Annual Report and Accounts

For the year ended 31 December 2018

Epwin Group

Introduction

Epwin Group Plc is a leading vertically integrated manufacturer of low maintenance building products for the Repair, Maintenance and Improvement, social housing and new build markets in the UK. 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.

Our Investment Case

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

Read about our business model
on page 12

Executing on strategy in a fragmented market

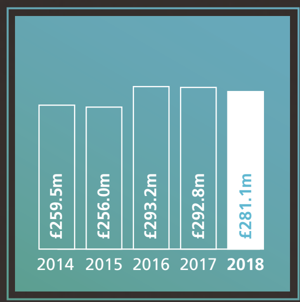
- Investment in innovation and new products
- Ongoing operational improvements and medium-term margin enhancement
- Strong balance sheet
- Acquisitions

Read about our strategy
on page 13

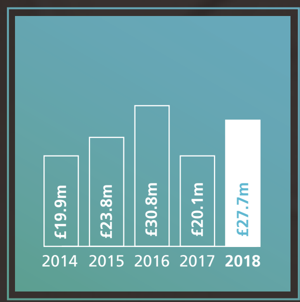
Long-term market drivers

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

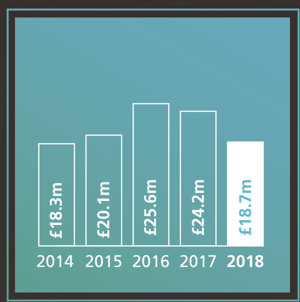
Read about our marketplace
on page 10



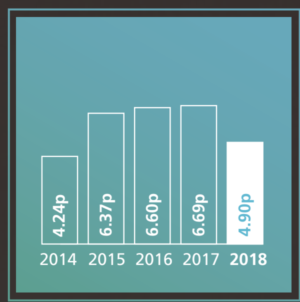
Revenue
(£m)



Pre-tax operating cash flow
(£m)

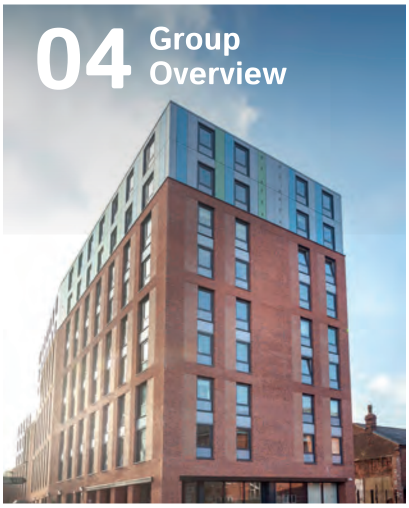


Underlying operating profit
(£m)



Dividend per share
(pence)

Visit us online at: **www.epwin.co.uk**
or **investors.epwin.co.uk**



Contents

Highlights

- Epwin delivered a robust performance in 2018.
- Revenue impacted by the previously reported loss of the Group's two largest customers in the second half of 2017 (impact £27.4 million), and the planned closure of the Cardiff plant (impact £7.3 million).
- Underlying and statutory operating profit impacted by the previously reported loss of the Group's two largest customers in the second half of 2017 and some unrecovered material cost inflation.
- Significant progress made on exiting lower margin and unprofitable activities.
- Strong revenue growth and market share gains in all the Group's key product areas.
- Continued strong cash generation from operations.
- Robust balance sheet to support ongoing investment, leverage ratio less than one-times adjusted EBITDA[2]
- Group's banking facilities extended to 2021.
- Proposed final dividend 3.20 pence per ordinary share, totalling 4.90 pence for the year, in line with previously announced dividend policy.

Current trading

- Current trading is in line with the Board's expectations.
- Progress in passing on price increases beginning to mitigate the significant material cost inflation experienced during 2017–18.
- Market conditions in the Group's key Repair, Maintenance and Improvement ("RMI") sector continue to indicate market growth is largely static.
- The Group expects to make progress with its strategy based on operational improvements, enhancing the product portfolio, cross-selling, focusing on and gaining market share in its higher margin activities, and selective acquisitions.
- Medium-term drivers remain positive:
  - Underinvestment in existing UK housing stock becoming more acute as repair and maintenance expenditure cannot be deferred indefinitely.
  - Newbuild housing continues to see strong demand.
  - Social Housing market is starting to show some signs of growth.

Key stats:

£281.1m	£18.7m	6.7%	£14.8m
Revenue	**Underlying operating profit[1]**	**Underlying operating margin[1]**	**Operating Profit**
2017: £292.8m	2017: £24.2m	2017: 8.3%	2017: £15.1m

1 Underlying operating profit and margin is operating profit before amortisation of acquired other intangible assets, share-based payments expense, other non-underlying items and discontinued operations.

2 Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation, share-based payment expenses, other non-underlying items and discontinued operations.

Delivering on our strategy

- Substantial progress with the Group's site consolidation and rationalisation programme:
  - Macclesfield extrusion operations consolidated into Telford plant.
  - Closure of the loss-making Cardiff window fabrication plant.
  - Disposed of non-core glass-sealed unit manufacturing operation in Northampton in early January 2019, with an associated non-cash asset write-off of £3.6 million, which avoids significant cash restructuring costs and ongoing property costs.
  - New warehousing facility in Scunthorpe now fully operational, enhancing logistic capabilities.
  - Significant new facility planned in Telford to consolidate Window Systems warehousing, finishing and aluminium operations into one location by early 2020, reducing seven sites to two.
- Continued investment in enhancing Epwin's product portfolio to further develop the Group's long-term market position:
  - Continued strong sales growth from the Profile 22 Optima window system.
  - New decking ranges launched in both PVC and Wood Plastic Composite.
  - Planned launch of a new aluminium window system in the second quarter of 2019.
  - Additional products added to existing ranges.
- Selective acquisitions completed in 2018 and 2019:
  - Acquisition of Amicus, completed in March 2018, adding a further 15 building plastic distribution outlets.
  - Acquisition of PVS, completed in January 2019. PVS is a decking installation business and enhances our capabilities and routes to market whilst establishing Epwin as the only end-to-end, vertically integrated supplier in this market.

£13.3m
Profit before tax
2017: £13.9m

7.56p
Basic EPS (continuing operations)
2017: 8.13p

4.90p
Dividend per share
2017: 6.69p

(£24.8m)
Net debt
2017: (£25.1m)

148%
Underlying operating cash conversion[3]
2017: 83%

3 Underlying operating cash conversion is pre-tax operating cash flow as a percentage of underlying operating profit.

Group Overview

Business overview and principal activities

Epwin is a leading vertically integrated, UK-based 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 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

The Extrusion and Moulding business is the largest manufacturer of extruded window profile, cellular roofline and cladding, rainwater, drainage, decking systems and GRP building components in the UK. These businesses include:

- Leading brands of PVC-ue extruded cellular roofline and cladding systems 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. There is 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.
- GRP 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.
- WPC 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 over the coming years.
- PVC-u decking products have been designed and launched in 2018 to complement our existing Wood-Plastic Composite decking. This provides Epwin with the product range to address all parts of the market and with the PVS acquisition enables us to provide a full end-to-end service to customers.
- The business operates from extrusion and moulding facilities in Telford, Tamworth, Wrexham and Scunthorpe.

Read more about Extrusion and Moulding performance on page 18

Fabrication and Distribution

The Fabrication and Distribution business services the specialist requirements of social, trade and newbuild customers with fabricated windows and doors from the Group's own profile systems. Added value services include bespoke design, scheduling as well as plot and installation management for social and newbuild housing projects.

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 PVC window frames and GRP and Thermoplastic door sets for social housing, trade and newbuild customers.
- Operates from three window and door fabrication sites in Paignton, Telford and Upton-upon-Severn.
- With the acquisition of Amicus Building Products Limited in March 2018, the Group now operates a national network of 73 building plastic trade distribution centres and, separately, 13 Window Stores to service local demand for the Group's manufactured products alongside the Group's independent distribution customers.

Read more about Fabrication and Distribution performance on page 18

Chairman's Statement

"The Group delivered a robust performance in 2018 despite a depressed market and has made substantial progress with its ongoing site consolidation and rationalisation programme.

Andrew Eastgate

Chairman

Robust performance

The Group delivered a robust performance in 2018 despite a depressed market, continued input cost inflation as well as the loss of its two major customers in 2017.

The Group has accelerated and made substantial progress with its ongoing site consolidation and rationalisation programme which has seen the Group exit non-core operations and continue to consolidate manufacturing capacity into a more efficient footprint.

When these actions are completed during 2020 the Group will be in a much stronger position, allowing it to focus on its well-invested core operations where its has market leading positions and where there are significant barriers to entry. Our strategy continues to be based on operational improvement, broadening the product portfolio and capabilities, selective acquisitions, cross-selling and market share growth in key sectors to build a platform for sustainable future growth as market conditions improve.

External challenges

Market conditions in the key RMI sector have remained challenging in 2018. The continued macroeconomic uncertainty around Brexit and the eventual form of the UK's deal with the European Union has caused a decline in consumer confidence. This, combined with poor wage growth, has resulted in depressed demand for big-ticket purchases. This has been exacerbated further as sterling remained weak, significantly impacting on input costs.

In anticipation of the UK leaving the EU, the Group has been working with its raw material suppliers and overseas customers to mitigate, where possible, the potential short-term consequences of a hard Brexit. Nonetheless, with continuing economic and political uncertainty, market conditions are expected to remain challenging in the near term, with the key RMI market anticipated by industry sources to be flat to down during 2019.

Executing our strategy

Operational improvement

The Group has responded vigorously to these market conditions by further progressing its programme of operational improvement and site consolidation. During 2018, the Group completed both the consolidation of its Macclesfield extrusion operations into the Telford site and the move into a new warehousing facility in Scunthorpe. The Group also took the decision to close its window fabrication plant in Cardiff and exit the non-core glass-sealed unit market with the disposal of the Northampton-based glass operation. These actions have improved the footprint and operational efficiency of the Group whilst reducing exposure to lower margin and loss-making businesses.

In addition, the Group has planned a significant new facility in Telford which will consolidate Window Systems warehousing and finishing activities on one site in a more efficient location by early 2020.

These steps, along with other consolidation and development actions continuing into 2019, are allowing the Group to focus and develop its core operations, targeting investment in areas where it has significant market presence.

Product development

2018 saw the design and launch of the Group's own PVC decking product to complement our existing WPC decking. This provides Epwin with the product range to address all parts of the decking market. Combined with the acquisition of PVS in early 2019 this also makes Epwin the only vertically integrated supplier in this market, enabling us to provide a full end-to-end service to customers.

The Group plans to launch its new aluminium window system in the second quarter of 2019 along with other selective range enhancing products being planned.

Acquisitions

As reported last year, in March 2018 the Group completed the acquisition of Amicus Building Products Limited ("Amicus") for £0.5 million cash consideration. Amicus added a further 15 outlets to our existing plastic distribution business, taking the total number of outlets to 86.

In February 2019, the Group acquired Premier Distribution (Gt. Yarmouth) Limited, trading as PVS, a decking installation business with strong relationships in the holiday park industry for an initial cash consideration of £2.5 million. In its last financial statements, PVS generated revenues of £3.5 million and an EBITDA of £0.7 million. This acquisition enhances our capabilities and routes to market whilst establishing Epwin as the only end-to-end, vertically integrated supplier.

Corporate governance

As of 28 September 2018, companies listed on AIM were required to formally adopt a corporate governance code as well as disclose details of their compliance with that code and, where they depart from the code, provide an explanation of the reasons for doing so.

The Board adopted the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") on 25 September 2018. The Board of Directors, including myself as Chairman, acknowledges the importance of the ten principles set out in the QCA Code and details of our compliance with the Code can be found in the Corporate Governance section of this Annual Report as well as on the corporate website.

Results

Underlying operating profit, which is before non-underlying items and discontinued operations, was £18.7 million (2017 restated: £24.2 million), a robust performance when allowing for the full-year effect of the previously reported 2017 customer losses and significant cost inflation. In addition to this the Group has incurred net other non-underlying costs principally associated with its operational improvement and site consolidation programmes of £2.0 million. Operating profit was £14.8 million (2017 restated: £15.1 million).

Cash generation improved year on year, with pre-tax operating cash flow increasing to £27.7 million from £20.1 million (restated), as the Group focused on working capital improvement.

The Group finished the year with net debt of £24.8 million (2017: £25.1 million), less than 1x adjusted EBITDA and well within covenant levels.

In September 2018 the Group renewed its banking facilities with Barclays Bank Plc. The facilities run for an initial three-year term with the option of a further two years. The facilities comprise a revolving credit facility of £37.5 million (up from £35.0 million), an amortising term loan of £10.0 million and an incremental amortising term loan facility of £7.5 million for acquisitions, along with an overdraft of £5.0 million.

Dividends

In line with its previously announced policy, the Board is recommending a final dividend of 3.20 pence per ordinary share to be paid on 3 June 2019 to shareholders on the register on 10 May 2019. Along with the interim dividend of 1.70 pence per ordinary share, paid in October 2018, this takes the full year dividend to 4.90 pence per ordinary share. The payment is in line with the Board's dividend policy, which was set last year, of a progressive dividend that is approximately twice covered by adjusted after tax profits.

People

On behalf of the Board and our shareholders I would like to welcome the employees of both Amicus and PVS to the Group, and to thank all of our employees for the levels of commitment shown to the Group during a year of significant change.

Combined with the support from shareholders, customers and suppliers and the decisions taken by the Board, I believe we now have a stronger business and a solid foundation for all stakeholders to build on for the years ahead.

Summary and outlook

2018 continued a transitional period for the Group, as it reshapes its footprint and operations as well as adding products and capabilities for the future. The profit and operational cash flow demonstrate the resilience of the Group's business model, strategy and investment decisions in the face of challenging external market conditions. With economic and political uncertainty likely to continue in the short-term, the Group's approach to its markets and operations is being conservatively managed.

Despite the external environment, the Board remains confident that the actions it is taking to strengthen the Group's position by focusing it towards the higher margin extrusion and moulding operations, which have technological and investment barriers to entry, will deliver an improving financial performance. The Group remains well placed in its markets with sound prospects for the future, supported by the long-term drivers of the RMI market.

Overall, the Group has had an encouraging start to 2019, with progress in passing on price increases beginning to mitigate the significant material cost inflation experienced during 2018, combined with continuing good volume growth in our core products, and the initial benefits of our footprint reshaping. Current trading is in line with the Board's expectations and we look forward to updating shareholders on our progress during the year.

Andrew Eastgate

Chairman

9 April 2019

STRATEGIC REPORT

Marketplace

Market overview and outlook

As anticipated, the RMI market remained subdued in 2018 with continuing uncertainty around the shape of the UK's exit from the European Union, combined with inflation holding back real wage growth and dampening consumer confidence. While this is expected to continue through 2019, the Board remains confident in the long-term growth opportunities of the RMI market as there continues to be significant underinvestment by property owners in the repair and maintenance of the UK's housing stock, which is becoming ever more acute.

Our low maintenance building products are primarily sold into the private housing RMI market, but with sales also into the social housing newbuild sector, social housing RMI contracts and the new build housing market.

Private housing RMI market

The market in 2018 has remained lacklustre due to low consumer confidence, particularly for big ticket purchases, exacerbated by the continued uncertainty around the shape and timing of the UK's exit from the European Union. Inflation is holding back sustained real wage growth and eroding disposable income, resulting in a declining number of planning permissions and secondary housing transactions in 2018.

The widespread forecasts for 2019 expect another similar year for the private housing RMI market, with no growth being the most likely outlook.

However, the longer-term opportunities are more favourable, driven by the following:

- The UK's existing housing stock is ageing and the underinvestment in recent years is building up an increasing backlog of properties that will require essential repairs and maintenance in the future.
- Increasing population driving demand for new houses that will require maintaining.
- The older demographic typically improve their homes more than the younger demographic and thus the ageing population should help this market.
- Environmental and safety concerns will continue to drive legislation and initiatives that will require improvements to homes on a larger scale than just essential maintenance. The Committee on Climate Change has stated that it wants the Government to treat renovating the UK's housing stock as a national infrastructure priority, with insulation being key, the installation of new windows with better thermal properties would support this goal.

Other construction markets

- **Social Housing RMI:** spending by the Government has been depressed for several years, although this is expected to return to growth in the medium-term as the pressure to improve social housing stock increases.

  Additionally, urgent remediation work following the Grenfell Tower disaster may further increase the expenditure on social RMI. However, the heightened regulatory landscape may delay works being carried out in the short-term.
- **Social Housing New build**: spending should increase as the Government responds to pressure to increase the supply of affordable rented social housing.
- **Private New Build Housing:** this market continued to grow in 2018 and is forecast to remain strong due to insufficient housing stock to meet current demand.

Product markets

Further to the end user construction market, the following product markets are of most significance to the Group.

Fenestration

Market reports suggest the average household replaces window frames approximately every 50 years which is significantly longer than the life expectancy of the products. This is particularly the case for those manufactured before 2000 and thus will require replacing soon, especially with increased energy prices and Government initiatives.

Cellular roofline

Similar dynamics to Fenestration 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 around 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.

Wood Plastic Composite

The Wood Plastic Composite decking market is relatively new in the UK and we believe will continue to demonstrate good growth.

Glass Reinforced Plastic

The Glass Reinforced Plastic canopy and dormer market, whilst being more mature, has also grown impressively as new housebuilders in particular look to improve efficiency by simplifying the build process or moving to off-site manufacture.

Other market factors

In addition to the market specific factors set out opposite, the uncertainty around the method and timing of the UK's exit from the European Union also had, and continues to have, wider implications for the Group:

- Exchange rate volatility has led to material cost price inflation being considerably higher than construction output inflation as a whole over the past 18 months.
- The eventual form of Brexit may increase materials and operating costs further, through tariffs, as well as disrupting supply chains which may cause operational issues, inefficiencies, and company insolvencies.

In addition, following the Grenfell Tower disaster, there has been a heightened regulatory environment in relation to building regulations and building component standards. This may increase manufacturing costs and disrupt the market if current products do not meet new standards.

See Risk section on pages 22 to 23 for how the Group is mitigating its exposure to these market factors.

Summary

The Group's markets are expected to remain challenging in 2019 but with significantly better long-term prospects as the UK economic landscape becomes more certain and consumer confidence returns. In response to this, the Board still believes its strategy is the right one to ensure that the Group has the right product offer and operations to take advantage when the market improves.

Business Model

We utilise our key resources

Specialist facilities and equipment

Robust financial position

Knowledgeable workforce

and key strengths

- Customer focus
- High barriers to entry in core business
- Technical expertise
- National and local brands
- Economies of scale
- Large range of complementary building products
- Vertically integrated

to enable our key activities

Extrusion and Moulding
Manufacture of market-leading window profile, roofline, cladding, rainwater, drainage, decking and GRP building components

Fabrication and Distribution
Fabrication of windows and doors along with distribution of plastic building products through a national network of stockist outlets

to sell to our first line customers

Specialist roofline distributors

Window and door fabricators

who provide to the end user

- Homeowners
- Installers
- Housebuilders
- Social housing providers
- Contractors

to deliver value to our stakeholders

Shareholders
- Sustainable dividend
- Strong cash generation
- Long-term capital growth
- Prudent acquisition strategy solidifies and diversifies portfolio of products, services and manufacturing technology

Customers
- Large range of complementary building products
- Focus on high quality product and service delivery
- Ability to match customer requirements

End users
- Quality products
- Products matched to the requirements of the end user

Employees
- Equal opportunities
- Training
- Career progression
- Reward

Suppliers
- Reliable partnership
- Ability to form long-term relationships

Read about our stakeholders on page 24

Strategy

The Group's strategy remains 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. The Group's financial position remains strong with net debt less than 1x adjusted EBITDA and with significant funding headroom to continue to invest in the business.

Focus	Strategic aim	2017 Developments	2018 Developments
Acquisitions, product and materials development	• Consolidate operations. • Consolidate markets. • Broaden product portfolio. • Widen materials and technical capabilities.	• Further composite decking products launched. • Aluminium door products launched. • Two part cill launched. • New entrance door range developed. • National Plastics integrating and selling more Epwin product. • Optima customer wins.	• Acquisition of Amicus Building Products Limited. • Launch of PVC decking system. • Design and investment for aluminium window system. • Optima window system delivering further customer wins.
Operational leverage	• Utilise existing spare capacity with added volumes or site consolidations.	• Two Glass sites consolidated. • Disposal of Walsall window fabrication business.	• Disposal of glass-sealed unit manufacturing operations. • Closure of Cardiff window fabrication plant. • Consolidation of Window Systems extrusion onto Telford site.
Operational efficiency	• Focus on producing and delivering more cost effectively.	• Further improvements in reducing scrap rates and improving productivity, facilitated by site consolidation.	• Completed move into new logistics facility in Scunthorpe. • New facility planned to consolidate Window Systems warehousing and finishing activities in Telford.
Cross-selling/ business development	• Sell more existing and new products to existing customers. • Develop the use of existing brands.	• ProCan trade range of canopies developed for distributors and fabricators. • National Plastics transitioned to Epwin product range.	• Significant proportion of end-user sales redirected to alternative stockists following the sale of SIG's plastic distribution business to a competitor.

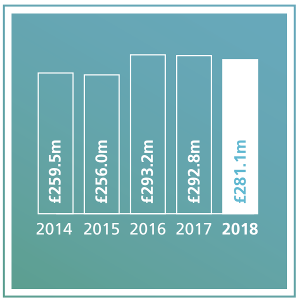
Read more about Performance on pages 15 and 21

Key Performance Indicators

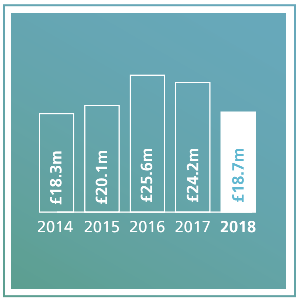
The Group has a range of performance indicators, both financial and non-financial, that allow the Board to monitor the performance of the Group as well as manage the business.

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

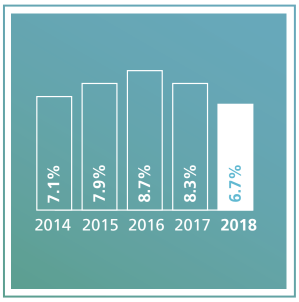
Financial



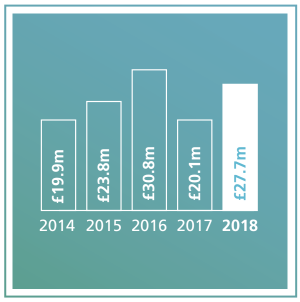
Revenue
(£m)



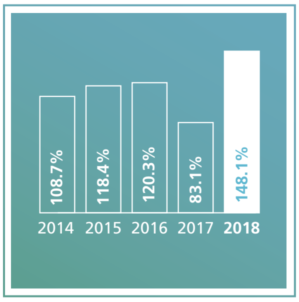
Underlying operating profit
(£m)



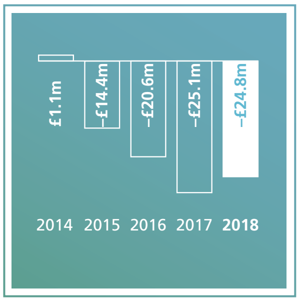
Underlying operating margin
(%)



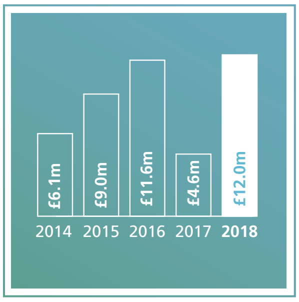
Pre-tax operating cash flow
(£m)



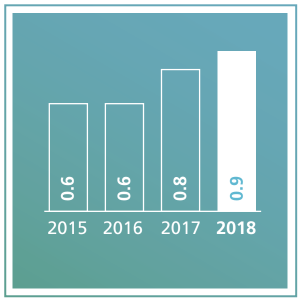
Underlying operating cash conversion



Net (debt)/cash
(£m)



Capital expenditure
(£m)



Leverage ratio
(net debt/adjusted EBITDA)

Read more in the Financial Review on pages 17 to 21

Operational KPIs

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.

Epwin actively promotes health and safety and the continuous improvement in health and safety standards across all operations.

The Group closely monitors health and safety KPIs, which include RIDDORs, accident frequency rates, injury types and injury causes on a Group, divisional and business basis. Health and Safety statistics, initiatives and strategy are the first agenda item at every divisional and corporate monthly board meeting.

Read more about health and safety on page 24

Operational Performance

Strategic and operational review

2018 was a transitional year for the Group. In response to a challenging RMI market, and with ongoing macroeconomic uncertainty around Brexit, the Executive Team accelerated its programme of site consolidations and rationalisation of its operations to focus on higher margin operations where the Group has significant and growing market shares.

The consolidation of the Macclesfield extrusion operations into the Telford facility was completed in December 2018. This consolidation will improve the operational efficiency of the Window Systems operation by moving all production and warehousing to Telford, whilst also improving its capacity.

In Q1 2018 the decision was taken to exit our newbuild window fabrication operations, resulting in the closure of the Group's plant in Cardiff in June 2018. The Group believes this market can be best served profitably via our third-party fabricator network, supplemented by the Group's other fabrication facilities.

Following the consolidation of the two glass-sealed unit manufacturing facilities onto the Northampton site during 2017, the market for glass-sealed units continued to deteriorate as a result of significant over-capacity and excessive price competition. In addition to this, increases in the cost and a restricted supply of float glass made the Glass business unviable for the Group in the short to medium-term. As a result, in Q4 2018 the decision was taken to exit the manufacture of glass-sealed units and the Glass operation was sold in January 2019 for consideration of £0.1 million. The disposal resulted in a non-cash asset write-off of £3.6 million, but mitigated the significant lease, dilapidation and redundancy costs required for the closure of the Northampton site.

These actions, along with the disposal of the Walsall fabrication plant at the end of 2017, have substantially reduced the operational footprint of fabrication from seven sites in 2017 to just three fabrication operations in 2019. Along with other actions continuing into 2019, this strategy is bringing about a transformation of the Group to a business focused on its core operations, where investment has been concentrated in recent years, and where it has significant market presence.

The Profile 22 Optima window system launched in 2016 continues to make strong gains in the market, enabling the Epwin Window Systems business to reinforce its leading position. The market for window profile remains competitive, yet price increases were again delivered in 2018. However, significant material cost inflation continues to be a challenge across the Group, and it will take time to fully pass on these cost increases in the current market conditions.

2018 also saw the move into our new logistics facility in Scunthorpe, completed on time and to budget. A similar, more significant, project is now underway in Telford which will see the Group consolidate a number of its warehousing and finishing operations into one purpose-built facility by early 2020. Both of these actions provide the Group with capacity to grow its operations as well as delivering operational efficiency improvements.

In March 2018 the Group completed the acquisition of Amicus, a chain of 15 building plastic distribution outlets concentrated in northern England and Scotland for cash consideration of £0.5 million. This acquisition is complementary to the Group's existing distribution business and supports the supply of the Group's products into the market alongside our key independent distributor customers to whom the Group remains committed for the diversity and flexibility that they are able to offer end customers.

Operational Performance
CONTINUED

In February 2019 the Group acquired PVS. PVS supplies and installs PVC decking and related products to the holiday park and park home markets as well as to residential customers and local authorities. The acquisition of PVS opens up further routes to market for Epwin's existing and new PVC decking products. Initial consideration was £2.5 million with the potential to increase subject to the performance of the business over a two-year earnout period.

2018 also saw the design and launch of our own PVC decking product to complement our existing Wood Plastic Composite decking range. This provides Epwin with the product range to address all parts of the decking market and, combined with the acquisition of PVS, makes Epwin the only vertically integrated supplier in this market, enabling us to provide a full end-to-end service to customers.

The Group continues to enhance its product range. 2018 saw the design and capital investment for the launch of an aluminium window system scheduled for Q2 2019. Whilst a smaller market, than PVC window systems, aluminium window systems are a growing part of the market as customers seem more willing to spend on higher cost products within the Improvement subsector of the RMI market.

These steps, along with the rationalisation and operational measures continuing into 2019, are allowing the Group to focus on its core operations leveraging and focusing investment in areas where it has significant market presence. Our strategy continues to be based on operational improvement, broadening the product portfolio and capabilities, selective acquisitions, cross-selling and market share growth in key sectors to build a platform for future growth and maintaining a sustainable investment return. Reflecting this, the Group has planned a significant new facility in Telford which will consolidate window system warehousing and finishing activities in one, more efficient, location and anticipates this being complete in early 2020.

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

Key financials

Total revenue for the year ended 31 December 2018 was £281.1 million (2017 restated: £292.8). The decrease was as a result of the full year effect of the loss of the Group's two largest customers in 2017, each representing c.5% of revenue, as well as the closure of the Group's newbuild fabrication operation in June 2018. This was partially offset by the acquisition of Amicus in March 2018, as well as market share growth in core product areas through both share of wallet with existing customers and new customer wins, price increases and increased volumes within the Distribution businesses.

Underlying operating profit was £18.7 million, down from £24.2 million in 2017 (restated) as a result of the customer issues highlighted above and increases in material input costs caused by the continuing weakness of sterling against both the US dollar and euro. The cost of PVC in particular, the Group's primary material input, has remained at the high levels seen in H2 2017 throughout the year. It will take time to fully pass this cost on to the market, although progress is being made on recovering this.

Key financials	Year ended 31 December 2018 £m	Year ended 31 December 2017 (restated) £m
Revenue	**281.1**	292.8
Adjusted EBITDA	**26.5**	31.9
Amortisation of computer software	**(0.3)**	(0.2)
Depreciation	**(7.5)**	(7.5)
Underlying operating profit*	**18.7**	24.2
Amortisation of acquired other intangible assets	**(1.2)**	(1.1)
Other non-underlying items	**(2.0)**	(7.4)
Share-based payments expense	**(0.7)**	(0.6)
Operating profit	**14.8**	15.1
Underlying operating margin*	**6.7%**	8.3%
Operating margin	**5.3%**	5.2%

*Underlying operating profit and margin is operating profit before amortisation of acquired other intangible assets, share-based payments expense, other non-underlying items and discontinued operations.

Financial Review

CONTINUED

Reportable segments

	Year ended 31 December 2018 £m	Year ended 31 December 2017 (restated) £m
Revenue		
Extrusion and Moulding	**177.4**	183.6
Fabrication and Distribution	**103.7**	109.2
Total	**281.1**	292.8
Underlying segmental operating profit		
Extrusion and Moulding	**17.5**	21.5
Fabrication and Distribution	**2.9**	4.3
Underlying segmental operating profit before corporate costs	**20.4**	25.8
Corporate costs	**(1.7)**	(1.6)
Underlying operating profit	**18.7**	24.2
Amortisation of acquired other intangible assets	**(1.2)**	(1.1)
Other non-underlying items	**(2.0)**	(7.4)
Share-based payments expense	**(0.7)**	(0.6)
Operating profit	**14.8**	15.1

Extrusion and Moulding

- Revenue decreased by £6.2 million to £177.4 million (2017: £183.6 million) with higher sales of fenestration products, driven by price increases, new customer wins and Profile 22 Optima window system growth offset by lower roofline sales as a result of the sale by SIG Plc of their plastic distribution business during H2 2017, and the acquisition of Amicus Building Products Limited, an existing customer whose associated revenues are now classified as internal, in March 2018.
- The net effect of the loss of SIG and acquisition of Amicus was a £16.7 million reduction in revenue.
- Underlying segmental operating profit of £17.5 million was £4.0 million lower than 2017 as a result of the lower revenues, as explained above, and the impact of material cost inflation.

Fabrication and Distribution

- Revenue decreased by £5.5 million to £103.7 million (2017 restated: £109.2 million) mainly as a result of the site rationalisation programme which saw the sale of the Walsall fabrication plant at the end of 2017 following the administration of Entu (UK) Plc, and the closure of the Cardiff fabrication plant during 2018. This has been partially offset by higher revenues in our distribution business, where we have taken market share, along with the acquisition of Amicus Building Products Limited.
- The net effect of the Entu administration and Cardiff plant closure, offset by the acquisition of Amicus, was a £7.5 million reduction in revenue.
- Underlying segmental operating profit decreased to £2.9 million (2017 restated: £4.3 million), mainly as a result of lower revenues, the impact of material cost inflation and the site rationalisation actions highlighted above.

Non-underlying items

The Group reports certain performance measures as underlying as it believes they provide better information on the ongoing trading performance of the business. Items excluded from operating profit in arriving at underlying operating profit are non-cash items such as amortisation of acquired other intangible assets and share-based payments expense, and significant one-off incomes or costs that are not part of the underlying trading performance of the business.

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

i. Amortisation of acquired other intangible assets

Amortisation of £1.2 million was charged during the year (2017: £1.1 million), relating to the brand and customer relationship intangible assets recognised on acquisitions.

ii. Other non-underlying items

Other non-underlying items in 2018 included the onerous lease provision and redundancy costs associated with the closure of the Cardiff window fabrication plant as well as other actions taken to right-size the business following the loss of the Group's two largest customers in H2 2017 and in light of the continuing political and economic uncertainties.

In 2017 other non-underlying items included the bad debt charge in connection with the Entu (UK) Plc administration and the associated loss on disposal of Indigo Products Limited, the onerous lease provision and redundancy costs associated with the closure of the Newton Abbot glass plant, and costs and provisions for the closure of the Macclesfield extrusion facility as well as production facilities associated with a re-sizing of the Fabrication business. These costs were offset by the release of excess contingent consideration relating to the 2015 acquisition of Stormking Plastics Limited.

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Entu (UK) Plc administration bad debt charge	–	3.9
Loss on disposal of Indigo Products Limited	–	0.4
Site consolidation and redundancy	**2.0**	4.9
Release of Stormking excess contingent consideration	–	(1.8)
	2.0	7.4

iii. Share-based payments expense

Share-based payments include the IFRS 2: Share-based payments charge in respect of the Long-Term Incentive Plan and Save As You Earn ("SAYE") scheme.

Financial Review
CONTINUED

Cash flow

	Year ended 31 December 2018 £m	Year ended 31 December 2017 (restated) £m
Pre-tax operating cash flow	**27.7**	20.1
Tax paid	**(2.6)**	(2.7)
Acquisitions	**–**	(3.9)
Acquisition of other intangible assets	**(0.5)**	(0.7)
Net capital expenditure	**(12.0)**	(4.6)
Net interest paid	**(1.3)**	(1.0)
Dividends	**(8.8)**	(9.5)
Other	**(0.3)**	(0.2)
Discontinued operations	**(1.9)**	(2.0)
Decrease/(increase) in net debt	**0.3**	(4.5)
Opening net debt	**(25.1)**	(20.6)
Closing net debt	**(24.8)**	(25.1)

Pre-tax operating cash flow improved by £7.6 million to £27.7 million (2017 restated: £20.1 million) and pre-tax operating cash conversion was 148% (2017: 83%) as a result of a reduction in working capital and timing of year end cash receipts and payments.

Acquisitions

The cash flow of £nil represents the initial consideration of £0.2 million net of £0.2 million cash acquired associated with the Amicus acquisition.

The 2017 acquisition cash outflow of £3.9 million represents the payment of the cash element of contingent consideration in relation to the 2015 acquisitions of Ecodek (£2.3 million) and Stormking Plastics (£1.6 million). No further contingent consideration is due on these acquisitions.

Net capital expenditure

Capital expenditure of £12.0 million reflects the investment made in the new warehousing facility in Scunthorpe, investment in the consolidation of the Macclesfield extrusion operation onto the Telford site and the investment made in the design, plant and equipment required for the manufacture of aluminium window products.

Financing

The Group renewed its banking facilities in September 2018 for three years. The facilities comprise a revolving credit facility of £37.5 million (up from £35.0 million), an amortising term loan of £10.0 million and an incremental amortising term loan facility of £7.5 million for acquisitions, along with an undrawn overdraft of £5.0 million. As at 31 December 2018 the Group had drawn down £30.0 million of these facilities (31 December 2017: £30.0 million). The terms are materially unchanged from the previous facility. The Group operates well within facilities and current banking covenants.

IFRS 16: Leases

IFRS 16: Leases is effective for accounting 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.

The Group intends to apply the modified retrospective approach to adopting IFRS 16 with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

The application of IFRS 16: Leases will have no effect on the cash flows of the Group. However, it will have an impact on the way the assets, liabilities and the income statement of the Group are presented.

It is estimated the impact of the initial implementation of IFRS 16 as at 1 January 2019 would be to increase property, plant and equipment by approximately £55.0 million, recognise a financial liability in respect of future lease commitments of approximately £65.0 million and an adjustment to opening retained earnings of approximately £4.0 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.

The Board has identified several specific risks and uncertainties that potentially impact the ongoing business including:

Area of risk	Description of risk	Potential impact	Mitigation
Brexit	The basis of the UK's future relationship with the EU is uncertain. The risk of a hard Brexit is still a possibility and the future trading relationship is still to be negotiated.	With continuing economic and political uncertainties, market conditions are expected to remain challenging in the near term. A hard Brexit could result in a deterioration in market conditions and the introduction of hard border controls delaying the movement of materials from suppliers and products to customers.	The Group has been working with its raw material suppliers and overseas customers to mitigate, where possible, the potential short-term consequences of a hard Brexit. Both customers and suppliers have been encouraged to hold increased levels of stock ahead of the UK's departure date. Alternate transport routes avoiding the main ports have been considered. The Group has been ensuring it has the correct licences and authorisations in place to facilitate movement across borders.
UK economy	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 and inflation are all considered to have a potential impact for the Group.	The position of the UK economy determines the level of activity in the RMI, new build and social housing sectors, which has a direct impact on the levels of revenue, profitability and cash generation.	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. However, they utilise the Group's capital and management resources in order to complete the transaction and then successfully integrate into the Group.	The Group could overpay for an acquisition or the realisation of anticipated 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.

Area of risk	Description of risk	Potential impact	Mitigation
Key customers	Our customers are fundamental to the continued success of our business.	The inability to service and retain key customers or collect our receivables may cause the Group's financial performance to suffer.	The Group is not exposed to significant large customers, with the largest customer being less than 5% 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	The key material inputs into the Group's manufacturing processes are commodities with market driven prices.	Adverse movements in commodity prices such as PVC 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 increased as a result of the weakening of sterling. The Group has sought to pass on these increases to customers where market and contractual conditions permit.
Key suppliers	The Group relies upon certain key suppliers, particularly those supplying raw materials such as PVC resin.	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.	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.
Key personnel	Our people are fundamental to our operations and business model.	If we fail to attract and retain highly qualified key personnel, our ability to execute our business model and strategy could be impaired.	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 Long-Term Incentive Plan which is settled in equity, subject to various performance measures.
Regulatory change	Regulatory change is the change to laws or regulations that impact our operations, products, customers, suppliers and personnel. A particular example would be changes to building regulations in the aftermath of the Grenfell disaster.	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.	The Group monitors the political climate and in turn can take measures to mitigate and respond to any significant change.

Corporate and Social Responsibility

At Epwin, our relationships with stakeholders enable us to create value and deliver our strategy. We aim to maintain and develop these relationships to best serve our customers, generate shareholder returns and benefit wider society.

Shareholders

It is essential the Group has fair and transparent communication with investors. The Chief Executive Officer and Group Financial Director meet regularly with major shareholders to discuss the Group's performance and strategic objectives to maximise shareholder return. All shareholders are welcomed at the Annual General Meeting, where questions can be asked of the Board.

Customers

Our customers are paramount to the success of the business in both growing our revenues and optimising cashflow. We aim to exceed customer expectations in terms of our products, service levels, and marketing requirements by working closely and collaboratively with them.

Providing sustainable and quality products to these customers is imperative to our reputation and long-term success. We invest in advancing technologies and rigorous testing to guarantee the very best performance of our products with negligible maintenance for our customers. We continue to work with installers to raise standards across the industry by delivering an end-to-end high standard customer experience.

Suppliers

Our suppliers are fundamental to our business model as they enable us to meet the supply and demand of our operations and customers with high quality and sustainable products. Our supplier relationships and regular review procedures ensure our products are responsibly sourced, complying with standards and legislation, as well as meeting our ethical, quality and sustainability expectations.

Employees

Our people are the foundation of our business and imperative to its success. The Group promotes a positive working environment for all employees with rigorous policies and procedures that protect, develop and satisfy our existing and future employees.

Health and safety ("H&S")

Providing a healthy and safe environment for people is an absolute priority in our business. It is the first item on the agenda at Board meetings where metrics are monitored. H&S is part of a continuous training programme across the Group.

Employee satisfaction

We aim to recruit, develop and retain our employees by providing training, engagement through local working groups, reviewing reward, incentive and benefit programmes, whilst also recruiting apprentices to build the pipeline of talent for the future.

Equality, diversity and inclusion

Equal opportunities for all existing and potential employees are important to the Group. The Group continues to strive to improve the balance of diversity by reviewing gender reporting and introducing more flexible working patterns for employees.

Wider society

The Group aims to have a positive impact on the local communities in which we operate. The Group continues to empower each of its businesses to support charities, local community projects and the education sector.

Environmental sustainability

Minimising our impact on the environment is a priority for the Group and our customers with many of our manufacturing businesses having ISO accreditations. The Group has a dedicated Environmental Manager to ensure compliance with legislation through training, development, auditing and risk management. As well as compliance, the Group works across the supply chain to maximise production efficiency, recycle where possible and reduce packaging, power and water consumption and emissions.

Our PVC and Wood Plastic Composite products can be recycled, making these more sustainable, as well as more durable, products than the alternative timber products that require costly maintenance. Our leading decking product, ecodek®, has been independently verified as being a carbon negative manufacturing process, made from sustainably sourced wood and recycled polyethylene. The Group will continue to use its influence and resources to challenge outdated industry attitudes to drive the move from high maintenance unsustainable products to sustainable alternatives like ours.

Economic sustainability

The Group is focused on providing sustainable value creation that enables the business to continue to successfully trade in the longer-term. To meet this, the Group is selective about investment and who we trade with, particularly to protect our reputation for ethics and quality. The Group is continuously reviewing innovative ways and technologies to increase profitability by manufacturing more efficiently and sustainably.

The Group has policies and processes in place to ensure that its operations, as customers and suppliers, not only adhere to regulations and legal requirements but also achieve robustness and longevity, including adequate business recovery plans, protection of information and succession planning.

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

Jonathan Bednall
Chief Executive Officer
9 April 2019

Christopher Empson
Group Finance Director
9 April 2019

GOVERNANCE

Directors and Advisers

Andrew Eastgate

NON-EXECUTIVE CHAIRMAN

Appointment Date
14 July 2014

Committee Membership
Audit (Chairman)
Nomination (Chairman)
Remuneration

Skills and Experience
Andrew was formerly a Partner at Pinsents where he practised for more than 20 years and 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 a non-executive director and Chairman of the Remuneration Committee of Headlam Group Plc and a non-executive director of Castings 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

Appointment Date
16 January 2012

Committee Membership:
Executive
Nomination

Skills and Experience
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

Appointment Date
17 June 2014

Committee Membership
Executive

Skills and Experience
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, financial reporting, treasury and corporate taxation.

Shaun Hanrahan

EXECUTIVE DIRECTOR

Appointment Date
17 June 2014

Committee Membership
Executive

Skills and Experience
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

Appointment Date
2 March 2015

Committee Membership
Audit
Nomination
Remuneration (Chairman)

Skills and Experience
Mike was appointed to the Board as a Non-Executive Director in March 2015. Mike was joint Chief Operating Officer at Misys Plc between 1986 and 2000, running both its 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

Appointment Date
1 June 2015

Committee Membership
N/A

Skills and Experience
Andrew joined Epwin in August 2014, following the IPO, and was appointed Company Secretary in June 2015. Andrew was previously a Senior Manager at KPMG, where he was responsible for a range of listed and non-listed audit clients, gaining significant financial reporting experience.

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Corporate Governance

The Board adopted the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") on 25 September 2018. The Board of Directors acknowledges the importance of the ten principles set out in the QCA Code. The Board's compliance with the Code is set out in the disclosures in this Annual Report and on the Corporate Governance section of the corporate website.

Board structure and composition

As at the date of this report, the Board comprised three Executive and two Non-Executive Directors, each of whom brings a different experience set and background. Andrew Eastgate is Chairman of the Board of Directors and also Chairman of the Audit Committee and Nomination 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 28 and 29.

The Directors maintain their current knowledge through a combination of reading of technical and market bulletins and attendance at seminars. The Company Secretary has the responsibility for bringing new legal and regulatory developments to the attention of the Board.

Andrew Eastgate and Michael O'Leary are considered by the Board to be "independent" Non-Executive Directors having taken into consideration length of service, remuneration and shareholdings in the Company. Neither Andrew Eastgate nor Michael O'Leary has any connection with any customer, supplier or other major shareholder of the Company or the Group.

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 38 to 40.

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.

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.

The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board responsibilities

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

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.

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.

Board Committees

The Board is supported by Audit, Remuneration and Nomination Committees. Their specific responsibilities are set out below.

Audit Committee

During the year, the Audit Committee comprised two independent Non-Executive Directors: Andrew Eastgate (Chairman) and Michael O'Leary. Christopher Empson attends Audit Committee meetings, as necessary, by invitation.

The Committee's principal responsibilities include:

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

During the period to 31 December 2018, 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 2017;
- Reviewing the half-year announcement for the period ended 30 June 2018; and
- Consideration of the audit plan for the year ended 31 December 2018.

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 Remuneration Committee Report on pages 38 to 40.

During the period to 31 December 2018 the Remuneration Committee met once to consider remuneration policies and set Directors' remuneration.

Nomination Committee

The Nomination 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 regard 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.

Corporate Governance

CONTINUED

Details of attendance at scheduled Board and Board Committee meetings during the period to 31 December 2018 are as follows:

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

Board performance

The Chairman is responsible, with the assistance of the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, expertise and experience.

The performance of Directors, as well as the performance and composition of the Board as a whole, is evaluated on an annual basis.

In 2018, an internal review of Board effectiveness was conducted by the Chairman. This involved one-to-one interviews with all members of the Board and a review of Board and Board Committee papers and minutes. The key points raised were around reviewing Board composition and Group succession planning.

Directors' conflicts of interest

Under the Companies Act 2006 ("the Act"), 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 of association 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. The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment.

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 whistleblowing procedure.

Relations with shareholders

The Board is committed to maintaining good communications with shareholders. The Chief Executive Officer and the Group Finance Director are the Company's principal contact for investors, fund managers, the press and other interested parties. 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 Chief Executive Officer and the Group Finance Director also meet with the Group's brokers during the year to ensure that they are aware of the views of major shareholders. Additionally, at the Annual General Meeting, investors are given the opportunity to question the entire Board.

The Chairman offers to meet with major institutional shareholders periodically in order to provide a channel of communication in addition to that provided by the Executive Directors.

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 Nomination 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.

Corporate culture

Epwin's corporate culture runs through all of its different business units, many of which have been added to the Group through acquisition, including one this year and a further one since the year end. This culture is based on allowing each business unit to thrive on its own initiative, whilst benefiting from being part of a larger whole, buttressing Epwin's routes to market by increasing vertical integration. For example, local management teams and employees are actively encouraged to suggest efficiency improvements, as demonstrated by the site consolidations and continuous improvements during the year. In addition, Epwin employees are encouraged to suggest ways to improve the Group's product portfolio and build on their technical expertise. This has led to the development of new products, including the aluminium window system, which provides Epwin customers with a market leading offer. The Group's senior team holds regular meetings with employees and spends time on manufacturing sites with key staff to monitor this corporate culture.

Andrew Eastgate

Chairman

9 April 2019

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

Financial results and dividends

The audited accounts for the Group and Company for the year ended 31 December 2018 are set out on pages 52 to 89. The Group profit for the year was £5.8 million (2017: £10.1 million). The Board recommends the payment of a final dividend of 3.20 pence per ordinary share. If approved, the final dividend will be paid on 3 June 2019 to shareholders on the register at the close of business on 10 May 2019.

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 28 and 29.

The Directors' remuneration and their interests in the share capital of the Company are detailed on pages 38 to 40.

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 2018 represented on average 77 days' credit, based on actual invoices received (2017: 60 days' credit).

Share capital

The issued share capital of the Company at 31 December 2018 was £71,463, comprising 142,925,173 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 the Annual General Meeting on pages 90 to 94.

Substantial shareholdings

As at 31 March 2019, the Company had the following substantial shareholdings:

	% of issued share capital	Number of shares
AJ Rawson	14.17	20,250,000
C Kennedy	14.17	20,250,000
Ruffer LLP	9.37	13,398,711
Unicorn Asset Management	6.79	9,698,201
Premier Asset Management	6.65	9,500,000
Janus Henderson Investors	4.70	6,721,822
Otus Capital Management	3.94	5,626,195
Chelverton Asset Management	3.67	5,250,000
AXA Investment Managers	3.22	4,600,000

Extracted from share register maintained by Link Asset Services.

Charitable and political donations

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

Going concern

As highlighted in note 1 to the Accounts, the Group meets its day-to-day working capital requirements through an overdraft, term loan and revolving credit facility, which were renewed in September 2018 for an initial three-year term with the option of a further two years.

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 25. In addition, note 25 to the Accounts 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, the Board 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 21 May 2019 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 90 to 94.

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 'whistleblowers'.

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 appraised of Company news.

The average number of employees within the Group is shown in note 8 to the Accounts on page 66.

By order of the Board

Christopher Empson

Group Finance Director

9 April 2019

Audit Committee Report

The Audit Committee has primary responsibility for monitoring the quality of internal financial controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing the work of and reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. During 2018, the Audit Committee met three times.

Internal financial controls

The Group's financial reporting processes are detailed and regularly reviewed. The detailed reporting is reviewed at least at 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.

At this stage, the Audit Committee and Board do not consider an internal audit function to be a cost-effective source of additional assurance over the control environment but will keep this matter under annual review.

Financial reporting

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application to the Group's financial statements.

The significant financial risks considered by the Committee in relation to the 2018 financial statements are outlined below.

Revenue recognition and related contract support provisions

Revenues are recognised at the fair value of goods sold to external customers, net of value added tax, discounts, rebates and other sales taxes or duty. Contract support is a pre-determined sales incentive for certain branded products that falls due when the Group's customer sells the relevant products to a specified end-user. A deduction is made from revenue and a provision booked relating to relevant products sold to customers for which contract support has yet to be claimed. This deduction includes an estimate of the proportion of sales that are expected to be sold to specified end-users and that will result in a contract support claim.

The Audit Committee considered the basis, consistency of application and adequacy of the contract support provision and concluded that the provision, as well as the value and timing of revenues recognised were appropriate.

Inventory

As a manufacturer, inventory is one the most significant items on the balance sheet. There is a potential risk that the value of inventory may be in excess of its net realisable value. A deduction is made from inventory for obsolete and slow-moving lines of inventory. This deduction includes judgement in identifying slow-moving and obsolete lines as well as an estimate of the recoverable amount.

The Audit Committee considered the basis, consistency of application and adequacy of the slow moving and obsolete inventory provision and concluded that the provision was adequate to ensure inventories are held at the lower of cost and net realisable value.

Goodwill and parent Company investments

As an acquisitive Group, the balance sheet of the Group includes a significant value of goodwill. Similarly, the parent Company balance sheet includes a significant balance relating to the investments it holds in subsidiary undertakings. There is the potential risk that the carrying value of these assets is not recoverable.

The goodwill and parent Company investments are assessed for impairment when there is an indicator of impairment or at least annually. This assessment involves calculating the value in use of each Cash Generating Unit ("CGU") and comparing this to the goodwill allocated to that CGU. The value in use calculation includes a number of estimates, including cashflow forecasts for each CGU, the growth rate into perpetuity beyond this period and the discount rate, which depend on future expectations of the company and its markets.

The Audit Committee was satisfied that the assumptions used in the impairment testing were appropriate and that there was sufficient headroom in the calculations to conclude no impairment is required.

New accounting standards

The Audit Committee considered the impact of new accounting standards that came into effect at 1 January 2017 and were adopted by the Group during the year, being IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The amended accounting policies and impact on the financial statements are disclosed on note 1 to the Accounts. The Audit Committee also considered the impact of IFRS 16: Leases which came into effect on 1 January 2019. Disclosure on the anticipated impact of IFRS 16 is included in note 1 to the Accounts.

External audit effectiveness

A key responsibility of the Audit Committee is evaluating the performance and ensuring the continued effectiveness of the external audit.

Following the completion of the Group audit, both the Group and divisional finance teams are asked to provide feedback on the performance of the external auditors, including audit approach, quality of staff, work performed and feedback, and understanding of the business. Following presentation and evaluation of the feedback by the Audit Committee it was determined that KPMG LLP continue to provide an effective audit and recommended they should be reappointed.

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.

Andrew Eastgate

Chairman of the Audit Committee

9 April 2019

Remuneration Committee Report

The Remuneration Committee reviews the Group'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 when decisions are taken on 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 32.

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 Group'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 or payment in lieu of these benefits net of employer's national insurance contributions and are at no additional cost to the Group.

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 primarily 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 July 2015, the Group launched a Save As You Earn ("SAYE") scheme available to all employees of the Company, including the Executive Directors.

In 2017 the Group launched a new Long-Term Incentive Plan ("LTIP") for Executive Directors and certain senior employees. Under the LTIP employees will be able to earn up to a fixed value in shares based on the Group's and individual's performance over three years. The maximum value awardable to Executive Directors and all members of the scheme under the LTIP is £3.7 million; of this, £1.4 million is potentially awardable to the Executive Directors.

Details of all schemes are provided on page 67.

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.

Details of the Directors' emoluments, share awards and shareholdings are given below and form part of the audited financial statements.

	Salary and fees 2018 £000	Other taxable benefits 2018 £000	Bonus 2018 £000	Pension contributions 2018 £000	Total 2018 £000	Total 2017 £000
Executive						
J A Bednall	250	9	125	26	410	311
C A Empson	170	14	85	18	287	220
S P Hanrahan	190	23	95	34	342	280
Non-Executive						
A K Eastgate	65	–	–	–	65	65
M K O'Leary	40	–	–	–	40	40
Total	**715**	**46**	305	**78**	**1,144**	**916**

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 Long-Term Incentive Plan.

Under the Long-Term Incentive Plan, vesting of the awards is conditional on service and the Group achieving certain annual earnings and cash targets over each of the three years to 31 December 2019. At each anniversary of the scheme an assessment is made on whether the earnings and cash targets have been achieved. If annual targets have been met a value of ordinary shares in Epwin Group Plc will be awarded to the employee at the end of the three-year scheme, provided the holder remains in the employment of the Group. As the number of shares awarded is variable, based on the share price on vesting, it is not possible to quantify the number of awards to be 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.

Remuneration Committee Report

CONTINUED

Directors’ shareholdings

The interests of the Directors who held office at 31 December 2018 in the ordinary share capital of the Company are as shown in the table below.

	As at 31 December 2018 Number of shares	As at 31 December 2017 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 Remuneration Committee and has been signed on its behalf by:

Michael O’Leary

Chairman of the Remuneration Committee

9 April 2019

Statement of Directors' Responsibilities

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. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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, relevant, reliable 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Our opinion is unmodified

We have audited the financial statements of Epwin Group plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Income Statement and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

	The Risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 22 (principal risks), page 36 (Audit Committee Report), page 56 (accounting policy) and pages 61 to 82 (financial disclosures)	***Unprecedented levels of uncertainty*** All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of Goodwill and parent Company Investments below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing recoverability of Goodwill and parent Company Investments and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on recoverability of Goodwill and parent Company Investments we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	The Risk	Our response
Going concern Refer to page 34 for the going concern disclosures	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were : – Brexit – Deferral of proceeds from a planned sale and leaseback of a property The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: • **Funding assessment:** We agreed current facilities available to the relevant facility agreements. We inspected the loan agreements in order to determine the covenants attached to the loans and assessed the evidence available to support that they will be met. • **Historical comparisons:** We assessed historical accuracy of management forecasting by comparing the actual cash flows for the year ended 31 December 2018 to the forecast cashflows over the same period. • **Key dependency assessment:** We assessed the impact of assumptions underpinning the cash flow forecasts in order to identify the key dependencies within the forecasts. • **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. In particular, we assessed the Group's downside forecasts based on the risks resulting from Brexit and the deferral of proceeds from a planned sale and leaseback of a property. • **Benchmarking assumptions:** We compared the assumptions behind the Group's cashflow forecasts to externally derived data including market forecasts and projected growth and cost inflation • **Evaluating directors' intent:** We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialize. We considered the extent to which the intent and ability of the directors to pursue mitigating actions should such be required were realistic. • **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure by considering whether they accurately reflected the Group's financing arrangements and the risks associated with the Group's ability to continue as a going concern.

	The Risk	Our response
Revenue including contract support £30.7 million (2017: £37.5 million) Refer to page 60 (accounting policy) and page 73 (financial disclosures)	**Subjective estimate** The Group provides contract support sales incentive to its distribution customers for certain branded products. These result in a revenue amount that can vary due to subsequent onward sales made by the distributor. When cash has been received for the retail price, the Group issues credit notes for eligible claims received. There can be a substantial time delay between the distributor's sale and their claim, or even no claim at all. As such, the amount of contract support includes an element of estimation on the proportion of sales that result in a subsequent claim. This estimate is based on an historical percentage per customer on sales of products for which contract support has been reclaimed. The effect of these matters is that, as part of our risk assessment, we determined that estimation of contract support has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 2) disclose the sensitivity estimated by the Group.	Our procedures included: • **Historical comparisons:** We compared the level of actual claims during FY18 to the FY17 contract support provision to assess historical accuracy of the provision. • **Methodology choice:** We challenged the appropriateness of the methodology applied in determining contract support amount by comparing it to relevant accounting standards and industry practice. • **Tests of detail:** For a sample of contract support amounts we compared the claim rate to customer contracts, current year sales and historical claims. • **Tests of detail:** We compared a sample of individual contract support amounts to after date credit notes.

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	The Risk	Our response
Recoverability of Goodwill and parent Company Investments in subsidiaries (Group: (£70.2 million; 2017: £65.7 million)) (Parent: (£69.6 million: 2017: £68.9 million)) Refer to page 60 (accounting policy) and page 70 (financial disclosures)	**Subjective estimate** Goodwill in the Group and the carrying amount of the parent Company's investments in subsidiaries are the most quantitatively significant items on the Group and parent Company balance sheet respectively. The decreasing share price and profit levels were an indication that these assets may be impaired. Impairment is assessed for each Cash Generating Unit ("CGU"). The company's assessment of impairment depends on several subjective assumptions including five-year cashflow forecasts for each CGU, the growth rate into perpetuity and discount rate for each CGU which depend on future expectations of the market and the company's performance. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality.	Our procedures included: • **Historical comparisons:** We compared the actual results achieved compared to budget in FY18 to assess reasonableness in forecasting. • **Benchmarking assumptions:** We compared the Group's assumptions to externally derived and historical data in particular the growth rates and discount rates. • **Sensitivity analysis:** We performed breakeven analysis on the key assumptions noted above to assess whether a reasonably possible change in these assumptions could trigger an impairment charge. • **Comparing valuations:** We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of impairment assessment to changes in key assumptions reflected the risks inherent in the valuation.

	The Risk	Our response
Carrying amount of Inventory (£29.2 million; 2017: £29.6 million) Refer to page 60 (accounting policy) and page 73 (financial disclosures)	**Subjective Estimate** Inventory is one the most significant items on the balance sheet and is required to be measured at the lower of cost and net realisable value. The company's estimate is based on comparing the amount of inventory to historical sales. There is a risk that changing customer taste leads to slow-moving inventory.	Our procedures included: • **Methodology choice:** We challenged the appropriateness of the methodology applied in determining net realisable value by assessing the evidence for the formulaic provision based on historical sales levels compared to year end inventory value by product. • **Historical comparisons:** We compared the actual sales prices achieved in 2018, scrapping during 2018 and unsold items to the prior year provision to assess the historical accuracy of the provision. • **Test of detail:** We checked the appropriateness of the sales data used in the inventory usage report by testing a sample to sales invoices. • **Tests of detail:** We compared a sample of unit costs of stock items to prices set out in after date sales invoices. • **Test of detail:** We considered the provision for any discontinued or uncertified products. • **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the degree of estimation related to inventory.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £0.7 million (2017: £0.9 million). This has been determined with reference to a benchmark of normalised Group profit before tax from continuing operations (being Group profit before tax on continuing operations before the other non-underlying items of £2.0 million, (2017 £7.4 million)) of £15.1 million (2017: £19.4 million), of which it represents 4.75% (2017: 4.6%).

Materiality for the parent Company financial statements as a whole was set at £0.7 million (2017: £0.8 million), determined with reference to a benchmark of net assets and chosen to be lower than materiality for the group financial statements as a whole. It represents 1.7% (2017: 1.2%) of the stated benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected misstatements exceeding £0.04 million (2017: £0.05 million), in addition to other reporting on qualitative grounds.

Of the Group's 17 (2017: 19) reporting components, we subjected 8 (2017: 9) to full scope audits for Group purposes and 9 (2017: 3) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for 92% Group revenue, 87% Group profit before tax and 95% total Group assets. The remaining 8% of total Group revenue, 13% of Group profit before tax and 5% of total Group assets is represented by five reporting components, none of which individually represented more than 7% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within.

The Group audit team approved the range of component materialities of £0.05 million to £0.7 million (2017: £0.1 million to £0.7 million), having regard to the mix of size and risk profile of the Group across the components. The Group audit team performed all of the audit work in relation to the 17 components (2017: 19 components).

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

FOR THE YEAR ENDED 31 DECEMBER 2018

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the parent Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 41, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

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.

John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

9 April 2019

Consolidated Income Statement and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017* £m
Revenue	3	**281.1**	292.8
Cost of sales		**(196.3)**	(201.5)
Gross profit		**84.8**	91.3
Distribution expenses		**(34.4)**	(32.7)
Administrative expenses		**(35.6)**	(43.5)
Underlying operating profit		**18.7**	24.2
Amortisation of acquired other intangible assets	7	**(1.2)**	(1.1)
Other non-underlying items	7	**(2.0)**	(7.4)
Share-based payments expense	7, 9	**(0.7)**	(0.6)
Operating profit		**14.8**	15.1
Finance costs	10	**(1.5)**	(1.2)
Profit before tax		**13.3**	13.9
Taxation	11	**(2.5)**	(2.3)
Profit from continuing operations		**10.8**	11.6
Loss from discontinued operations net of tax	6	**(5.0)**	**(1.5)**
Profit for the year and total comprehensive income		**5.8**	**10.1**
Earnings per share		**pence**	pence
Basic	12	**4.06**	7.08
Basic – continuing operations	12	**7.56**	8.13
Basic – discontinued operations	12	**(3.50)**	(1.05)
Diluted	12	**4.05**	7.08
Diluted – continuing operations	12	**7.54**	8.13
Diluted – discontinued operations	12	**(3.49)**	(1.05)

There are no recognised gains and losses other than those included above and therefore no separate statement of other comprehensive income has been presented.

*Reclassified, see note 1.22, and restated, see note 6.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2018

	Note	2018 £m	2017 £m
Assets			
Non-current assets			
Goodwill	14	**70.2**	65.7
Other intangible assets	15	**3.5**	3.9
Property, plant and equipment	16	**37.2**	36.0
Assets held for resale	6	**0.1**	–
Deferred tax	23	**0.7**	0.6
		111.7	106.2
Current assets			
Inventories	17	**29.2**	29.6
Trade and other receivables	18	**40.4**	45.3
Cash and cash equivalents	19	**6.1**	7.3
		75.7	82.2
Total assets		**187.4**	188.4
Liabilities			
Current liabilities			
Other interest-bearing loans and borrowings	21	**5.6**	21.0
Trade and other payables	20	**61.3**	54.7
Deferred consideration	5	**0.3**	–
Income tax payable		**0.6**	1.4
Provisions	22	**1.5**	2.1
		69.3	79.2
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**25.3**	11.4
Provisions	22	**2.8**	4.1
		28.1	15.5
Total liabilities		**97.4**	94.7
Net assets		**90.0**	93.7
Equity			
Ordinary share capital	24	**0.1**	0.1
Share premium	24	**12.5**	12.5
Merger reserve	24	**25.5**	25.5
Retained earnings		**51.9**	55.6
Total equity		**90.0**	93.7

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2019.

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 2018

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance as at 31 December 2016	**0.1**	**12.5**	**23.9**	**54.4**	**90.9**
Comprehensive income:					
Profit for the year	–	–	–	10.1	10.1
Total comprehensive income:	**–**	**–**	**–**	**10.1**	**10.1**
Transactions with owners recorded directly in equity:					
Issue of shares	–	–	1.6	–	1.6
Share-based payments expense	–	–	–	0.6	0.6
Dividends	–	–	–	(9.5)	(9.5)
Total transactions with owners	**–**	**–**	**1.6**	**(8.9)**	**(7.3)**
Balance as at 31 December 2017	**0.1**	**12.5**	**25.5**	**55.6**	**93.7**
IFRS 9 adoption	**–**	**–**	**–**	**(1.4)**	**(1.4)**
Balance as at 31 December 2017 (restated)	**0.1**	**12.5**	**25.5**	**54.2**	**92.3**
Comprehensive income:					
Profit for the year	–	–	–	5.8	5.8
Total comprehensive income:	**–**	**–**	**–**	**5.8**	**5.8**
Transactions with owners recorded directly in equity:					
Issue of shares	–	–	–	–	–
Share-based payments expense	–	–	–	0.7	0.7
Dividends	–	–	–	(8.8)	(8.8)
Total transactions with owners	**–**	**–**	**–**	**(8.1)**	**(8.1)**
Balance as at 31 December 2018	**0.1**	**12.5**	**25.5**	**51.9**	**90.0**

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018 £m**	2017 (restated, see note 6) £m
Cash flows from operating activities			
Profit for the year		**5.8**	10.1
Adjustments for:			
Depreciation and amortisation	15, 16	**9.0**	8.8
Loss on disposal of property, plant and equipment		**0.3**	0.2
Loss on disposal of subsidiary	5	**–**	0.4
Finance costs	10	**1.5**	1.2
Taxation	11	**2.5**	2.3
Share-based payments expense	9	**0.7**	0.6
Loss from discontinued operations net of tax	6	**5.0**	1.5
Operating cash flow before movement in working capital		**24.8**	25.1
Decrease/(increase) in inventories		**1.6**	(1.8)
Decrease/(increase) in trade and other receivables		**0.7**	(5.2)
Increase in trade and other payables		**2.8**	–
(Decrease)/increase in provisions		**(2.2)**	2.0
Pre-tax operating cash flow		**27.7**	20.1
Tax paid		**(2.6)**	(2.7)
Net cash inflow from operating activities		**25.1**	17.4
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	5	**–**	(3.9)
Acquisition of property, plant and equipment	16	**(12.0)**	(4.6)
Acquisition of other intangible assets	15	**(0.5)**	(0.7)
Net cash outflow from investing activities		**(12.5)**	(9.2)
Cash flow from financing activities			
Interest paid		**(1.3)**	(1.0)
Facility arrangement fee		**(0.4)**	–
Repayment of borrowings		**(0.3)**	–
Capital element of finance lease rental payments		**(1.1)**	(1.4)
Dividends paid	13	**(8.8)**	(9.5)
Net cash outflow from financing activities		**(11.9)**	(11.9)
Net cash outflow from discontinued operations		**(1.9)**	(2.0)
Net decrease in cash and cash equivalents		**(1.2)**	(5.7)
Cash and cash equivalents at the beginning of year		**7.3**	13.0
Cash and cash equivalents at end of year	**19**	**6.1**	7.3
Secured bank loans	21	**(29.6)**	(29.8)
Finance lease liabilities	21	**(1.3)**	(2.6)
Net debt		**(24.8)**	(25.1)

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2018

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 83.

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 ongoing trading performance and cash generation. The bank facilities are available until September 2021. The Group has prepared a detailed business plan, including cash projections, for the period to 30 June 2020 and has applied a reasonably possible down-side scenario forecast, considering the impact of a no deal Brexit and taking into account mitigating actions which are under the Directors' control. The downside scenario forecast positive headroom and covenant compliance throughout the forecast period.

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 amortised cost.

   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.

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:

Land and buildings	in line with lease term
Plant, fixtures 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 deferred or 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 first in, first out (FIFO) 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 2018

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.

IFRS 9: Financial Instruments became effective on 1 January 2018 under which trade receivables are subject to the new expected credit loss model. The Group has adopted the simplified approach to measuring expected credit losses.

For trade receivables, the Group recognises expected lifetime losses at initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. Payment profiles of sales over a six-year period before 31 December 2018 and their historical credit losses experienced are used to estimate the expected credit losses.

The impact of adopting IFRS 9 on the Group's balance sheet as at 1 January 2018 is a £1.4 million increase in the trade receivables loss allowance, (see note 25), with a corresponding reduction in retained earnings.

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 ("CGUs"). 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 expense

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 9 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

IFRS 15 – Revenue from Contracts with Customers became effective on 1 January 2018.

Under IFRS 15 revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred.

On adoption of IFRS 15, performance obligations for the supply and installation of the Group's products have been separated and revenue allocated to each element. Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and value added tax. Variable consideration is now recognised only to the extent it is highly improbable to reverse.

Services comprise the installation of windows and doors. Revenue from the installation of windows and doors is recognised separately when the Group has fulfilled all its performance obligations under the installation contract. The Group has assessed its warranty to be of an assurance type.

The adoption of this standard has not had a material impact on the financial statements.

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.

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 Alternative performance measures

The Group uses a range of performance measures which are non-IFRS measures to monitor the performance of the business. The Group believes these KPIs provide better information on the ongoing trading of the business to help investors and other stakeholders evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses KPIs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group.

The Group uses the following financial KPIs on a consistent basis and they are defined and reconciled as follows:

Adjusted EBITDA – adjusted EBITDA is underlying operating profit before interest, taxation, depreciation and amortisation.

Adjusted EPS – adjusted EPS is calculated based on profit after tax adding back amortisation of acquired other intangible assets, share-based payments expense other non-underlying items, divided by the basic weighted average number of ordinary shares.

Dividend per share – dividend per share is defined as the interim dividend per share plus the proposed final dividend per share for a given period.

Leverage ratio – the leverage ratio is the ratio of net debt to adjusted EBITDA.

Operating margin – operating margin is operating profit as a percentage of revenue.

The Group reports certain performance measures as underlying as it believes they provide better information on the ongoing trading performance of the business. Items excluded from underlying measures are non-cash items such as amortisation of acquired other intangible assets and share-based payments expense, and significant one-off incomes or costs that are not part of the underlying trading performance of the business.

Underlying operating cash conversion – operating cash conversion is pre-tax operating cash flow as a percentage of underlying operating profit.

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Underlying operating margin – underlying operating margin is defined as underlying operating profit as a percentage of revenue.

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 other intangible assets, share-based payments and other non-underlying items.

1.20 New and amended standards adopted by the Group

A number of new standards or amendments to existing standards and interpretations became applicable for the current reporting period:

- IFRS 9 – Financial Instruments (see note 1.11);
- IFRS 15 – Revenue from Contracts with Customers (see note 1.14); and
- Annual improvements to IFRS 2014-2016 cycle.

1.21 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:

- IFRS 16: Leases

IFRS 16: Leases is effective for accounting 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.

The Group intends to apply IFRS 16: Leases initially on 1 January 2019 using the modified retrospective approach with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition applying IFRS 16: Leases to all contracts entered into before 1 January 2019 that meet the definition of a lease in accordance with the previously applied standard, IAS 17: Leases.

The Group will also apply the practical expedient in relation to short-term leases and leases of low-value items recognising the remaining lease rental payments on a straight-line basis over the remaining terms of the lease.

It is estimated the impact of the initial implementation of IFRS 16 as at 1 January 2019 would be to increase property, plant and equipment by approximately £55.0 million, recognise a financial liability in respect of future lease commitments of approximately £65.0 million and an adjustment to opening retained earnings of approximately £4.0 million.

1.22 Reclassification of distribution costs

The presentation of £3.1 million of administrative expenses in the year ended 31 December 2017 have been reclassified as distribution costs following an exercise to better reflect the nature of expenditure.

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.

Significant estimates

Revenue recognition and related contract support

Revenues are recognised at the fair value of goods sold to external customers, net of value added tax, discounts, rebates and other sales taxes or duty. Contract support is a pre-determined sales incentive for certain branded products that falls due when the Group's customer sells the relevant products to a specified end-user. A deduction is made from revenue relating to relevant products sold to customers for which contract support has yet to be claimed. This deduction includes an estimate of the proportion of sales that are expected to be sold to specified end-users and that will result in a contract support claim. If the level of contract supported sales was to change by a reasonably possible 5% then this would have a material impact on the amount of contract support.

Judgements

Deferred tax assets

The Group has not recognised certain deferred tax assets in relation to tax losses as their recovery is improbable. If the Group had determined that the utilisation of these tax losses was more certain then a further deferred tax asset of £1.6 million could be recognised.

Other estimates

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. The inventory provision held at 31 December 2018 is £4.1 million (2017: £4.0 million) and is sensitive to changes in customer demand.

Impairment of goodwill and other intangible 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 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 notes 14 and 15.

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.

Operating 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.

	2018 £m	2017 (restated) £m
Revenue from external customers		
Extrusion and Moulding – total revenue	**210.4**	211.3
Inter-segment revenue	**(33.0)**	(27.7)
Extrusion and Moulding – external revenue	**177.4**	183.6
Fabrication and Distribution – total revenue	**104.0**	109.3
Inter-segment revenue	**(0.3)**	(0.1)
Fabrication and Distribution – external revenue	**103.7**	109.2
Total revenue from external customers	**281.1**	292.8
Segmental operating profit		
Extrusion and Moulding	**17.5**	21.5
Fabrication and Distribution	**2.9**	4.3
Segmental operating profit before corporate costs	**20.4**	25.8
Corporate costs	**(1.7)**	(1.6)
Underlying operating profit	**18.7**	24.2
Amortisation of acquired other intangible assets	**(1.2)**	(1.1)
Other non-underlying items	**(2.0)**	(7.4)
Share-based payments expense	**(0.7)**	(0.6)
Operating profit	**14.8**	15.1
Finance costs	**(1.5)**	(1.2)
Profit before tax	**13.3**	13.9

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3. Segmental reporting continued

Balance sheet 2018

	Extrusion and Moulding £m	Fabrication and Distribution £m	Total £m
Total assets	140.9	36.9	177.8
Total liabilities	(43.1)	(16.0)	(59.1)
Segment assets	**97.8**	**20.9**	**118.7**
Group and other balances			(28.7)
Net assets			**90.0**

Balance sheet 2017

	Extrusion and Moulding £m	Fabrication and Distribution £m	Total £m
Total assets	137.3	43.2	180.5
Total liabilities	(42.2)	(17.2)	(59.4)
Segment assets	**95.1**	**26.0**	**121.1**
Group and other balances			(27.4)
Net assets			**93.7**

Other material items 2018

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	11.5	0.7	–	12.2
Depreciation	6.7	1.3	–	8.0

Other material items 2017

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	4.4	2.0	–	6.4
Depreciation	6.7	1.1	–	7.8

3. Segmental reporting continued

Geographical information

	2018 £m	2017 £m
Revenue from external customers		
UK	**265.0**	276.5
Europe	**14.5**	14.4
Rest of World	**1.6**	1.9
	281.1	292.8

There are no customers which individually account for more than 5% of the Group's revenues.

	2018 £m	2017 £m
Revenue from external customers		
Sale of goods	**245.4**	250.1
Variable consideration	**30.7**	37.5
Fitting and installation	**5.0**	5.2
Total financial assets	**281.1**	292.8

4. Operating profit

Operating profit is stated after charging:

	2018 £m	2017 £m
Amortisation of other intangible assets	**1.5**	1.3
Depreciation of property, plant and equipment	**7.5**	7.5
Loss on disposal of property, plant and equipment	**0.3**	0.2
Loss on disposal of subsidiary	**–**	0.4
Operating lease rentals	**10.6**	11.1

The analysis of auditors' remuneration is as follows:

	2018 £000	2017 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**50**	45
The audit of the Company's subsidiaries pursuant to legislation	**175**	144
Total audit fees	**225**	189
Non-audit fees:		
All other services	**–**	–
Non-audit fees	**–**	–
	225	189

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5. Acquisition and disposal of subsidiaries

Acquisitions in the year ended 31 December 2018

On 5 March 2018, the Group acquired Amicus Building Products Limited and subsidiaries ("Amicus"), for cash consideration of £0.5 million.

The following table summarises the consideration paid for Amicus and the fair values of the assets and liabilities acquired at the acquisition date.

	Amicus Building Products Limited fair values on acquisition £m
Recognised amounts of identifiable assets acquired and liabilities:	
Acquired intangibles - brand	0.6
Property, plant and equipment	0.6
Inventories	1.6
Trade and other receivables	1.7
Cash and cash equivalent	0.2
Other interest-bearing loans and borrowings	(0.3)
Trade and other payables (including £4.9 million due to the Group)	(7.9)
Income tax payable	(0.1)
Provisions	(0.3)
Deferred tax liability	(0.1)
	(4.0)
Goodwill	4.5
Cash consideration	**0.5**
Initial consideration	0.2
Deferred consideration	0.3
Cash consideration	**0.5**

Amicus is a chain of plastic distribution outlets with a network of depots across the north of the UK. Amicus forms part of the Fabrication and Distribution segment.

On acquisition, other intangible assets of £0.6 million were recognised, representing the Amicus brands. In addition to this, a fair value adjustment of £0.3 million was made for onerous lease and property dilapidation provisions.

Disposal in the year ended 31 December 2017

On 31 December 2017 the Group disposed of its entire shareholding in Indigo Products Limited ("Indigo") for consideration of £1. Indigo was primarily engaged in fabricating window frames for Entu (UK) Plc. Following the administration of Entu (UK) Plc and the resulting significant bad debt, management no longer considered it viable to continue investing in the Indigo operation.

The acquirer, Indigo Acquisitions Limited, is wholly owned by Brian Kennedy, who is also a shareholder of Epwin Group Plc.

During the year to 31 December 2017, the Indigo operation contributed revenues of £14.4 million and an operating loss of £3.3 million.

A loss of £0.4 million arose on the disposal of Indigo, included in the income statement within non-underlying items, see note 7.

Settlement of contingent consideration in the year ended 31 December 2017

During the year to 31 December 2017 the Group settled contingent consideration payable in relation to the 2015 acquisitions of Vannplastic Limited ("Ecodek") and Stormking Plastics Limited ("Stormking").

The contingent consideration on Ecodek was settled in line with the contingent consideration provision as at 31 December 2016 being £3.3 million, split £2.3 million cash and £1.0 million shares.

The contingent consideration on Stormking was £2.2 million, split £1.6 million cash and £0.6 million shares. The settlement amount was £1.8 million less than the contingent consideration provision at 31 December 2016, resulting in a credit to the income statement, within non-underlying items, of this amount, see note 7.

6. Discontinued operations

On 7 January 2019 the Group disposed of the trade and certain assets and liabilities of its glass-sealed unit manufacturing business in Northampton for cash consideration of £0.1 million. As a result of the disposal, an impairment charge of £3.6 million has been recognised in the year to 31 December 2018 to write down property, plant and equipment and inventories to their recoverable amount. This decision exits the Group from the glass-sealed unit market

	2018 £m	2017 £m
Revenue	4.5	5.5
Operating expenses	(6.9)	(7.4)
Impairment charge	(3.6)	–
Loss before tax	(6.0)	(1.9)
Taxation	1.0	0.4
Loss after tax from discontinued operations	**(5.0)**	(1.5)

The trading results of the glass-sealed unit manufacturing business have been presented under discontinued operations and the assets and liabilities associated with the business classified as held for sale.

The income statement for the year ended 31 December 2017 has been restated to reclassify the trading results of the glass-sealed unit manufacturing business as discontinued operations.

7. Non-underlying items

Non-underlying items included within operating profit include:

	2018 £m	2017 £m
Amortisation of acquired other intangible assets	1.2	1.1
Other non-underlying items	2.0	7.4
Share-based payments expense	0.7	0.6
Expense	**3.9**	9.1

Amortisation of acquired other intangible assets

£1.2 million (2017: £1.1 million) amortisation of brand and customer contract intangible assets acquired through business combinations.

Other non-underlying items

Other non-underlying items are significant one-off incomes or costs that are not part of the underlying trading performance.

Other non-underlying items include:

	2018 £m	2017 £m
Entu (UK) Plc administration bad debt charge	–	3.9
Loss on disposal of Indigo Products Limited	–	0.4
Site consolidation and redundancy	2.8	4.9
Release of Stormking excess contingent consideration	–	(1.8)
Profit on exit of lease	(0.8)	–
	2.0	7.4

Share-based payments expense

The share-based payment expense of £0.7 million (2017: £0.6 million) comprises IFRS 2: Share-based payments charges in respect of the: Long-Term Incentive Plan £0.6 million (£2017: £0.5 million) and SAYE schemes of £0.1 million (2017: 0.1 million).

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8. Staff costs

	2018 Number	2017 Number
Average number of employees		
Production and distribution	**1,757**	1,954
Marketing and administration	**547**	588
	2,304	**2,542**

	2018 £m	2017 £m
Aggregate payroll costs		
Wages and salaries	**61.9**	65.6
Social security costs	**5.6**	6.0
Contributions to defined contribution plans	**1.4**	1.2
Share-based payments	**0.7**	0.6
	69.6	**73.4**

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

	2018 £m	2017 £m
Key management personnel costs		
Short-term employee benefits	**1.4**	1.2
Post-employment benefits	**0.1**	0.1
Share-based payment charges	**0.4**	0.4
	1.9	**1.7**

The remuneration of individual Non-Executive and Executive Directors is detailed in the table on page 39.

9. Share-based payments expense

The Group operates a Long-Term Incentive Plan for Executive Directors and certain senior management, the terms of which are disclosed in the Directors' Remuneration Report, as well as a Save As You Earn ("SAYE") scheme available to all employees.

In 2017 the Group established a Long-Term Incentive Plan for Directors and senior management. Awards issued under the equity-based Long-Term Incentive Plan vest three years from the date of the grant based on service and certain non-market performance criteria being met. Awards are settled in equity. The number of shares to be awarded is variable based on the employee meeting performance criteria in each year of the scheme. As the number of shares to be awarded is variable, dependent upon performance, it is not possible to quantify the number of options awarded. The maximum value awardable under the LTIP is £3.7 million.

On 1 July 2015, the Group launched an 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.

Further tranches were granted on 5 June 2017 and 14 November 2017. The options can be exercised during a six-month period following the completion of a three-year savings period.

The 1 July 2015 tranche of the SAYE scheme matured on 30 June 2018. As the share price on that date and for the following six months was below the exercise price, no options were exercised, aside from options exercised by good leavers, and, as a result, lapsed on 31 December 2018.

In July 2014 the Group also issued warrants to Zeus Capital for services related to the IPO. The warrant is for 3% of the share capital of the company at IPO. The warrant is exercisable any time between the first and tenth anniversary of admission to AIM. The fair value of the warrant has been determined by reference to the estimated value of services provided using a Black Scholes valuation model and was charged in full as an IPO expense in the year ended 31 December 2014.

		SAYE Scheme	
Date of grant	1 July 2015	5 June 2017	14 November 2017
Earliest year in which options are exercisable	2018	2020	2020
Option pricing model used	Black–Scholes	Black–Scholes	Black–Scholes
Number of options granted	1,572,500	893,408	1,608,545
Aggregate fair value of options granted at date of grant	£0.4m	£0.3m	£0.3m
Expected volatility	35.0%	39.0%	40.0%
Risk free interest rate	1.96%	1.30%	1.38%
Exercise price (per share)	86.4 pence	96.6 pence	64.0 pence
Expected dividend yield	6.0%	6.0%	6.0%
Expected term (years)	3 years	3 years	3 years
Expected departures	–	–	–
Settlement	Equity	Equity	Equity

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

	2018 £m	2017 £m
Long-Term Incentive Plan	**0.6**	0.5
SAYE	**0.1**	0.1
	0.7	**0.6**

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	2018 No.	2017 No.
Number of options at 1 January	2,640,871	1,239,833
Options granted	–	2,501,953
Options lapsed	(1,066,553)	(1,078,578)
Options exercised	(3,749)	(22,337)
Number of options at 31 December	**1,570,569**	2,640,871

10. Finance costs

	2018 £m	2017 £m
Interest expense on borrowings	1.5	1.2
Total finance costs	**1.5**	1.2

11. Taxation

	2018 £m	2017 £m
Current tax expense		
Current period	1.8	2.6
Prior period	(0.1)	(0.5)
Total current tax charge	**1.7**	2.1
Deferred tax expense		
Current period	(0.2)	(0.4)
Prior period	–	0.2
Total deferred tax charge	**(0.2)**	(0.2)
Total tax expense	**1.5**	1.9

	2018 £m	2017 £m
Analysed as:		
Continuing operations	2.5	2.3
Discontinued operations	(1.0)	(0.4)
Total tax expense	**1.5**	1.9

UK corporation tax is calculated at 19.00% (2017: 19.25%) 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 19.00% (2017: 19.25%) as follows:

	2018 £m	2017 £m
Profit before tax	**13.3**	13.9
Tax at standard UK corporation tax rate of 19.00% (2017: 19.25%)	**2.5**	2.7
Factors affecting the charge for the period:		
Expenses not deductible	**0.2**	0.3
Non-taxable income	**(0.2)**	(0.4)
Losses utilised for which no deferred tax previously recognised	**–**	(0.2)
Difference in tax rate	**0.1**	0.2
Prior period	**(0.1)**	(0.3)
	2.5	2.3

Factors that may affect future current and total tax charges

The UK corporation tax rate reduced from 20% to 19% effective from 1 April 2017. A further reduction to 17% effective from 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 2018 has been calculated based on these rates.

12. 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

	2018 Pence	2017 Pence
Basic EPS		
Basic	**4.06**	7.08
Basic – continuing operations	**7.56**	8.13
Basic – discontinued operations	**(3.50)**	(1.05)
Diluted EPS		
Diluted	**4.05**	7.08
Diluted – continuing operations	**7.54**	8.13
Diluted – discontinued operations	**(3.49)**	(1.05)

Number of shares

	2018 No.	2017 No.
Weighted average number of ordinary shares (basic)	**142,922,704**	142,573,041
Effect of share options in issue	**265,861**	105,352
Weighted average number of ordinary shares (diluted)	**143,188,565**	142,678,393

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13. Dividends

	2018 £m	2018 Pence per share	2017 £m	2017 Pence per share
Previous year final dividend	**6.4**	**4.46**	6.3	4.40
Current year interim dividend	**2.4**	**1.70**	3.2	2.23
	8.8		9.5	

14. Goodwill

	Goodwill £m
Cost	
At 31 December 2016 and 2017	**65.7**
Acquisitions through business combinations in 2018	4.5
At 31 December 2018	**70.2**
Accumulated impairment losses	
At 31 December 2016, 2017 and 2018	–
Net book value	
At 31 December 2018	**70.2**
At 31 December 2017	65.7

Impairment testing

The Goodwill of £70.2 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, the acquisition of National Plastics (£9.6 million) in 2016 and the acquisition of Amicus Building Products Limited (£4.5 million) in 2018. This 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 2018, £58.5 million (2017: £55.3 million) of goodwill was allocated to Extrusion and Moulding and £11.7 million (2017: £10.4 million) to Fabrication and Distribution.

Goodwill is not amortised but tested annually for impairment on the basis of value in use calculations using discounted cash flows. The value in use exceeded the carrying value for each of the cash-generating units ("CGUs"). Therefore, no impairment loss was recognised in any of the periods.

In assessing the value in use, the 2019 budgets and five year forecast were used to provide cash flow projections for the period ended 31 December 2023. For periods after 31 December 2023, an annual growth rate of 1.00% was used to determine the projected cash flows through to 2038 and a terminal value.

The impairment calculations are subject to key assumptions in respect of cash flows, discount rates and growth rates. The table below sets out the key assumptions and the stress required to these assumptions to trigger an impairment of each of the CGUs:

	Extrusion and Moulding	Fabrication and Distribution
Goodwill	£58.5m	£11.7m
Pre-tax discount rate	13.3%	11.1%
Growth rate	1.0%	1.0%
Stress testing In order to trigger an impairment, the key assumptions would need to be stressed as follows:		
Cash flow reduction required to trigger impairment	-29.2%	-21.6%
Growth rate required to trigger an impairment	-6.7%	-3.2%
Discount rate required to trigger an impairment	20.8%	15.4%

15. Other intangible assets

	Customer relationships £m	Brands £m	Computer software £m	Total £m
Cost				
At 31 December 2016	**7.7**	**2.0**	**1.1**	**10.8**
Additions	–	–	0.7	0.7
At 31 December 2017	**7.7**	**2.0**	**1.8**	**11.5**
On acquisition (see note 5)	–	0.6	–	0.6
Additions	–	–	0.5	0.5
At 31 December 2018	**7.7**	**2.6**	**2.3**	**12.6**
Accumulated amortisation				
At 31 December 2016	**5.9**	**0.3**	**0.1**	**6.3**
Charge for the year	0.9	0.2	0.2	1.3
At 31 December 2017	**6.8**	**0.5**	**0.3**	**7.6**
Charge for the year	0.9	0.3	0.3	1.5
At 31 December 2018	**7.7**	**0.8**	**0.6**	**9.1**
Net book value at 31 December 2018	**–**	**1.8**	**1.7**	**3.5**
Net book value at 31 December 2017	0.9	1.5	1.5	3.9
Net book value at 31 December 2016	1.8	1.7	1.0	4.5

Amortisation

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

	2018 £m	2017 £m
Customer relationships	**0.9**	0.9
Brands	**0.3**	0.2
Computer software	**0.3**	0.2
Amortisation	**1.5**	1.3

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2018

16. Property, plant and equipment

	Land and buildings £m	Plant, fixtures and equipment £m	Motor vehicles £m	Total £m
Cost				
At 31 December 2016	**–**	**65.6**	**0.2**	**65.8**
Additions	–	6.4	–	6.4
Disposals	–	(4.3)	–	(4.3)
At 31 December 2017	**–**	**67.7**	**0.2**	**67.9**
On acquisition	0.4	0.2	–	0.6
Additions	1.4	10.8	–	12.2
Disposals	(0.3)	(1.3)	–	(1.6)
Transfer to assets held for sale	–	(9.6)	–	(9.6)
At 31 December 2018	**1.5**	**67.8**	**0.2**	**69.5**
Accumulated depreciation				
At 31 December 2016	**–**	**27.9**	**–**	**27.9**
Charge for the year	–	7.7	0.1	7.8
Disposals	–	(3.8)	–	(3.8)
At 31 December 2017	**–**	**31.8**	**0.1**	**31.9**
Charge for the year	–	8.0	–	8.0
Impairment	–	3.3	–	3.3
Disposals	–	(1.3)	–	(1.3)
Transfer to assets held for sale	–	(9.6)	–	(9.6)
At 31 December 2018	**–**	**32.2**	**0.1**	**32.3**
Net book value at 31 December 2018	**1.5**	**35.6**	**0.1**	**37.2**
Net book value at 31 December 2017	–	35.9	0.1	36.0
Net book value at 31 December 2016	–	37.7	0.2	37.9

At 31 December 2018, the net book value of property, plant and equipment held under finance leases was £3.5 million (2017: £4.6 million). The depreciation charge in respect of these assets was £0.4 million (2017: £0.6 million). The lease obligations are secured on the leased assets.

17. Inventories

	2018 £m	2017 £m
Raw materials	**6.7**	8.7
Work in progress	**0.6**	0.8
Finished goods	**21.9**	20.1
	29.2	29.6

Inventory purchased in the period recognised as an expense was £156.2 million (2017: £141.0 million).

At 31 December 2018 there was an inventory provision of £4.1 million (2017: £4.0 million). During 2018, inventories with a value of £0.9 million were written off against the provision, £0.8 million was created, with a corresponding charge to the income statement, and £0.2 million was acquired.

18. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	**37.5**	39.9
Less: provision for doubtful trade receivables	**(2.5)**	(1.2)
Trade receivables net of provision	**35.0**	38.7
Prepayments and accrued income	**4.6**	3.8
Other receivables	**0.8**	2.8
Trade and other receivables	**40.4**	45.3

19. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	**6.1**	7.3

20. Trade and other payables

	2018 £m	2017 £m
Current		
Trade payables	**43.8**	38.6
Other taxation and social security	**4.3**	4.6
Other payables	**2.1**	2.1
Accruals	**11.1**	9.4
Trade and other payables	**61.3**	54.7

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2018

21. Other interest-bearing loans and borrowings

	2018 £m	2017 £m
Non-current		
Secured bank loans	**24.7**	9.9
Finance lease liabilities	**0.6**	1.5
	25.3	11.4
Current		
Secured bank loans	**4.9**	19.9
Finance lease liabilities	**0.7**	1.1
	5.6	21.0

The facilities available to the Group at 31 December 2018 were a £10.0 million amortising term loan (extendable to £17.5m), a £37.5 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 three years ending September 2021 with the options to extend for a further two years.

Facility arrangement costs of £0.4 million (2017: £0.2 million) are set-off against the amount owing at year end.

The term loan and revolving credit facility carry an interest rate of 2.10% above LIBOR.
The margin above LIBOR is dependent on the level of borrowings relative to EBITDA.

		2018		2017	
	Year of maturity	Face value £m	Carrying amount £m	Face value £m	Carrying amount £m
Term loan	2021	**10.0**	**10.0**	15.0	15.0
Revolving credit facility	2021	**20.0**	**20.0**	15.0	15.0
		30.0	**30.0**	30.0	30.0

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:

	2018 £m	2017 £m
Expiring within one year	**5.0**	5.0
Expiring between one and two years	**–**	20.0
Expiring between two and five years	**25.0**	–
	30.0	25.0

Finance lease liabilities are payable as follows:

	2018 £m	2017 £m
Within one year	**0.7**	1.1
In the second to fifth years	**0.6**	1.5
	1.3	2.6

Net debt reconciliation	At 1 January 2018 £m	Cash movements £m	Non-cash movements £m	At 31 December 2018 £m
Cash and cash equivalents	(7.3)	1.2	–	(6.1)
Secured bank loans	29.8	(0.3)	0.1	29.6
Finance lease liabilities	2.6	(1.1)	(0.2)	1.3
Net debt	**25.1**	**(0.2)**	**(0.1)**	**24.8**

22. Provisions

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
At 1 January 2018	**2.3**	**1.2**	**2.7**	**6.2**
Acquired during the year	0.2	–	0.1	0.3
Utilised during the year	(0.1)	(0.2)	(1.4)	(1.7)
Created / (released) during the year	(0.6)	0.5	(0.4)	(0.5)
At 31 December 2018	**1.8**	**1.5**	**1.0**	**4.3**

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
Non-current	1.4	1.1	0.3	2.8
Current	0.4	0.4	0.7	1.5
At 31 December 2018	**1.8**	**1.5**	**1.0**	**4.3**

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
At 1 January 2017	**2.6**	**1.6**	**–**	**4.2**
Created during the year	–	–	2.7	2.7
Utilised during the year	(0.3)	(0.4)	–	(0.7)
At 31 December 2017	**2.3**	**1.2**	**2.7**	**6.2**

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
Non-current	2.0	0.9	1.2	4.1
Current	0.3	0.3	1.5	2.1
At 31 December 2017	**2.3**	**1.2**	**2.7**	**6.2**

Leasehold dilapidations

The Group leases a number of properties with terms of up to 17 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. As a contractual obligation exists, the Group provides for the dilapidation costs based on management's experience of historical dilapidation settlements.

Warranties

Group companies offer warranties, typically of between five and ten 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.

Notes to the Accounts continued

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Site consolidation and rationalisation

Site consolidation and rationalisation provisions comprise onerous lease and redundancy cost provisions relating to sites the Group has closed, or committed to close, as at 31 December 2018. Cash outflows are expected over the next two years.

23. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2018		2017	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Property, plant and equipment	**–**	**(0.4)**	–	(0.9)
Intangible assets	**–**	**(0.3)**	–	(0.4)
Other timing differences	**0.5**	**–**	0.2	–
Tax value of loss carry-forwards	**0.9**	**–**	1.7	–
Deferred tax assets/(liabilities)	**1.4**	**(0.7)**	1.9	(1.3)
Net of deferred tax (liabilities)/assets	**(0.7)**		(1.3)	
Net deferred tax asset	**0.7**		0.6	

Movement in deferred tax during the periods:

	At 1 January 2018 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2018 £m
Property, plant and equipment	(0.9)	0.5	–	(0.4)
Intangible assets	(0.4)	0.2	(0.1)	(0.3)
Other timing differences	0.2	0.3	–	0.5
Tax value of loss carry-forwards	1.7	(0.8)	–	0.9
	0.6	**0.2**	**(0.1)**	**0.7**

	At 1 January 2017 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2017 £m
Property, plant and equipment	(1.4)	0.5	–	(0.9)
Intangible assets	(0.6)	0.2	–	(0.4)
Other timing differences	0.1	0.1	–	0.2
Tax value of loss carry-forwards	2.3	(0.6)	–	1.7
	0.4	**0.2**	**–**	**0.6**

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

	2018 £m	2017 £m
Tax losses	**9.5**	**9.0**

As at 31 December 2018, of the potential net deferred tax asset of £2.3 million, the Group has recognised a net deferred tax asset of £0.7 million. This is because the Group has £15.1 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 £5.6 million of these losses.

24. Share capital and reserves

	2018		2017	
	Number of shares	**£**	Number of shares	£
Allotted and called up:				
Ordinary shares of 0.05p each	**142,925,173**	**71,463**	142,921,424	71,461
		71,463		71,461

2018

On 6 August 2018, the Company issued 2,187 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.

On 10 August 2018, the Company issued 1,562 ordinary shares of 0.05p each to a former employee who had elected to exercise his options pursuant to the Group's SAYE employee share scheme.

2017

On 13 January 2017, the Company issued 10,416 ordinary shares of 0.05p each to a former employee who had elected to exercise his options pursuant to the Group's SAYE employee share scheme.

On 21 February 2017 the Company issued 917,082 ordinary shares of 0.05p each as contingent consideration due in connection with the acquisition of Vannplastic Limited ("Ecodek") in October 2015.

On 14 March 2017, the Company issued 9,259 ordinary shares of 0.05p each to a former employee who had elected to exercise his options pursuant to the Group's SAYE employee share scheme.

On 22 June 2017 the Company issued 460,019 ordinary shares of 0.05p each as contingent consideration due in connection with the acquisition of Stormking Plastics Limited in December 2015.

On 28 June 2017, the Company issued 2,662 ordinary shares of 0.05p each to a former employee who had elected to exercise his options pursuant to the Group's SAYE employee share scheme.

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 and settlement of deferred contingent consideration.

Outstanding options

Outstanding options have been granted to the Directors and employees of the Group under the Long-Term Incentive Plan and SAYE scheme. Further details are included within note 9.

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.

Notes to the Accounts continued

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25. 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 risks 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:

	2018 £m	2017 £m
UK	**35.8**	37.7
Europe	**1.4**	1.9
Rest of World	**0.3**	0.3
	37.5	39.9

Credit quality of financial assets and impairment losses

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

	2018		2017	
	Gross £m	**Impairment £m**	Gross £m	Impairment £m
Not past due	**24.0**	**1.0**	25.6	0.1
Past due 0-30 days	**9.1**	**0.5**	9.4	0.1
Past due 31-120 days	**3.2**	**0.2**	3.3	0.1
More than 120 days	**1.2**	**0.8**	1.6	0.9
	37.5	**2.5**	39.9	1.2

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

	2018 £m	2017 £m
Balance at 1 January under IAS 39	**1.2**	1.2
IFRS 9 adoption	**1.4**	–
Balance at 1 January under IFRS 9	**2.6**	1.2
On acquisition	**0.1**	–
Impairment loss recognised	**0.4**	4.3
Impairment loss utilised	**(0.6)**	(4.3)
Balance at 31 December	**2.5**	1.2

For the purpose of IFRS 15: Revenues, trade receivables are considered to be the only asset or liability related to contracts with customers.

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 £37.5 million revolving credit facility and a £10.0 million amortising term loan (extendable to £17.5m) to support short and medium-term liquidity.

Contractual cash flows

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

	2018 £m	2017 £m
Due in less than one year	5.7	21.1
Expiring between one and two years	5.6	10.9
Expiring between two and five years	20.0	0.6
Expiring after five years	–	–
Contractual cash flows	31.3	32.6
Borrowing costs	(0.4)	(0.2)
Carrying amount	30.9	32.4

Included in the above maturity analysis is £1.3 million of finance lease liabilities, £0.7 million falling due within one year and £0.6 million falling due between one and two years.

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:

	2018			2017		
	Euro £m	US dollar £m	GBP £m	Euro £m	US dollar £m	GBP £m
Trade and other receivables	1.0	–	39.4	1.4	0.1	43.8
Cash and cash equivalents	0.9	0.1	5.1	2.1	0.2	5.0
Interest-bearing loans and borrowings	–	–	(30.9)	–	–	(32.4)
Tax payable	–	–	(0.6)	–	–	(1.4)
Trade and other payables	(0.5)	(0.1)	(60.7)	(0.6)	(0.1)	(54.0)
	1.4	–	(47.7)	2.9	0.2	(39.0)

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.

Notes to the Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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, creditor 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.

25. Financial instruments and related disclosures continued

Fair value disclosures

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

	2018 £m	2017 £m
Cash and cash equivalents	6.1	7.3
Trade and other receivables	40.4	45.3
Total financial assets	**46.5**	**52.6**

	2018 £m	2017 £m
Trade and other payables	61.3	54.7
Borrowings at amortised cost	30.9	32.4
Contingent consideration	0.3	–
Total financial liabilities	**92.5**	**87.1**

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).

The contingent consideration of £7.3 million at 1 January 2017 created on the acquisition of Stormking Plastics Limited and Vannplastic Limited was carried at fair value measured using a Level 3 valuation method based on a contractual multiple of the forecast EBITDA of the respective business during a 12-month post-acquisition period.

	2018 £m	2017 £m
Balance at 1 January	–	7.3
Created on acquisition	0.3	–
Settled in year	–	(5.5)
Credited to income statement	–	(1.8)
Balance at 31 December	**0.3**	**–**

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:

	2018 Impact on profit before tax £m	2017 Impact on profit before tax £m
+1 percentage point movement in interest rates	**(0.5)**	(0.4)
-1 percentage point movement in interest rates	**0.6**	0.4

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:

	2018 Increase/ (decrease) in equity £m	2017 Increase/ (decrease) in equity £m
+10 percentage points appreciation of the euro	**0.2**	0.2
-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.

26. Commitments

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Less than one year	**6.6**	6.6	**3.7**	3.1
Between one and five years	**22.3**	22.0	**7.9**	4.6
More than five years	**37.0**	42.7	**0.5**	0.2
	65.9	71.3	**12.1**	7.9

27. Related party transactions

All transactions with Directors are included in the Directors' Remuneration Report on pages 38 to 40.

Notes to the Accounts continued

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28. Post balance sheet event

On 7 January 2019 the Group disposed of the trade and certain assets and liabilities of the glass-sealed unit manufacturing business for consideration of £0.1m. As part of the transaction the buyer has sublet and guaranteed the property lease costs of the Northampton site for the remaining 14 years of the lease.

An impairment charge of £3.6 million, writing down the value of the net assets sold to their recoverable amount, has been booked in the income statement, as discontinued operations, in the year to 31 December 2018.

On 1 February 2019 the Group acquired 100% of the share capital of Premier Distribution (Gt Yarmouth) Ltd ("PVS").

PVS supplies and installs PVC decking and related products to the holiday park and park home markets as well as to residential customers and local authorities. The acquisition of PVS opens up further routes to market for Epwin's existing and new PVC decking products.

Initial consideration was £2.5 million with the potential to increase subject to the performance of the business over a two-year earnout period.

Fair value calculations have not been completed due to the proximity of the acquisition to the publication of these accounts.

Company Balance Sheet

AS AT 31 DECEMBER 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investments in subsidiaries	4	**69.6**	68.9
		69.6	68.9
Current assets			
Trade and other receivables	5	**31.6**	33.1
Cash and cash equivalents		**–**	–
		31.6	33.1
Current liabilities			
Trade and other payables	6	**(5.9)**	(27.9)
Net current assets		**25.7**	5.2
Total assets less current liabilities		**95.3**	74.1
Non-current liabilities			
Trade and other payables	7	**(24.7)**	(9.9)
Net assets		**70.6**	64.2
Equity			
Ordinary share capital		**0.1**	0.1
Share premium		**12.5**	12.5
Merger reserve		**25.5**	25.5
Retained earnings		**32.5**	26.1
Equity shareholders' funds		**70.6**	64.2

The Company profit for the year ended 31 December 2018 was £14.5 million (2017: £14.7 million).

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2019.

They were signed on its behalf by:

Jonathan Bednall
Chief Executive Officer

Christopher Empson
Group Finance Director

Company number:
07742256

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Share premium account £m	Merger reserve £m	Retained earnings £m	Total £m
At 31 December 2016	**0.1**	**12.5**	**24.0**	**20.3**	**56.9**
Comprehensive income:					
Profit for the year	–	–	–	14.7	14.7
Total comprehensive income	**–**	**–**	**–**	**14.7**	**14.7**
Transactions with owners recorded directly in equity:					
Issue of shares	–	–	1.5	–	1.5
Share-based payments	–	–	–	0.6	0.6
Dividends	–	–	–	(9.5)	(9.5)
Total transactions with owners	**–**	**–**	**1.5**	**(8.9)**	**(7.4)**
At 31 December 2017	**0.1**	**12.5**	**25.5**	**26.1**	**64.2**
Comprehensive income:					
Profit for the year	–	–	–	14.5	14.5
Total comprehensive income	**–**	**–**	**–**	**14.5**	**14.5**
Transactions with owners recorded directly in equity:					
Share-based payments	–	–	–	0.7	0.7
Dividends	–	–	–	(8.8)	(8.8)
Total transactions with owners	–	–	–	(8.1)	(8.1)
At 31 December 2018	**0.1**	**12.5**	**25.5**	**32.5**	**70.6**

Notes to the Company Accounts

FOR THE YEAR ENDED 31 DECEMBER 2018

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

1. Basis of preparation

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.

1.2 Going concern

As highlighted in note 25 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 September 2021.

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 25. 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 25 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, it continues 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 Long-Term Incentive Plan and a Save As You Earn ("SAYE") scheme and 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.

Notes to the Company Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

The preparation of the Parent Company 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 judgement and estimate employed in the financial statements is:

Impairment of investment in subsidiary companies

The subsidiary companies' investment balances are held at cost less any impairment. An impairment exists when their recoverable amount is less than the cost of investment held in the accounts. There are a number of factors which could impact the recoverable amount which creates a risk of this recoverable amount being lower than the investment balance held. The discounted cashflows used align to those used in testing goodwill, please see note 14 to the Group accounts for more detail.

3. Staff costs

Please see disclosures relating to the Group in note 8 to the consolidated financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 38 to 40.

4. Non-current asset investments

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2018	**68.9**
Additions	0.7
At 31 December 2018	**69.6**
Impairment	
At 1 January 2018 and 31 December 2018	**–**
Net book value	
At 31 December 2018	**69.6**
At 31 December 2017	68.9

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

The Group's subsidiary undertakings are as follows:

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2018	Country of incorporation
Held directly by the Company			
Specialist Building Products Limited	The extrusion of PVC-u and PVC-ue, the manufacturer of windows and doors, related building materials and the retail, trade and public sector sales of these products	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
Vannplastic Limited	Dormant	100%	England
Stormking Plastics Limited	Dormant	100%	England
Held indirectly by the Company			
Specialist Building Distribution Limited	Supply of plastic building products	100%	England
Winep 66 Limited	Manufacture of sealed glazed units	100%	England
Crown Architectural Aluminium (UK) Limited	Non-trading	100%	England
Magden Limited	Non-trading	100%	England
Nu*Stock Limited	Non-trading	100%	England
Saltire Trade Plastics Limited	Non-trading	100%	Scotland
UPVC Distributors Limited	Non-trading	100%	England
Amicus Building Products Limited	Holding Company	100%	England
Winep 61 Limited	Holding Company	100%	England
Winep 63 Limited	Holding Company	100%	England
Winep 67 Limited	Holding Company	100%	England
Amazon Civils Limited	Dormant	100%	England
Celuform Building Products Limited	Dormant	100%	England
CET Glass Processors (Holdings) Limited	Dormant	100%	England
Churchley Bros. Limited	Dormant	100%	England
Churchley Builders Plastics Limited	Dormant	100%	England
Ecodek Limited	Dormant	100%	England
Epwin Glass Limited	Dormant	100%	England
Epwin Logistics 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

Notes to the Company Accounts continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2018	Country of incorporation
Plastal Commercial Limited	Dormant	100%	England
Profile 22 Systems Limited	Dormant	100%	England
Schnicks Limited	Dormant	100%	England
Silplas Building Products Limited	Dormant	100%	England
Spectus Systems (Dormant) 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
Winep3 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 65 Limited	Dormant	100%	England
Winep 68 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, Trade BP Limited and Saltire Trade Plastics 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 Old Tin Works, Bridge Street, Abercarn, Newport, Wales NP11 4SL. The registered address of Saltire Trade Plastics Limited is 3 Melville Street, Edinburgh, Scotland, EH3 7PE.

5. Trade and other receivables

Amounts falling due within one year

	2018 £m	2017 £m
Amounts due from subsidiary undertakings	**31.6**	33.1
	31.6	33.1

6. Trade and other payables falling due within one year

	2018 £m	2017 £m
Bank loans and overdraft	**5.9**	27.9
	5.9	27.9

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

	2018 £m	2017 £m
Bank loans and other borrowings	**24.7**	9.9
	24.7	9.9

Analysis of bank loans and borrowings:

	2018 £m	2017 £m
Repayable:		
Within one year	**5.9**	27.9
Between one and two years	**4.9**	9.9
Between two and five years	**19.8**	–
	30.6	37.8

Borrowing costs of £0.4 million (2017: £0.2 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 21.

Notice of the 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 21 May 2019 at 11.00 am 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 2018, together with the report of the Directors and the auditors on those accounts.
2. To declare a final dividend of 3.20 pence per ordinary share in respect of the financial year ended 31 December 2018.
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, who retires by rotation, as a Director.
6. To re-elect Christopher Empson, who retires by rotation, 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 7 as an ordinary resolution and as to resolutions 8 and 9 as special resolutions:

7. 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 £47,641.72 (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 £23,820.86 (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 £23,820.86).

   Such authorities shall apply until the close of business on 30 June 2020 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.

8. That, subject to the passing of resolution 7, 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 7 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 £3,573.13,

   and (unless previously revoked, varied or renewed) shall expire on 30 June 2020 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.

9. 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 14,292,517;

   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 2020 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

9 April 2019

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 4 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 2018 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 2018 (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 3.20 pence per ordinary share is proposed. An interim dividend of 1.70 pence per ordinary share was paid during the year. If approved, the final dividend will be paid on 3 June 2019 to shareholders on the register at the close of business on 10 May 2019.

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 reappointed as auditors. Resolution 4 also authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

Resolutions 5 and 6: To re-elect Jonathan Bednall and Christopher Empson as Directors of the Company

Jonathan Bednall and Christopher Empson were re-elected as Directors of the Company at the AGM in 2017 and 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 7 will be proposed as an ordinary resolution and resolutions 8 and 9 will be proposed as special resolutions. For these special resolutions to be passed, 75% or more of shareholders' votes cast must be in favour.

Resolution 7: 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 £23,820.86. This amount represents one third of the issued ordinary share capital of the Company as at 9 April 2019, 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 £47,641.72.

The Directors have no present intention to allot new shares other than in connection with employee share and incentive plans and share warrants.

Resolution 8: 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 8 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 £3,573.13, equivalent to 5% of the total issued ordinary share capital of the Company as at 9 April 2019 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 9: 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 9 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.

Notice of Meeting Notes:

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on 17 May 2019. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

2. Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 11.00am (UK time) on 21 May 2019 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.

3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. 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 ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
   - If you need help with voting online, please contact our Registrars, Link Asset Services, on 0871 664 0300 from the UK (calls cost 12p per minute plus network extras) or +44 371 664 0300 from outside the UK (calls chargeable at the applicable international rate) or email Link at enquiries@linkgroup.co.uk

7. If you return more than one proxy appointment, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.

10. In order for a proxy appointment or instruction 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's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00am on 17 May 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application 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.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. 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.

12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 9 April 2019 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 142,925,173 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 9 April 2019 are 142,925,173.

14. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

15. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

16. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 10.45 am on the day of the Meeting until the conclusion of the Meeting:

- copies of the Directors' letters of appointment or service contracts.

17. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.epwin.co.uk.

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

Visit our permanent exhibition at
The Building Centre, London