% to £30.8 million (2015: £23.8 million) demonstrating the strong cash generative characteristics of the business.



Acquisitions

In 2016, the Group acquired National Plastics for total consideration of £10.0 million, net of cash acquired. No further consideration is due on this acquisition.

In 2015, cash consideration, net of cash acquired, of £20.9 million was paid in relation to the acquisitions of Ecodek (£3.2 million) and Stormking (£17.7 million).

Financing

The Group's banking facilities comprise a £20 million term loan, £35 million revolving credit facility and £5 million overdraft. The term loan and revolving credit facility are for a term of four years ending December 2019. As at 31 December 2016 the Group had drawn down £30.0 million of these facilities (31 December 2015: £35.0 million).

Principal Risks and Uncertainties

Epwin is affected by a number of risks and uncertainties, not all of which are wholly within its control, which could have a material impact on the Group's long-term performance. This section is intended to highlight the principal risks and uncertainties affecting the Group's business.

Epwin manages the risks inherent in its operations in order to mitigate exposure to all forms of risk, where practical. The Board has identified several specific risks and uncertainties that potentially impact the ongoing business including:

Area of Risk	Risks	Mitigation
UK economy	The level of activity in the RMI, new build and social housing sectors has a direct impact on the levels of revenue, profitability and cash generation. One of the key risks to the business is any deterioration in the UK economy which may impact consumer confidence and expenditure on housing. Factors such as wage growth, interest rates, inflation and the outcome of negotiations on the UK's exit of the European Union are all considered to have a potential impact for the Group.	The Group monitors the market closely and takes action where possible in response to any deterioration to ensure that the business is aligned to market conditions.
Integration of acquisitions	Acquisitions are an important growth option for the Group. Realisation of synergies may not occur, or may take significant time, resources and management attention. Any acquisitions we make may adversely affect our operations and, if not properly integrated, could disrupt our business model and profitability.	The Group spends considerable time assessing potential acquisitions and ensures that appropriate due diligence procedures are performed. There is significant experience within the Group in corporate transactions and the Group has a successful track record of integrating acquisitions.
Key customers	The inability to retain key customers or collect our receivables may cause our financial performance to suffer.	The Group is not exposed to significant large customers, with the largest customer being less than 6% of revenue. The Group focuses considerable effort on maintaining relationships with customers and also on the collection of receivables. The Group has a credit insurance policy which adds robustness to the credit process.
Commodity prices	Adverse movements in commodity prices such as PVC, glass and power will impact profit margins if the business is unable to pass the costs onto customers.	Epwin is a major UK consumer of commodities, particularly PVC polymer. In some cases, the Group is able to pass on commodity price increases through agreed contractual terms. Input prices have been increasing as a result of the weakening of sterling following the UK's decision to exit the European Union. The Group has sought to pass on these increases to customers where market conditions and contractual conditions permit.



Area of Risk	Risks	Mitigation
Key suppliers	<p>The Group relies upon certain key suppliers, particularly those supplying raw materials such as glass and PVC resin. As a result, whilst alternative supply sources could be identified, the Group is exposed to a number of risks, including the risk of supply disruption, the risk of key suppliers increasing prices and the risk of key suppliers suffering a quality issue which impacts upon the quality of the Group's products.</p>	<p>The Group maintains good relationships with key suppliers and would anticipate support if there was supply disruption. Epwin endeavours to source product from more than one supplier to ensure security of supply where possible. However, in certain key areas, such as PVC polymer supply, the Group has limited ability to multi-source.</p>
Key personnel	<p>If we fail to attract and retain highly qualified key personnel, our ability to execute our business model and strategy could be impaired.</p>	<p>The Group seeks to reward employees appropriately and has in place a number of measures. To achieve this, Executive Directors and certain senior management are members of a Management Incentive Plan which is settled in equity, subject to various performance measures.</p>
Regulatory change	<p>The Group recognises that the marketability of its products could be impacted by changes in regulation or government policy that in turn could adversely affect revenues and profitability.</p>	<p>The Group monitors the political climate and in turn can take measures to mitigate and respond to any significant change.</p>

The Strategic Report has been approved by the Board of Directors and has been signed on its behalf by:

Jonathan Bednall
Chief Executive Officer

Christopher Empson
Group Finance Director

5 April 2017





Our Governance

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Directors and Advisors



Andrew Eastgate

Non-Executive Chairman

Andrew was formerly a Partner at Pinsents where he was head of Pinsents' corporate practice in Birmingham. Andrew has a broad experience of advising quoted companies, particularly in connection with transactions and compliance issues, and is currently Senior Independent Director and Chairman of the Remuneration Committee of Headlam Group Plc. Andrew was a director of the old Epwin holding company between 2008 and 2012, and resigned on the merger with the Latium businesses. Andrew joined the Board on admission to AIM and became Chairman in December 2014.

Jonathan Bednall

Chief Executive Officer

Jon joined Epwin Group in 2008, becoming Group Finance Director in 2009 and was appointed Chief Executive Officer in 2013. Jon has been responsible for the significant restructuring of Epwin in that time, as well as devising and managing the merger with Latium in 2012. Jon has considerable group managerial experience, including acquisitions and disposals, having previously spent ten years at BI Group, a Kuwaiti owned engineering group, becoming Group Finance Director and then Chief Operating Officer. Prior to that Jon qualified as an ACA at KPMG in Birmingham, where he spent six years in a number of roles.

Christopher Empson

Group Finance Director

Chris has been with Epwin since 2012 having joined to support the business integration and development post the Latium merger. Before this, Chris was a divisional Finance Director within Rentokil Initial Plc, having previously worked at BI Group as Group Finance Director. Chris also spent five years with 3i after qualifying as an ACA at PricewaterhouseCoopers. Chris has considerable group management experience, including corporate transactions.



Shaun Hanrahan

Executive Director

Shaun has been with Epwin since the Group acquired Swish Building Products from Williams Holdings in 2000. Shaun has overseen the growth of Swish Building Products to a position of market strength. Prior to his time at Swish, Shaun was a Business Analyst at Baco, British Alcan and Williams Holdings working on post-acquisition projects in the UK and Europe.

Michael O'Leary

Non-Executive Director

Mike was appointed to the Board as a Non-Executive Director on 2 March 2015. Mike was joint Chief Operating Officer at Misys Plc between 1986 and 2000, running both their UK Insurance Division and US Healthcare Division. He was then Chief Executive Officer of Huon Corporation and also Marlborough Stirling Plc. Since 2005 he has undertaken a number of non-executive roles. He is currently Non-Executive Chairman of Emis Group Plc.

Andrew Rutter

Company Secretary

Andrew joined Epwin in August 2014, following the IPO, and was appointed Company Secretary on 1 June 2015. Andrew was previously a Senior Manager at KPMG, where he was responsible for a range of listed and non-listed audit clients. Prior to this Andrew spent four years at Wenham Major where he trained and qualified as an ACA.

Registered office

1b Stratford Court
Cranmore Boulevard
Solihull
B90 4QT

Company number

07742256

Auditors

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Nominated advisor and joint broker

Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

Joint broker

Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

Bankers

Barclays Bank Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GN

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

Corporate Governance

The Directors acknowledge the importance of the principles set out in the QCA Corporate Governance Code. The Directors intend to apply the principles as far as they consider appropriate for a company of Epwin's size and nature in accordance with the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013.

The Board of Directors is responsible to shareholders for effective direction and control of the Group. This report describes the framework for corporate governance and internal control that the Directors have established to enable them to carry out this responsibility.

The Board's main responsibilities are:

- Providing leadership of the Group within a framework which enables risk to be assessed and managed
- Reviewing and approving the overall Group strategy and direction
- Approving communications to shareholders
- Reviewing operational and financial performance
- Determining, maintaining and overseeing controls, audit processes and risk management policies
- Approving the year end and interim financial statements
- Approving the annual budget
- Approving material agreements and contracts
- Reviewing and approving acquisitions and disposals
- Reviewing the environmental and health and safety performance of the Group
- Reviewing and approving remuneration policies
- Approving appointments to the Board
- Monitoring and maintaining the Group's financing relationships

Structure and composition

As at the date of this report, the Board comprised three Executive and two Non-Executive Directors. Andrew Eastgate is Chairman of the Board of Directors and also Chairman of the Audit Committee and Nominations Committee. Michael O'Leary is Chairman of the Remuneration Committee.

Biographies of all the Directors at the date of this report are set out on pages 24 and 25.

Details of the terms of appointment and remuneration of both the Executive and Non-Executive Directors are set out in the Directors' Remuneration Report on pages 32 to 34.

Chairman

The Chairman is responsible for leadership of the Board, ensuring its effectiveness, setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items.

The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns.

Chief Executive Officer

The Chief Executive Officer has day-to-day responsibility, within the authority delegated by the Board, for implementing the Group's strategy and running the Group.

Board Committees

The Board is supported by Audit, Remuneration and Nominations Committees. Their specific responsibilities are set out on pages 27 and 28.

Details of attendance at scheduled Board and Board Committee meetings during the period to 31 December 2016 are as follows:

	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Andrew Eastgate	11	11	3	3	2	2	1	1
Michael O'Leary	11	11	3	3	2	2	1	1
Jonathan Bednall	11	11	3	n/a	2	n/a	1	1
Christopher Empson	11	11	3	n/a	2	n/a	1	n/a
Shaun Hanrahan	11	9	3	n/a	2	n/a	1	n/a

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties, including providing constructive challenge to, and scrutiny of, management. Further information is obtained by the Board from the Executive Directors and other relevant senior executives as the Board, particularly its Non-Executive members, considers appropriate.

Procedures are in place for Directors to take independent professional advice, when necessary, at the Company's expense. No such advice was sought during the year under review.

The Board is supported by the Company Secretary who, under the direction of the Chairman, ensures good communication and information flows within the Board, including between Executive and Non-Executive Directors and between the Board and its Committees.

If Directors have concerns that cannot be resolved regarding the running of the Group or a proposed action, they are encouraged to make their views known and these are recorded in the Board minutes.

Audit Committee

During the year the Audit Committee comprised two independent Non-Executive Directors: Andrew Eastgate (Chairman) and Michael O'Leary.

The Committee's principal responsibilities include:

1. Reviewing and challenging the risk identification and risk management processes across the business;
2. Managing relations with the external auditors to ensure the annual audit is effective, objective, independent and of high quality; and
3. Reviewing the Company's corporate reporting.

During the period to 31 December 2016, the Audit Committee met three times. Its activities included:

- Reviewing the Annual Report and full year announcement, and meeting with auditors to consider audit findings, for the year ended 31 December 2015;
- Reviewing the interim announcement to 30 June 2016; and
- Consideration of the audit plan for the year ended 31 December 2016.

Remuneration Committee

The Remuneration Committee comprised Michael O'Leary (Chairman) and Andrew Eastgate.

The Committee's principal responsibilities include:

- Setting the remuneration policy for Executive Directors; and
- Reviewing the level and structure of remuneration for senior management.

Full details of the role, policies and activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 32 to 34.

During the period to 31 December 2016 the Remuneration Committee met twice to consider remuneration policies, set Directors' remuneration and to consider Long-Term Incentives for the Executive Directors and senior management team.

Corporate Governance continued

Nominations Committee

The Nominations Committee comprised Andrew Eastgate (Chairman), Jonathan Bednall and Michael O'Leary.

The Committee's principal responsibilities include:

- Keeping under review the structure, size and composition of the Board and making recommendations to the Board with regards to any changes;
- Identifying and nominating candidates to fill Board vacancies; and
- Considering succession planning for Directors and other senior management.

The Committee meets as and when required and met once during the year to review the structure, size and composition of the Board. The Committee does not consider that any change to the Board is necessary at this stage of the Company's development but will keep this under review. Jonathan Bednall, Christopher Empson and Michael O'Leary will be proposed for re-election at the forthcoming AGM.

Directors' conflicts of interest

Under the Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Group's interests. The requirement is considered very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, provided that the articles of association contain a provision to this effect. The Company's articles authorise the Directors to approve such situational conflicts.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict.

First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and, second, in taking the decision, the Directors must act in a way which they consider, in good faith, will be most likely to promote the Group's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Directors are required to notify the Company Secretary of any additional conflict situation or if there is a material change in a conflict situation previously notified, giving sufficient details of the situation to allow the Board to make an informed decision when considering authorisation.

Internal controls

The Board is responsible for maintaining a sound internal control environment to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Epwin is committed to conducting its business responsibly and in accordance with all applicable laws and regulations. Employees are encouraged to raise concerns about fraud, bribery and other matters through a whistle-blowing procedure.

The Group's financial reporting processes are detailed and regularly reviewed. The detailed reporting is reviewed at least each month-end by the members of the Group finance team, highlighting areas of concern and checking/confirming that the reasons for variations are valid. Quarterly reviews of each of the businesses are performed by the Executive Directors, covering both historic and forthcoming financial and business performance as well as anticipating key future events.

In addition, each business unit is required to submit a quarterly controls checklist which is signed locally to say that controls and reviews have been carried out both during the quarter and as part of each month-end close. These reports are also used to follow up on any non-compliance points identified and are reviewed by the relevant Divisional Financial Directors as well as the Group finance team.



Auditor independence

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in their reporting to shareholders. The audit partner and senior manager are present at Audit Committee meetings as required to ensure full communication of matters relating to the audit. The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided when necessary to senior members of KPMG unrelated to the audit. This activity also forms part of KPMG's own system of quality control. The Audit Committee also has discussions with the auditors on the adequacy of controls and on any judgemental areas. These discussions have proved satisfactory to date. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are approved by the Audit Committee after discussions between the Group Finance Director and KPMG.

Rotation of the audit partner's responsibilities within KPMG is required by their profession's ethical standards. There will be rotation of the audit partner and key members within the audit team as appropriate.

Assignments of non-audit work have been and are subject to controls by management that have been agreed by the Audit Committee so that auditor independence is not compromised.

Other than audit, the Board is required to give prior approval of work carried out by KPMG and its associates in excess of £20,000. Part of this review is to determine that other potential providers of the services have been adequately considered. These controls provide the Audit Committee with confidence in the independence of KPMG in their reporting on the financial statements and audit of the Group.

Relations with shareholders

The Board is committed to maintaining good communications with shareholders. Other than during close periods, the Chief Executive Officer and Group Finance Director maintain a regular dialogue with institutional shareholders and give presentations to institutional shareholders and analysts immediately after the announcement of the Group's half year and full year results. The Group also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings.

The Group maintains a corporate website (investors.epwin.co.uk), which complies with AIM Rule 26 and contains a range of information of interest to institutional and private investors including the Group's annual and half year reports, trading statements and all regulatory announcements relating to the Group.

The Board wishes to encourage the constructive use of the Company's AGM for shareholder communication.

The Chairman of the Board and the Chairmen of the Audit, Remuneration and Nominations Committees will be available to answer questions at the forthcoming AGM. Resolutions will be proposed on each substantially separate issue and the level of proxies cast for each resolution will be available at the AGM.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2016.

Financial results and dividends

The audited accounts for the Group and Company for the year ended 31 December 2016 are set out on pages 40 to 81. The Group profit for the year was £19.6 million (2015: £15.3 million). The Board recommends the payment of a final dividend of 4.40 pence per ordinary share. If approved, the final dividend will be paid on 5 June 2017 to shareholders on the register at the close of business on 12 May 2017.

Directors and Directors' interests

The Directors who held office during the year and to the date of this report were as follows:

A K Eastgate
J A Bednall
C A Empson
S P Hanrahan
M K O'Leary

Full biographical details of the Company's Directors as at the date of this report are given on pages 24 and 25.

The Directors' remuneration and their interests in the share capital of the Company are detailed on pages 32 to 34.

Substantial shareholdings

As at 4 April 2017, the Company had received formal notification of the following holdings in its shares under the Disclosure and Transparency Rules of the Financial Conduct Authority:

	% of issued share capital	Number of shares
AJ Rawson	14.21	20,250,000
C Kennedy	14.21	20,250,000
Premier Fund Managers	8.45	12,038,121
AXA Investment Managers UK	7.17	10,218,750
Unicorn Asset Management	6.73	9,585,000
Henderson Global Investors	6.49	9,243,967
Ruffer LLP	5.59	7,965,000
Miton Group Plc	4.95	7,052,119
Schroders Plc	4.86	6,927,160

Directors' and officers' liability insurance

The Company has purchased insurance to cover its Directors and officers against costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings. The insurance does not provide cover where the Director has acted fraudulently or dishonestly.

Supplier payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group seeks to treat all suppliers fairly, but it does not have a Group-wide standard or code of practice that deals specifically with payments to suppliers. Trade payables at 31 December 2016 represented on average 57 days' credit based on actual invoices received (2015: 56 days' credit).

Share capital

The issued share capital of the Company at 31 December 2016 was £70,761, comprised of 141,521,986 ordinary shares of 0.05 pence each.

The Directors will be seeking authority at the forthcoming Annual General Meeting to renew their authority to allot and repurchase shares. Full details of these resolutions, together with explanatory notes, are contained in the Notice of Annual General Meeting on pages 83 to 89.

Charitable and political donations

The Group made no charitable or political donations during the year.

Going concern

As highlighted in note 1 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft, term loan and revolving credit facility, which are due for renewal in December 2019.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report on pages 10 to 21. In addition, note 24 to the financial statements details the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Annual General Meeting

The Annual General Meeting of the Company will be held on 23 May 2017 at Eversheds Sutherland (International) LLP, 115 Colmore Row, Birmingham B3 3AL. The Notice setting out details of the business to be considered at the meeting is included on pages 83 to 89.

Auditor reappointment

KPMG LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to the auditors

As required by Section 418 of the Companies Act 2006, each Director serving at the date of approval of the financial statements confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with Section 418 of the Companies Act 2006.

Employees

Our employment policies, including a commitment to equal opportunity, are designed to attract and retain high calibre individuals, regardless of age, sex, religion, disability, marital status, race, ethnicity, nationality or sexual orientation. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue.

We take measures to ensure good working conditions. Employees are expected at all times to act honestly, respectfully and in accordance with our Company policies. The Company does not tolerate misconduct or harassment in any form and will diligently investigate and, where necessary, take action following any complaints, including those of confidential 'whistle-blowers'.

The Group keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year. We value employees' opinions and seek to actively consult them in the decision-making process and keep them apprised of Company news.

The average number of employees within the Group is shown in note 7 to the financial statements on page 57.

By order of the Board

Christopher Empson

Group Finance Director

5 April 2017

Directors' Remuneration Report

Remuneration Committee and advisors

The Committee reviews the Company's policy on the remuneration and terms of engagement of the Executive Directors and senior management team. Executive Directors attend by invitation only when appropriate and are not present at any discussion of their own remuneration.

The members of the Remuneration Committee and details of attendance at the meetings are disclosed in the Corporate Governance Report on page 27.

The Committee members have no personal financial interest, other than as shareholders, in the matters to be decided. They have no conflicts of interest arising from cross-directorships or from being involved in the day-to-day business of the Group. The Committee members do not participate in any bonus, share awards or pension arrangements.

Remuneration policy

The Group operates in a highly competitive environment. The Board and Remuneration Committee of Epwin aim to ensure the Group has the best possible team to drive continued success and creation of shareholder value. For the Group to continue to compete successfully, it is essential that the level of remuneration and benefits offered achieves the objectives of attracting, retaining, motivating and rewarding the necessary high calibre of individuals at all levels across the Group.

The Group therefore sets out to provide competitive remuneration to all its employees, appropriate to the business environment in the market in which it operates. To achieve this, the remuneration package is based upon the following principles:

- total rewards should be set to provide a fair and attractive remuneration package;
- appropriate elements of the remuneration package should be designed to reinforce the link between performance and reward; and
- Executive Directors' incentives should be aligned with the interests of shareholders.

Remuneration of Executive Directors

Elements of remuneration

The Company's remuneration policy contains the following remuneration components:

Fixed remuneration components

Fixed remuneration components play a key role in attracting, retaining and motivating high calibre and higher performing executives. Fixed remuneration consists of three components:

Basic salary or fees

Basic salaries or fees are approved by the Remuneration Committee on an annual basis after taking into consideration the performance of the individuals, their levels of responsibility and rate of salary or fees for similar positions in comparator companies.

Pensions

The Group makes defined contributions on behalf of the Directors into their individual pension plans based on percentage of basic salary.

The amounts paid in the financial year are set out in the Directors' emoluments table on page 33.

Other taxable benefits

These principally comprise car benefits, life assurance and membership of the Group's healthcare insurance scheme or payment in lieu of these benefits. These benefits do not form part of pensionable earnings.

Variable remuneration components

Variable remuneration components directly link an individual's reward, over both the short and the long-term, to their contributions to the success of the Group. The schemes ensure that only high performance is rewarded with high reward and that failure is not rewarded.

Annual performance-related bonuses

Performance-related bonuses for the Executive Directors are contractual and are determined by reference to performance targets based on the Group's financial results set at the beginning of the financial year. Awards are capped at a maximum of 100% of the individual's basic pay. Terms and conditions are based on the recommendations of the Remuneration Committee.

Long-term incentive arrangements

The Group strongly believes that employee share ownership strengthens the link between employees' personal interests and those of the Group and its shareholders, as well as strengthening employee retention and motivation. With the aim of linking an individual's remuneration to Company performance over the longer term, the Group currently operates two long-term, share-based incentive plans.

In 2014, the Group established the Management Incentive Plan to create a stronger link between the interests of senior employees, and those of the Group and our shareholders, and to support retention in key roles.

Under the Management Incentive Plan, the Executive Directors and certain senior employees acquired shares in a subsidiary of the Group at par value. Subject to continuing employment and the attainment of specific performance targets, the employees will be able to exchange these shares for ordinary shares of Epwin Group Plc equal to 12.5% of the increase in market capitalisation generated in excess of the hurdle rate of £175.0 million, subject to a cap of £12.5 million.

The purpose of the Management Incentive Plan was to incentivise key members of the management team by granting rights to acquire shares based on an increase in market capitalisation, thus aligning their interests with shareholders.

In July 2015, the Group launched a Save As You Earn ("SAYE") scheme available to all employees of the Company, including the Executive Directors. Details of both schemes are provided on pages 57 and 58.

Non-Executive Directors' remuneration

The Non-Executive Directors receive fees set at a level commensurate with their experience and ability to make a contribution to the Group's affairs and are set by the Board as a whole. No other incentives, pensions or other benefits are available to the Non-Executive Directors.

	Salary and fees 2016 £000	Other taxable benefits 2016 £000	Bonus 2016 £000	Pension contributions 2016 £000	Total 2016 £000	Total 2015 £000
Executive						
J A Bednall	214	10	200	8	432	433
C A Empson	136	11	130	9	286	286
S P Hanrahan	202	19	190	15	426	341
Non-Executive						
A K Eastgate	65	–	–	–	65	65
M K O'Leary	40	–	–	–	40	33*
Total	657	40	520	32	1,249	1,158

* Remuneration from date of appointment to the Board of Directors.

Directors' Remuneration Report continued

Long-term incentives vested during the financial year

JA Bednall, CA Empson, SP Hanrahan and a number of other senior employees hold awards under the Management Incentive Plan. Vesting of the awards is conditional on the Group achieving certain earnings targets in the three years to 31 December 2017 and there having been a significant growth in the Company's market capitalisation over that period. If the earnings targets are met and the market capitalisation of the Group is in excess of £175 million at that time (subject to certain adjustments), the award holders would be entitled to 12.5% of the excess, subject to a cap of £12.5 million. As the number of shares awarded is variable, based on the increase in market capitalisation achieved, it is not possible to quantify the number of awards granted to each Executive Director.

Directors' service agreements

The service agreements of the Executive Directors entitle them on termination to payments in lieu of notice equal to salary, benefits and pension contributions for a period of 12 months, or less if the Director finds alternative full time employment. There will be no compensation for loss of office due to misconduct or resignation by the Director.

Non-Executive Directors are appointed for an initial period of three years, subject to reappointment at the following AGM.

Directors' shareholdings

The interests of the Directors who held office at 31 December 2016 in the ordinary share capital of the Company are as shown in the table below.

	As at 31 December 2016 Number of shares	As at 31 December 2015 Number of shares
Executive		
Jonathan Bednall	578,500	578,500
Christopher Empson	39,200	39,200
Shaun Hanrahan	42,414	42,414
Non-Executive		
Andrew Eastgate	5,000	5,000
Michael O'Leary	1,000	1,000

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

Michael O'Leary

Chairman of the Remuneration Committee

5 April 2017

Statement of Directors' Responsibilities

IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

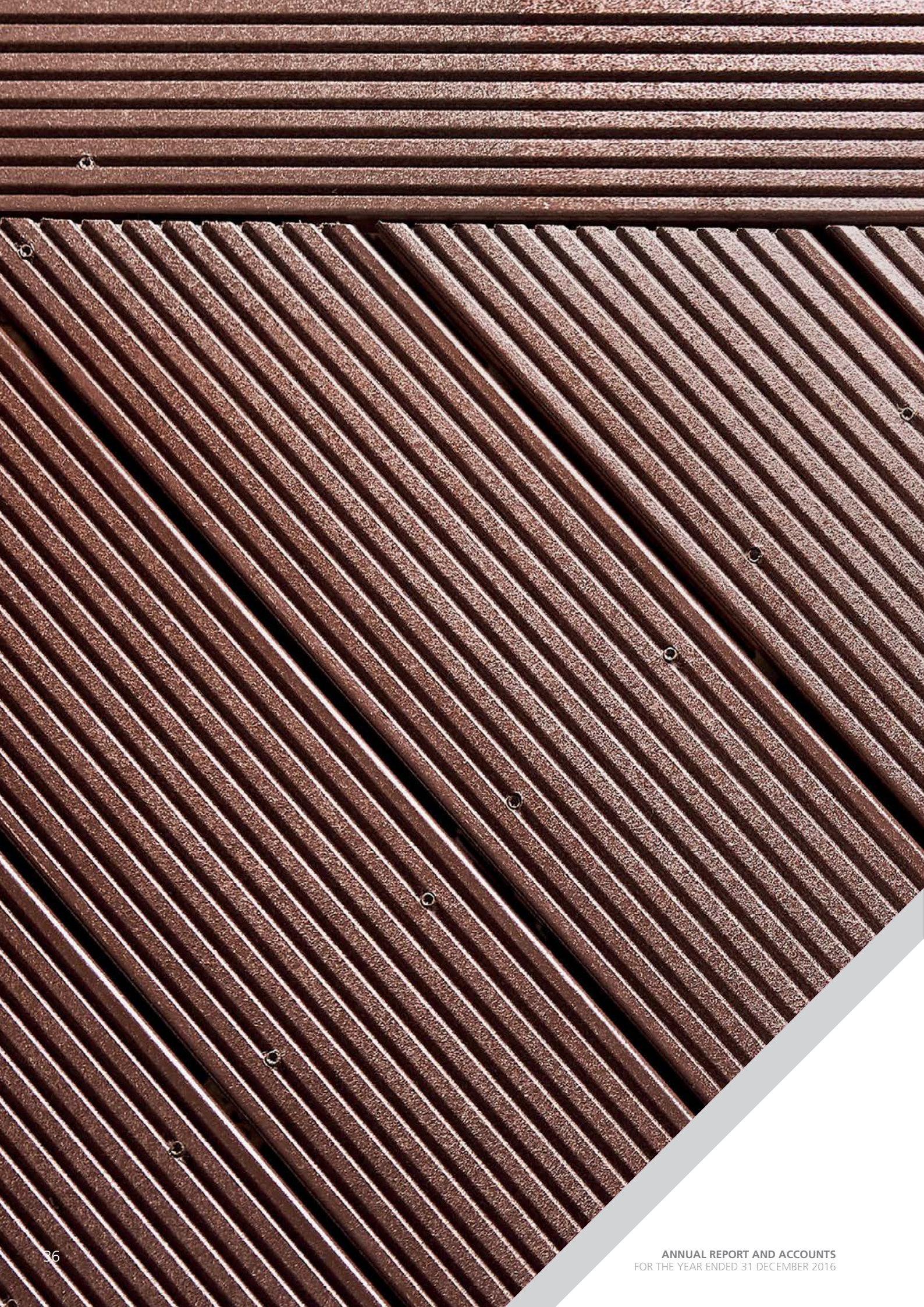
Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





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Independent Auditor's Report to the members of Epwin Group Plc

FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of Epwin Group Plc for the year ended 31 December 2016 set out on pages 40 to 81. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including *FRS 101 Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Leech

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

5 April 2017

Consolidated Income Statement and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £m	2015 £m
Group revenue	3	293.2	256.0
Cost of sales		(200.6)	(178.6)
Gross profit		92.6	77.4
Distribution expenses		(27.8)	(24.3)
Administrative expenses		(40.8)	(34.0)
Underlying operating profit		25.6	20.1
Amortisation of acquired intangible fixed assets	6	(1.1)	–
Acquisition expenses	6	(0.2)	(0.6)
Share-based payments	8	(0.3)	(0.4)
Operating profit		24.0	19.1
Net finance costs	9	(1.0)	(0.5)
Profit before tax		23.0	18.6
Taxation	10	(3.4)	(3.3)
Profit for the year and total comprehensive income		19.6	15.3
Earnings per share		pence	pence
Basic	11	13.85	11.32
Diluted	11	13.77	11.23

Consolidated Balance Sheet

AS AT 31 DECEMBER 2016

	Note	2016 £m	2015* £m
Assets			
Non-current assets			
Goodwill	13	65.7	56.1
Other intangible assets	14	4.5	3.6
Property, plant and equipment	15	37.9	33.1
Deferred tax	22	0.4	0.7
		108.5	93.5
Current assets			
Inventories	16	28.2	23.6
Trade and other receivables	17	41.4	41.5
Cash and cash equivalents	18	13.0	22.1
		82.6	87.2
Total assets		191.1	180.7
Liabilities			
Current liabilities			
Other interest bearing loans and borrowings	20	16.3	15.6
Trade and other payables	19	53.1	50.0
Contingent consideration	5	7.3	–
Income tax payable		2.0	2.6
Provisions	21	0.5	0.6
		79.2	68.8
Non-current liabilities			
Other interest bearing loans and borrowings	20	17.3	20.9
Contingent consideration	5	–	7.3
Provisions	21	3.7	3.6
		21.0	31.8
Total liabilities		100.2	100.6
Net assets		90.9	80.1
Equity			
Ordinary share capital	23	0.1	0.1
Share premium	23	12.5	12.5
Merger reserve	23	23.9	23.9
Retained earnings		54.4	43.6
Total equity		90.9	80.1

* Restated, see note 5.

The financial statements were approved by the Board of Directors and authorised for issue on 5 April 2017.

They were signed on its behalf by:

Jonathan Bednall
Chief Executive Officer

Christopher Empson
Group Finance Director

Company number:
07742256

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance as at 31 December 2014	0.1	12.5	15.6	34.6	62.8
Comprehensive income:					
Profit for the year	–	–	–	15.3	15.3
Total comprehensive income:	–	–	–	15.3	15.3
Transactions with owners recorded directly in equity:					
Issue of shares	–	–	8.3	–	8.3
Share-based payments	–	–	–	0.4	0.4
Dividends	–	–	–	(6.7)	(6.7)
Total transactions with owners	–	–	8.3	(6.3)	2.0
Balance as at 31 December 2015	0.1	12.5	23.9	43.6	80.1
Comprehensive income:					
Profit for the year	–	–	–	19.6	19.6
Total comprehensive income:	–	–	–	19.6	19.6
Transactions with owners recorded directly in equity:					
Issue of shares	–	–	–	–	–
Share-based payments	–	–	–	0.3	0.3
Dividends	–	–	–	(9.1)	(9.1)
Total transactions with owners	–	–	–	(8.8)	(8.8)
Balance as at 31 December 2016	0.1	12.5	23.9	54.4	90.9

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Profit for the year		19.6	15.3
Adjustments for:			
Depreciation and amortisation	14, 15	8.8	5.5
Net finance costs	9	1.0	0.5
Taxation	10	3.4	3.3
Share-based payments	8	0.3	0.4
Operating cash flow before movement in working capital		33.1	25.0
(Increase)/decrease in inventories		(2.4)	0.1
Decrease in trade and other receivables		1.4	0.3
(Decrease) in trade and other payables		(1.0)	(1.1)
(Decrease) in provisions		(0.3)	(0.5)
Pre-tax operating cash flow		30.8	23.8
Tax paid		(3.8)	(2.3)
Net cash inflow from operating activities		27.0	21.5
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	5	(10.2)	(20.9)
Acquisition of property, plant and equipment	15	(11.6)	(9.0)
Acquisition of intangible assets	14	(1.1)	–
Net cash (outflow) from investing activities		(22.9)	(29.9)
Cash flow from financing activities			
Interest paid		(1.0)	(0.5)
(Repayment of borrowings)/new loans raised		(5.0)	35.0
Capital element of finance lease rental payments		1.9	0.4
Dividends paid	12	(9.1)	(6.7)
Net cash (outflow)/inflow from financing activities		(13.2)	28.2
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		22.1	2.3
Cash and cash equivalents at end of year	18	13.0	22.1
Secured bank loans	20	(29.7)	(34.7)
Finance lease liabilities	20	(3.9)	(1.8)
Net debt		(20.6)	(14.4)

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 Basis of preparation

Epwin Group Plc (the "Company") is a company incorporated and domiciled in the United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The financial statements of the Parent Company have been prepared in accordance with Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101") and presented from page 74.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Directors in the application of these accounting policies, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in both the current year and subsequent year, are discussed in note 2.

The financial statements are prepared on the historical cost basis except where Adopted IFRSs require an alternative treatment.

1.2 Going concern

The Group financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has considered its financial resources, together with the strong ongoing trading performance and cash generation. The bank facilities are available until December 2019. The Group has prepared a detailed business plan, including cash projections, for the period to 31 December 2017 and has applied sensitivities to these plans. These plans, and sensitised forecasts, demonstrate that the Group's current facilities provide adequate headroom for its current and future anticipated cash requirements.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1.4 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

1.5 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a. they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- b. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy.

1.6 Financial instruments

Financial assets

The Group's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument.

i) Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the consolidated income statement in administrative expenses.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks. For the purpose of the consolidated cash flow statement, cash and cash equivalents includes bank overdrafts in addition to the definition above.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies continued

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities comprise trade and other payables, contingent consideration and borrowings.

i) Bank borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Financial expenses comprise interest expense on borrowings.

ii) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

iii) Contingent consideration

Contingent consideration is measured at fair value.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. The estimated useful lives are as follows:

Fixtures, fittings and equipment	3–15 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the fair value of any contingent consideration; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs relating to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration, outside of the measurement period, are recognised in the consolidated income statement.

1.9 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Brand	10 years
Customer relationships	3 years
Computer software	8 years

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies continued

1.11 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement in the periods during which services are rendered by employees.

Share-based payments

The Group grants share options to certain employees, which may, if certain performance criteria are met, allow these employees to acquire shares in the Company. The specific schemes are detailed in note 8 to the accounts.

The share options are measured at fair value at the date of grant and recognised as an employee expense, with a corresponding increase in equity, on a straight-line basis over the vesting period. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.13 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, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting, where material, the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14 Revenue recognition

Revenue comprises the fair value of goods sold to external customers, net of value added tax, discounts, rebates and other sales taxes or duty. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably, usually on the dispatch of goods.

1.15 Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.16 Operating lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies continued

1.17 Financial income and expense

Financial expenses comprise interest payable and the unwinding of the discount on provisions. Financial income comprises interest receivable on funds invested.

Interest income and interest payable are recognised in the consolidated income statement as they accrue, using the effective interest method.

1.18 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the temporary difference can be utilised.

1.19 Underlying operating profit

Underlying operating profit is a key measure used by management to monitor the underlying performance of the business and is defined as operating profit before amortisation of acquired intangible fixed assets, acquisition expenses and share-based payments.

1.20 Adopted IFRS not yet applied

At the date of approval of these financial statements the following standards/improvements have been published and endorsed by the EU, but have not yet been applied by the Group in these financial statements:

- IAS 7: Statement of Cash Flows disclosure initiative – amendments to IAS 7
- IAS 12: Income Taxes – Recognition of deferred tax assets for unrealised losses – amendments to IAS 12
- IFRS 2: Share-based Payments – Classification and measurement of share-based payment transactions – amendment to IFRS 2
- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases

IFRS 15: Revenue from Contracts with Customers should be applied for annual reporting periods beginning on or after 1 January 2018. The standard should be applied in full for the year of adoption, including retrospective application to all contracts that were not yet complete at the beginning of that period.

IFRS 16: Leases should be applied for annual reporting periods beginning on or after 1 January 2019. The standard can be applied with full retrospective effect, or the cumulative impact of initially applying IFRS 16 can be adjusted into opening equity at the date of initial application.

Implementation of both of these standards will have an impact on the financial statements of the Group and Parent Company and an assessment of the impact is being carried out. The Group and Parent Company are presently unable to quantify the potential impact until this assessment has been concluded.

The other new standards and amendments are not expected to have a material impact on the financial statements.

2. Critical judgements and estimations in applying the Group's accounting policies

The preparation of the consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

Impairment of goodwill and other intangible fixed assets

On an annual basis, the Group is required to perform an impairment review to assess whether the carrying value of goodwill and other intangible fixed assets is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in the impairment of goodwill and other intangible fixed assets are detailed in note 13.

Allowances against the carrying amount of inventories

The Group provides against the carrying amount of inventories based on expected demand for its products to ensure that inventory is stated at the lower of cost and net realisable value.

Provisions

Provisions are made using the Directors' best estimates of future cash flows based on the current level of information available to them. Actual cash flows will be dependent on future events. For details of assumptions see note 21.

Contingent consideration

A liability for contingent consideration is recognised at fair value at the acquisition date. The fair value of contingent consideration is based on the Directors' best estimates of the future performance and cash flows of the businesses. See note 5.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

3. Segmental reporting

Segmental information is presented in respect of the Group's reportable operating segments in line with IFRS 8: Operating Segments, which requires segmental information to be disclosed on the same basis as it is viewed internally by the Chief Operating Decision Maker. The Chief Operating Decision Maker is considered to be the Board of Directors.

Reportable segments	Operations
Extrusion and Moulding	Extrusion and marketing of PVC window profile systems, PVC cellular roofline and cladding, rigid rainwater and drainage products and Wood Plastic Composite ("WPC") decking products. Moulding of Glass Reinforced Plastic ("GRP") building components.
Fabrication and Distribution	Fabrication and marketing of windows and doors, cellular roofline, cladding, rainwater and drainage products, and manufacture of glass sealed units.

	2016 £m	2015 £m
Revenue from external customers		
Extrusion and Moulding – total revenue	206.8	171.5
Inter-segment revenue	(24.9)	(24.9)
Extrusion and Moulding – external revenue	181.9	146.6
Fabrication and Distribution – total revenue	111.3	109.6
Inter-segment revenue	–	(0.2)
Fabrication and Distribution – external revenue	111.3	109.4
Total revenue from external customers	293.2	256.0
Segmental operating profit		
Extrusion and Moulding	24.5	17.7
Fabrication and Distribution	2.9	4.2
Segmental operating profit before corporate costs	27.4	21.9
Corporate costs	(1.8)	(1.8)
Underlying operating profit	25.6	20.1
Amortisation of acquired intangible fixed assets	(1.1)	–
Acquisition expenses	(0.2)	(0.6)
Share-based payments	(0.3)	(0.4)
Operating profit	24.0	19.1
Net finance costs	(1.0)	(0.5)
Profit before tax	23.0	18.6

Balance sheet 2016

	Extrusion and Moulding £m	Fabrication and Distribution £m	Total £m
Total assets	131.5	45.4	176.9
Total liabilities	(40.1)	(19.1)	(59.2)
Segment assets	91.4	26.3	117.7
Group and other balances			(26.8)
Net assets			90.9

Balance sheet 2015

	Extrusion and Moulding* £m	Fabrication and Distribution £m	Total* £m
Total assets	117.1	37.1	154.2
Total liabilities	(38.7)	(13.9)	(52.6)
Segment assets	78.4	23.2	101.6
Group and other balances			(21.5)
Net assets			80.1

* Restated, see note 5.

Other material items 2016

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	9.3	2.3	–	11.6
Depreciation	6.6	1.0	–	7.6

Other material items 2015

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	6.6	2.4	–	9.0
Depreciation	4.6	0.9	–	5.5

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

3. Segmental reporting continued

Geographical information

	2016 £m	2015 £m
Revenue from external customers		
UK	278.6	243.8
Europe	12.8	10.8
Rest of World	1.8	1.4
	293.2	256.0

There are no customers which individually account for more than 10% of the Group's revenues.

4. Operating profit

Operating profit is stated after charging:

	2016 £m	2015 £m
Amortisation of other intangible assets	1.2	–
Depreciation of property, plant and equipment	7.6	5.5
Operating lease rentals	10.6	9.0

The analysis of auditors' remuneration is as follows:

	2016 £000	2015 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	45	45
The audit of the Company's subsidiaries pursuant to legislation	134	125
Total audit fees	179	170
Non-audit fees:		
Taxation advisory services	–	5
Acquisition due diligence	–	68
All other services	16	18
Non-audit fees	16	91
	195	261

5. Acquisition of subsidiaries

Acquisitions in the year ended 31 December 2016

On 10 June 2016 the Group acquired the entire issued share capital of Specialist Plastics Distribution Limited and subsidiaries, together trading as "National Plastics", for cash consideration of £10.0 million.

The following table summarises the consideration paid for Specialist Plastics Distribution Limited and the fair values of the assets and liabilities acquired at the acquisition date.

	Specialist Plastics Distribution Limited fair values on acquisition £m
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Acquired intangibles – brand	1.0
Property, plant and equipment	0.8
Inventories	2.2
Trade and other receivables	1.2
Cash and cash equivalents	–
Other interest bearing loans and borrowings	(0.2)
Trade and other payables	(3.9)
Income tax payable	(0.1)
Dilapidations provision	(0.3)
Deferred tax liability	(0.3)
Fair value of assets acquired	0.4
Goodwill	9.6
Total consideration	10.0
Consideration	
Cash consideration	10.0
Total consideration	10.0

National Plastics is a chain of plastic distribution outlets with a network of depots across the UK. National Plastics forms part of the Fabrication and Distribution segment. In the period from acquisition to 31 December 2016, National Plastics contributed revenues of £11.8 million and £0.6 million profit before tax. Had National Plastics been consolidated from 1 January 2016, the consolidated income statement would include revenues of £19.6 million and profit before tax of £1.0 million.

On acquisition, intangible fixed assets of £1.0 million were recognised, representing the National Plastics brand. In addition to this, a fair value adjustment of £0.3 million was made for property dilapidations.

The goodwill recognised of £9.6 million represents the collective local market knowledge of the workforce, plus the potential for cross-selling and synergies that exist as a result of the larger scale of the Epwin Group.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

5. Acquisition of subsidiaries continued

Acquisitions in the year ended 31 December 2015

The following table summarises the adjustments made to the provisional acquisition accounting for the 2015 acquisitions of Vannplastic Limited, trading as Ecodek, and Stormking Plastics Limited. These are reflected as a restatement of the prior year balance sheet.

	Stormking Plastics Limited fair values on acquisition	Vannplastic Limited fair values on acquisition
Provisional acquisition fair values of assets acquired	31.2	6.7
Measurement period adjustment to goodwill	–	1.8
Fair value of assets acquired	31.2	8.5
Consideration		
Cash consideration	20.3	3.6
Equity consideration – ordinary shares	6.7	1.6
Initial consideration	27.0	5.2
Contingent consideration paid in 2016	0.2	–
Contingent consideration due	4.0	3.3
Total consideration	31.2	8.5

During the measurement period, having had opportunity to review and reassess the forecasts prepared by the local management team and consider the range of possible settlements, the Group increased the provision for the contingent consideration payable in respect of the acquisition of Vannplastic Limited by £1.8 million, with a corresponding increase to goodwill, to reflect their best estimate of the amount payable under the earn-out agreement.

6. Non-underlying items

	2016 £m	2015 £m
Amortisation of acquired intangible fixed assets	1.1	–
Acquisition expenses	0.2	0.6
Share-based payments	0.3	0.4
Expense	1.6	1.0

Non-underlying items included within operating profit include:

Amortisation of acquired intangible fixed assets

£1.1 million (2015: £Nil million) amortisation of brand and customer contract intangible fixed assets acquired through business combinations.

Acquisition costs

During 2016, the Group incurred professional fees and stamp duty of £0.2 million associated with the acquisition of Specialist Plastics Distribution Limited. In 2015, the Group incurred professional fees and stamp duty of £0.6 million associated with the acquisitions of Stormking Plastics Limited and Vannplastic Limited.

Share-based payments

The share-based payment expense of £0.3 million (2015: £0.4 million) comprises £0.2 million (2015: £0.3 million) in respect of the IFRS 2: *Share-based payments* charge for the Management Incentive Plan and £0.1 million (2015: £0.1 million) in respect of the SAYE scheme.

7. Staff costs

	2016 Number	2015 Number
Average number of employees		
Production and distribution	2,048	1,696
Marketing and administration	544	519
	2,592	2,215
	2016 £m	2015 £m
Aggregate payroll costs		
Wages and salaries	65.2	54.0
Social security costs	5.9	4.8
Contributions to defined contribution plans	1.4	1.2
Share-based payments	0.3	0.4
	72.8	60.4

Key management personnel have been identified as the Corporate and Operations Boards. Remuneration of key management personnel is as follows:

	2016 £m	2015 £m
Key management personnel costs		
Short-term employee benefits	1.6	1.7
Post-employment benefits	0.1	0.1
Share-based payment charges	0.2	0.2
	1.9	2.0

The remuneration of individual Non-Executive and Executive Directors is detailed in the Remuneration Report on pages 32 to 34.

8. Share-based payments

The Group operates a Management Incentive Plan for Executive Directors and certain senior management. The terms of the Management Incentive Plan are disclosed in the Directors' Remuneration Report on pages 32 to 34.

Awards issued under the equity-based Management Incentive Plan vest three years from the date of the grant based on certain market and non-market performance criteria being met. Options are settled in equity; the number of shares is calculated based on the increase in market capitalisation above a specified target.

The number of shares vesting under the Management Incentive Plan is determined as follows:

- Following the end of the performance period, the Remuneration Committee will determine whether the applicable performance targets have been satisfied and calculate the increase in market capitalisation over the target set at grant;
- Each award holder will be entitled to shares with a value equal to a specified percentage of the increase in market capitalisation over the target, provided that the performance targets have been met – that increase for each award holder is divided by the market value of a share at the end of the performance period to determine the number of shares to be awarded.

As the number of shares to be awarded is variable, dependent upon the increase in shareholder value generated, it is not possible to quantify the number of options awarded.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

8. Share-based payments continued

The fair values for the above options were calculated using the inputs and pricing models outlined in the table below:

	Management Incentive Plan
Date of grant	24 July 2014
Earliest year in which options are exercisable	2017
Option pricing model used	Monte Carlo
Aggregate fair value of options granted at date of grant	£1.0 million
Expected volatility	35.0%
Risk free interest rate	1.98%
Exercise price (per share)	–
Expected dividend yield	6.0%
Expected term (years)	5 years
Expected departures	–
Settlement	Equity

On 1 July 2015, the Group launched a Save As You Earn (“SAYE”) scheme for UK employees who were employed prior to 16 March 2015 that provides for an exercise price equal to 80% of the quoted market price on 17 April 2015. The options can be exercised during a six-month period following the completion of a three-year savings period.

	SAYE Scheme
Date of grant	1 July 2015
Earliest year in which options are exercisable	2018
Option pricing model used	Black–Scholes
Number of options granted	1,572,500
Aggregate fair value of options granted at date of grant	£0.4 million
Expected volatility	35.0%
Risk free interest rate	1.96%
Exercise price (per share)	£0.86
Expected dividend yield	6.0%
Expected term (years)	3 years
Expected departures	–
Settlement	Equity

The total expense recognised in the income statement for each of these schemes was as follows:

	2016 £m	2015 £m
Management Incentive Plan	0.2	0.3
SAYE	0.1	0.1
	0.3	0.4

9. Finance costs

	2016 £m	2015 £m
Interest expense on borrowings	1.0	0.5
Total finance costs	1.0	0.5

10. Taxation

	2016 £m	2015 £m
Current tax expense		
Current period	3.9	3.0
Prior period	(0.5)	(1.0)
Total current tax charge	3.4	2.0
Deferred tax expense		
Current period	(0.1)	1.2
Prior period	0.1	0.1
Total deferred tax charge	–	1.3
Total tax expense	3.4	3.3

UK corporation tax is calculated at 20.00% (2015: 20.25%) of the estimated assessable profit for the year.

The Group's total income tax charge is reconciled with the standard rates of UK corporation tax for the year of 20.00% (2015: 20.25%) as follows:

	2016 £m	2015 £m
Profit before tax	23.0	18.6
Tax at standard UK corporation tax rate of 20.00% (2015: 20.25%)	4.6	3.8
Factors affecting the charge for the period:		
Expenses not deductible	0.1	0.3
Losses utilised for which no deferred tax previously recognised	(0.6)	(0.2)
Difference in tax rate	(0.3)	0.3
Prior period	(0.4)	(0.9)
	3.4	3.3

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

11. Earnings per share (EPS)

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares has been adjusted for the issue and cancellation of shares during the period.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, plus the dilutive potential ordinary shares arising from share options in issue at the end of the period.

EPS summary	2016 Pence	2015 Pence
Basic EPS		
Basic earnings per share	13.85	11.32
Diluted EPS		
Diluted earnings per share	13.77	11.23

Number of shares	2016 No.	2015 No.
Weighted average number of ordinary shares (basic)	141,518,595	135,198,199
Effect of share options in issue	829,487	1,061,378
Weighted average number of ordinary shares (diluted)	142,348,082	136,259,577

12. Dividends

	2016 £m	2016 Pence per share	2015 £m	2015 Pence per share
Previous year final dividend	6.0	4.25	3.8	2.83
Current year interim dividend	3.1	2.20	2.9	2.12
	9.1		6.7	

13. Goodwill

	Goodwill* £m
Cost	
At 31 December 2014	24.5
Acquisitions through business combinations	29.8
Measurement period adjustment (see note 5)	1.8
At 31 December 2015	56.1
Acquisitions through business combinations	9.6
At 31 December 2016	65.7
Accumulated impairment losses	
At 31 December 2014, 2015 and 2016	–
Net book value	
At 31 December 2016	65.7
At 31 December 2015	56.1
At 31 December 2014	24.5

* Restated, see note 5.

Impairment testing

The Goodwill of £65.7 million arose on the merger between the Epwin Group and the Latium group of companies (£24.5 million) in 2012, the acquisitions of Ecodek (£7.2 million) and Stormking (£24.4 million) in 2015 and the acquisition of National Plastics (£9.6 million) in 2016, and is allocated to the Group's two reportable segments: Extrusion and Moulding, and Fabrication and Distribution, being the lowest level within the entity at which goodwill is monitored for internal management purposes in line with IFRS 3: Business Combinations.

At 31 December 2016, £55.3 million of goodwill was allocated to Extrusion and Moulding and £10.4 million to Fabrication and Distribution.

At 31 December 2015, the goodwill was allocated to the Group's three former operating divisions: Building Components (£43.3 million); Building Products (£8.7 million); and Window Systems (£4.1 million). Following a review in 2016, the Board no longer considers this allocation to be the most appropriate as the Group continues to consolidate its existing operational structure and reporting as well as integrate acquisitions.

Goodwill is not amortised, but tested annually for impairment on the basis of value in use calculations using discounted cash flows. Due to the reallocation during the year of the goodwill to new cash generating units (CGUs) it was tested for impairment on both the current and previous basis as required by IAS 36: Impairment of Assets. The value in use exceeded the carrying value for each of the cash-generating units on both bases. Therefore, no impairment loss was recognised in any of the periods.

In assessing the value in use, the 2017 budgets were used to provide cash flow projections to the period ended 31 December 2017. For periods after 31 December 2017, an annual growth rate of 2.00% was used to determine the projected cash flows through to 2036 and a terminal value.

The cash flow projections are subject to key assumptions in respect of discount rates and achievement of future revenue and EBITDA growth. The Directors have reviewed and approved the assumptions inherent in the model as part of the annual budget process using historic experience and considering economic and business risks facing the Group.

In assessing the Group's value in use, a pre-tax discount rate of 9.37% (2015: 11.63%) has been applied to the operating cash flows of the Group's CGUs.

The calculated value in use, exceeded the carrying value of goodwill, on both the current and previous basis, and neither a 10% increase in the discount rate nor 10% decrease in the operating cash flows would result in an impairment.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

14. Other intangible assets

	Customer relationships £m	Brands £m	Computer software £m	Total £m
Cost				
At 31 December 2014	5.0	0.3	–	5.3
On acquisition	2.7	0.7	–	3.4
At 31 December 2015	7.7	1.0	–	8.7
On acquisition (see note 5)	–	1.0	–	1.0
Additions	–	–	1.1	1.1
At 31 December 2016	7.7	2.0	1.1	10.8
Accumulated amortisation				
At 31 December 2014	5.0	0.1	–	5.1
Charge for the year	–	–	–	–
At 31 December 2015	5.0	0.1	–	5.1
Charge for the year	0.9	0.2	0.1	1.2
At 31 December 2016	5.9	0.3	0.1	6.3
Net book value at 31 December 2016	1.8	1.7	1.0	4.5
Net book value at 31 December 2015	2.7	0.9	–	3.6
Net book value at 31 December 2014	–	0.2	–	0.2

Amortisation

Amortisation is recognised in administrative expenses in the consolidated income statement:

	2016 £m	2015 £m
Customer relationships	0.9	–
Brands	0.2	–
Computer software	0.1	–
Amortisation	1.2	–

15. Property, plant and equipment

	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost			
At 31 December 2014	41.2	0.4	41.6
On acquisition	3.4	–	3.4
Additions	9.0	–	9.0
At 31 December 2015	53.6	0.4	54.0
On acquisition (see note 5)	0.5	0.3	0.8
Additions	11.6	–	11.6
Disposals	(0.1)	(0.5)	(0.6)
At 31 December 2016	65.6	0.2	65.8
Accumulated depreciation			
At 31 December 2014	15.1	0.3	15.4
Charge for the year	5.4	0.1	5.5
At 31 December 2015	20.5	0.4	20.9
Charge for the year	7.5	0.1	7.6
Disposals	(0.1)	(0.5)	(0.6)
At 31 December 2016	27.9	–	27.9
Net book value at 31 December 2016	37.7	0.2	37.9
Net book value at 31 December 2015	33.1	–	33.1
Net book value at 31 December 2014	26.1	0.1	26.2

At 31 December 2016, the net book value of property, plant and equipment held under finance leases was £5.2 million (2015: £2.9 million). The depreciation charge in respect of these assets was £0.5 million (2015: £0.3 million). The lease obligations are secured on the leased assets.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

16. Inventories

	2016 £m	2015 £m
Raw materials	10.8	10.5
Work in progress	1.5	1.6
Finished goods	15.9	11.5
	28.2	23.6

All inventories are expected to be sold within 12 months.

Inventory purchased in the period recognised as an expense was £129.4 million (2015: £116.4 million).

During the year, £0.7 million (2015: £0.8 million) was recognised as an expense in cost of sales in respect of the write down of inventory to net realisable value.

17. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	37.3	36.4
Less: provision for doubtful trade receivables	(1.2)	(1.2)
Trade receivables net of provision	36.1	35.2
Prepayments and accrued income	3.5	3.6
Other receivables	1.8	2.7
Trade and other receivables	41.4	41.5

18. Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	13.0	22.1

19. Trade and other payables

	2016 £m	2015 £m
Current		
Trade payables	36.8	32.3
Other taxation and social security	5.3	5.6
Other payables	3.7	3.1
Accruals and deferred income	7.3	9.0
Trade and other payables	53.1	50.0

20. Other interest bearing loans and borrowings

	2016 £m	2015 £m
Non-current		
Secured bank loans	14.8	19.8
Finance lease liabilities	2.5	1.1
	17.3	20.9
Current		
Secured bank loans	14.9	14.9
Finance lease liabilities	1.4	0.7
	16.3	15.6

The facilities available to the Group at 31 December 2015 were a £20.0 million term loan, a £35.0 million revolving credit facility and a £5.0 million overdraft, secured on the assets of the Group. The term of the loan and revolving credit facility is for four years ending December 2019.

Facility arrangement costs of £0.3 million (2015: £0.3 million) are set-off against the amount owing at year end.

The term loan and revolving credit facility carry an interest rate of 1.75% above LIBOR. The margin above LIBOR is dependent on the level of borrowings relative to EBITDA.

	Year of maturity	2016		2015	
		Face value £m	Carrying amount £m	Face value £m	Carrying amount £m
Term loan	2019	20.0	20.0	20.0	20.0
Revolving credit facility	2019	10.0	10.0	15.0	15.0
		30.0	30.0	35.0	35.0

The Group had the following undrawn committed borrowing facilities available at each balance sheet date in respect of which all conditions precedent have been met:

	2016 £m	2015 £m
Expiring between two and five years	30.0	25.0
Expiring after five years	–	–
	30.0	25.0

Finance lease liabilities are payable as follows:

	2016 £m	2015 £m
Within one year	1.4	0.7
In the second to fifth years	2.5	1.1
	3.9	1.8

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

21. Provisions

	Leasehold dilapidations £m	Warranties £m	Total £m
At 1 January 2016	2.4	1.8	4.2
On acquisition	0.3	–	0.3
Created during the year	–	0.1	0.1
Utilised during the year	(0.1)	(0.3)	(0.4)
At 31 December 2016	2.6	1.6	4.2

	Leasehold dilapidations £m	Warranties £m	Total £m
Non-current	2.4	1.3	3.7
Current	0.2	0.3	0.5
At 31 December 2016	2.6	1.6	4.2

	Leasehold dilapidations £m	Warranties £m	Total £m
At 1 January 2015	2.5	2.0	4.5
On acquisition	0.2	–	0.2
Created during the year	0.1	0.5	0.6
Utilised during the year	(0.4)	(0.7)	(1.1)
At 31 December 2015	2.4	1.8	4.2

	Leasehold dilapidations £m	Warranties £m	Total £m
Non-current	2.2	1.4	3.6
Current	0.2	0.4	0.6
At 31 December 2015	2.4	1.8	4.2

Leasehold dilapidations

The Group leases a number of properties with a term of up to 16 years remaining. Under the terms of these leases, Group companies, as tenants, are required to return the property to its original condition prior to the termination of the lease. The Group provides for the dilapidation costs based on management's experience of historical dilapidation settlements, as a contractual obligation exists.

Warranties

The Group companies offer warranties of up to 25 years on certain products. As such, a provision is estimated to cover the cost of any future replacement and reinstallation on these products based on the Directors' best estimate of the average warranty period, failure rates and remediation costs.

22. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2016		2015	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Property, plant and equipment	–	(1.4)	–	(1.7)
Intangible assets	–	(0.6)	–	(0.7)
Trade and other payables	–	–	0.1	–
Provisions	–	–	0.2	–
Other timing differences	0.1	–	–	(0.2)
Tax value of loss carry-forwards	2.3	–	3.0	–
Deferred tax assets/(liabilities)	2.4	(2.0)	3.3	(2.6)
Net of deferred tax (liabilities)	(2.0)		(2.6)	
Net deferred tax asset	0.4		0.7	

Movement in deferred tax during the periods:

	At 1 January 2016 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2016 £m
Property, plant and equipment	(1.7)	0.4	(0.1)	(1.4)
Intangible assets	(0.7)	0.3	(0.2)	(0.6)
Trade and other payables	0.1	(0.1)	–	–
Provisions	0.2	(0.2)	–	–
Other timing differences	(0.2)	0.3	–	0.1
Tax value of loss carry-forwards	3.0	(0.7)	–	2.3
	0.7	–	(0.3)	0.4

	At 1 January 2015 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2015 £m
Property, plant and equipment	(1.6)	0.1	(0.2)	(1.7)
Intangible assets	(0.1)	0.1	(0.7)	(0.7)
Trade and other payables	0.2	(0.1)	–	0.1
Provisions	0.2	–	–	0.2
Other timing differences	–	(0.2)	–	(0.2)
Tax value of loss carry-forwards	4.2	(1.2)	–	3.0
	2.9	(1.3)	(0.9)	0.7

Deferred tax assets have not been recognised in respect of the following items:

	2016 £m	2015 £m
Tax losses	9.9	14.4

As at 31 December 2015, of the potential net deferred tax asset of £2.1 million, the Group has recognised a net deferred tax asset of £0.4 million. This is because the Group has £22.1 million of tax losses that are potentially restricted in their use. On reviewing business forecasts, the Directors have concluded that it is only probable that future taxable profit will be available to utilise £12.2 million of these losses.

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FOR THE YEAR ENDED 31 DECEMBER 2016

23. Share capital and reserves

	2016		2015	
	Number of shares	£	Number of shares	£
Allotted and called up:				
Ordinary shares of 0.05p each	141,521,986	70,761	141,515,621	70,758
		70,761		70,758

2016

On 13 July 2016, the Company issued 6,365 ordinary shares of 0.05p each to a former employee who had elected to exercise his options pursuant to the Group's Save As You Earn ("SAYE") employee share scheme.

2015

On 1 June 2015, the Company repurchased 1,800,000 deferred shares of 1 pence each for aggregate consideration of £1. The shares were subsequently cancelled.

On 30 October 2015, 1,166,817 ordinary shares of 0.05 pence each were issued as consideration in relation to the acquisition of Vannplastic Limited; see note 5.

On 31 December 2015, 5,348,804 ordinary shares of 0.05 pence each were issued as consideration in relation to the acquisition of Stormking Plastics Limited; see note 5.

Share premium

The share premium arose on the issue of the Company's shares at a premium to the nominal value of the shares, less any expenses of issue incurred in issuing equity.

Merger reserve

The merger reserve arose on the share for share exchange on the acquisition of subsidiaries.

Outstanding options

Outstanding options have been granted to the Directors and employees of the Group under the Management Incentive Plan and SAYE scheme. Further details are included within note 8.

Share warrants for 3% of the fully diluted share capital of the Company were issued to Zeus Capital for services related to the IPO in 2014. The warrant is exercisable, at the IPO share price, any time between the first and tenth anniversary of admission to AIM.

24. Financial instruments and related disclosures

Financial risk management

The Directors have overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risk is maintained and reviewed by the Directors, who also monitor the status of agreed actions to mitigate key risks.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparties to a financial instrument fail to meet contractual obligations, and arises principally from the Group's receivables from customers.

As the principal business of the Group is credit sales, the Group trade receivables are large and therefore contain exposure to credit risk. The carrying amount of trade receivables recorded in the financial statements represents the Group's principal exposure to credit risk other than cash and cash equivalents held with financial institutions.

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2016 £m	2015 £m
UK	35.5	35.1
Europe	1.5	1.0
Rest of world	0.3	0.3
	37.3	36.4

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

	2016		2015	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	22.4	0.2	22.2	0.1
Past due 0–30 days	10.7	0.1	10.2	0.1
Past due 31–120 days	2.6	–	2.4	0.2
More than 120 days	1.6	0.9	1.6	0.8
	37.3	1.2	36.4	1.2

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 £m	2015 £m
Balance at 1 January	1.2	0.9
Impairment loss recognised	0.7	1.0
Impairment loss utilised	(0.7)	(0.7)
Balance at 31 December	1.2	1.2

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

24. Financial instruments and related disclosures continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there are sufficient cash or working capital facilities to meet the liquidity requirements of the Group.

The risk is measured by review of forecast cash flows each month to determine whether there are sufficient credit facilities to meet forecast requirements and by monitoring covenants on a regular basis to ensure there are no expected significant breaches. Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the strong cash-generating ability of the business and its ability to operate within existing agreed banking facilities. There have been no breaches of covenants during the reported periods.

The Group has a £5.0 million overdraft, a £35.0 million revolving credit facility and a £20.0 million term loan to support short and medium term liquidity.

Contractual cash flows

The contractual maturity of other interest bearing loans and borrowings is shown below:

	2016 £m	2015 £m
Due in less than one year	16.4	15.7
Expiring between one and two years	7.5	5.6
Expiring between two and five years	10.0	15.5
Expiring after five years	–	–
Contractual cash flows	33.9	36.8
Borrowing costs	(0.3)	(0.3)
Carrying amount	33.6	36.5

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income.

Foreign currency risk

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	2016			2015		
	Euro	US dollar	GBP	Euro	US dollar	GBP
Trade and other receivables	1.2	0.2	40.0	0.8	0.2	40.5
Cash and cash equivalents	0.4	0.1	12.5	0.1	0.3	21.7
Interest bearing loans and borrowings	–	–	(33.6)	–	–	(36.5)
Tax payable	–	–	(2.0)	–	–	(2.6)
Trade and other payables	(0.5)	–	(52.6)	(0.2)	–	(49.8)
	1.1	0.3	(35.7)	0.7	0.5	(26.7)

Interest rate risk

The Group's bank borrowings incur variable interest rate charges linked to LIBOR plus a margin. The Group's policy aims to manage the interest cost within the constraints of its financial covenants and forecasts.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Group views its capital as share capital, term loans, revolving credit facility, overdraft, finance leases and operating cash flow. The Board's policy is to retain a strong capital base so as to maintain investor and market confidence and to sustain future growth. The Directors regularly monitor the level of capital in the Group to ensure that this can be achieved.

Fair value disclosures

The fair value of financial assets and liabilities are as follows:

	2016 £m	2015 £m
Cash and cash equivalents	13.0	22.1
Trade and other receivables	41.4	41.5
Total financial assets	54.4	63.6
	2016 £m	2015* £m
Trade and other payables	53.1	50.0
Borrowings at amortised cost	33.6	36.5
Contingent consideration	7.3	7.3
Total financial liabilities	94.0	93.8

*Restated, see note 5.

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables and short-term borrowings

The fair value approximates to the carrying value because of the short maturity of these instruments.

Long-term borrowings

The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2016

24. Financial instruments and related disclosures continued

The contingent consideration of £7.3 million created on the acquisition of Stormking Plastics Limited and Vannplastic Limited is carried at fair value measured using a Level 3 valuation method based on a contractual multiple of the EBITDA of the respective business during a 12-month post-acquisition period.

	2016 £m	2015 £m
Balance at 1 January	7.5	–
Recognised on acquisition	–	5.7
Paid in the year	(0.2)	–
Measurement period adjustment (see note 5)	–	1.8
Balance at 31 December	7.3	7.5

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) if interest rates were to change by +/- 1%. The impact on the result in the income statement would be:

	2016 Impact on profit before tax £m	2015 Impact on profit before tax £m
+1 percentage point movement in interest rates	(0.2)	(0.1)
-1 percentage point movement in interest rates	0.2	0.1

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its euro financial instruments, the major non-sterling currency in which the Group's receivables are denominated:

	2016 Increase/ (decrease) in equity £m	2015 Increase/ (decrease) in equity £m
+10 percentage points appreciation of the euro	0.1	0.1
-10 percentage points depreciation of the euro	(0.1)	(0.1)

A strengthening/weakening of sterling, as indicated, against the euro at each period end would have increased/(decreased) the profit and loss by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

25. Commitments

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2016 £m	2015 £m	2016 £m	2015 £m
Less than one year	6.3	5.8	2.9	3.0
Between one and five years	19.6	19.8	3.4	4.9
More than five years	39.1	39.2	–	–
	65.0	64.8	6.3	7.9

26. Related party transactions

All transactions with Directors are included in the Directors' Remuneration Report on pages 32 to 34.

Company Balance Sheet

AS AT 31 DECEMBER 2016

	Note	2016 £m	2015* £m
Non-current assets			
Investments in subsidiaries	3	68.3	68.0
		68.3	68.0
Current assets			
Trade and other receivables	4	25.8	18.0
Cash and cash equivalents		–	8.2
		25.8	26.2
Current liabilities			
Trade and other payables	5	(22.4)	(16.1)
Net current assets			
		3.4	10.1
Total assets less current liabilities			
		71.7	76.3
Non-current liabilities			
Trade and other payables	6	(14.8)	(27.1)
Net assets			
		56.9	51.0
Equity			
Ordinary share capital	7	0.1	0.1
Share premium	8	12.5	12.5
Merger reserve	8	24.0	24.0
Retained earnings	8	20.3	14.4
Equity shareholders' funds			
		56.9	51.0

*Restated, see note 5 to the consolidated accounts.

The financial statements were approved by the Board of Directors and authorised for issue on 5 April 2017. They were signed on its behalf by:

Jonathan Bednall
Chief Executive Officer

Christopher Empson
Group Finance Director

Company number:
07742256

Notes to the Company Accounts

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Epwin Group Plc (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account and related notes.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Epwin Group Plc include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following disclosures:

- IFRS 2: Share based payments in respect of group-settled share-based payments
- IFRS 7: Financial Instruments: Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the Company Accounts continued

1. Accounting policies continued

1.2 Going concern

As highlighted in note 24 of the Group's financial statements, the Group meets its day-to-day working capital requirements through an overdraft, a revolving credit facility and a term loan which are due for renewal in December 2019.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report on pages 10 to 21. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facilities is described in this review.

In addition, note 24 to the Group's financial statements includes the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

1.3 Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment where in the opinion of the Directors there has been a diminution in the value of the investment.

1.4 Operating leases

Rentals payable under operating leases are recognised in the profit and loss account on a straight-line basis over the periods of the leases.

1.5 Bank borrowings and financing costs

Interest bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs, where the intention is to hold the debt instrument to maturity. Financing costs are amortised over the expected term of the loan so as to produce a constant rate of return over the period to the date of expected redemption.

1.6 Share-based payments

The Company operates an equity-settled Management Incentive Plan, a Save As You Earn ("SAYE") scheme and has issued share warrants in 2014 as part of the IPO.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly in equity.

The fair value of the share options, SAYE and warrants is measured at grant date using an option pricing model, taking into account the terms and conditions upon which the options were granted.

1.7 Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of differences between the treatment of certain items for taxation and accounting purposes.

2. Staff costs

Please see disclosures relating to the Group in note 7 to the consolidated financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 32 to 34.

3. Non-current asset investments

	Shares in subsidiary undertakings* £m
Cost	
At 1 January 2016	66.2
Measurement period adjustment	1.8
At 1 January 2016 (restated)*	68.0
Additions	0.3
At 31 December 2016	68.3
Impairment	
At 1 January 2016 and 31 December 2016	–
Net book value	
At 31 December 2016	68.3
At 31 December 2015 (restated)*	68.0

*Restated, see note 5 to the consolidated accounts.

Fixed asset investments represent holdings in the ordinary share capital of wholly owned subsidiaries.

Notes to the Company Accounts continued

3. Non-current asset investments continued

The Group's subsidiary undertakings are as follows:

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2016	Country of incorporation
Held directly by the Company			
Specialist Building Products Limited	The extrusion of PVC-u and PVC-ue, the manufacturer of windows, doors and conservatories, sealed glazed units, related building materials and the retail, trade and public sector sales of these products	100%	England
Vannplastic Limited	Non-trading	100%	England
Stormking Plastics Limited	Non-trading	100%	England
Winep 62 Limited	Holding company	100%	England
Building Plastics Holdings Limited	Holding company	100%	England
Winep 60 Limited	Holding company	100%	England
The Entrance Fire Door Company Limited	Dormant	100%	England
Held indirectly by the Company			
Specialist Building Distribution Limited	Supply of plastic building products	100%	England
UPVC Distributors Limited	Supply of plastic building products	100%	England
CET Glass Processors (Holdings) Limited	Non-trading	100%	England
Indigo Products Limited	Non-trading	100%	England
Crown Architectural Aluminium (UK) Limited	Non-trading	100%	England
Winep 61 Limited	Holding Company	100%	England
Winep 63 Limited	Holding Company	100%	England
Specialist Plastics Distribution Limited	Holding Company	100%	England
Amazon Civils Limited	Dormant	100%	England
Celufarm Building Products Limited	Dormant	100%	England
Churchley Bros. Limited	Dormant	100%	England
Churchley Builders Plastics Limited	Dormant	100%	England
Ecodek Limited	Dormant	100%	England
Epwin Secretaries Limited	Dormant	100%	England
HIS Systems Limited	Dormant	100%	England
Kestrel BCE Limited	Dormant	100%	England
Masterglaze Limited	Dormant	100%	England
National Plastics (Building Products) Limited	Dormant	100%	England
Permadoor Limited	Dormant	100%	England
Plastal Commercial Limited	Dormant	100%	England
Profile 22 Systems Limited	Dormant	100%	England

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2016	Country of incorporation
Schnicks Limited	Dormant	100%	England
Silplas Building Products Limited	Dormant	100%	England
Spectus Systems Limited	Dormant	100%	England
Swish Building Products Limited	Dormant	100%	England
TP Distribution Limited	Dormant	100%	England
Trade BP Limited	Dormant	100%	England
Trentham Logistics Limited	Dormant	100%	England
Venture Building Plastics Limited	Dormant	100%	England
Winep 3 Limited	Dormant	100%	England
Winep 5 Limited	Dormant	100%	England
Winep 50 Limited	Dormant	100%	England
Winep 51 Limited	Dormant	100%	England
Winep 52 Limited	Dormant	100%	England
Winep 53 Limited	Dormant	100%	England
Winep 54 Limited	Dormant	100%	England
Winep 55 Limited	Dormant	100%	England
Winep 56 Limited	Dormant	100%	England
Winep 57 Limited	Dormant	100%	England
Winep 693 Limited	Dormant	100%	England
Wrekin Windows Limited	Dormant	100%	England

All investments are in the ordinary share capital of the subsidiaries.

All subsidiaries are included in the consolidated results of the Group.

All subsidiaries, with the exception of TP Distribution Limited and Trade BP Limited have the following registered address: 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT, United Kingdom. The registered address of TP Distribution Limited and Trade BP Limited is Lodge Way House, Lodge Way, Lodge Farm Industrial Estate, Northampton, NN5 7OS, United Kingdom.

Notes to the Company Accounts continued

4. Trade and other receivables

Amounts falling due within one year

	2016 £m	2015 £m
Amounts due from subsidiary undertakings	25.8	16.4
Other receivables	–	1.6
	25.8	18.0

5. Trade and other payables falling due within one year

	2016 £m	2015 £m
Bank loans and overdraft	15.1	14.9
Other payables	7.3	1.2
	22.4	16.1

6. Trade and other payables falling due after more than one year

	2016 £m	2015* £m
Bank loans and other borrowings	14.8	19.8
Other payables	–	7.3
	14.8	27.1

*Restated, see note 5 to the consolidated accounts.

Analysis of bank loans and borrowings:

	2016 £m	2015 £m
Repayable:		
Within one year	15.1	14.9
Between one and two years	4.9	–
Between two and five years	9.9	19.8
	29.9	34.7

Borrowing costs of £0.3 million (2015: £0.3 million) are set off against the amount owing at year end.

The terms of the bank loans and borrowings are disclosed in the consolidated accounts in note 20.

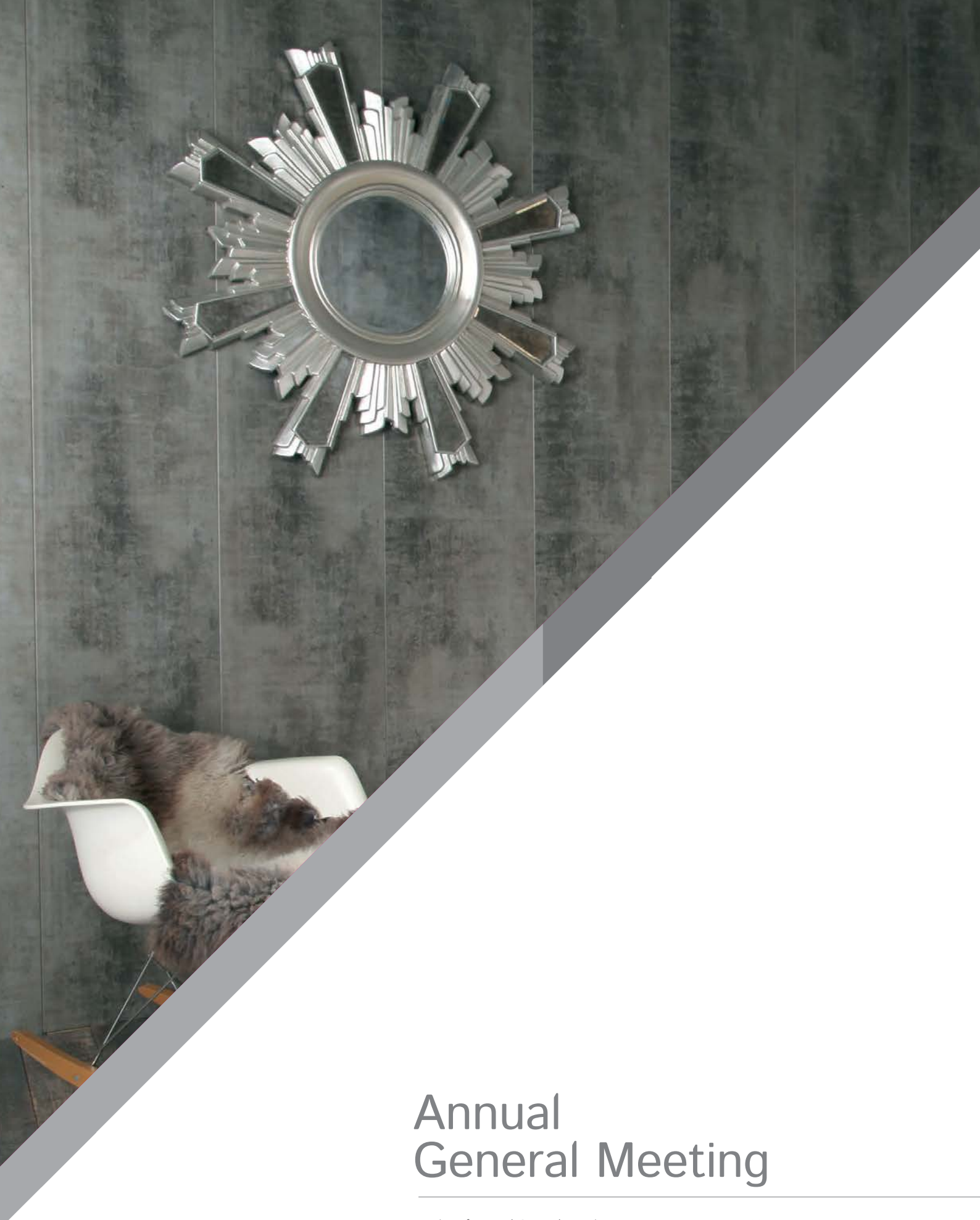
7. Share capital

The movements in share capital are disclosed in note 23 to the consolidated financial statements.

8. Reserves

	Share premium account £m	Merger reserve £m	Retained earnings £m	Total £m
At 31 December 2014	12.5	15.7	11.4	39.6
Comprehensive income:				
Profit for the year	–	–	9.3	9.3
Total comprehensive income	–	–	9.3	9.3
Transactions with owners recorded directly in equity:				
Issue of shares	–	8.3	–	8.3
Cancellation of shares	–	–	–	–
Share-based payments	–	–	0.4	0.4
Dividends	–	–	(6.7)	(6.7)
Total transactions with owners	–	8.3	(6.3)	2.0
At 31 December 2015	12.5	24.0	14.4	50.9
Comprehensive income:				
Profit for the year	–	–	14.7	14.7
Total comprehensive income	–	–	14.7	14.7
Transactions with owners recorded directly in equity:				
Share-based payments	–	–	0.3	0.3
Dividends	–	–	(9.1)	(9.1)
Total transactions with owners	–	–	(8.8)	(8.8)
Balance as at 31 December 2016	12.5	24.0	20.3	56.8

The movements in reserves are explained in note 23 to the consolidated financial statements.



Annual General Meeting

Notice of Annual General Meeting

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Epwin Group Plc ("the Company") will be held at Eversheds Sutherland (International) LLP, 115 Colmore Row, Birmingham, West Midlands, B3 3AL on Tuesday 23 May 2017 at 11.00am for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the year ended 31 December 2016, together with the report of the Directors and the auditors on those accounts.
2. To declare a final dividend of 4.40 pence per ordinary share in respect of the financial year ended 31 December 2016.
3. To reappoint KPMG LLP as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
4. To authorise the Directors to determine the remuneration of the auditors of the Company.
5. To re-elect Jonathan Bednall as a Director.
6. To re-elect Christopher Empson as a Director.
7. To re-elect Michael O'Leary as a Director.

Special business

As special business, to consider and, if thought fit, pass the following resolutions which will be proposed as to resolution 8 as an ordinary resolution and as to resolutions 9 and 10 as special resolutions:

8. That in accordance with Section 551 of the Companies Act 2006 ("the Act"), the Directors be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:
 - a. up to an aggregate nominal amount of £47,486.25 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below) in connection with an offer whether by way of a rights issue, open offer or otherwise:
 - i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and
 - ii. to holders of other equity securities in the capital of the Company as required by the rights of those securities or as the Directors consider necessary, but subject to exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - b. in any other case, up to a nominal amount of £23,743.12 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (a) above in excess of £23,743.12)

Such authorities shall apply until the close of business on 30 June 2018 or, if earlier, the end of the next Annual General Meeting of the Company, unless previously varied or revoked by the Company in general meeting, save that, in each case, the Company may make offers or agreements which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of any such offer or agreement as if the authority had not ended.

Notice of Annual General Meeting

9. That, subject to the passing of resolution 8, pursuant to Section 570 of the Act, the Directors be and are hereby unconditionally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 8 as if Section 561(1) of the Act did not apply to such allotment, provided that such power shall be limited to:

- a. the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, and
- b. the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £3,561.47,

and (unless previously revoked, varied or renewed) shall expire on 30 June 2018 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

10. That, pursuant to Section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 0.05 pence each in the capital of the Company (the "Shares"), provided that:

- a. the maximum number of Shares which may be purchased is 14,245,874;
- b. the minimum price (exclusive of expenses) that may be paid for a share is 0.05 pence;
- c. the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the higher of:
 - (i) 105% of the average of the middle market quotations for the Shares as derived from the Daily Official List for the five business days immediately preceding the day on which the purchase is made; and
 - (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;
- d. unless previously revoked, varied or renewed, this authority shall expire on 30 June 2018 or at the conclusion of the next Annual General Meeting of the Company, whichever is the earlier; and
- e. the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the authority conferred by this resolution had not expired.

By Order of the Board

Andrew Rutter

Company Secretary

5 April 2017

Company Number: 07742256

Registered Office

1b Stratford Court

Cranmore Boulevard

Solihull

B90 4QT

Explanatory Notes to the Notice of Meeting

ORDINARY BUSINESS

Resolutions 1 to 7 will be proposed as ordinary resolutions, and will be passed if more than 50% of shareholders' votes cast are in favour.

Resolution 1: To receive the 2016 Report and Accounts

The Directors of the Company ("the Directors") must present their Annual Report and Accounts of the Company for the year ended 31 December 2016 (the "Annual Report") to shareholders. Shareholders are invited to adopt the Annual Report and Accounts.

Resolution 2: To declare a final dividend

A final dividend of 4.40 pence per ordinary share is proposed. An interim dividend of 2.20 pence per ordinary share was paid during the year. If approved, the final dividend will be paid on 5 June 2017 to shareholders on the register at the close of business on 12 May 2017.

Resolutions 3 and 4: To reappoint the auditors and also authorise the Board to determine their remuneration

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, KPMG LLP, on behalf of the Board.

Following the Audit Committee's review of the effectiveness of the external auditor referred to above, the Board has decided to put KPMG LLP forward to be re-appointed as auditors. Resolution 4 also authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

Resolutions 5 to 7: To re-elect Jonathan Bednall, Christopher Empson and Michael O'Leary as Directors of the Company

All the directors of the Company were re-elected at the AGM in 2015. Jonathan Bednall, Christopher Empson and Michael O'Leary are proposed for re-election at the forthcoming AGM.

SPECIAL BUSINESS

As well as the ordinary business of the meeting outlined above, special matters will be dealt with at the Annual General Meeting. Resolution 8 will be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions. For these special resolutions to be passed, more than 75% of shareholders' votes cast must be in favour.

Resolution 8: Directors' authority to allot shares

This resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £23,743.12. This amount represents one third of the issued ordinary share capital of the Company as at 4 April 2017, the last practicable date prior to the publication of this document. The resolution would also give the Directors authority to allot equity securities in connection with a rights issue up to an aggregate nominal amount of £47,486.25.

The Directors have no present intention to allot new shares other than in connection with employee share and incentive plans, share warrants and contingent consideration payments relating to the acquisition of Stormking Plastics Limited.

Explanatory Notes to the Notice of Meeting

Resolution 9: Disapplication of pre-emption rights

If directors of a company wish to allot shares in the company for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

The purpose of Resolution 9 is to authorise the Directors to allot ordinary shares in the Company for cash (i) in connection with a rights issue; and, otherwise, (ii) up to a nominal value of £3,561.47, equivalent to 5% of the total issued ordinary share capital of the Company as at 4 April 2017 without the shares first being offered to existing shareholders in proportion to their existing holdings. This level of authority is required in order to give the Company flexibility in the event of acquisition opportunities and major shareholders will be consulted in advance of the authority being exercised.

Resolution 10: Authority to purchase own shares

Under the Companies Act 2006 ("the Act"), the Company requires authorisation from shareholders if it wishes to purchase its own shares.

Resolution 10 specifies the maximum number of shares that may be purchased (10% of the Company's issued share capital) and the highest and lowest prices at which they may be bought.

Under the Act, the Company can hold the shares which have been repurchased as treasury shares and either resell them for cash, cancel them, either immediately or at a point in the future, or use them for the purposes of its employee share schemes. The Directors believe that it is desirable for the Company to have this choice and therefore intend to hold any shares purchased pursuant to this authority as treasury shares. Holding the repurchased shares as treasury shares will give the Company the ability to resell or transfer them in the future, and so provide the Company with additional flexibility in the management of its capital base. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will need to reassess at the time of any actual purchase whether to hold the shares in treasury or cancel them.

The Directors have no present intention of exercising this authority. The Directors intend to keep under review the Company's potential to buy back its shares, taking into account other investment and funding opportunities. The authority will only be used if in the opinion of the Directors this will result in an increase in earnings per share or would otherwise be in the best interests of shareholders generally.

Entitlement to attend and vote

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company as at 11.00am on 19 May 2017 or, in the event the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register of members after 11.00am on 19 May 2017 or, in the event of the meeting being adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Appointing proxies

2. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company.
3. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. To appoint more than one proxy, you should contact the Company's registrars, Capita Asset Services, on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00am to 5.30pm Monday to Friday, excluding public holidays in England and Wales, for further forms of proxy, or photocopy the form of proxy as required. Please ensure that, for each proxy appointed in this way, you fill in, alongside the proxy's details, the number of shares in respect of which each proxy is appointed.
4. Shareholders who return the form(s) of proxy will still be able to attend the meeting, speak and vote in person if they so wish. Shareholders or their duly appointed proxies are requested to bring proof of identity with them to the meeting in order to confirm their identity for security reasons. A shareholder may only appoint a proxy or proxies:
 - a. in hard copy form (together with any power of attorney or other written authority under which it is signed or a copy of such authority notarially certified or certified in some other way by the Directors) by post, courier or by hand to the offices of the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU; or
 - b. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
5. A shareholder wishing to appoint a proxy should complete the accompanying form(s) of proxy and return it/them to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU. Alternatively, you may submit your proxy electronically by using the CREST proxy service.

Explanatory Notes to the Notice of Meeting

Electronic proxy appointment through CREST

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00am on 19 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Joint holders

10. In the case of joint holdings, only one holder may sign and the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, seniority for this purpose being determined by the order in which the names stand on the register of members in respect of joint holdings.

Corporate representatives

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Voting rights

12. As at 4 April 2017 (being the last business day prior to the publication of this Notice), the Company's issued share capital consists of 142,458,743 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 April 2017 are 142,458,743.

Communicating with the Company in relation to the AGM

13. Except as provided above, shareholders wishing to communicate with the Company in relation to the AGM should write to the Company Secretary, Epwin Group Plc, 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT.

14. You may not use any electronic address provided either in this Notice or any related documents to communicate with the Company for any purposes other than those expressly stated.

Inspection of documents

15. Copies of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment will be available for inspection during normal business hours at the offices of Epwin Group Plc, 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT (excluding weekends and public holidays). They will also be available for inspection at the place of the Annual General Meeting from 10.45 am on the day of the meeting until the conclusion of the meeting.

Voting results

16. The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on our website www.epwin.co.uk.

Data protection statement

17. Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Shareholder Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to whom it discloses the data (including the Company's registrars) may process your personal data for the purposes of compiling, fulfilling its legal obligations and processing the shareholder rights you exercise.

Shareholder Notes



Epwin Group

1b Stratford Court
Solihull
Birmingham
B90 4QT
0121 746 3700
info@epwin.co.uk
www.epwin.co.uk



Join us on social media and follow
twitter@EpwinGroup

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The Building Centre, London

