# ALL TOGETHER BETTER

ANNUAL REPORT 2015

eurocell

All together better

We are the UK's leading manufacturer, distributor and recycler of PVC-U window, door, conservatory and roofline systems, offering the widest product range of any single brand. We employ over 1,000 people throughout the UK. We are headquartered in Alfreton, Derbyshire.

Eurocell Profiles supplies a national network of fabricators and installers with a comprehensive range of PVC-U systems including the innovative Modus system, windows, entrance doors, inline patio doors, bi-fold doors, conservatories and cavity closers.

Eurocell Building Plastics operates 141 branches nationwide servicing trade and DIY customers and offering over 4,000 products, including Skypod skylights, Equinox tiled conservatory roofs, roofline, composite doors and ancillary products.

The Company's goal is to earn the lifetime loyalty of its customers by helping them grow their businesses.

In March 2015 the Company floated on the main market of the London Stock Exchange.

## Strategic Report



## Corporate Governance



## Financial Statements

# OUR BUSINESS

## AT A GLANCE

Our dedication to innovation, backed by constant investment into research, development and manufacturing equipment, helps us keep pace with a growing customer base and a rapidly changing market.

Branches

**140+**

Employees

**1,000+**

Manufactured Eurocell products made from recycled PVC

**20%**

**Strategy**

Our objective is to grow sales and profits above the rate of market growth by leveraging the Eurocell brand and the advantages of our vertically integrated business model:

- Expand our branch network
- Develop new products
- Increase the use of recycled materials
- Explore potential bolt-on acquisition opportunities

For our business model see page 2

**Some of the reasons people choose Eurocell:**

**Unique nationwide branch network**

**Unique manufacture and distribution business model**

**Dedicated new build sector business development team**

**Dedicated commercial sector business development team**

**Main Markets**

RMI

**84%**

New Build

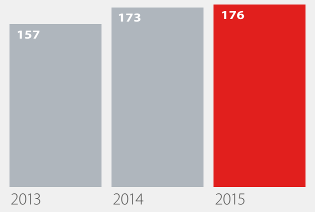
**12%**

Public Sector

**4%**

Revenue (£m)

**£176m**




# A SUCCESSFUL 2015

## GROUP HIGHLIGHTS

### Financial highlights

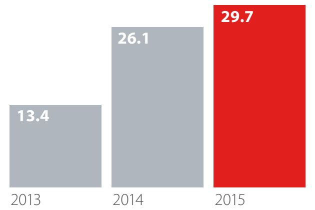
- Revenue £175.9m (2014: £173.1m) against a subdued RMI market
- Gross margin improvement from 48.3% to 51.7% due to enhanced procurement, improved manufacturing performance and lower material prices
- Recurring EBITDA of £29.7m (2014: £26.1m)
- Reported PBT increased by 17.6%
- Excluding IPO costs, PBT increased by 29%
- Recurring EPS growth from 13.0p to 18.6p
- Increase in cash generated from underlying operations from £21.1m to £29.6m
- Net debt reduced from £35.5m to £25.9m
- Continued investment in the manufacturing facilities and the branch network £6.3m (2014: £5.1m)
- Interim dividend paid during the year of 2.7p per share
- Proposed final dividend of 5.2p per share
- Return on Capital Employed 39.0% (2014: 35.7%)

### Operational highlights

- Continued expansion of the branch network with an increase of 13 branches in the year
- Continued innovation in the new Modus, Skypod and Equinox product ranges
- Branch sales of higher margin Eurocell manufactured products increased by 8%
- Operational efficiencies up 5% and scrap levels down 13%
- Bolt-on acquisition of injection moulding business completed in July 2015
- Increased use of post consumer recycled material (13.8%)
- Acquisition of Vista Panels Limited on 9 March 2016 for £7.1m

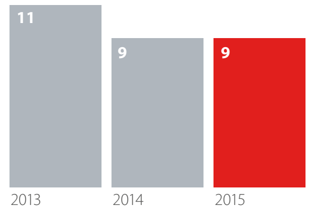
Recurring EBITDA (£m)

**£29.7m**



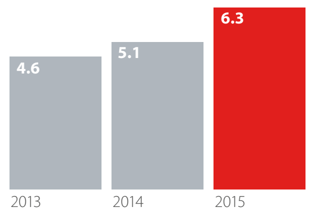

Working capital as a % of revenue (%)

**9%**



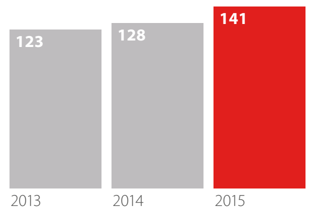

Capex (£m)

**£6.3m**



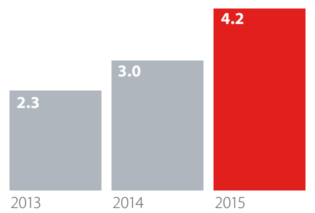

No. of branches (end of year)

**141**




Waste material used in Fenestration (kt)

**4.2kt**



# CREATING VALUE

## EUROCELL'S BUSINESS MODEL

## WHAT WE DO

### We source
PVC resin, the principal raw material used in the Company's manufacturing operations, is a derivative of ethylene, which in turn is a derivative of crude oil.

### We manufacture
Through our purpose built facilities in Alfreton we are a top 3 UK manufacturer of both rigid and foam PVC profiles for the window and building improvements sectors.

### We sell and distribute
We operate predominantly under the Eurocell brand, a recognised leader in the UK for window, door and roofline products.

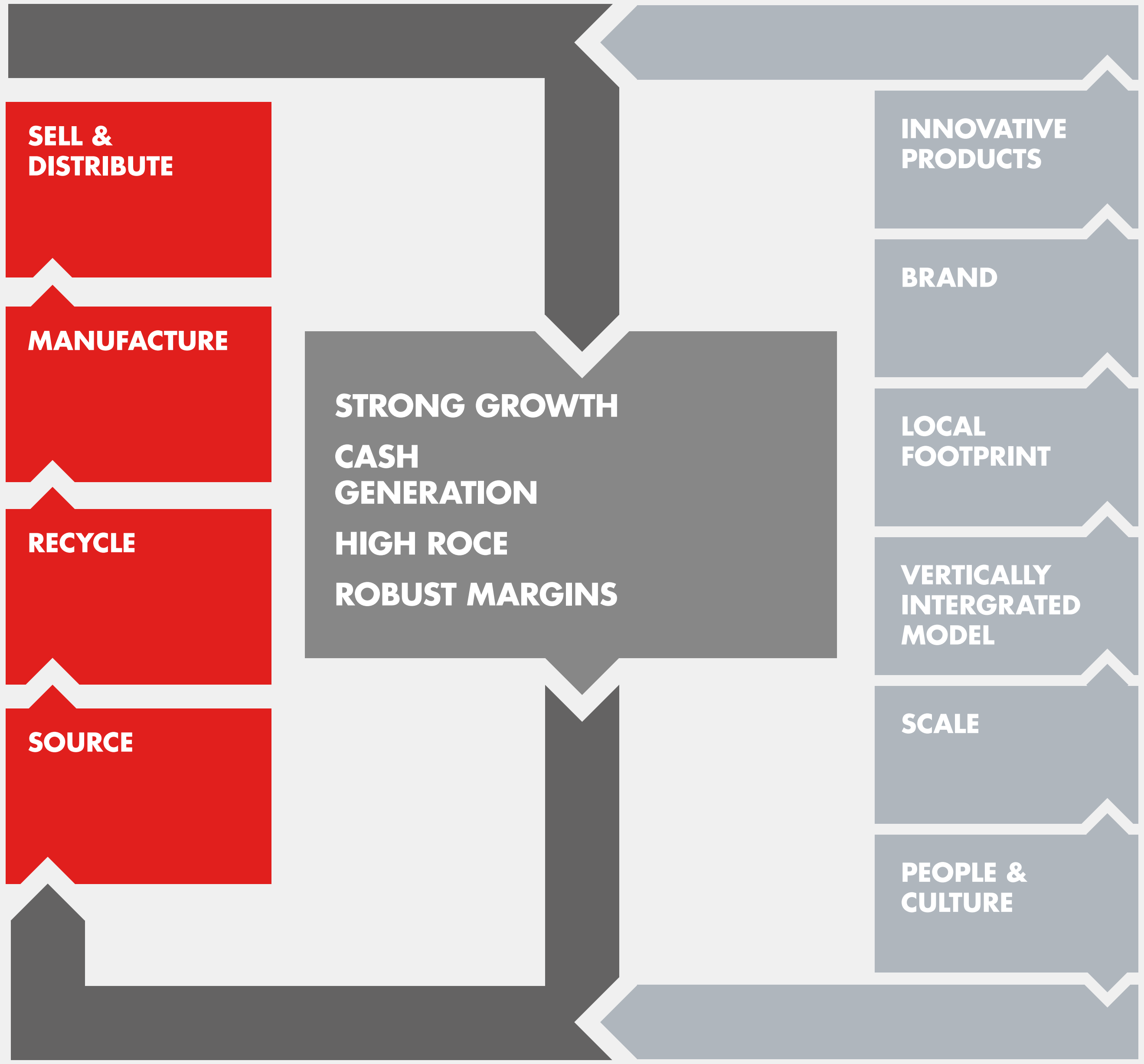
We supply profiles to fabricators of windows, doors, conservatory roofs, and installers of roofline products.

Through our nationwide network of Eurocell branded branches we sell a range of Eurocell manufactured and branded PVC foam roofline products, as well as third party manufactured ancillary products, including windows, doors, sealants, tools and rainwater products. Our customers are typically small building firms and installers, as well as national installation and maintenance companies. In addition we supply some national retailers with roofline and trim products.

### We recycle
We are a leader in recycling PVC, operating what we believe to be the UK's most advanced window recycling facility. Our manufactured products are made from on average 20% recycled PVC, which provides production stability, cushions us from PVC price increases and improves the carbon footprint of the Company's finished products. The sources of the recycled material are both customer factory offcuts, and increasingly old windows that are being replaced. This recycling of old windows ensures a sustained future for PVC windows whilst avoiding the need for landfill.

Recycled PVC

**20%**




## HOW WE CREATE VALUE

### Innovative products
- Our ongoing investment in innovative solutions and materials is targeted not only to improve the use of finite raw materials but also to provide long term energy efficient products reducing the whole life energy and carbon footprint of the products and the buildings in which they are fitted.
- All products are designed taking into account the use of materials, the lifetime guarantee, ease of manufacture, ease of installation and the satisfaction of the final end user for the lifetime of the product.
- We are at the forefront of innovation: Modus is the UK's first integrated PVC door and window system, and Aspect is the leading PVC panoramic bi-fold door system. Our Equinox tiled roof system for conservatories and the Skypod lantern windows have been very well received.
- We continue to search for new products and Solutions that will improve the whole building envelope of both new and existing building stock and collaborate with partners such as universities, planners and installers to develop product solutions to help the government meet its energy commitments.

### Brand
- Our unified corporate identity is recognised by B2B customers, major house builders and Specifiers, and is synonymous with quality, service and innovation. We are recognised as a market leader in low energy, competitive yet innovative products as well as providing an "easy to deal with" business environment.
- The brand is easily recognised across all areas of the business by the logo and the "All together better" strap line summing up that the supplier and customer relationships are important to the Eurocell name.
- The Company is also recognised as an employer of choice.

### People and culture
### *Local footprint*
- We offer customers high levels of service and technical support through our own nationwide network of branded outlets.
- Customers benefit from readily available inventory at local outlets from Truro to Inverness.
- Our branches are conveniently located adjacent to other national trade outlets giving local service to local customers and national groups.

### Vertically integrated model
- Our vertically integrated procurement, manufacturing and distribution business model ensures supply chain best practice with retained margins, and is the ideal platform for pricing consistency and product introductions.
- Our state-of-the-art recycling facility allows us to minimise materials costs, provides production stability and improves the embedded carbon footprint of our finished products.

### Scale
- Our modern and well-invested extrusion facilities are among the largest in the UK.
- We are the UK's largest window recycling operator.
- Our facilities for extrusion, injection moulding, assembly and recycling have sufficient capacity to grow production without the need for significant additional capital expenditure.
- Our extensive, expanding and self-funding branch network is not only a driver of growth and market share but also of margins through increasing our factory utilisation.

### People and culture
- Our experienced management team has a proven track record of achieving profitable growth, a key driver of which is through training and empowering our people to help our customers grow their businesses.
- We offer effective tailored training at all levels throughout the business, not only to improve the business but also to fulfil our peoples' aspirations for career development.
- Our strong corporate culture of openness, trust, encouragement and clarity of strategy ensures cohesive and effective working, and is a core factor in the success of our business.

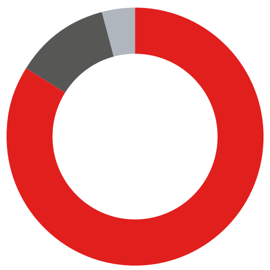
For our people see page 18

# GROWTH POTENTIAL

## MARKET OVERVIEW

Although our products are sold both to private and public sector end customers, demand for our products is influenced predominantly by trends in improvement in private housing.

Eurocell 2015 revenues by market (per cent)



RMI

**84%**

New build

**12%**

Public sector (new build and RMI)

**4%**

### Market drivers

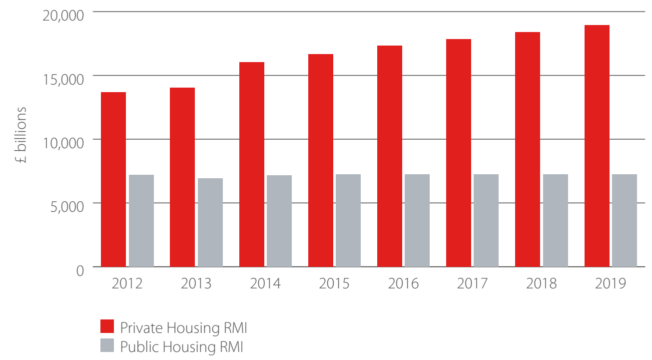
The principal drivers of demand for our products are the UK economy and more specifically the UK Housing market. The table below provides an overview of each driver, and how the trend is likely to influence demand for our products.

| Driver | Description | Impact on Eurocell |
|---|---|---|
| GDP | The UK economy is forecast to grow by an average of 2.7% over the next four years, vs. 2.6% in 2015 | ↑ |
| Consumer confidence | Increases in real wages are anticipated to enhance consumer confidence in 2016 | ↑ |
| Interest rates | Having remained low for several years, interest rates are not forecast to increase before 2017 | → |
| Construction | Activity remains 4% below the pre-recession peak, and is expected to grow by an annual average of between 3% and 4% through 2019 | ↑ |
| | Private housing starts are forecast to increase by 5% in 2016 and 4% in 2017, supported by initiatives such as the government's Help to Buy equity loan scheme | ↑ |
| | Public housing starts are expected to remain flat | → |
| Housing market | Investment in RMI is influenced by the state of the housing market. The Office for Budget Responsibility expects property transactions to increase by 3.7% in 2016 and by 5.2% in 2017. House prices are anticipated to rise by 4.6% in 2016 and by 4.2% in 2017 | → |

Key to impact on demand for Eurocell's products:
↑ Positive
→ Neutral
↓ Negative

Sources: ONS, Construction Products Association

2012 – 2019 Investment in public and private housing RMI (£ billion)




Source: ONS, Construction Products Association

### Private home improvement (RMI – Repair, Maintenance & Improvement)

Private home owners typically invest in Eurocell products in order to improve the energy efficiency and/or aesthetics of a property. Demand is influenced by the state of the economy, and the resulting impact on the housing market and on consumer confidence more generally. Property transactions are a key driver of demand for our products, as sellers may enhance a property ahead of a sale, and buyers may wish to update a property's aesthetics or energy efficiency. Conversely, in periods of suppressed housing activity, homeowners may choose to improve or extend their existing property rather than move house.

We access this market via our fabricator and installer customers, through both our Profiles division and our branch network.

### Private new build housing

Issues with the UK new build market are well documented: the population is increasing, the number of households is growing, and there is a shortage of new homes. Prices are rising, and there is an affordability issue for working families, particularly in the South East. This market sector is seeing growth, but demand continues to outstrip supply. We service this market sector by targeting housebuilders on behalf of our fabricator and installer customers.

### Social housing improvement

Historically, planned maintenance of social housing stock was funded by the Government under the Decent Homes Initiative. The main drivers for demand were improving energy efficiency and improving the quality of the social housing stock. Government funding is declining and social housing providers are increasingly diversifying into commercial enterprises to raise the necessary funds. This market sector is still considered significant and we service it by targeting social housing providers and contractors on behalf of our fabricator and installer customers.

### Public new build housing

This sector represents only a very small proportion of the UK housing market. Government policy is to drive private sector affordable housing rather than public sector social housing. We target housebuilders and Registered Social Landlords on behalf of our fabricator and installer customers.

# HOW WE OPERATE

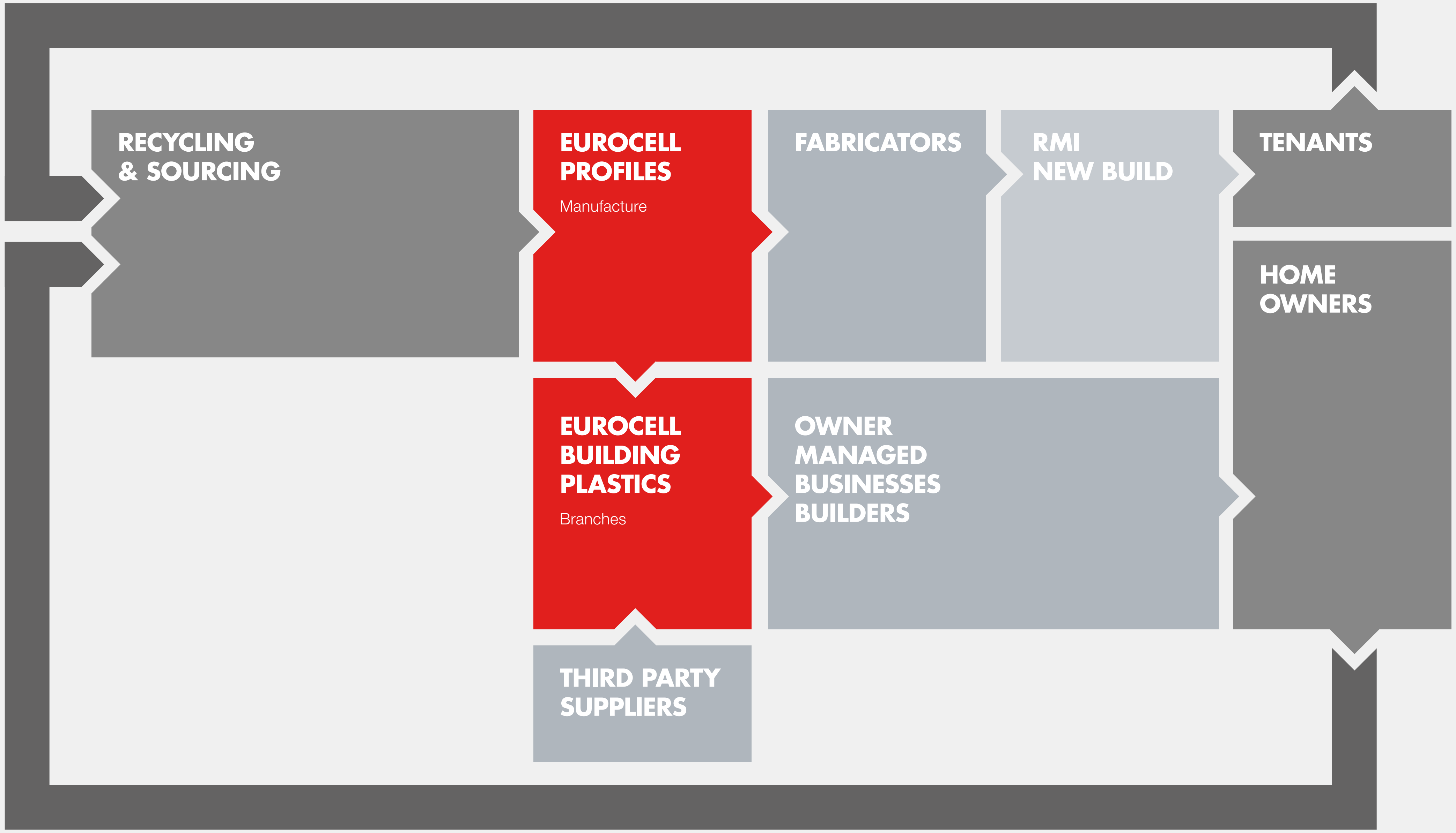
## EUROCELL'S ROUTE TO MARKET

Eurocell operates and reports its business through two divisions that reflect the principal routes to market for its products: Eurocell Profiles and Eurocell Building Plastics.

**Eurocell Profiles** manufactures and distributes rigid and foam extruded PVC profiles from which windows, cavity closer systems, trims, patio doors and conservatories are then constructed by third party fabricators. Fabricators customise their production equipment to the type of profile with which they are working and the window or door system to which this relates, resulting in the fabricator predominately buying profiles from one single source. This has created a stable and loyal customer base for Eurocell.

**Eurocell Building Plastics** sells and distributes a range of Eurocell manufactured and branded PVC foam roofline products and third party manufactured ancillary products, including windows, doors, sealants, tools and rainwater products, through its network of 141 Eurocell branded branches as well as an online store to installers, small and independent builders, housebuilders and national maintenance companies. Eurocell also sells its own roofline products to independent wholesalers in addition to supplying the Company's own branch network.

Eurocell's sales and distribution strategy is implemented by the Company's cross-functional profile and branch sales teams and business development team, who target each of the key decision makers in the supply chain, from fabricators and installers, to developers, architects and local authorities. By 'influencing the influencers' we earn the loyalty of our customers by helping them to growth their businesses.




# CLEAR OBJECTIVES

## OUR STRATEGY

Our objective is to grow sales and profits above the rate of market growth by leveraging the Eurocell brand and the advantages of our vertically integrated business model.

For our business model see page 2

**EXPAND OUR BRANCH NETWORK**

**DEVELOP NEW PRODUCTS**

**INCREASE THE USE OF RECYCLED MATERIALS**

**EXPLORE POTENTIAL BOLT-ON ACQUISITION OPPORTUNITIES**

**Strategic objectives**

### Strategy in action

## Increase the use of recycled materials

### Our recycling plant at Ilkeston

In 2011 we invested nearly £3m on expanding the recycling plant at our Ilkeston site.

The post consumer waste windows that we collect are recycled:

- into compound for use in our Profiles manufacturing facility at Alfreton
- to manufacture a variety of products on site at Ilkeston.

The range of recycled plastic products we manufacture includes:

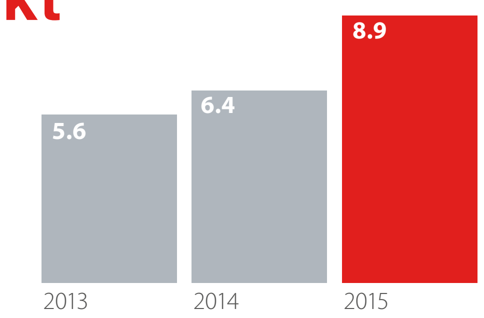
- Cavity closers – Frame-forming closures for the cavities around window and door openings in masonry walls
- Commercial vehicle door seals – Perimeter seals for the back door of commercial vehicle trailers
- Commercial vehicle pelmets – The top of a curtain sided trailer which hides the curtain running gear
- Water meter tubes for major water companies
- Gaskets – The seals in UPVC window profiles etc
- Automotive products – Extrusions for commercial vehicles
- Home and leisure products – PVC tube
- Eaves guards – Protective barriers for the bottom row of roof tiles
- Glazing extrusions – Extrusions for UPVC glazing
- Traffic-management barrier boards – Warning and traffic flow signage
- Blasting tubes – Tubes to hold explosives in place when packing holes in quarries

Amount of waste material we can reprocess per hour

**5,000kg**

Post consumer waste reprocessed (kt)

**8.9kt**






# OUR STRATEGY

CONTINUED

### Strategy in action

## Expand our branch network

**Kettering branch opened during the year**

On 10 August 2015 we opened a branch on the Telford Way Industrial Estate in Kettering.

Located within easy access of the A14 and the town centre, the new branch is ideally placed to serve tradesmen, working in and around the region, and also provides a local base for national maintenance and building companies.

This addition to the Eurocell network created three new jobs, with more planned as the branch expands. There are now 141 branches in the UK and this branch strengthens the company's presence in Northamptonshire.

Contractors and installers in the area now benefit from the Eurocell integrated business model, through which they are able to source their requirements from a "one-stop-shop"which stocks lines direct from the manufacturer alongside third party products such as silicones.

In common with other Eurocell branches, the Kettering branch holds permanent stock of over 4,000 top quality UPVC products and accessories, all available to take away using click and collect or free next day delivery.

Number of branches

**141**

Increase of branches

**+13**

Branch sales regional split (%)

| South East | South West |
|---|---|
| 19% | 15% |
| **Central** | **North** |
| 31% | 36% |

### Strategy in action

## Develop new products

**Composite fencing product launched in the year**

Elsewhere in this report we talk about headline product introductions: the Modus Window System, Skypod and Equinox conservatory. Other new products are also evaluated on an on-going basis.

During 2015 we launched a new composite fencing product.

Composite Fencing is the environmentally friendly, attractive and maintenance-free alternative to timber fencing. Manufactured from Wood-Grain, a composite comprising 75% recycled material, Composite Fencing has all the look and feel of timber without any of the long term downsides of expensive maintenance. Composite Fencings Wood-Grain consists principally of recycled PVC-U, coated with wood composite, and comes with a 20 year guarantee against rotting.

The unique finish of composite fencing complements a gardens' natural surroundings. These fencing panels are strong yet light.

The panels may be slotted into existing posts, replacing the old wooden panels from the concrete posts. The end result is a maintenance-free fence which not only looks good but is easy to install and never needs treating.

Recycled material content

**75%**

Guarantee

**20 years**

# MEETING CHALLENGES HEAD ON

## CHAIRMAN'S STATEMENT

Revenue

**£175.9m**



This is the first full year statement by a Chairman of Eurocell following the completion of our flotation on the main UK market in March 2015. I am delighted, therefore, to report a successful year for the business, with further financial and strategic progress. This was achieved against the backdrop of an RMI (Repair Maintenance and Improvement) market that was subdued and by most estimates reduced in size in the second half of 2015.

**Strategy**
Following the formation of the Board ahead of the IPO, we conducted a full review of the Company's existing strategy and the fundamental elements of the Company's markets and activities. Following this process, we reaffirmed our clear focus on driving sustainable growth through product innovation, recycling, the branch roll-out and acquisitions that add expertise to our activities.

**Performance**
2015 was another year of progress for the group. Group revenues grew by 1.6%, ahead of a muted overall RMI market. At the same time, we improved our gross margin by 3.4 percentage points as a result of an improved manufacturing performance, enhanced procurement measures and lower raw material costs and an improved manufacturing performance. This led to a significant improvement in profitability, with adjusted PBT ahead by 29%.

Innovation has continued in the business with two new product areas, Equinox Conservatory Roof Systems and the Skypod (lantern) roofs. Both have sold strongly following their launch through the branch network.

We have opened 13 new branches during the year, taking our total to 141. With the expanding branch network, we have appointed leaders for the North and South divisions thus enabling the Commercial Director to devote more time to the overall development of the branch network and its contribution.

Lastly, we acquired S. and. S Plastics, a highly competent injection moulder specialising in our industry. This expanded our ability to insource injection moulded parts as well as giving an expanded offer to market. S. and. S has exceeded our expectations in its first 6 months within the business.

**People**
All our staff have gone through a year of significant change against challenging market conditions. They have coped admirably and delivered a credible result and on your behalf and the Board, I wish to formally record our thanks.

After 11 years leading Eurocell and building a strong foundation for its future, Patrick has decided it is time for him to begin his well-deserved retirement. The Board undertook an extensive and rigorous process and I am pleased to advise that Mark Kelly joins the Company from Grafton Plc as Patrick's successor. Mark and Patrick will engage in an extensive handover process thus enabling Patrick to retire on 30 June.

Patrick created the high quality company that Eurocell now is and I would like to thank him for a job very well done.

After 11 years with Eurocell, Matthew Edwards has informed the Board of his desire to seek new opportunities. The Board wishes to thank him for his excellent work in taking the Company into private equity and through to public ownership; they wish him well with his new endeavours. A search process to seek his successor is well underway.

From my visits to our various locations and branches, I have been very impressed with the enthusiasm and professionalism of all our people and this gives me significant confidence for the future.

**Governance**
Ahead of our listing in March, we adopted the full requirements of a listed company and meet all aspects of the requirements.

Our Board has six Directors, comprising of a chairman, two executives, two independent members and a representative from H2, our previous owners and major shareholder.

We have three committees (Audit and Risk, Remuneration and Nomination) now in place and each chair of a committee is reporting separately to you. The Executive Committee chaired and led by the CEO is responsible for all operational aspects and reports to the Board each month.

**Dividend**
As advised at the time of listing the Board has adopted a progressive policy for Dividend and paid an interim dividend of 2.7p and is recommending a final dividend of 5.2p making a total of 7.9p for the year.

**Outlook**
Whilst we are not anticipating a radical improvement in the markets we serve in the near term, we believe that our strategy combined with the proven capabilities of the Company will enable Eurocell to continue to deliver significant value to customers and Shareholders in the current year and beyond.

On 9 March 2016, after the year end, we announced the acquisition of Vista Panels Limited a composite door manufacturing business with £13.6m Revenue, £1.6m EBITDA for the year ended 31 December 2015. This will provide further potential in the New Build Market.

**Bob Lawson**
Chairman
16 March 2016

# LOOKING TO THE FUTURE

## CHIEF EXECUTIVE'S STATEMENT

We are pleased to present our maiden results in line with management expectations. This was achieved despite the forecast growth in the RMI market in the second half of the year not being realised. Revenue growth of 1.6% was ahead of the market. Our continued focus on cost and efficiency, however, enabled us to drive strong margin and profit growth.

Strategically, we have delivered in all areas with focus on continued innovation, expansion of the store network and value-enhancing acquisitions.

**Marketing and strategy**
We are committed to a strategy of growing the business by expanding the branch network, continuing to bring innovative new products to market and by providing excellent customer service. I am pleased to report significant development in all of these areas in 2015.

The appointment of two additional major trade fabricators at the end of 2015 will bring revenue and margin in 2016, one being a major trade fabricator nationally in the UK and the other will provide a strong base in the commercial market.

The new build market demand remains strong and our ability to supply excellent products on time supports our growth in this area. Our close working relationship with a number of the major house builders remains strong, nurtured through innovative products good technical support as well as our competitive pricing through the fabricator network. The continued expansion in the use of recycled PVC windows remains attractive to the new build market.

Our business development team has achieved some excellent projects for our fabricators in the public sector and commercial markets, in many cases replacing traditional aluminium applications with the new PVC Modus equivalent.

**Marketing – how it supports our strategy**
Eurocell targets each of the key decision makers in the supply chain, ranging from fabricators and installers to developers and local authorities. This strategy of creating business for our direct trading partners supports our vision of helping our customers grow their business whilst creating a long term loyalty. Our new website this year has resulted in more sales leads for our customers and brought new customers to the table.

Our sales and distribution strategy is implemented by the Company's Profiles and Branch Sales and Business Development Team. This team consists of highly specialised representatives who are focused on the group strategy rather than individual products or departments. This team brings business to both the Profiles and Building Plastics businesses and results in repeat specifications especially of the high end products.

**Bolt-on acquisitions**
In July 2015 we successfully completed the small bolt-on acquisition of S. and. S Plastics Limited. S. and. S Plastics specialises in Injection Moulding in the windows market and other profitable sectors. The acquisition is allowing the Company to extend its customer base and also provide further cross-selling opportunities for the extended product range. Whilst the main core of the S. and. S business is window related, its work in other specialist areas such as health care, and electrical distribution introduces new markets to the wider business. The S. and. S leadership team has brought additional expertise to the Company.

The integration of the business into the Group is proceeding to plan and the business is performing ahead of expectations.

**Branch roll-out and refurbishment**
There are currently 141 branches in the UK with 13 having opened during 2015. The branch network attracts an average of 3,500 customers daily giving a highly prized sales opportunity for new products as well as portfolio selling. The branches operate as sales outlets for, among other things, the Company's roofline products and a variety of third-party products. Expanding the branch network whilst maintaining the high standards of the existing portfolio has been the long term strategy of the business for the last 10 years.

Typically, the Company invests in its branches in the first 12 months of trading, after 24 months the branch breaks even, and after the third year will begin to reach maturity.

**Outlook**
Performance in the first ten weeks of H1 2016 (compared to 2015)
- Total External Revenue up 10.6% (in Profiles and Building plastics)
- Positives on both sides of the business
- Branch Like for Like Revenue up 8.8%
- Strong RMI market
- Acquisition of the Vista Panels Limited
- Lower Resin price for January and February in addition to a new 2016 supply agreement

Outlook for remainder of 2016
- Launch of new tiling system for Equinox Roof System
- Total branches of 156 by December 2016
- 2016 CAPEX £7.0m (£6.4m 2015) planned (Including new automated foiling line & increased recycling capacity)
- 2016 profitability and dividend expected to be in line with expectations

**Patrick Bateman**
Chief Executive Officer
16 March 2016



# OUR PERFORMANCE

## DIVISIONAL REVIEW

### Eurocell Profiles

Profiles are manufactured in two purpose-built extrusion facilities in Alfreton, Derbyshire. Eurocell has some of the largest capacity in the UK, able to produce enough profile for approximately 36,000 windows per week. Currently the division consumes in excess of 43,000 tonnes of PVC compound each year.

Eurocell Profiles has established a reputation for designing and manufacturing innovative window system profiles which are compliant with foreseen future thermal efficiency and security standards and building regulations. There are three main window and door systems developed by Eurocell Profiles: Logik, Aspect and Modus. With an estimated market share of almost 10 per cent, Logik is one of the leading window profile products in the UK, Aspect is the market leading PVC panoramic bi-fold door system.

In addition Eurocell Profiles designs manufactures and Supplies traditional and contemporary conservatory roofing sytems. The Pinnacle conservatory roof is a well designed and engineered conservatory roofing system capable of fulfilling both traditional and contemporary conservatory designs. Skypod is a cost-efficient pitched skylight system and Equinox is a solid roof replacement for tired polycarbonate and glass conservatory roofs.

### Products

**Modus**

The recently developed Modus window system is made from 60% recycled PVC. Modus is extremely flexible potentially replacing 8 separate window systems. The 8 in 1 system provides outstanding energy efficiency, including triple glazing specifications providing thermal performance and airtightness. Developed in-house, Modus is the market leading system in high specification applications. The premium appearance make the Modus system an attractive choice against timber and aluminium. The recent introduction of a mechanically jointed corner makes the window a high quality replacement for traditional timber windows and competes well in the aspirational and premium market.

Equinox roof sales

**+29%**

**Skypod**

The Skypod lantern roof system is used for a wide range of applications, including flat roof extensions, new build, garage conversions and kitchen diners. The Skypod system has exceptional energy saving capabilities, is offered with self-cleaning glass and is also more affordable than alternatives. This product, in line with the window systems, appeals to the new build market as well as the RMI market as it helps to provide open, well-lit spaces. Introductions this year of a high pitchroof for the commercial market, and square roofs up to 2m square are very competitively priced.

**Equinox**

The Equinox conservatory system is a tile roofing system designed to replace thermally inefficient polycarbonate and glazed conservatory roofs to create a comfortable all year round living space. The Directors believe that there is a large existing market of installed conservatories which are unusable in the winter and summer which can cost effectively be converted into all year living rooms. Sales of the Equinox have grown by 29% in this year and further growth is expected, again reinforcing the power of the integrated manufacturing and branch model.

### Operational review:

- The RMI market was buoyant during 2014 but started to slow down from February 2015. New Build sector was up with both the private and public sectors putting an emphasis on thermal efficiency. We saw growth in our customers (>£1m pa) whilst our smaller customers maintaned their market position.
- Sales of high margin aspirational products such as aspect panoramic bi-fold doors and Skypod were encouraging.

### Eurocell Building Plastics

Eurocell Building Plastics sells and distributes a range of Eurocell branded PVC doors and roofline products and third party related products through its network of Eurocell branded branches to installers, small builders, house builders and national repair and maintenance providers. In addition, the branches sell windows and doors fabricated by third parties using profile manufactured by Eurocell Profiles, providing its fabricators with further pull-through demand.

Eurocell Building Plastics division has the largest number of single-brand branches of any building plastics distributor in the UK, with 141 branches at the year end providing national coverage from Truro to Inverness. This nationwide coverage coupled, with the ability to colour match roofline products with the Eurocell Profiles window products, gives the Company a unique competitive advantage.

The Company has grown the number of branches from 56 in 2004 to 141 at 31 December 2015. Branches are typically located in modern industrial parks enabling independent “man with a van” builders to limit the amount of travel they undertake when buying and collecting building materials and products. Branches are a vital means of driving local sales, with a branches visited on average by 3,500 customers daily. The average branch is approximately 3,000 sq. ft. and comprises a small showroom with a trade counter and warehouse, with a manager, a warehouse employee and a driver.

Typically, the Company invests in its branches in the first 12 months of trading, after 24 months the branch breaks even, and after the third year will begin to reach maturity.

Number of customers visiting branches each day

**3,500**

The branches remain the ideal platform to promote the Company’s manufactured products. It gives an agile route to market for new products like Equinox where face-to-face opportunities happen daily and we can help our customers to recognise sales opportunities for themselves whilst carrying out tradition work at people’s houses. It also allows the easy and consistent treatment of pricing and margin enhancement.

### Operational review:

- The business continued to focus on increasing the branch network with 13 new branches opening in 2015. We also invested in improved management infrastructure to support future growth. We experienced pressure on branch like for like sales but this did not adversely effect margin. We intensified our management training in the year and leveraged the use of technology. We still see growth in sales leads arising from our website.

# OUR PEOPLE

## CUSTOMER SERVICE

Our people are the lifeblood of our business. They are vital in providing the outstanding levels of customer service and care in which we take so much pride. We regularly receive unsolicited testimonials from our customers, confirming that our approach works.

Group average number of employees

**1,084**

S. and S. Plastics Limited number of employees

**82**

Employees serving more than 5 years

**46%**

### Employer of choice

We have a highly trained workforce, and an experienced and cohesive senior and second level management team. Eurocell's strong corporate culture ensures that teams work effectively to achieve strategic goals. Our culture is a key factor in the recruitment and retention of people and in the continuing success of the business.

### Staff development

During the year, we introduced a new training programme, which aims to develop the skills of the second level management team. Initial assessments of the new programme have been positive.

### Staff retention

We work hard to retain our people, and this is borne out by the fact that 46% of employees have service of 5 years or more, and 24% have 10 years or more. These numbers are particularly impressive in the context of Eurocell's strong growth over the last 10 years.

Employee lengths of service

| Up to 5 years | 6 to 10 years |
|---|---|
| 54% | 22% |
| **11 to 15 years** | **Over 15 years** |
| 17% | 7% |

### Some messages received on our website

*I would just like to pass on my thanks and appreciation for the service I have received from John in your Brighton branch. I am a first time customer and he has treated me with respect and courtesy. He also delivered my product after work on a Saturday so that I could finish my easter decking project in time before I go back to work. Every company should have people like John!*
*12 April 2015*

*I cannot begin to tell you about the outstanding customer service I have received from Tony in your Team Valley Gateshead branch. I called off chance this morning about a window restrictor which a friend had sourced at your Longbenton branch. As Team Valley is nearer to where I live I was enquiring if they stocked the same product. Tony went out of his way, was so warm and friendly and his customer service was above and beyond anyone's expectations. I have only talked to Tony on the telephone but all I can say is you must be very proud to have someone like him working for yourselves. Tony went totally out of his way and over and beyond and I am so impressed with his friendliness and how helpful he was. He deserves some recognition for the way he has dealt with my problem. Well done Tony! Best regards Debs (Ps I have never met him before but he was fantastic.)*
*16 November 2015*

*I would like to let you know how impressed I have been with the service I have received over the past few weeks from your staff. Nothing has seemed to be too much trouble and I have no hesitation in recommending your firm to friends Thank you once again.*
*sincerely, Dave*
*26 November 2015*

# THE HEART OF OUR VALUES

## CORPORATE SOCIAL RESPONSIBILITY

Our corporate social responsibility (CSR) activities reflect our ongoing commitment to innovation and sound business practices. Our culture ensures people are treated with fairness and respect, and our customers receive excellent customer service.

### People
We respect the individuality and diversity of every employee. Our policies ensure that every employee is treated equally, fairly and with dignity and that all employees are aware of their obligations. We are committed to the health and safety of all of its employees, together with their Human Rights, irrespective of background and to this end we maintain a number of policies and codes of conduct regarding appropriate behaviour in the workplace.

### Providing a safe working environment
The health and safety of our people is our number one priority. As well as an excellent accident frequency record, we also monitor near misses with a view to eradicating potential causes of future accidents.

### Risks and uncertainties
The Principal Risks and Uncertainties are outlined in the Principal Risks section on pages 26 to 27.

### Carbon footprint
Prior to listing we did not measure our carbon footprint. Measures are being implemented now to enable full disclosure in future years. We intend to increase our use of recycled product where we can.

### Equality and diversity
Equality and diversity are fundamental values supported by Eurocell. We take our responsibilities under our equal opportunities policy seriously and we give full and fair consideration to applications for employment by disabled people. In the event of a colleague becoming disabled, every effort is made to ensure that their employment with us continues and that appropriate training is arranged. We respect individuals and their rights in the workplace and, with this in mind, specific policies are in place to prevent or, where issues are raised, address harassment and bullying and to ensure equal opportunities. Our whistleblowing policy continues to operate to give visibility to issues that might not have been resolved through normal business channels.

Our colleagues are from wide and diverse backgrounds, sexual orientations, nationalities and ethnic and religious groups. With continued expansion, diversity amongst our colleagues will increase. We respect cultural differences, and learn about and embrace these differences wherever we operate.

We recognise the benefits of encouraging diversity across the business and believe that this will contribute to our continued success. All appointments are made based on merit and are measured against specific objective criteria including the skills and experience needed for the position. We are committed to increasing the participation of women at the Board, Executive Committee and senior management level, as they are currently under represented as the table below illustrates:

| | Male No. | % | Female No. | % | Total No. |
|---|---|---|---|---|---|
| Directors | 6 | 100% | 0 | 0% | 6 |
| Executive Committee | 3 | 100% | 0 | 0% | 3 |
| Senior Managers | 12 | 86% | 2 | 14% | 14 |
| Other Employees | 938 | 88% | 123 | 12% | 1,061 |
| **Total** | **959** | **88%** | **125** | **12%** | **1,084** |

# DELIVERING ON OUR STRATEGY

## CHIEF FINANCIAL OFFICER'S REPORT

Adjusted diluted earnings per share

**18.6 pence**



I am delighted to present the Company's first Full Year CFO's report as a listed entity. Generally market conditions have not provided many opportunities, but we started the year with a number of operational actions planned and we have delivered on all of these.

Revenue (£m)

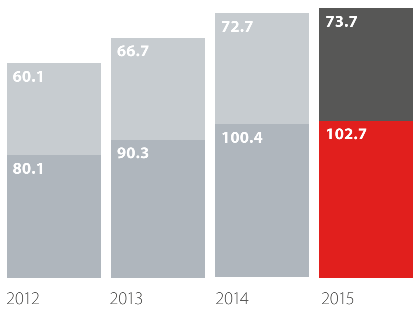
**£176m**

Profiles

**£73.7m**

Building Plastics

**£102.7m**




## Results

### Revenue

Revenue of £176m (2014: £173m) has been negatively impacted by the slowing of the RMI market, the delayed sign-on of a major new customer and has benefited from new branch openings in the year. We will continue our current strategy and are confident that this will deliver growth ahead of the market in future years.

### Margin

The margin was 51.7% (2014: 48.3%). We have benefited from low PVC resin prices (through both market forces and improved procurement), reduced costs of other raw materials, and production efficiencies. The new supply contract for PVC resin gives the Company improved prices but also secures planned requirements. The increased use of recycled material from our unique plant has further benefited the margin by replacing more expensive virgin.

### Overheads

The business continues to keep tight control of the overheads, with highlights being:

- Efficiencies in the factories have kept production overheads in line with management expectations.
- Investment in the recycling plant has delivered increased recycled raw material at lower cost.
- With the expansion of the branch network, overall branch overheads have increased but only in line with the estate size.
- The improvements to the management infrastructure relating to the branches will increase overhead but are necessary to support our plans in respect of the future expansion of the branch network.
- Costs arising as a result of being a listed Company were £1.2m (2014: £nil).
- Non-recurring items of £3.3m (2014: £0.8m) related to professional fees and other costs incurred as a result of the IPO of the Company in March 2015.

### Bad debts

The Company provides for all debts that are significantly past due and also provides against those debts which are considered to be at risk. The provision for bad and doubtful debts was £0.7m (2014: £2.1m), the reduction arising as a result of the reassessment of the risk pertaining to the bad debt provision.

### Warranty claims

The Company does not routinely provide for warranty claims unless there are circumstances that indicate there is a specific issue that could give rise to material claims. During the year, potentially there were such circumstances, and a provision of £0.5m (2014: £nil) has been made at 31 December 2015. This provision will be closely monitored during 2016.

### Finance costs

In 2014 and for the early part of 2015 the Company was Private Equity backed. This meant that the Company was financed by a combination of shareholder loan notes and asset backed lending. As part of the IPO process, the Company rearranged all of its borrowings and this has resulted in far more advantageous terms. The Company is cash generative, but monitors its net debt closely. The Company is comfortably within the terms of its financial covenants. The net debt at the year end was £25.9m (2014: £35.5m).

### Recurring profit before tax

The profit before tax and non recurring items was £23.0m (2014: £17.8m). The result in 2015 includes additional costs arising as a result of being listed of £1.2m. We expect these costs to remain at this level in the future. Finance charges have reduced as a result of the restructuring of our finances on IPO.

### Non-recurring costs

The Income Statement includes £3.3m (2014: £0.8m) of non-recurring costs. These costs are the costs incurred by the Company in respect of the IPO in March 2015, and therefore are treated as non-recurring for comparison purposes.

### Tax

The effective rate of Corporation Tax is 21.4% (2014: 29.6%). The rate was high in 2014 as a result of disallowed loan note interest.

### Earnings per share

| | 2015 Pence | 2014 Pence |
|---|---|---|
| Basic earnings per share | **15.5** | 11.9 |
| Adjusted basic earnings per share | **18.6** | 13.0 |
| Diluted earnings per share | **15.5** | 11.9 |
| Adjusted diluted earnings per share | **18.6** | 13.0 |

Earnings per share continues to improve. The adjusted earnings per share removes the impact of non-recurring IPO costs.

### Dividends

The stated Dividend Policy of the Company is to distribute 40% of the adjusted net income each year as a dividend. An interim dividend of 2.7 pence per share was paid on 9 October 2015, and the Board are recommending a final dividend of 5.2 pence per share which is in line with the Company's dividend policy.

Subject to shareholder approval the final dividend be paid on 26 May 2016 to shareholders on the register at 29 April 2016.

### Fixed assets

The Company continues to invest in its future with capital expenditure this year of £6.3m (2014: £5.1m).

### Acquisition

During the year the Company acquired S. and S. Plastics Limited for a consideration of £2.5m. The 2015 (full year) Revenue for this business was £4.7m with an adjusted EBITDA of £0.6m.

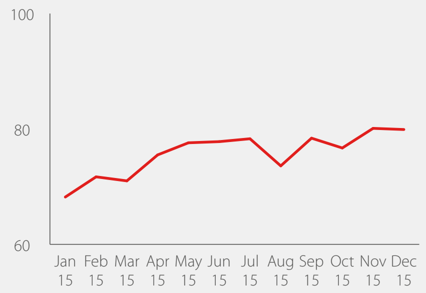
# CHIEF FINANCIAL OFFICER'S REPORT

CONTINUED

## KEY PERFORMANCE INDICATORS

### Operational Equipment Efficiency (OEE)

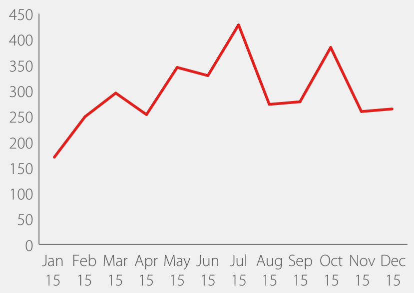
**76%**
(2014: 71%)




During the year, training at all levels has been increased to drive the manufacturing facilities' efficiency forward. The training concentrates on asset care, management and appraisals, production techniques and Scrap reduction. Through investment in machinery and tooling as well as our people skills the OEE has improved through the year and this has flowed through into improved margins.

### Usage of recycled materials

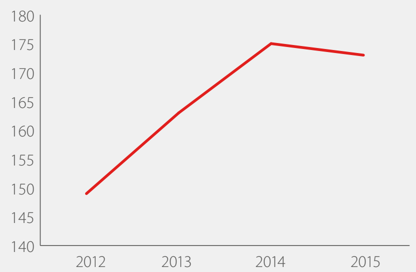
**3.5kt**
(2014: 2.4kt)




The growing use of both post consumer (old windows) and post industrial (factory waste from fabricators) has increased. This is as a result of investment into new extrusion tooling which increases the % recycled material for the same profile. The difference in cost between virgin and recycled material remains high despite the falling resin price and thus enhances the margin.

### Revenue per FTE

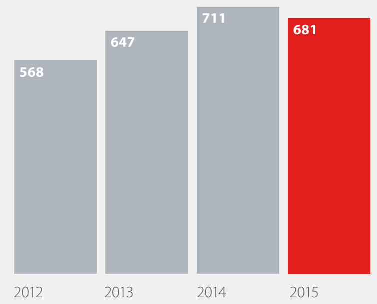
**£173k**
(2014: £175k)




We have continued to grow our revenue while maintaining controlled overheads. 2015 has seen us break with tradition in investing more people within the branch infrastructure, to help accelerate the future branch rollout strategy.

### Average revenue per branch (£000)

**£681k**

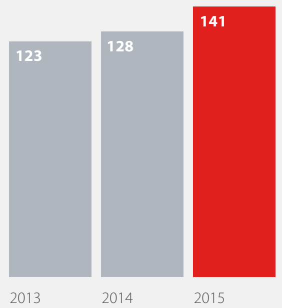



The disclosed strategy of continuing to grow the number of branches has been achieved in the year growing from 128 to 141.

The strength of own distribution continues with the consistent national launch of new products as well as a controlled pricing structure. Further management training has also been delivered in the Building Plastics Division.

### Number of branches

**141**
(2014: 128)




The accelerated branch opening programme has given rise to an increase in the number of branches which are not yet mature, lowering the average sales per branch.

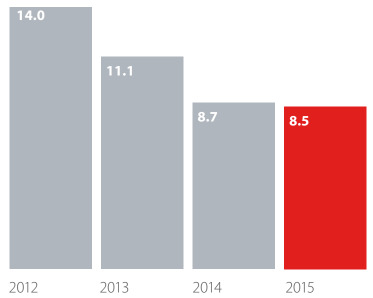
**Working Capital**
The Company has maintained the same policy on Working Capital this year. The only significant change has been improved terms with a core material supplier.

The Company cash flow remains strong. Factors that benefit our strong cash flow include:

- 1/3 of branch customers pay immediately
- disciplined management of working capital
- focused capital expenditure

### Working capital as a % of revenue

**8.5%**




We continue to understand that this is a people driven business and have delivered a number of programs this year, more formal appraisals, cross company technical and management development programs, 360 degree feedback to our senior managers as well as improved on the job training. This has all resulted in the results of the business during the year and will provide a sound base for the next years.

Our customer relationships are measured by a third party on a regular basis and our customer relationships remain strong and secure. The addition of two major customers at the end of 2015 will show through in 2016.

The Company's assets through continued intelligent investment are in good shape to give ongoing efficiency improvements. The acquisition made in the year, S. and S. Plastics is meeting expectations with good opportunities in 2016. The acquisition since the year end of Vista Panels Limited a composite door manufacturing business with £13.6m revenue, £1.6m EBITDA will provide further potential in the New Build Market.

**Matthew Edwards**
Chief Financial Officer
16 March 2016

# PRINCIPAL RISKS

## AND UNCERTAINTIES

| Risk | Impact | Mitigation |
|---|---|---|
| **MARKET RISK**<br>Our products are used in the residential and commercial building and construction markets including within the RMI sector.<br><br>Wider economic conditions and government policy can have an impact on demand in the construction sector and levels of disposable income can impact activity in the RMI market. | Uncertainty over the economic climate makes it difficult to predict accurately levels of demand for our products. | There is greater risk in the New Build sector where we are less exposed. Our service driven strategy means that we are well able to withstand short term economic pressures on our business. |
| **SEVERE WEATHER**<br>Our business can be severely affected by unexpected or prolonged periods of severe weather in the UK. | Severe weather has an impact on the housing sector generally which drives demand for our products and it will also affect our ability to deliver products to our branches and our customers. | We expect some inclement weather in December and January and plan accordingly. It is unusual for severe weather to extend to two weeks or more. |
| **RAW MATERIALS COST FLUCTUATIONS**<br>We depend on the supply of PVC resin to be able to manufacture our products. PVC resin is an indirect derivative of the oil market and prices are therefore subject to fluctuation on a monthly basis. | There can be a delay in passing on our cost increase to our customers in the form of selling price increases which can affect our margins. Whilst customers expect selling price reductions when the price of resin falls, they are reluctant to accept selling price increase when the price of PVC resin rises. | We ensure that our supply contracts with major customers contain mechanisms to deal with significant variations in the PVC resin price.<br><br>We aim to increase the amount of post consumer waste we use in our product. |
| **CHANGES IN LAWS AND REGULATIONS**<br>We are high users of energy and we use various polymers and chemicals in our manufacturing processes. There is a risk that the laws pertaining to the usage of these resources could change which would in turn would increase our cost base. | Any increases in our cost base would affect margin if we were unable to pass these increase on to customers in the form of price increases. | We monitor policy so that we are prepared for any legislative changes well before they are introduced. |

| Risk | Impact | Mitigation |
|---|---|---|
| **CHANGES IN LAWS AND REGULATIONS PERTAINING TO THE ENVIRONMENT**<br>Given the nature of the Company's manufacturing activities there is an inherent risk of environment liability. | We could be held liable for environmental damage as a result of hazardous materials. | We ensure that we comply with all current legislation pertaining to the environment and adopt best practice wherever possible. |
| **FAILURE OF PRODUCTS TO PERFORM**<br>Customers or end users could receive inferior quality products either due to manufacturing issues or due to issues at our customers. | Given the nature of modern communications a perception could be circulated quickly that our products fail to perform adequately. | We have robust quality control processes which minimise the risk of inferior products being shipped to our customers. Where end users have complaints we have a team of dedicated technical service people who will visit the end user on site with a view to resolving all problems. |
| **RECOVERABILTY OF TRADE RECEIVABLES**<br>The Company does not insure the credit it extends to its customers and there is an inherent risk that customers could default on the amounts they owe. | There is a risk of material bad debt charges in the event of customer defaults. | We have rigorous credit control procedures and monitor larger exposures at all times. We adopt a prudent approach towards provisioning. |
| **DILAPIDATIONS COSTS**<br>Most of the property we use is under lease. When these leases come to an end there is likely to be dilapidations to the properties which need to be rectified. | The inherent uncertainty in assessing future charges relating to dilapidations means that the provisions we make could be misstated. | Our methodology for fitting out buildings minimises the structural impact we have on our buildings. This together with training our people means that we reduce our exposure to dilapidations costs as much as we can. We provide for future dilapidations costs on a prudent yet commercially realistic basis. |

### Going concern and viability statement

The Directors have taken into account the forecasts for the 36 months from the balance sheet date to assess the future funding requirements of the Group, and compared them with the level of committed available borrowing facilities. The Directors have concluded that the Group will have a sufficient level of headroom in the foreseeable future and that the likelihood of breaching covenants in this period is remote. It is therefore appropriate for the financial statements to be prepared on a going concern basis.

The directors can confirm that they have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due for the next three years.

A period of three years has been adopted as this is the time frame used by the Board as its strategic and planning horizon. This assessment of viability has been made with reference to the Company's current position and future prospects, its strategy, its management of risk, and also the Board's assessment of the outlook in the market place.

The Board considers its strategy and risks on strategy away days, and revisits these annually when considering the next year's budget. The three year plan considers revenue and earnings growth and how this impacts cash flows and key ratios. Operational plans and financing options are considered as part of this process. In preparing the plan the Company adopts a prudent forecast in respect of Like for Like Sales Growth, but assumes new branches and acquisitions in line with the published strategy. The plan is stress tested for decreases in revenues, failure to make acquisitions, margin effects of oil price increases and all three scenarios together. The Board considers these tests to be sufficient to test the viability of the Company given the size of the Company and the markets it operates within.

# THE BOARD

## OF DIRECTORS

### ROBERT (BOB) LAWSON

**Chairman (N,R)**

Bob Lawson is a non-executive chairman of Genus plc. He was previously the Chairman of Barratt Developments plc, Chairman of the Federation of Groundwork Trusts and Hays plc, Managing Director for the Vitec Group for three years and Chief Executive of Electrocomponents plc for ten years and Subsequently Chairman for a further five years. Bob chairs the Nomination Committee.

### PATRICK BATEMAN

**Chief Executive Officer (N)**

Patrick Bateman joined the Group as Chief Executive Officer in 2004. Previously, he was Managing Director UK and then Vice President Service Europe of Johnson Controls. He has 25 years of Managing Director experience with UK and international companies.

### MATTHEW EDWARDS FCMA

**Chief Financial Officer**

Matthew Edwards joined the Group in 2005 and was appointed to the Board in 2007. Matthew's role includes responsibility for finance, IT, procurement and property. During his career Matthew has held both finance and marketing roles and he has worked in a variety of sectors including oil, brewing and retail. Immediately prior to joining Eurocell, Matthew was a management consultant with Sita UK (recycling). Matthew is a Fellow of the Chartered Institute of Management Accountants.

### PATRICK KALVERBOER

**Non-Executive Director (N)**

Patrick Kalverboer joined the Group as non-executive chairman in September 2013. Patrick is a managing partner of H2 Equity Partners and has fulfilled his role with the Company as part of the investment made by the H2 Fund. He has 20 years of private equity experience and has been involved in various investments made by the H2 Fund (and its predecessors) in both an executive and non-executive capacity.

### FRANK NELSON FCMA

**Senior Independent Non-Executive Director (A,N,R)**

Frank Nelson was Finance Director of Galliford Try plc from 2000 to 2012 and is a non-executive director of McCarthy & Stone, HICL Infrastructure Company Limited, and Telford Homes plc. He is also a fellow of the Chartered Institute of Management Accountants. Frank is the Chair of the Audit and Risk Committee and is the Senior Independent Director.

### MARTYN COFFEY

**Independent Non-Executive Director (A,N,R)**

Martyn Coffey is the Chief Executive Officer of Marshalls plc, having been appointed to that role in September 2013. Prior to his role at Marshalls plc, Martyn was Divisional CEO of BDR Thermea Group BV with responsibility for 65 per cent of the group including the UK, France, Germany, Iberia and Italy. Martyn is a director of the Mineral Products Association. Martyn is the Chair of the Remuneration Committee.

Key:
A= Member of the Audit and Risk Committee
R= Member of the Remuneration Committee
N= Member of the Nomination Committee

# LETTER FROM THE

## CHAIRMAN

Dear shareholder,

On behalf of the Board I present the first annual Corporate Governance report for Eurocell plc. The Board is committed to maintaining the highest standards of corporate governance and this report sets out the framework and the approach of the Board to corporate governance during 2015.

Since listing the terms of reference of the various committees have been confirmed. There is a separate report in respect of Directors' remuneration below. Neither of the Executive Directors held non executive roles with other companies. The Audit and Risk Committee advises the Board on our Financial Reporting in order that it be Fair Balanced and Understandable.

The Board has adopted a formal schedule of matters reserved for the Board's consideration. Specific matters include:

- Strategy and Management
- Structure and Capital
- Financial Reporting and Controls
- Internal Controls
- Major Contracts
- Corporate Communication
- Board Membership and other appointments
- Remuneration
- Corporate Governance

The Company was admitted to listing on the London Stock Exchange in March 2015, and stated in its Prospectus (dated 3 March 2015) that it would comply with the principles of the Combined Code on Corporate Governance (the 'Code"), as published by the Financial Reporting Council in 2014. The Board is committed to, and accountable for, the principles and provisions set out in the Code.

I can confirm that each Director continues to make a very valuable contribution to the Board and devotes sufficient time to the role.

**Bob Lawson**
Chairman
16 March 2016



# CORPORATE GOVERNANCE



## The Board

The Board is responsible for leading and controlling the Company and has overall authority for the management and conduct of the Company's business, strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Company.

The UK Corporate Governance Code recommends that for companies that are below the FTSE 350, the Board should comprise of at least two non-executive directors who are determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, this judgement. The Company regards Martyn Coffey and Frank Nelson as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any business or other relationships that could materially interfere with the exercise of their independent judgement.

## Chairman

The Code recommends that a chairman should meet the independence criteria set out in the Code on appointment. The Board has concluded that Bob Lawson was independent for UK Corporate Governance Code purposes on appointment.

## Senior Independent Director

The UK Corporate Governance Code also recommends that the Board of directors of a Company with a premium listing on the Official List should appoint one of the independent non-executive directors to be the Senior Independent Director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Director has an important role on the Board in leading on corporate governance issues and being available to Shareholders if they have concerns which contact through the normal channels of the Chairman, Chief Executive Officer or other Executive Directors has failed to resolve or for which such contact is inappropriate. Frank Nelson has been appointed as the Company's Senior Independent Director.

## Directors

All Directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively. To this end the time commitment expected of each non-executive Director is set out in their letter of appointment and non-executive appointees must demonstrate that they have sufficient time to devote to the role.

Recognising the benefits that experience on other boards can bring to the Company, executive Directors may accept one external non-executive directorship. Any proposed appointment is subject to review and takes into account the Director's duty to avoid a conflict of interest. During the year, no executives accepted any non-executive appointments.

At the AGM in May 2016, all directors will again offer themselves for election or re-relection as appropriate. We consider the directors offering themselves for election or re-election to be effective, committed to their roles and to have sufficient time available to perform their duties.

## Board evaluation

Each year a performance evaluation of the Board is undertaken. An external evaluation is carried out every 3 years by an independent external adviser in accordance with the Code. We undertook an internal evaluation in 2015 as part of our IPO process. The evaluation process considered the following:

- effectiveness of the Board decision making process
- strategy and process
- Board composition
- succession planning
- risk and risk management systems
- culture

## The Committees

As envisaged by the UK Corporate Governance Code, the Board has established the following committees: an Audit and Risk Committee, a Remuneration Committee and a Nomination Committee, each of which is described in further detail below.

### *Audit and Risk Committee*

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal controls, including reviewing and monitoring the integrity of the Company's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by the Company's external auditors, advising on the appointment of such external auditors, overseeing the Company's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Company's internal control and review function. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee gives due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules.

The UK Corporate Governance Code, as it applies to the Company, recommends that an audit committee should comprise at least two members who are independent non-executive directors (other than the chairman) and that at least one member should have recent and relevant financial experience. The Audit Committee is chaired by Frank Nelson, and its other member is Martyn Coffey. The Directors consider that Frank Nelson has recent and relevant financial experience. The Audit Committee meets not less than three times a year.

The Audit Committee has taken appropriate steps to ensure that the auditors are independent of the Company and has obtained written confirmation from the auditors that they comply with the guidelines on independence issued by the relevant accountancy and auditing bodies.

Appointments to the Audit Committee are made by the Board, on recommendation by the Nomination Committee. Appointments to the Audit Committee are for a period of up to three years and may be extended for no more than two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

### *Audit and Risk Committee* continued

When appropriate, the Audit Committee will meet with the Company's senior managers in attendance. The Audit Committee will also meet separately at least once a year with the Company's external auditors without management present. The chairman of the Audit Committee will be available at annual general meetings of the Company to respond to questions from Shareholders on the Audit Committee's activities.

### *Remuneration Committee*

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration (including setting the over-arching principles, parameters and governance framework of the Company's remuneration policy) and determining the individual remuneration and benefits packages of each of the Executive Directors and the Company Secretary. The Remuneration Committee ensures compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

The UK Corporate Governance Code, as it applies to the Company, provides that a remuneration committee should comprise at least two members who are independent non-executive directors. The Remuneration Committee is chaired by Martyn Coffey, and its other members are Bob Lawson and Frank Nelson. The Remuneration Committee meets not less than twice a year.

Appointments to the Remuneration Committee are made by the Board, on recommendation by the Nomination Committee. Appointments to the Remuneration Committee will be made for a period of up to three years, which may be extended for no more than two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

### *Nomination Committee*

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new directors to the Board. In carrying out its duties, the Nomination Committee is primarily responsible for identifying and nominating candidates to fill Board vacancies; evaluating the structure and composition of the Board with regard to the balance of skills, board diversity, knowledge and experience and making recommendations accordingly; reviewing the time requirements of non-executive directors; giving full consideration to succession planning; and reviewing the leadership of the Company.

The UK Corporate Governance Code, as it applies to the Company, provides that a nomination committee should comprise a majority of members who are independent non-executive directors. The Nomination Committee is chaired by Bob Lawson, and its other members are Martyn Coffey, Frank Nelson, Patrick Kalverboer and Patrick Bateman. The Nomination Committee meets not less than twice a year.

Appointments to the Nomination Committee are made by the Board. Appointments to the Nomination Committee are made for a period of up to three years, which may be extended for further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

## Meetings and attendance

| Number of meetings attended | Board | Audit and Risk Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| Bob Lawson[1] | 10 | n/a | 4 | 3 |
| Patrick Bateman | 13 | n/a | n/a | 0 |
| Matthew Edwards | 13 | n/a | n/a | n/a |
| Patrick Kalverboer | 12 | n/a | n/a | 3 |
| Frank Nelson[1] | 9 | 4 | 4 | 3 |
| Martyn Coffey[1] | 10 | 4 | 4 | 3 |
| Simon Gilbert[2] | 1 | n/a | n/a | n/a |

1 appointed 4 February 2015
2 resigned 4 February 2015

## The Company Secretary

All the directors have access to the advice and services of the Company Secretary. He has responsibility for ensuring that all procedures are followed and for advising the Board, through the Chairman, on governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation, and directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

All members of the Board of Directors and the Board Committees have sufficient resources and budget to allow access to independent advice as required.

## Board Effectiveness

### *Roles of the Chairman and the Chief Executive Officer*

The Chairman Is responsible for leadership of the Board and for creating conditions for overall Board and individual Director effectiveness. The pivotal role of the Chairman is setting the tone of the Board (its role and agenda) ensuring that adequate time is available for discussion of all agenda items and in particular strategic issues and ensuring that the importance of a strong relationship between the Chairman and the Chief Executive is recognised. The Chairman, with the help of the Executive Directors and the Company Secretary, sets the agenda for the Board's deliberations. The Chairman is not involved in the day to day management of the business.

The Chief Executive has responsibility for proposing strategy to the Board and delivering the strategy. The Chief Executive also has responsibility for communicating to the Company's employees the expectations of the Board In relation to the Company's cultures, value and behaviours.

The Board is satisfied that the composition of the Board and its committees provides an appropriate balance of skills, experience, independence and knowledge to allow it and its committees to discharge their duties and responsibilities effectively and in line with the Code.





### *Lengths of service*

| | Date joined Eurocell | Date joined the Board |
|---|---|---|
| Bob Lawson | 1 January 2015 | 4 February 2015 |
| Patrick Bateman | 1 September 2004 | 16 December 2013 |
| Matthew Edwards | 11 April 2005 | 16 December 2013 |
| Patrick Kalverboer | 1 September 2013 | 16 August 2013 |
| Frank Nelson | 1 January 2015 | 4 February 2015 |
| Martyn Coffey | 1 January 2015 | 4 February 2015 |

## Professional development

On IPO the Directors received training on their roles and responsibilities as directors of a listed Company. It is envisaged that any new appointments will receive similar training as well as benefiting from a formal induction programme.

The Board receives presentations by senior managers from within the Company and is encouraged to engage with managers within the Company.

## Engagement with Shareholders

The Company considers that communications with investors and Shareholders are extremely important. Open and frequent dialogue with investors helps them to understand the Company's strategy, objectives and governance. The Chief Executive Officer and Chief Financial Officer make presentations after the half year and full year results and communicate regularly on developments to our Shareholders.

The Chairman arranges meetings with institutional Shareholders to gain a balanced understanding of their views and concerns and to discuss strategic development and corporate governance. The Chairman ensures that the views of Shareholders are communicated to the Board as a whole.

Our AGM will be held on 19 May 2016, at which time Shareholders will have the opportunity to ask questions of the Chairmen of the Audit, Remuneration and Nomination Committees, together with all other members of the Board of Directors.

Our Shareholders have the opportunity to meet non-executive directors at additional times in the year.

Institutional investors are encouraged to contact the Company with specific questions and to visit our different sites and engage with our people in the Company. In addition to maintaining good relations with our existing investors, the Company is looking to expand the shareholder base and to this end it meets with both internal and external analysts regularly.

## Risks

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks, together with details of how they are managed or mitigated, is set out on pages 26 to 27.

When reporting externally, the Board aims to present a fair, balanced and understandable assessment of the Group's position and prospects. During the year, the Board satisfied itself that appropriate assurance processes are in place to enable it to state that this annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for users to assess the Company's position and performance, business model and strategy. A statement of this responsibility, together with additional responsibilities of the Directors in respect of the preparation of the annual report, is set out on page 34.

As set out on page 31, the Directors are of the opinion that Eurocell's business is a going concern. An explanation of how the Board has assessed the prospects of the Company, taking into account its current position and principal risks, can be found on the same page.

The Board has reviewed the effectiveness of the Group's systems of internal control and risk management during the period covered by this annual report. It confirms that the processes, which accord with the FRC guidance on risk management, internal control and related financial and business reporting, have been in place throughout that period and up to the date of approval of the annual report. The Board confirms that no significant failings or weaknesses were identified in relation to the review.

This corporate governance statement, together with the Nominations Committee report on page 34, the Audit & Risk Committee report on pages 35 to 36 and the Directors' remuneration report on pages 37 to 50, provide a description of how the main principles of the 2014 edition of the UK Corporate Governance Code (the Code) have been applied within Eurocell during 2015. The Code is published by the Financial Reporting Council and is available on its website at www.frc.org.uk.

It is the Board's view that, in the period since its IPO, Eurocell was in compliance with the relevant provisions set out in the Code. This statement complies with sub-sections 2.1, 2.2(1), 2.3(1), 2.5, 2.7 and 2.10 of Rule 7 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority. The information required to be disclosed by sub-section 2.6 of Rule 7 is shown on pages 51 to 53.

## Annual General Meeting

Our AGM will be held at Fairbrook House on 19 May 2016. The notice of this year's AGM, together with the Directors voting recommendations on the resolutions to be proposed at the AGM, is included in a separate circular to Shareholders and will be sent out at least 20 working days before the meeting. This notice is available to view under the Investor Information section of our website www.eurocell.co.uk. In accordance with the Code, all valid proxy appointments are properly recorded and counted, are made available at the AGM and published on our website after the meeting.

# NOMINATION COMMITTEE

Statement from Bob Lawson, Chair of the Nomination Committee

The Nomination Committee was formed immediately after the successful listing of Eurocell in March 2015.

The principal activity since formation has been to lead the search for a successor to Patrick Bateman, the Chief Executive. This involved the appointment of an external search agency, Spencer Stuart. Spencer Stuart conducted a rigorous assessment of internal and external candidates against the Committee's specification. The Nomination Committee unanimously chose and recommended to the Board, the appointment of Mark Kelly. Mark will join the Company on 29 March 2016 and formally take over as Chief Executive on 1 July 2016. We have planned a comprehensive induction programme and hand over with Patrick.

Patrick Bateman did not participate in the process as is normal with such appointments.

With Matthew Edwards' decision to leave the Company, a search has been initiated with consultants to find a suitable successor and the process is well advanced.

## Diversity

Diversity is an area in which we recognise we have to improve. We acknowledge the importance of diversity in all forms, both on the Board and throughout the Group. Our aim is for the Board to consist of people with diverse experience who can add real value to Board debates, thereby supporting the achievement of our strategic objectives. This includes diversity of industry skills, knowledge and experience in addition to gender and ethnicity.

Our aim is for women to be fairly represented on the Board and we will continue to work towards this. However, our overriding policy in any new appointment is to select on merit, in fulfilment of our role of ensuring the continued success of the Company.

**Bob Lawson**
Chair of Nomination Committee
16 March 2016



# AUDIT AND RISK COMMITTEE

Statement from Frank Nelson, Chair of the Audit and Risk Committee

I am pleased to provide an update on the activities since the IPO in March 2015 of the Audit and Risk Committee in accordance with its responsibilities which are to:

- monitor the integrity of the Group's Financial Statements, the half year report and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained therein, together with compliance with accounting standards and other legal and regulatory requirements;
- review the Group's internal financial controls and internal control and risk management systems, by considering reports on their effectiveness from the Chief Financial Officer, Chief Executive Officer, together with reports from the external auditors;
- review the Group's controls and Systems to ensure compliance with the provisions of the Bribery Act 2010 and the Group's whistleblowing policy;
- recommend to the Board the appointment, reappointment and removal of the external auditors and to approve their remuneration and terms of their engagement;
- review and monitor the external auditors' independence and objectivity, the effectiveness of the external audit process and the audit plan; and
- review the engagement of the external auditors to ensure that the provision of non-audit services by the external audit firm does not impair its independence or objectivity.

Following the listing of the Company, the Company's auditors PKF Cooper Parry indicated to the Company that they believed the Company's interest would be better served by a different firm of auditors. PKF Cooper Parry do not have the necessary levels of expertise in the listed Company arena and accordingly the first task of the Audit and Risk Committee was to undertake a formal tender process to appoint new auditors. After a rigorous selection process the Company appointed PwC as the new Company auditors. PKF Cooper Parry have been retained as tax and accounting advisors, so as to minimise any non-audit work undertaken by PwC. It is proposed that PwC be reappointed for 2016.

The Audit and Risk Committee has also provided support to the Board in overseeing the Company's accounting and reporting. The key accounting judgements in the Company financial statements relate to inventory, accounts receivable and dilapidations provisions, and the Committee paid particular attention to the methodology for calculating those provisions.

I hope you find the above summary and the attached report useful and informative.

**Frank Nelson**
Chair of the Audit and Risk Committee
16 March 2016

## Summary of activity during 2015

### *Introduction*

During the year the Committee oversaw the following:

- Appointment of new auditors
- Review of first half year interim statement
- Review of PwC findings as a result of their review of the half year interim statement
- Review of full year planning and risk assessment by PwC
- Review of Company's approach to significant estimates and judgements
- Considered information presented by management on significant accounting judgements and policies adopted in respect of the Group's half year and annual financial statements and agreed their appropriateness
- Examined key points of disclosure and presentation to ensure the adequacy, clarity and completeness of the financial statements
- Reviewed documentation prepared to support the going concern judgement given on page 27
- Considered the impact of new reporting requirements with specific focus on the viability statement

### *Membership*

Membership at the end of the year was:

- Frank Nelson (Chair)
- Martyn Coffey

The Company Secretary acts as secretary to the Committee which meets not less than three times per year.

The Board considers that the members of the Committee have the appropriate competence and experience to contribute to the Committee's deliberations and further considers that Frank Nelson (Committee Chair) as a Chartered Management Accountant has appropriate recent and relevant financial experience having previously been the Finance Director for Galliford Try plc.

The Committee is kept up to date with changes to accounting standards and developments in financial reporting, Company law and other regulatory frameworks through presentations from the external auditor, the Chief Financial Officer and the Company Secretary. The terms of reference of the Audit and Risk Committee include all the matters required under the code.

Other individuals such as the Chief Executive Officer, the Chief Financial Officer, and members of the Board may be invited to attend the Committee meetings as and when appropriate. The external auditor was invited to attend all meetings. In addition members of the Committee had private conversations with the external auditors without executive management being present.

### *Risk management process*

The identification and management of key risks for the Group is achieved through a risk register which is formally reviewed and updated by management on a regular basis to ensure that it is focused on real, current and significant business risks and that mitigating actions are feasible. The executive team review the risk register quarterly and update the Audit and Risk Committee and board if there are any material changes. In 2015 the process has been reviewed and re-positioned to reflect the growing scale, maturity and complexity of the Company post IPO. The key advantages are:

- heightened awareness of risk and greater accountability for management of risk at all levels within the organisation;
- robust assessment and identification of mid-tier risks; and
- improved integration of risk, mitigation and key business continuity processes.

The Audit and Risk Committee reviewed the key risks which have been identified.

### Internal audit

The Audit and Risk Committee has considered the size of the operations of the Group's operations in 2015 and whether there is a need for an internal audit function and recommended to the board that there is no such need at the present time. This recommendation was based on them receiving sufficient assurance on risk, control and governance from other assurance activities within the organisation directly from regular management information and self-monitoring, from other assurance functions such as security or health and safety or from its external auditors.

### *Key accounting estimates and judgements*

The Committee reviewed the key estimates and judgements used in the production of the Company's financial statements. These were:

- Inventory valuation
  The Company holds various provisions for slow moving and obsolete inventory, net realisable value and other valuation adjustments. The Committee reviewed management's assessment of these provisions and are satisfied that the levels are fair, balanced and reasonable at the year end
- Accounts receivable recoverability
  The Company applies a consistent methodology in providing for potential bad and doubtful debts. The Committee reviewed and is satisfied with the level of provision at the year end
- Provisions for Dilapidations on leased properties
  Provision is made for potential remedial work on leased properties which may arise at the end of each lease. The committee satisfied itself that the approach to the estimate of these future uncertain costs is reasonable

### *External auditors*

The Audit Committee reviews, with the external auditors, the audit plan and the outcome and findings of the annual external audit. In reviewing the audit plan the Audit Committee:

- noted and challenged the key areas of risk raised by PwC;
- understood the basis of materiality and requested that all potential adjustments and errors be reported to the Committee.

In addition, the Committee approves the scope and fees for the external audit and is responsible for recommending the appointment, reappointment and removal of external auditors.

### Independence

As a Committee we are responsible for the development, implementation and monitoring of the Company's policies on external audit which are designed to maintain the objectivity and independence of the external auditors. These policies regulate the appointment by the Group of former employees and Set out the approach to be taken when using the external auditors for non-audit work.

### Non-Audit services

In order to safeguard independence further, we monitor compliance with the policy for the provision of non-audit services. Details of the fees paid to PwC in 2015 can be found in note 5 to the financial statements. Non-audit fees incurred during 2015 amounted to nil.

There are no contractual obligations restricting our choice of external auditors.





# DIRECTORS' REMUNERATION REPORT

## REMUNERATION COMMITTEE CHAIRMAN'S LETTER

## Dear shareholder,

I am pleased to welcome you to the first Directors' Remuneration Report which Eurocell has prepared since its Admission in March 2015.

During 2015 our senior management team, led by Patrick Bateman and Matthew Edwards, delivered strong underlying financial performance while also preparing the Company for its IPO. As set out more fully in the Chairman's statement at the beginning of the Annual Report, key financial and operating performance highlights included:

### *Financial highlights*

- Revenue £175.9m (2014: £173.1m) against a subdued RMI market
- Gross margin improvement from 48.3% to 51.7% due to enhanced procurement, improved manufacturing performance and lower material prices
- Recurring EBITDA of £29.7m (2014: £26.1m)
- Reported PBT increased by 17.6%
- Excluding IPO costs, PBT increased by 29%
- Recurring EPS growth from 13.0p to 18.6p
- Increase in cash generated from underlying operations from £21.1m to £29.6m
- Net debt reduced from £35.5m to £25.9m
- Continued investment in the manufacturing facilities and the branch network £6.3m (2014: £5.1m)
- Interim dividend paid during the year of 2.7p per share
- Final dividend of 5.2p per share recommended by the Board

### *Operational highlights*

- Continued expansion of the branch network with an increase of 13 branches in the year
- Continued innovation in the new Modus, Skypod and Equinox product ranges
- Branch sales of higher margin Eurocell manufactured products increased by 8%
- Operational efficiencies up 5% and scrap levels down 13%
- Bolt-on acquisition of injection moulding business completed in July 2015
- Increased use of post consumer recycled material (13.8%)
- Acquisition of Vista Panels Limited on 9 March 2016 for £7.1m

This strong performance has been reflected in the payments made to the executive directors under the annual bonus plan, amounting to 87% of salary. Further details of these bonus payouts (including information regarding performance against the relevant targets and the operation of the deferred share element of the plan) can be found on page 47 of this Report.

Given that we are reporting on a financial year during which Eurocell undertook its IPO, this first Remuneration Report inevitably shows a position of transition in terms of the payments made to our two executive directors over this period. However, as prescribed by the relevant regulations and also to reflect corporate governance best practice, this Report also sets out our future Directors' Remuneration Policy which, if approved at our 2016 AGM, will apply to all payments made to our Directors for three years from that date.

As announced in January 2016, Patrick Bateman will retire from the Board during 2016 and Mark Kelly will take up the positon of Chief Executive Officer after a period of handover. We have included the details of the Mark's remuneration package in the implementation section of this report, together with remuneration details relating to Patrick's leaving (which reflect the terms of his service contract and incentive plan rules).

## Summary of our Directors' Remuneration Policy

In the IPO prospectus, a summary was provided of our approach to executive remuneration post Admission as had been agreed at that time, albeit that it was expressly stated that a formal, binding policy would be tabled for shareholder vote at the 2016 AGM. The prospectus stated that the Company's approach to executive remuneration:

- aims to align executives' interests with the long-term interests of Shareholders
- is intended to support a high performance culture with appropriate reward for superior performance, without creating incentives that will encourage excessive risk-taking or unsustainable Company performance
- will operate under a remuneration framework which combines annual salary, benefits, pension, an annual bonus plan (a portion of which is deferred into shares) and share-based awards under a long-term incentive plan

Since Admission, with the assistance of newly appointed independent advisors and in preparation for the 2016 AGM, the Remuneration Committee conducted a review of Eurocell's directors' remuneration policy. When conducting this review, the Committee took into account all relevant factors, including the fact that all pre-IPO share interests crystallised on Admission, resulting in the executive directors (and other members of the senior management team) becoming owners of significant numbers of shares (for example, following their share disposals that occurred on Admission, Messrs Bateman and Edwards own approximately 4.8% and 2.9% respectively of the issued share capital).

The output of this review was that no fundamental changes should be made to the approach agreed at the time of IPO. Therefore, the primary features of the policy explained above will remain in place. More particularly, the main elements of the executive directors' packages will be as follows:

- Base salaries – salary levels (as well as overall remuneration opportunity) will be positioned to reflect experience and responsibility. At IPO, the salaries of Messrs Bateman and Edwards were set at £310,000 and £200,000 respectively, which was below the mid-market level, with the Committee reserving flexibility to move salaries to a median positioning (as against appropriate size and/or sector peers) if performance warrants. For 2016, these salaries were increased towards the median level to £358,000 for Patrick Bateman and £233,000 for Matthew Edwards reflecting the strong personal and company performance. Mark Kelly's salary upon appointment will be £360,000
- Pensions/benefits – a defined contribution/salary supplement of 15% will continue to be offered, together with a standard suite of other benefits
- Annual bonus – the maximum annual bonus remains at 100% of salary. 50% of any bonus earned is normally deferred into shares for three years. A blend of tailored targets (typically weighted in favour of financial metrics) will determine payouts. For 2015, as set out in the prospectus and reflecting Eurocell's underlying strategy, 70% of the bonus was based on adjusted PBT, with the remaining 30% based on cashflow (both subject to a Health & Safety underpin). As explained on page 47, reflecting a strong year of underlying financial performance, bonuses of 87% of salary were payable to Messrs Bateman and Edwards. The operation of the annual bonus plan for 2016 is explained on page 47
- Long-term incentives – the Performance Share Plan was established at IPO which will be the vehicle through which share-based long-term incentives will be offered. As described in the prospectus, initial awards were made under the PSP in 2015 to the executive directors over shares worth 100% of salary which will vest subject to three year EPS growth (two-thirds of the award) and cashflow (one-third) targets. Awards with similar performance conditions will be made in 2016

The Committee believes that the above approach takes due account of market and best practice and, importantly, also reflects and Supports Eurocell's strategy and promotes the Company's long-term success.

## Format of the Report and matters to be approved at our AGM

The regulations governing the directors' remuneration reports of listed companies require that we divide our report into two sections: the Policy Report sets out the Company's forward-looking Directors' Remuneration Policy (which provides the appropriate level of detail of the points explained in the preceding section) and the separate Implementation Report gives details of the payments made to Directors in 2015, as well as other required disclosures.

As alluded to above, at our 2016 AGM we will be holding two votes on remuneration matters:

- a vote on the Directors' Remuneration Policy as set out in Part A of this Remuneration Report;
- a vote on the remaining implementation sections of this Report as set out in Part B;

In addition, we will also be seeking shareholder approval to establish two all-employee share plans, namely a Sharesave Plan and Share Incentive Plan. These plans, which are of standard design, will allow us to offer share participation to the workforce as a whole in a potentially tax-advantageous fashion.

I hope that you will support our approach on remuneration matters as we complete the transition to being a listed company. Should you have any queries or comments, please feel free to contact me at martyn.coffey@eurocell.co.uk.

Yours sincerely,

**Martyn Coffey**
Chairman, Remuneration Committee
16 March 2016





## Introduction

This report contains the material required to be set out as the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended Parts 3 and 4 of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the DRR regulations").

Part A represents the Directors' Remuneration Policy. This policy will take effect, subject to the approval of the Shareholders, immediately after the 2016 AGM.

Part B constitutes the implementation sections of the Remuneration Report ("Implementation Report"). The auditors have reported on certain parts of the Implementation Report and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those parts of the Implementation Report which have been subject to audit are clearly indicated.

## Part A: Directors' Remuneration Policy

The Directors' Remuneration Policy as set out in this section of the Remuneration Report will take effect for all payments made to Directors from the date of the AGM, which is to be held on 19 May 2016. The policy has been developed mindful of the new Corporate Governance Code and is felt to be appropriate to support the long-term success of the Company while ensuring that it does not promote inappropriate risk-taking.

### *Executive Directors*

| Element and purpose | Policy and operation | Maximum | Performance measures |
|---|---|---|---|
| **Base salary**<br>This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution. | Base salaries will be reviewed each year by the Committee.<br><br>The Committee does not strictly follow data but uses the median position (as against appropriate size and/or sector peers) as a reference point in considering, in its judgment, the appropriate level of salary having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities.<br><br>Base salary is paid monthly in cash. | It is anticipated that salary increases will generally be in line with those awarded to salaried employees. However, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Company performance and to reflect the fact that salary levels were positioned below market levels at IPO), the Committee may make larger salary increases to ensure they are market competitive. The rationale for any such increase will be disclosed in the relevant Annual Report on Remuneration. | N/A |
| **Benefits**<br>To provide benefits valued by recipients. | The Executive Directors currently receive a car allowance, private family medical cover, permanent health insurance and life assurance.<br><br>The Committee reserves discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.<br><br>Where appropriate, the Company will meet certain costs relating to Executive Director relocations. | It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of £100,000 (plus a further 100% of base salary in the case of relocations).<br><br>The Committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than the Committee considers appropriate in all the circumstances. | N/A |

# DIRECTORS' REMUNERATION REPORT CONTINUED

| Element and purpose | Policy and operation | Maximum | Performance measures |
|---|---|---|---|
| **Pension**<br>To provide retirement benefits. | Executive Directors can receive pension contributions to personal pension arrangements or, if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance can be paid as a cash supplement. | The maximum employer's contribution is limited to up to 15% of base salary. | N/A |
| **Annual Bonus Plan**<br>To motivate executives and incentivise delivery of performance over a one-year operating cycle, focusing on the short- to medium-term elements of our strategic aims. | Annual Bonus Plan levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy.<br><br>Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other significant events where the Committee considers it to be necessary in its opinion to make appropriate adjustments.<br><br>Annual Bonus Plan outcomes can be paid in a mix of cash and deferred shares granted under the Company's Deferred Share Plan ("DSP") following the determination of achievement against performance measures and targets.<br><br>Awards under the DSP are deferred for such period as the Committee selects at grant, which will not normally be less than (but may be longer than) three years and are subject to continued employment.<br><br>Where an element of bonus is payable as deferred shares under the DSP, individuals may be able to receive a dividend equivalent in cash or shares equal to the value of dividends which would have been paid during the vesting period.<br><br>Clawback and malus provisions apply to the Annual Bonus Plan and DSP, as explained in more detail in the notes to the policy table. | The maximum level of Annual Bonus Plan outcomes is 100% of base salary per annum for the duration of this policy. | The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate.<br><br>Attaining the threshold level of performance for any measure will not produce a pay-out of more than 20% of the maximum portion of overall Annual Bonus attributable to that measure, with a sliding scale to full pay-out for maximum performance.<br><br>However, the Annual Bonus Plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgment to adjust the outcome of the Annual Bonus Plan for any performance measure (from zero to any cap) should it consider that to be appropriate. |



| Element and purpose | Policy and operation | Maximum | Performance measures |
|---|---|---|---|
| **Long-Term Incentives**<br>To motivate and incentivise delivery of sustained performance over the long-term, and to promote alignment with Shareholders' interests, the Company operates the Performance Share Plan ("PSP"). | Awards under the PSP take the form of nil-cost options which vest to the extent performance conditions are satisfied over a period of at least three years.<br><br>Under the PSP plan rules, vested awards may also be settled in cash.<br><br>The PSP rules allow that the number of shares subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any ex-dividend dates falling between the grant of awards and the expiry of any vesting period.<br><br>Malus and clawback provisions apply to PSP awards and are explained in more detail in the notes to the policy table. | The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year.<br><br>The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits. | The Committee may set such performance conditions on PSP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual).<br><br>Performance periods may be over such periods as the Committee selects at grant, which will not normally be less than (but may be longer than) three years.<br><br>No more than 25% of awards vest for attaining the threshold level of performance conditions. |
| **Share Ownership Guidelines**<br>To further align the interests of Executive Directors with those of Shareholders. | Executive Directors are expected to build up a prescribed level of shareholding within five years of commencement of employment (or such longer period as the Committee may determine). | 100% of base salary for all Executive Directors.<br><br>The Committee reserves the power to amend (but not reduce) these levels in future years. | N/A |
| **All-employee share plans**<br>To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the Shareholders. | The Company may in the future operate a Sharesave scheme and/or Share Incentive Plan.<br><br>These are all-employee share plans established under HMRC tax-advantaged regimes and follow the usual form for such plans.<br><br>Executive Directors would be able to participate in all-employee share plans on the same terms as other Group employees. | The maximum participation levels for all-employee share plans would be the limits for such plans set by HMRC from time to time. | Consistent with normal practice, such awards would not be subject to performance conditions. |

### *Chairman and Non-Executive Directors*

| Element and purpose | Policy and operation | Maximum | Performance measures |
|---|---|---|---|
| **Chairman/Non-Executive Director fees**<br>To enable the Company to recruit and retain Chairmen and Non-Executive Directors of the highest calibre, at the appropriate cost. | The fees paid to the Chairman and Non-executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity.<br><br>The fees payable to the Non-Executive Directors are determined by the Board, with the Chairman's fees determined by the Remuneration Committee.<br><br>The Chairman and Non-executive Directors will not participate in any new cash or share incentive arrangements from Admission.<br><br>The Company reserves the right to provide benefits (including travel and office support) to the Chairman and Non-executive Directors. | Fees are paid monthly in cash.<br><br>The aggregate fees (and any benefits) of the Chairman and Non-executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees (currently £325,000 per annum in aggregate).<br><br>Any increases actually made will be appropriately disclosed.<br><br>If the Chairman and/or Non-executive Director devote special attention to the business of the Company, or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, they may be paid such additional remuneration as the Directors or any committee authorised by the Directors may determine. | N/A |

### Notes to the policy table

#### *Performance Targets*

Details of the performance targets applying to annual bonus awards and PSP grants, which are set to reflect the Company's strategic goals and to align with shareholder's interests, can be found in the relevant sections of the Implementation Report.

#### *Malus and clawback*

Malus (being the forfeiture of unvested awards) and clawback (being the ability of the Company to claim repayment of paid amounts) provisions apply to the Annual Bonus Plan, DSP and PSP in certain circumstances (e.g. material misstatement of accounts, miscalculation of vesting/payouts and conduct that would or could justify summary dismissal) and within certain time periods.

#### *Stating maximum amounts for the Remuneration Policy*

The DRR regulations and related investor guidance encourages companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Directors' Remuneration Policy, these will operate simply as caps and are not indicative of any aspiration.

#### *Travel and hospitality*

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality (whether paid for by the Company or another) and business travel for Directors (and exceptionally their families) may technically come within the applicable rules and So the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

#### *Differences between the policy on remuneration for Directors from the policy on remuneration of other employees*

While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where Eurocell's pay policy for Directors differs from its pay policies for groups of employees, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the executive directors' Remuneration Policy.

### Committee discretions

The Committee will operate the Annual Bonus Plan, DSP and PSP according to their respective rules and the above policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans.



These discretions include, but are not limited to, the following:

- The selection of participants;
- The timing of grant of an award/bonus opportunity;
- The timing of vesting an award/bonus opportunity;
- The size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- The determination of the extent to which performance targets are satisfied and the resultant vesting/bonus pay-outs;
- Discretion required when dealing with a change of control or restructuring of the group;
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and Special dividends); and
- The annual review of performance measures, weightings and targets from year to year.
- Application of malus and/or clawback provisions.

In addition, while performance measures and targets used in the Annual Bonus Plan and PSP will generally remain unaltered, if events occur which, in the Committee's opinion, would make a different or amended target a fairer measure of performance, such amended or different target can be set provided that it is not materially more or less difficult to satisfy (having regard to the event in question).

Any use of these discretions would, where relevant, be explained in the Directors' remuneration report and may, where appropriate and practicable, be the subject of consultation with the Company's major Shareholders. In addition, for the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors under previous policies.

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

### Recruitment Remuneration Policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the general policy for Executive Directors as set out above and structure a package in accordance with that policy. Any caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice.

The Annual Bonus Plan, DSP and PSP will operate (including the maximum award levels) as detailed in the general policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy-out awards forfeited by the individual on leaving a previous employer.

For the avoidance of doubt, buy-out awards are not subject to a formal cap. Any recruitment-related awards which are not buy-outs will be subject to the limits for Annual Bonus Plan and PSP as stated in the general policy. Details of any recruitment-related awards will be appropriately disclosed.

For any buy-outs the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing Annual Bonus Plan, DSP or PSP. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing Annual Bonus Plan, DSP or PSP.

All buy-outs, whether under the Annual Bonus Plan, DSP, PSP or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek (where it is practicable to do so) to make buy-outs subject to what are, in its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases (such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited) and where the Committee considers it to be in the interests of Shareholders.

A new Chairman/Non-Executive Director would be recruited on the terms explained above in respect of the main policy for such Directors.

## Service contracts

### *Executive Directors*

The Committee's policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination upon no more than 12 months' notice by either party. The service agreements of all Executive Directors comply with that policy. Contracts contain provisions allowing the Company to make payments in lieu of notice (albeit not including bonus or benefits) but do not contain change of control provisions.

The Committee reserves flexibility to alter these principles if necessary to secure the recruitment of an appropriate candidate and if appropriate introduce a longer initial notice period (of up to two years) reducing over time.

The date of each Executive Director's contract is:

| | Contract date |
|---|---|
| **Patrick Bateman** | 4th March 2015 |
| **Matthew Edwards** | 4th March 2015 |

### *Chairman/Non-executive Directors*

The Chairman and each Non-executive Director is engaged for an initial period of three years. These appointments can be renewed following the initial three year term. These engagements can be terminated by either party on twelve months' notice.

Neither the Chairman nor any Non-executive Directors can participate in the Company's incentive plans from Admission, are not entitled to any pension benefits and are not entitled to any payment in compensation for early termination of their appointment beyond the twelve months' notice referred to above.

For the Chairman and each Non-executive Director the effective date of their latest letter of appointment is:

| Name | Date of appointment | Term |
|---|---|---|
| Robert Lawson | 4th February 2015 | 3 years |
| Patrick Kalverboer | 4th February 2015 | 3 years |
| Frank Nelson | 4th February 2015 | 3 years |
| Martyn Coffey | 4th February 2015 | 3 years |

The director service agreements and letters of appointment are available for shareholders to view from the Company Secretary on request.

## Termination/change of control policy summary

It is appropriate for the Committee to consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the Annual Bonus Plan, DSP and PSP. The potential treatments on termination under these plans are summarised in the table below:

| **Incentives** | If a leaver is deemed to be a 'good leaver'; for example, leaving through injury, ill-health, disability, retirement, redundancy, sale of business or otherwise at the discretion of the Committee | If a leaver is not a 'good leaver' | Change in control |
|---|---|---|---|
| **Annual Bonus Plan** | Committee has discretion to determine Annual Bonus which may be limited to the period actually worked | Annual bonus generally paid | Committee has discretion to determine Annual Bonus |
| **Deferred Share Plan** | Awards normally vest either on cessation or the normal vesting date. The Committee can pro rate awards if considered appropriate | All awards will normally lapse | Awards vest on a pro rata basis, unless the Committee determines not to pro rate |
| **Performance Share Plan** | Will receive a pro-rated award subject to the application of the performance conditions at the end of the normal performance period<br><br>Committee retains standard discretions to either vary/disapply time pro-rating or to accelerate vesting to the earlier date of cessation (determining the performance conditions at that time) | All awards will normally lapse | Will receive a pro-rated award subject to the application of the performance conditions at the date of the event, unless the Committee determines not to pro-rate |

On death, Annual Bonus Plan, DSP and PSP awards typically vest in full (with pro-rating also potentially applying).

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

## External appointments

The Company's policy is to permit an Executive Director to serve as a non-executive director elsewhere when this does not conflict with the individual's duties to the Company, and where an Executive Director takes such a role they will be entitled to retain any fees which they earn from that appointment (unless the Committee determines otherwise).

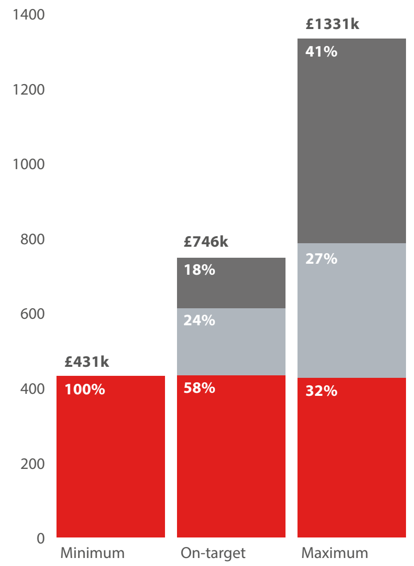
## Statement of consideration of employment conditions elsewhere in the Group

Pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration. The Committee receives regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. Reflecting standard practice, the Company did not consult with employees in drawing up this policy or the Remuneration Report.

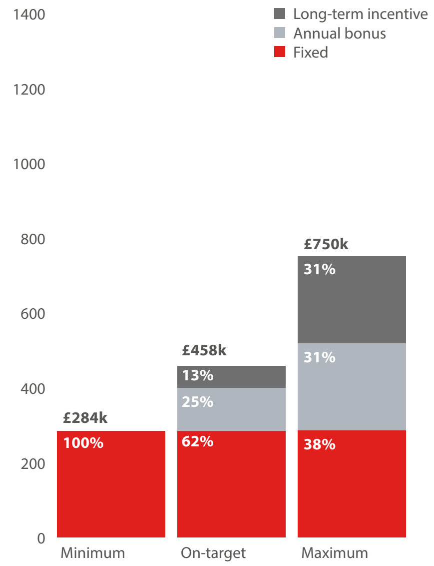
## Statement of consideration of shareholder views

The 2016 AGM is the first occasion on which the Company will seek the support of its Shareholders for matters relating to the remuneration of Executive Directors. The Committee will ensure that it considers all of the feedback which it receives from its Shareholders during this process.

## Illustrations of application of remuneration policy




Chief Executive Officer - Mark Kelly




Chief Financial Officer - Matthew Edwards

The charts above aim to show how the remuneration policy set out above for Executive Directors is applied using the assumptions in the table below. It should be noted that although Mark Kelly will only be a Director for part of the year the remuneration for a full year is shown:

**Minimum**

- Consists of base salary, benefits and pension
- Base salary is the annualised salary to be paid in 2016
- Benefits measured as benefits paid for the role in the year ending 31 December 2015 as set out in the single figure table (Patrick Bateman's benefits figure has been used for Mark Kelly)
- Pension measured as the defined contribution or cash allowance in lieu of Company contributions of 15% of salary

| £'000 | Base Salary | Benefits | Pension | Total Fixed |
|---|---|---|---|---|
| Mark Kelly | £360,000 | £17,155 | £54,000 | £431,155 |
| Matthew Edwards | £233,000 | £15,791 | £34,950 | £283,741 |

**Target**

Based on what the director would receive if performance was on-target (excl. share price appreciation and dividends):
- Annual Bonus: consists of the on-target bonus of 50% of maximum opportunity.
- LTI: consists of the threshold level of vesting (25% vesting) under the PSP

**Maximum**

Based on the maximum remuneration receivable (excl. share price appreciation and dividends):
- Annual Bonus: consists of maximum bonus of 100% of base salary
- LTI: consists of the face value of awards (at 150% of salary which reflects Mark Kelly's 2016 PSP award but is not indicative of any future award level, and 100% of salary for Matthew Edwards) under the PSP

## Part B: Implementation report

### *The Committee (unaudited information)*

In anticipation of Admission, the Company established the Remuneration Committee. The members of the Remuneration Committee are:
- Martyn Coffey (Chairman);
- Robert Lawson; and
- Frank Nelson.

The Committee's principal responsibilities are:
- recommending to the Board the remuneration strategy and framework for the Chairman, Executive Directors and senior managers;
- determining, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers and;
- overseeing any major changes in employee benefit structures throughout the Group.

The Chief Executive Officer is invited to attend meetings of the Committee, except when his own remuneration is being discussed, and the Chief Financial Officer and other executive and Non-executive Directors attend meetings as required. Robert Lawson takes no part in any discussions relating to his own remuneration. The Committee met four times during the year, with all members of the Committee present at these meetings.

The Committee has formal terms of reference which can be viewed on the Company's website (www.eurocell.co.uk).

FIT Remuneration Consultants LLP, signatories to the Remuneration Consultants Group's Code of Conduct, were appointed by the Committee during the year following a competitive tender process. FIT provides advice to the Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2015 were £14,707 (ex VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

### *Audited information*

### Single total figure table (audited)

The remuneration for the Chairman, Executive and Non-executive Directors of the Company who performed qualifying services during the year is detailed below. The Chairman and Non-executive Directors received no remuneration other than their annual fee.

As the Group listed in March 2015, part of the 2015 and all of the 2014 remuneration related to when Eurocell was a privately owned company.

### *For the year ended 31 December 2015*

| Director | Salary/fees | Taxable benefits[2] | Bonus | Long-term incentives | Pension | Total remuneration |
|---|---|---|---|---|---|---|
| Patrick Bateman | **£299,218** | **£17,155** | **£269,700** | **–** | **£51,025** | **£637,098** |
| Matthew Edwards | **£193,494** | **£15,791** | **£174,000** | **–** | **£29,024** | **£412,309** |
| Robert Lawson[1] | **£120,000** | **–** | **–** | **–** | **–** | **£120,000** |
| Patrick Kalverboer | **£40,000** | **–** | **–** | **–** | **–** | **£40,000** |
| Frank Nelson[1] | **£48,000** | **–** | **–** | **–** | **–** | **£48,000** |
| Martyn Coffey[1] | **£45,000** | **–** | **–** | **–** | **–** | **£45,000** |

**Notes:**
1 Appointed with effect from 4th February 2015.
2 Taxable benefits comprise car allowance, private family medical cover, permanent health insurance and life assurance.

### *For the year ended 31 December 2014*

| Director | Salary/fees | Taxable benefits | Bonus | Long-term incentives | Pension | Total remuneration |
|---|---|---|---|---|---|---|
| Patrick Bateman | £192,830 | £17,415 | £233,312 | – | £43,387 | £486,944 |
| Matthew Edwards | £142,522 | £13,500 | £144,690 | – | £19,866 | £320,578 |
| Patrick Kalverboer | – | – | – | – | – | – |
| Simon Gilbert[1] | – | – | – | – | – | – |

**Notes:**
1 Resigned with effect from 4th February 2015.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all directors for 2015 was £1,302,407 (2014: £807,522).

### Further information on the 2015 annual bonus (audited)

In 2015 the annual bonus metrics were a blend of adjusted profit before tax (as to 70% of the bonus opportunity) and cashflow (30% of the bonus opportunity). In addition, a Health & Safety adjustment underpin applied which, if not achieved, could reduce the bonus payout. Performance against the adjusted profit before tax element of the bonus resulted in a bonus of 82% of that element (i.e. approx. 57% of salary), with the maximum adjusted profit before tax target being £25,703,000. Performance against the cashflow element of the bonus (maximum target £31,036,000) resulted in a bonus of 99% of that element (i.e. approaching 30% of salary), giving a total bonus payout of 87% of salary. The Health & Safety underpin was also considered satisfied. Given that these targets were set prior to the establishment of the remuneration policy for which shareholder approval is to be sought at the forthcoming AGM, the Committee believes that issues of commercial sensitivity make it inappropriate to give further details of these targets. Going forward, the Committee is committed to providing strong levels of bonus target disclosure in future reports.

It was originally planned that 50% of the bonus paid to Matthew Edwards would be deferred into shares under the DSP, but subsequently it has been agreed that this will be paid in cash. Given that Patrick Bateman had announced his retirement by the bonus payment date, it was agreed that he should be paid his full bonus in cash.

### Statement of Directors' shareholding and share interests (audited)

The table below details for each Director, the total number of Directors' interests in shares at 31 December 2015:

| | No of Shares |
|---|---|
| Patrick Bateman | 4,760,070 |
| Matthew Edwards | 2,855,838 |
| Patrick Kalverboer[1] | 20,129,094 |
| Robert Lawson | 42,857 |
| Frank Nelson | 28,571 |
| Martyn Coffey | 5,714 |

**Notes:**
1 The interests of the H2 Fund are noted as interests of Patrick Kalverboer of which he is an indirect limited partner.

The shareholdings set out above include those held by Directors and their respective connected persons.

Under share ownership guidelines implemented by the Remuneration Committee, Executive Directors are required to build and then maintain a shareholding equivalent to at least 100% of base salary. At the 2015 year end, the Executive Directors complied with this requirement.

## Performance Share Plan

The first grant of awards under the PSP were made on 9 March 2015 to the Executive Directors. These awards are subject to performance targets over a three year performance period , so performance against targets for these awards will be measured following the year ended 31 December 2017.

| | Date of grant | Share price | As at 31 December 2014 | Granted | **As at 31 December 2015** | Exercise period |
|---|---|---|---|---|---|---|
| Patrick Bateman | 9 March 2015 | 175p | – | 177,142 | **177,142** | March 2018 to March 2019 |
| Matthew Edwards | 9 March 2015 | 175p | – | 114,285 | **114,285** | March 2018 to March 2019 |

The initial offer price was used to determine the number of shares over which the awards were made, so that the total face value of the shares awarded to Patrick Bateman was £309,998.50 and to Matthew Edwards was £199,998.75. All of the awards are unvested. During the year ended 31 December 2015, the highest mid-market price of the Company's shares was 213p and the lowest mid-market price was 178.5p. At 31 December 2015 the share price was 192.5p. The aggregate gains by all directors during 2015 was £nil (2014: nil).

The performance conditions applying to the March 2015 PSP awards relate to (1) adjusted Earnings per Share growth targets for two-thirds of the Award, and (2) Group cashflow targets for one-third of the Award. The details of these targets are shown in the tables below:

| Adjusted EPS Growth target to 31 December 2017 | Portion of award vesting |
|---|---|
| Above RPI + 21% p.a. | 100% |
| Between RPI + 13% and RPI + 21% p.a. | Pro-rata on straight-line basis between 25% and 100% |
| RPI + 13% p.a. | 25% |
| Below RPI + 13% p.a. | 0% |

| Cashflow to 31 December 2017 | Portion of award vesting |
|---|---|
| Above £102,367,000 | 100% |
| Between £83.755,000 and £102.367,000 | Pro-rata on straight-line basis between 25% and 100% |
| £83,755,000 | 25% |
| Below £83,755,000 | 0% |

## Payments to past directors (audited)

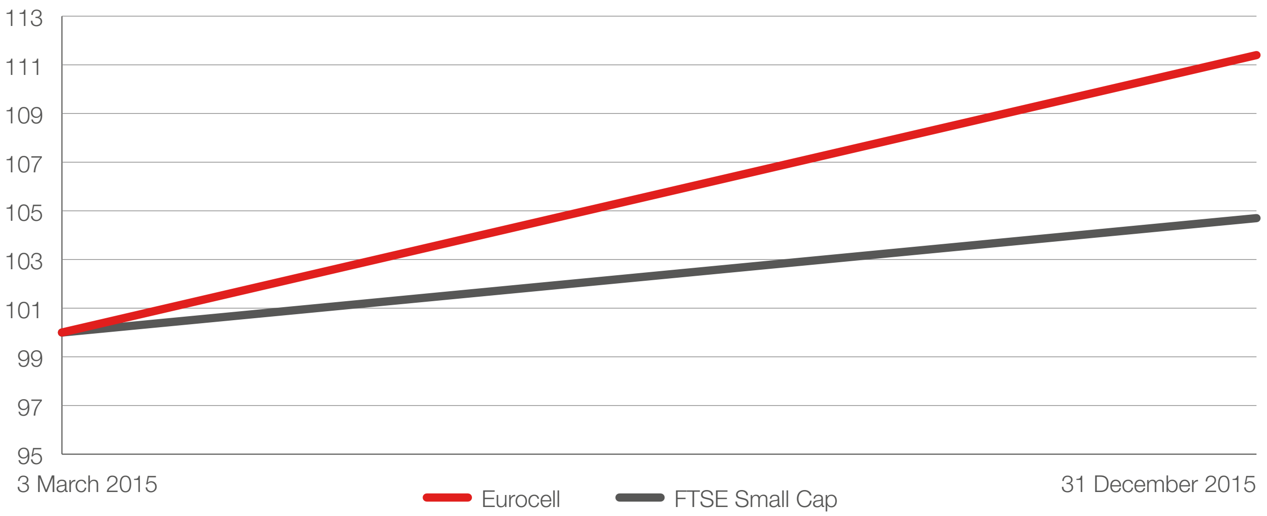
No payments were made to past directors during the year.

## Payments for loss of office (audited)

No payments were made to any director in respect of loss of office during the year. Details of the terms of Patrick Bateman's retirement can be found on page 50.

## Performance graph and CEO remuneration table (unaudited)

The following graph shows the total shareholder return ("TSR") performance of an investment of £100 in Eurocell plc's shares from its listing in March 2015 to the end of the period, compared with a £100 investment in the FTSE Smallcap Index over the same period. The FTSE Smallcap Index was chosen as a comparator because it represents a broad equity market index of which the Company is a constituent. The TSR was calculated by reference to the movements in share price.




The table below details certain elements of the CEO's remuneration over the same period as presented in the TSR graph:

| | Single figure of total remuneration | Annual bonus pay-out against maximum % | Long term incentive vesting rates against maximum opportunity % |
|---|---|---|---|
| 2015 | **£637,098** | **87%** | **N/A** |

As the Company listed in March 2015, part of the 2015 remuneration relates to when Eurocell was a privately owned company.

## Percentage change in remuneration of director undertaking the role of CEO (unaudited)

The below table presents the year on year percentage change in remuneration received by the Chief Executive Officer, compared with the change in remuneration received by all UK employees:

| | Percentage increase in remuneration between 2014 and 2015 | |
|---|---|---|
| | CEO | All staff |
| Salary and fees | 55.2% | 1% |
| Short-term incentives | 15.6% | -31.9% |
| All taxable benefits | -1.5%% | 3.6% |

The above table should be considered in light of that fact that it is common for the remuneration of Executive Directors to be re-calibrated at/soon after IPO to take account of the additional responsibilities borne by directors of listed PLCs.

## Relative important of spend on pay (unaudited)

The table below details the change in total employee pay between 2014 and 2015 as detailed in note 8 of the financial statements, compared with distributions to Shareholders by way of dividend, share buybacks on any other significant distributions or payments. These figures have been calculated in line with those in the audited financial statements.

| | % change | **2015 £m** | 2014 £m |
|---|---|---|---|
| Total gross employee pay | 1.8% | **34.7** | 34.1 |
| Dividends/share buybacks | 100% | **2.7** | 0 |

## Statement of voting at general meeting

As the Company only listed in March 2015, there has not yet been an Annual General Meeting ("AGM") where a resolution to pass each of the Directors' Remuneration Policy and Directors' Remuneration Report has been put forward for voting. In next year's annual report this section will have the voting breakdown of those two resolutions from this year's AGM.

## Implementation of policy for 2016 (unaudited information)

### *Base salary*

- Base salaries from Admission were as follows: £310,000 for Patrick Bateman, and £200,000 for Matthew Edwards
- With effect from 1 January 2016, these were increased to £358,000 and £233,000 respectively

### *Pension*

- Contributions rates for Executive Directors will be 15% of salary in 2016

### *Benefits*

- Details of the benefits received by Executive Directors are set out in note 2 to the single figure table on page 47
- There is no intention to introduce additional benefits in 2016

### *Annual bonus*

- The annual bonus opportunity for 2016 will be structured in a similar manner to 2015. The maximum bonus will be 100% of salary and will be payable based on performance against a blend of adjusted profit before tax (as to 70% of the bonus opportunity) and cash flow (30% of the bonus opportunity). In addition, a Health & Safety adjustment underpin will apply which, if not achieved, could reduce the bonus payout. 50% of any bonus earned will typically be deferred into shares for three years. Given the competitive nature of the Company's sector, the specific performance targets are considered to be commercially sensitive and accordingly are not disclosed at this time, although strong levels of disclosure will be made in next year's report in relation to the 2016 bonus outturn

### *Long-term incentives*

- Awards will be made under the PSP in 2016 to the Executive Directors structured in a similar manner to the awards made in 2015, in that awards will be made which will vest subject to three year EPS (two-thirds of the award) and cashflow (one-third) targets. Full details of these targets will be disclosed in next year's report, with these targets no less challenging in relative terms than the targets applied to the 2015 PSP awards

### *Chairman and Non-executive directors' fees*

- The fees of the Chairman and Non-executive directors will remain unchanged from the 2015 levels

### Remuneration package of Mark Kelly

The following table outlines the recruitment package of Mark Kelly who is expected to be appointed to the Board on 29th March and the role of CEO on 1st July 2016 following Patrick Bateman's expected retirement at the end of June 2016.

### *Base salary*

- Base salary of £360,000

### *Pension and benefits*

- Contributions rates of 15% of salary and benefits similar to those outlined in note 2 to the single figure table on page 47

### *Annual bonus*

- An annual bonus opportunity for 2016 of 100% of salary on a pro-rata basis, part of which may be deferred under the DSP

### *Long-term incentives*

- Award will be made under the PSP in 2016 over shares worth 150% of salary, although this is not an indication of future award levels

### *Recruitment bonus*

The following awards are to be made in connection with his recruitment to provide potential compensation for awards granted by his former employer ("prior awards") that may be forfeited by Mr Kelly on leaving his previous employer (which would be compliant with the policy for which shareholder approval is to be sought at the forthcoming AGM):

- £200,000 cash award payable on appointment, subject to repayment if not remaining employed for 12 months (with standard "good leaver" provisions")
- An award over £200,000 worth of shares, (measured as at the date of grant of the award), which would vest upon the expiry of a 12 month deferral period subject to continued employment (again with standard "good leaver" provisions)

However, to avoid any duplication of payments and to again reflect the Company's ongoing policy, if and to the extent these prior awards are not forfeited, any value Mr Kelly receives in relation to these prior awards will reduce the value of the above buy out awards.

### Retirement of Patrick Bateman

The following approach will be adopted in relation to Patrick Bateman's retirement:

- Patrick will continue to receive salary, pension and benefits up to his departure date of 30th June 2016, at which point all such payments will cease
- He will also be entitled to receive a cash bonus for 2016, payable following the half year based on performance against the adjusted profit before tax and cashflow targets
- The 2015 PSP award held by Patrick will vest on a pro rata basis (as to two-thirds of the Award) on the normal vesting date (i.e.in 2018) based on performance against the EPS and cashflow targets
- The above terms will be contained in a Settlement Agreement and Patrick will be entitled to receive payment of his reasonable legal fees for the advice he receives in connection with the Settlement Agreement

### Matthew Edwards

- After the year end it was announced that Matthew Edwards would be leaving the business by the end of June 2016. Arrangements in respect of his departure will be covered within the 2016 Remuneration Report.

This report was reviewed and approved by the Board on 16 March 2016 and signed on its behalf by order of the Board.

**Martyn Coffey**
Independent Non-Executive Director
16 March 2016



# DIRECTORS' REPORT

We present the Directors' Report together with our audited Financial Statements for the financial year ended 31 December 2015. The Corporate Governance Report set out on pages 31 to 54 forms part of this Directors' Report. We are UK domiciled and the majority of our activity is within the UK.

The Directors' Report and Strategic Report comprise the 'management report' for the purposes of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR 4.1.8.R).

Please refer to page 95 for a full list of the Directors.

## Results

Our Financial Statements for the year are set out on pages 12 to 95, which should be read in conjunction with the Chief Financial Officer's Report.

## Distributable reserves

The Board has become aware of a technical issue in respect of the interim dividend paid in October 2015. The Companies Act 2006 provides that a public company may pay a dividend out of its distributable profits as shown in the last accounts circulated to members or, if interim accounts are used, those that have been filed at Companies House. The requirement for the relevant accounts to have been filed applies even if the Company in question has sufficient distributable profits at the relevant time.

The Company had sufficient distributable profits to pay the interim dividend but did not file interim accounts to satisfy the procedural requirements of the Act before making the distribution.

The Board intends to propose resolutions at the AGM to put all affected parties so far as possible in the position in which they were always intended to be had the distribution been made in accordance with the procedural requirements of the Act.

## Post balance sheet events

Since the year end, on 9 March 2016, Eurocell Profiles Limited, a subsidiary of Eurocell PLC acquired 100% the share capital of Vista Panels Limited for £7.1m.

## Approach to tax

Our approach to tax matters is to comply with all relevant tax laws and regulations, whilst effectively managing the overall tax burden. We will pay the right and fair amount of tax in accordance with the letter and spirit of local laws and regimes. We understand that taxes we pay to governments are an important source of revenue for them in providing a stable infrastructure and environment in which we operate.

We look to manage our tax affairs in a manner to support business operations with the aim of ensuring that the tax consequences match the economic and commercial consequences of those operations. Naturally, we seek to ensure that transactions between subsidiary and associate companies are conducted on an arm's length basis and in line with our transfer pricing agreements.

Where a tax rule, regulation or incentive exists that may convey a tax advantage to us, for example, using losses incurred in prior years, we will use that rule, regulation or incentive to support the businesses as permitted by local law.

We use the services of external, expert tax advisers to provide input into our tax affairs, such as the management of compliance and the impact of changes in tax legislation on us.

## Tax governance

Our tax strategy is determined by the Board of Directors as a sub-set of our overall business strategy and is overseen by the Audit and Risk Committee. Operational responsibility for the execution of the Group's tax strategy rests with the Chief Financial Officer, who reports the Group's tax position to the Audit Committee on a regular basis.

The Audit and Risk Committee considers tax risks that may arise as a result of business operations through the Group's risk management framework. The consideration of such tax risks includes actions to mitigate the risks or to prevent their occurrence or recurrence.

## Related party transactions

Other than in respect of arrangements set out in note 29 to the Financial Statements and in relation to the employment of directors, details of which are provided in the Directors' Remuneration Report on pages 37 to 50, there is no material indebtedness owed to or by us to any employee or any other person or entity considered to be a related party.

Details of related party transactions are set out in note 29 to the Financial Statements.

## Share capital

Details of our issued share capital, together with details of movements in our issued share capital during the year, are shown in note 24 which is deemed to be part of this Directors' Report. We have one class of ordinary shares, which carries no right to fixed income. Each share carries the right to one vote at our general meetings. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 31 December 2015, we had 100,000,000 ordinary shares in issue.

Share capital, control and restriction on voting rights

As at 31 December 2015, our issued share capital was 100,000,000 ordinary shares of 0.1 pence each in nominal value (the "issued share capital"). Details of our share capital are shown in note 24 to the Financial Statements on page 90.

The rules about the appointment and replacement of directors are contained in our Articles of Association. Changes to the Articles of Association must be approved by our Shareholders.

## Rights and obligations attaching to shares

Holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's annual report, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

On a show of hands at a meeting of Eurocell, every member present holding ordinary shares has one vote. On a poll taken at a meeting, every member present and entitled to vote has one vote in respect of each ordinary share held by him or her.

## Restrictions on the transfer of securities

While the Board has the power under the articles of association to refuse to register a transfer of shares, there are no restrictions on the transfer of shares.

Under the Company's articles, the Directors have power to suspend voting rights and the right to receive dividends in respect of shares in circumstances where the holder of those shares fails to comply with a notice issued under section 793 of the Companies Act 2006. The Company is not aware of any agreements between Shareholders that may result in restrictions on the transfer of securities or voting rights.

## Substantial Shareholders

As at 29 February 2016, the Company had been notified of the following holdings of voting rights in its shares under Rule 5 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority.

| Shareholder | No of shares | % of voting rights |
|---|---|---|
| H2 Equity Partners | 20,129,094 | 20.1% |
| BlackRock Investment Mgt | 9,076,098 | 9.1% |
| Aberforth Partners | 8,886,754 | 8.9% |
| JO Hambro Capital Mgt | 8,650,000 | 8.7% |
| AXA Investment Mgrs | 7,771,428 | 7.8% |
| Ruffer | 7,332,168 | 7.3% |
| Hargreave Hale | 4,829,714 | 4.8% |
| Mr Patrick Bateman | 4,760,070 | 4.8% |
| Schroder Investment Mgt | 4,400,000 | 4.4% |
| Henderson Global Investors | 4,007,999 | 4.0% |

## Retirement by rotation

All Directors in office will retire and offer themselves for re-election at the 2016 AGM in accordance with the UK Corporate Governance Code.

The articles of association provide that a Director may be appointed by an ordinary resolution of Shareholders or by the existing Directors, either to fill a vacancy or as an additional Director.

The Executive Directors serve under contracts that are terminable with 12 months' notice from the Company and 6 months' notice from the executive Director. The non-executive Directors serve under letters of appointment and do not have service contracts with the Company.

Copies of the service contracts of the executive Directors and the letters of appointment of the non-executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

## Directors' powers

The Board of Directors may exercise all the powers of the Company subject to the provisions of relevant legislation, the Company's articles of association and any directions given by the Company in general meeting. The powers of the Directors include those in relation to the issue and buyback of shares.

## Directors' indemnities

Pursuant to the articles of association, the Company has executed a deed poll of indemnity for the benefit of the Directors of the Company and persons who were Directors of the Company in respect of costs of defending claims against them and third-party liabilities. These provisions, deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Companies Act 2006, were in force during the year ended 31 December 2015 and remain in force. The indemnity provision in the Company's articles of association also extends to provide a limited indemnity in respect of liabilities incurred as a director, secretary or officer of an associated company of the Company.

A copy of the deed poll of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

## Conflicts of interest

Under the Companies Act 2006, Directors must avoid situations where they have, or could have, a direct or indirect interest that conflicts or possibly may conflict with the Company's interests. As permitted by the Act, the Company's articles of association enable Directors to authorise actual and potential conflicts of interest.

## Articles of association

The Company's articles of association can only be amended by special resolution of the Shareholders. Our current articles are available on our website at www.eurocell.co.uk.

## Payments to suppliers

It is Group policy to abide by the payment terms agreed with suppliers, provided that the supplier has performed its obligations under the contract.

## Donations

In accordance with the Group's policy, no political donations were made and no political expenditure was incurred during 2015.

## Research and development

Group subsidiaries undertake research and development work in support of their principal manufacturing activities. Further details of the Group's research and development activities can be found throughout the Strategic Report.

## Strategic report

As permitted by section 414C of the Companies Act 2006, certain information required to be included in the Directors' report has been included in the strategic report. Specifically, this relates to information on the likely future developments of the business of the Group, the Company's business model and strategy, risk management and the disclosure of greenhouse gas emissions for which the Company is responsible.

## Disclosures required by Listing Rule 9.8.4R

There were no waivers of dividends during the year. There are no other disclosures to be made under the above listing rule.

## Share schemes

We have one type of share scheme: a long-term incentive plan (or performance share plan) ("LTIP" or "PSP"). We plan to introduce a save as you earn scheme ("SAYE" or "Sharesave" scheme) in the future.

All shares allotted under the PSP scheme have the same rights as those already issued.

## Directors' share interests

The interests of the Directors holding office at 31 December 2015 are shown in the Directors' Remuneration Report on page 47. There were no changes to the beneficial interests of the Directors between 31 December 2015 and 16 March 2016.

## UK Corporate Governance Code

Our statement on corporate governance and compliance with the Code can be found in the Corporate Governance Report on pages 31 to 54 and is incorporated by reference.

## *The Takeover Directive*

The rights and obligations attached to the issued share capital are set out in the Articles of Association available on our website www.eurocell.co.uk.

There are no agreements in place between us and our employees or directors for compensation for loss of office or employment that trigger as a result of a takeover bid.

## Financial risk management

Please refer to note 3 of the accounts.

## Legal and regulatory compliance

The executive team is responsible for identifying and carrying out assessments of those areas of the business where material legal and regulatory risks may be present. Where issues are identified, mitigating actions are built into an action plan involving the drafting and communication of policies and the delivery of training where appropriate, or are approached by way of a revision to key contractual terms. The Board receives regular reports on material litigation and the legal action taken to support our strategy.

In order to ensure that our suppliers behave in a moral and ethical manner, we have in place a comprehensive supplier manual which includes contractual terms, codes of conduct and an ethical trading policy.

Whistleblowing policies are in place. The Audit and Risk Committee receives a summary of any matters arising through the whistleblowing policy.

## Health and safety

We are committed to providing a safe place for employees to work. Our policies are reviewed on an ongoing basis to ensure that the approach to training, risk assessments, safe systems of working and accident management are appropriate. As part of this process, a rolling audit programme is in place to ensure that health, safety, environmental and security risks are stringently assessed and that robust control measures are in place to limit these risks.

For further information, please refer to the Strategic Report on pages 1 to 29.

## Greenhouse gas emissions

Prior to listing we did not measure our carbon footprint. Measures are being implemented now to enable full disclosure in future years.

## Post balance sheet events

Since the year end on 9 March 2016, Eurocell Profiles Limited, a subsidiary of Eurocell plc, acquired the whole of the share capital of Vista Panels Limited for £7.1m.

## Disclosure of information to auditors

Each Director who held office on the date of approval of this Directors' Report confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware. Furthermore, each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved and signed on behalf of the Board.

**Gerald Copley**
Company Secretary
16 March 2016

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company financial statements in accordance with applicable law and United Kingdom (UK) Accounting Standards (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 51 to 52, confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors also confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' responsibilities statement was approved by a duly authorised Committee of the Board of Directors on 16 March 2016 and signed on its behalf by Matthew Edwards, Chief Financial Officer and Patrick Bateman, Chief Executive Officer.

**Matthew Edwards**
Chief Financial Officer
16 March 2016

**Patrick Bateman**
Chief Executive Officer
16 March 2016





# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCELL PLC

Report on the group financial statements

## Our opinion

In our opinion, Eurocell plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

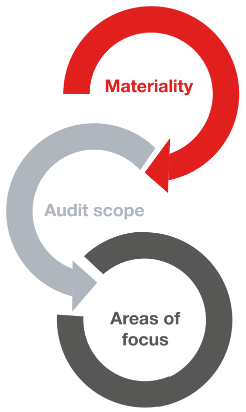
- the Consolidated balance sheet as at 31 December 2015;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

## Our audit approach

### *Overview*




- Overall Group materiality: £1.1 million which represents 5% of recurring profit before tax.

- Following our assessment of the risks of material misstatement of the financial statements we identified two statutory entities: Eurocell Building Plastics Limited and Eurocell Profiles Limited, which, in our view, required an audit of their complete financial information both due to their size and risk characteristics.
- In addition, the Company and certain centralised functions, including those covering the consolidation, borrowings, taxation and the acquisition of S & S Plastics Limited were audited.
- The statutory entities on which audits of the complete financial information were performed and centralised work accounted for 100% of Group revenue and 91% of recurring profit before tax.

Our assessment of the risk of material misstatement also informed our views on the areas of particular focus for our work which are listed below:

- Assessment of the valuation of inventory
- Assessment of the recoverability of trade receivables

### *The scope of our audit and our areas of focus*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK&I)").

- We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.
- The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCELL PLC CONTINUED

| Area of focus | How our audit addressed the area of focus |
|---|---|
| **Assessment of the valuation of inventory**<br>Refer to pages 26 to 27 (Principal risks and uncertainties), pages 35 to 36 (Audit & Risk Committee report), note 1 (Accounting policies) and note 18 (Inventories).<br><br>Inventory provisions totalled £2.6 million as at 31 December 2015 (31 December 2014: £4.5 million).<br><br>We focused on this area because the Directors' assessment of the absorption of labour and overhead costs into inventory and the assessment of the recoverability of inventory involved complex and subjective judgements.<br><br>Specifically the determination of inventory provisions for slow moving items and discontinued lines, reflecting the level of inventory held across the 141 branches at the year end, requires the exercise of judgement.<br><br>In addition, we also focused on this area because the Eurocell incentive schemes of the Directors and senior management is significantly driven by financial measures including profit, which we concluded gave a greater risk of manipulation of judgements, including inventory costing and provisioning, to ensure that bonus targets are achieved. | We understood the nature of each labour and overhead cost that the Directors absorbed into inventory and determined their appropriateness in line with IAS 2 'Inventories' ("IAS 2").<br><br>We tested, on a sample basis, the valuation and calculation of individual absorptions that made up the total. We also assessed the reasonableness of the Directors' estimates in this area for bias.<br><br>We found no material exceptions from the procedures noted above.<br><br>We understood the Directors' methodology for calculating inventory provisions and evaluated the Directors' assumptions over future forecast usage and validated historic usage to underlying revenue recorded. We found no material exceptions from these procedures.<br><br>In addition to the specific procedures noted above, we also responded to the risk that journal entries could be posted to misstate inventory by testing a sample of inventory journals to assess whether there were any unusual or irregular items. We agreed the journals tested to corroborative evidence and found no instances of manipulation of inventory occurring in this way.<br><br>Based on the results of our audit work, we found that the inventory recognised by the Directors was at an appropriate value and was consistent with the requirements of IAS 2. |
| **Assessment of the recoverability of trade receivables**<br>Refer to pages 26 to 27 (Principal risks and uncertainties), pages 35 to 36 (Audit & Risk Committee report), note 1 (Accounting policies) and note 19 (Trade and other receivables).<br><br>The Group had £22.6 million of trade receivables as at 31 December 2015 (2014: £21.7 million), net of £0.7 million of bad debt provisions (2014: £2.1m). We focused on this area because the Directors' assessment of the recoverability of trade receivables involved subjective judgements.<br><br>In particular, we focused on the recoverability of trade receivables in Eurocell Profiles Limited ("Profiles") customers. Profiles is entirely dependent upon a small population of customers and given the competitive nature of this industry, customers can exit quickly. The Directors assess each Profiles customer individually and therefore significant provision movements are possible period on period.<br><br>In addition, we also focused on this area because the Eurocell incentive schemes of the Directors and senior management is significantly driven by financial measures including profit, which we concluded gave a greater risk of manipulation of judgements, including those around bad debt provisions, to ensure that bonus targets are achieved. | We understood the Directors' methodology for calculating bad debt provisions across the Group and consider that these are in compliance with relevant IFRSs.<br><br>We challenged management on their assessments of the required level of bad debt provision specifically in respect of those customers with whom amounts were past due but not impaired to assess for bias.<br><br>We tested, on a sample basis, cash received from customers following the year end to validate the appropriateness of the Directors' estimates.<br><br>We found no material exceptions from the procedures noted above.<br><br>Based on the results of our audit work, we found that the provisions recorded by the Directors were calculated in a reasonable manner and were consistent with the requirements of relevant IFRSs. |

## *How we tailored the audit scope*
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.





Eurocell operates in the market of the extrusion of UPVC (unplasticized polyvinyl chloride) window and building products to the new and replacement window market and the sale of building plastics materials. This is predominantly through the function of the two primary divisions:
- Eurocell Building Plastics, focusing on sales and distribution across around 140 branches within the UK to smaller scale customers; and
- Eurocell Profiles, focusing on manufacture and distribution to large scale customers.

The Group financial statements are a consolidation of a number of statutory entities.

In establishing the overall approach to the Group audit, we identified two statutory entities: Eurocell Building Plastics Limited and Eurocell Profiles Limited, which, in our view, required an audit of their complete financial information both due to their size and risk characteristics.

The audits of these two statutory entities, together with additional procedures performed on centralised functions and at the Group level, including audit procedures over the consolidation, borrowings, corporate costs and the S & S Plastics acquisition, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

The statutory entities and head office balances over which we performed audit procedures accounted for 100% of revenue and 91% of recurring profit before tax.

All audit work, including work on components, was completed by the Group team.

## *Materiality*
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Overall group materiality** | £1.1 million |
| **How we determined it** | 5% of recurring profit before tax. |
| **Rationale for benchmark applied** | We believe that recurring profit before tax is the key measure used by the members as a body in assessing the Group's performance. This benchmark, which excludes the non-recurring items related to the Initial Public Offering in March 2015, provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring and/or disproportionate impact of these items. |

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £40,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## *Going concern*
Under the Listing Rules we are required to review the Directors' statement, set out on page 27, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCELL PLC CONTINUED

## Other required reporting

### *Consistency of other information*

### Companies Act 2006 opinion

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

### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

| | |
|---|---|
| • information in the Annual Report is:<br>– materially inconsistent with the information in the audited financial statements; or<br>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or<br>– otherwise misleading. | We have no exceptions to report. |
| • the statement given by the Directors on page 33, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. | We have no exceptions to report. |
| • the section of the Annual Report on pages 35 to 36, as required by provision C.3.8 of the Code, describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee. | We have no exceptions to report. |

### *The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group*

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

| | |
|---|---|
| • the Directors' confirmation on page 33 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| • the Directors' explanation on page 27 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

### *Adequacy of information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

### *Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### *Corporate governance statement*

Under the Listing Rules we are required to review the part of the corporate governance review relating to ten further provisions of the Code. We have nothing to report having performed our review.

## Responsibilities for the financial statements and the audit

### *Our responsibilities and those of the Directors*

As explained more fully in the statement of Directors' responsibilities set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### *What an audit of financial statements involves*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Other matter

We have reported separately on the company financial statements of Eurocell plc for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

**Mark Smith (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
16 March 2016

The maintenance and integrity of the Eurocell plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCELL PLC

Report on the Company financial statements

## Report on the Company financial statements

### *Our opinion*

In our opinion, Eurocell plc's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### *What we have audited*

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Company balance sheet as at 31 December 2015;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

## Other required reporting

### *Consistency of other information*

### Companies Act 2006 opinion

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

### ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

### *Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### *Directors' remuneration*

### Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### *Our responsibilities and those of the Directors*

As explained more fully in the Statement of directors' responsibilities set out on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### *What an audit of financial statements involves*

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Other matter

We have reported separately on the group financial statements of Eurocell plc for the year ended 31 December 2015.

**Mark Smith (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
16 March 2016

The maintenance and integrity of the Eurocell plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | Note | 2015 Year ended 31 December 2015 Recurring £000 | 2015 Non-recurring (note 7) £000 | 2015 Year ended 31 December 2015 Total £000 | 2014 Year ended 31 December 2014 Recurring £000 | 2014 Non-recurring (note 7) £000 | 2014 Year ended 31 December 2014 Total £000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 4 | **175,947** | **–** | **175,947** | 173,093 | – | 173,093 |
| Cost of sales | | **(84,945)** | **–** | **(84,945)** | (89,494) | – | (89,494) |
| **Gross profit** | | **91,002** | **–** | **91,002** | 83,599 | – | 83,599 |
| Distribution costs | | **(12,310)** | **–** | **(12,310)** | (10,830) | – | (10,830) |
| Administrative expenses | | **(54,398)** | **(3,323)** | **(57,721)** | (51,381) | (1,103) | (52,484) |
| **Operating profit** | 6 | **24,294** | **(3,323)** | **20,971** | 21,388 | (1,103) | 20,285 |
| Finance expense | 10 | **(1,275)** | **–** | **(1,275)** | (3,542) | – | (3,542) |
| **Profit before tax** | 9 | **23,019** | **(3,323)** | **19,696** | 17,846 | (1,103) | 16,743 |
| Taxation | 11 | **(4,454)** | **241** | **(4,213)** | (5,014) | 53 | (4,961) |
| **Profit for the year** | | **18,565** | **(3,082)** | **15,483** | 12,832 | (1,050) | 11,782 |
| **Earnings per share** | 12 | **18.60** | | **15.51** | 12.97 | | 11.91 |



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **27,635** | 25,672 |
| Intangible assets | 15 | **14,517** | 14,167 |
| **Total non-current assets** | | **42,152** | 39,839 |
| **Current assets** | | | |
| Inventories | 18 | **18,054** | 14,730 |
| Trade and other receivables | 19 | **24,944** | 20,407 |
| Cash and cash equivalents | 31 | **1,176** | 2,751 |
| **Total current assets** | | **44,174** | 37,888 |
| **Total assets** | | **86,326** | 77,727 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **(27,092)** | (21,536) |
| Borrowings and other interest-bearing loans | 21 | **(1,327)** | (12,897) |
| Provisions | 22 | **(76)** | – |
| Corporation tax | | **(1,196)** | (3,752) |
| **Total current liabilities** | | **(29,691)** | (38,185) |
| **Non-current liabilities** | | | |
| Borrowings | 21 | **(25,720)** | (25,376) |
| Trade and other payables | 20 | **(500)** | (122) |
| Provisions | 22 | **(1,366)** | (1,299) |
| Deferred tax | 23 | **(2,493)** | (1,227) |
| **Total non-current liabilities** | | **(30,079)** | (28,024) |
| **Total liabilities** | | **(59,770)** | (66,209) |
| **Net assets** | | **26,556** | 11,518 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 24 | **100** | 52 |
| Share premium | 24 | **1,926** | 99 |
| Other reserves | 25 | **380** | – |
| Retained earnings | | **24,150** | 11,367 |
| **Total equity** | | **26,556** | 11,518 |

The financial statements on pages 62 to 94 wereapproved and authorised for issue by the Board of Directors on 16 March 2016 and were signed on its behalf by:

**Patrick Bateman**
Chief Executive Officer

**Matthew Edwards**
Chief Financial Officer

# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 17 | **90** | 90 |
| **Total non-current assets** | | **90** | 90 |
| **Current assets** | | | |
| Trade and other receivables | 19 | **389** | – |
| Amount owed by Group undertakings | 19 | **33,769** | 11 |
| Deferred tax | 23 | **58** | – |
| **Total current assets** | | **34,216** | 11 |
| **Total assets** | | **34,306** | 101 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **(74)** | (604) |
| Amounts owed to group undertakings | 20 | **(3,075)** | (146) |
| **Total current liabilities** | | **(3,149)** | (750) |
| **Non-current liabilities** | | | |
| Borrowings | 21 | **(25,720)** | – |
| **Total non-current liabilities** | | **(25,720)** | – |
| **Total liabilities** | | **(28,869)** | (750) |
| **Net assets/(liabilities)** | | **5,437** | (649) |
| **Issued capital and reserves attributable to owners of the parent** | | | |
| Share capital | 24 | **100** | 52 |
| Share premium | 24 | **1,926** | 99 |
| Other reserves | 25 | **380** | – |
| Retained earnings | | **3,031** | (800) |
| **Equity attributable to equity holders of the parent** | | **5,437** | (649) |

The financial statements on pages 62 to 94 were approved and authorised for issue by the Board of Directors on 16 March 2016 and were signed on its behalf by:

**P Bateman**
Director

**M Edwards**
Director



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

| | Note | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|---|
| **Cash generated from operations** | 32 | **26,268** | 20,046 |
| Non-recurring costs | 7 | **3,323** | 1,103 |
| Cash generated from underlying operations | | **29,591** | 21,149 |
| Income taxes paid | | **(5,729)** | (1,179) |
| Non-recurring costs paid | | **(4,453)** | (172) |
| **Net cash from operating activities** | | **19,409** | 19,798 |
| **Investing activities** | | | |
| Acquisition of subsidiary, net of cash acquired | 30 | **(1,662)** | – |
| Payment of deferred consideration | | **–** | (8,821) |
| Purchase of property, plant and equipment | 14 | **(6,267)** | (5,060) |
| Sale of property, plant and equipment | | **75** | 3,563 |
| Purchase of intangible assets | 15 | **(85)** | (60) |
| **Net cash used in investing activities** | | **(7,939)** | (10,378) |
| **Financing activities** | | | |
| Proceeds from the issue of shares | | **–** | 50 |
| Redemption of preference shares | 24 | **(50)** | – |
| Proceeds from bank borrowings | 21 | **41,000** | – |
| Repayment of bank and other borrowings | 21 | **(48,599)** | (9,210) |
| Finance expense | 10 | **(4,023)** | (817) |
| Dividends paid to equity Shareholders | 13 | **(2,700)** | – |
| **Net cash used in financing activities** | | **(14,372)** | (9,977) |
| **Net decrease in cash and cash equivalents** | | **(2,902)** | (557) |
| **Cash and cash equivalents at beginning of year** | | **2,751** | 3,308 |
| **Cash and cash equivalents at end of year** | | **(151)** | 2,751 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Share capital (note 24) £000 | Share premium account (note 24) £000 | Retained earnings £000 | Other reserves (note 25) £000 | Total attributable to equity holders of parent £000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2015** | **52** | **99** | **11,367** | **–** | **11,518** |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | – | – | 15,483 | – | 15,483 |
| **Total comprehensive income for the year** | **–** | **–** | **15,483** | **–** | **15,483** |
| **Contributions by and distributions to owners** | | | | | |
| Preference shares redeemed in the year | (50) | – | – | – | (50) |
| Shares issued during the period | 98 | 1,827 | – | – | 1,925 |
| Share based payments | – | – | – | 322 | 322 |
| Deferred tax on share based payments | – | – | – | 58 | 58 |
| Dividends paid | – | – | (2,700) | – | (2,700) |
| **Total contributions by and distributions to owners** | **48** | **1,827** | **(2,700)** | **380** | **(445)** |
| **Balance at 31 December 2015** | **100** | **1,926** | **24,150** | **380** | **26,556** |

| | Share capital (note 24) £000 | Share premium reserve (note 24) £000 | Retained earnings £000 | Other reserves (note 25) £000 | Total attributable to equity holders of parent £000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 2 | 99 | (415) | – | (314) |
| **Comprehensive income for the period** | | | | | |
| Profit for the year | – | – | 11,782 | – | 11,782 |
| **Total comprehensive income for the year** | – | – | 11,782 | – | 11,782 |
| **Contributions by and distributions to owners** | | | | | |
| Preference shares issued during the year | 50 | – | – | – | 50 |
| **Total contributions by and distributions to owners** | 50 | – | – | – | 50 |
| **Balance at 31 December 2014** | 52 | 99 | 11,367 | – | 11,518 |



# COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Share capital (note 24) £000 | Share premium reserve (note 24) £000 | Retained earnings £000 | Other reserves (note 25) £000 | Total attributable to equity holders of parent £000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2015** | **52** | **99** | **(800)** | **–** | **(649)** |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | – | – | 6,531 | – | 6,531 |
| **Total comprehensive income for the year** | **–** | **–** | **6,531** | **–** | **6,531** |
| **Contributions by and distributions to owners** | | | | | |
| Preference shares redeemed in the year | (50) | – | – | – | (50) |
| Shares issued during the period | 98 | 1,827 | – | – | 1,925 |
| Share based payments | – | – | – | 322 | 322 |
| Deferred tax on share based payments | | | | 58 | 58 |
| Dividends paid | – | – | (2,700) | – | (2,700) |
| **Total contributions by and distributions to owners** | **48** | **1,827** | **(2,700)** | **380** | **(445)** |
| **Balance at 31 December 2015** | **100** | **1,926** | **3,031** | **380** | **5,437** |

| | Share capital (note 24) £000 | Share premium reserve (note 24) £000 | Retained earnings £000 | Other reserves (note 25) £000 | Total attributable to equity holders of parent £000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 2 | 99 | – | – | 101 |
| **Comprehensive income for the year** | | | | | |
| Loss for the year | – | – | (800) | – | (800) |
| **Total comprehensive income for the year** | | | (800) | | (800) |
| **Contributions by and distributions to owners** | | | | | |
| Preference shares issued during the year | 50 | – | – | – | 50 |
| **Total contributions by and distributions to owners** | 50 | – | – | – | 50 |
| **Balance at 31 December 2014** | 52 | 99 | (800) | – | (649) |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 1 Accounting policies

### Corporate information

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

The group is principally engaged in the extrusion of UPVC window and building products to the new and replacement window market and the sale of building materials across the UK.

### Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Company and group have adequate resources to continue in operational existence for the foreseeable future and as a result of this the going concern basis has been adopted in preparing the financial statements.

The Group financial statements have been prepared in accordance with International Financial Reporting Standard, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standard Board (IASB) as adopted by the European Union ("adopted IFRSs") and those parts of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRS.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements have been prepared under the historical cost convention, modified by the revaluation of land and buildings and derivatives financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 1985.

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

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the group and its subsidiaries at 31 December 2015. Subsidiaries are consolidated from the date of acquisition, being the date on which the group obtained control, and continue to be consolidated until the date when such control ceases.

Where the Company has power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions, balances, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

A separate profit and loss for the Company is not presented, in accordance with Section 408 of the Companies Act 2006. The profit for the year for the Company was £6,531,000 (2014: loss of £800,000).

### Standards issued but not effective

The standard and interpretations that are issued but not yet effective up to the date of issuance of the group's financial statements are disclosed below. The following new standards, interpretations and amendments, which have not been applied in these financial statements will or may have an effect on the group's future financial statements.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Issued May 2014*, apply to annual periods beginning on or after 1 January 2016, subject to EU endorsement.

*IFRS 9 Financial Instruments: Classification and Measurement – Issued July 2014*, applies to annual periods beginning on or after 1 January 2018, subject to EU endorsement. This supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). The finalised version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments: Recognition and Measurement".

Neither of these new standards are expected to have a material impact on the financial statements.

Standards, revisions and amendments to standards and interpretations issued but not yet adopted

The Group does not intend to adopt any standard, revision or amendment before the required implementation date. At the date of authorisation of these financial statements, the following standards which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments (effective from 1 January 2018);
- IFRS 15 Revenue from contracts with customers (effective from 1 January 2018); and
- IFRS 16 Leases (effective from 1 January 2019).

These standards and other revisions to standards and interpretations which have an implementation date in 2017 or thereafter are still being assessed.

### Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (when the goods are delivered). The amounts are recognised net of any discounts or rebates payable, which are accrued at the point at which the goods are delivered.

### Administrative expenses – non-recurring

The group presents some material items of income and expense as non-recurring costs. This is done when in the opinion of the directors the nature and expected infrequency of the circumstances merit separate presentation in the financial statements. This treatment allows Shareholders to better understand the elements of financial performance in the year; it facilitates comparison with prior periods; and it helps in understanding trends in financial performance.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and its amount of any non-controlling interest in the acquiree.

Direct costs of acquisition are recognised immediately as an expense.

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

### Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

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

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

| Intangible asset | Useful economic life | Valuation method |
|---|---|---|
| Software | Five years | Cost to acquire |
| Technology based | Ten to seventeen years | Cost to acquire |
| Marketing related | Ten to fifteen years | Cost to acquire |
| Customer related | Twelve years | Cost to acquire |

The amortisation charge for the year is included within administration costs within the consolidated profit and loss statement.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2015

## 1 Accounting policies continued

### Impairment of tangible assets, intangible assets and investments
Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

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

Impairment charges are included in the consolidated statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

### Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land and assets in the course of construction are not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their cost less residual value over their expected useful economic lives. It is provided at the following rates:

| | | |
|---|---|---|
| Freehold property | – | 2.5% per annum straight line |
| Leasehold property | – | Equal instalments over the period of the lease |
| Plant, machinery and equipment | – | Between 10% and 25% on cost |
| Motor vehicles | – | Between 20% and 25% on cost |
| Computer equipment | – | Between 20% and 25% on cost |
| Mixing plant | – | 13 years based on production usage |
| Extruders | – | 5 to 10 years based on production usage |
| Stillages and tooling | – | 5 years |

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

### Inventories
Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes a proportion of attributable overheads.

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

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

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

From time to time, the group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in administrative expenses.

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

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

### Financial liabilities
The Group classifies its financial liabilities as other financial liabilities which include the following items:
- bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet
- trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method

### Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:
- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:
- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and Settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### Provisions
A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

The group has recognised provisions for liabilities of uncertain timing or amount in respect of leasehold dilapidations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

Provisions are discounted if material.

### Share capital
The group's ordinary shares are classified as equity instruments.

### Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity Shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the Shareholders at the AGM.

### Retirement benefits: Defined contribution scheme
The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the consolidated statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period. The group has no obligation to pay future pension benefits.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 1 Accounting policies continued

### *Operating leases*

Where substantially all of the risks and rewards incidental to ownership are not transferred to the group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

### *Foreign currency*

The group's financial statements are presented in UK pounds sterling. For each entity the group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated statement of comprehensive income.

### *FRS 101 exemptions*

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements, in accordance with FRS 101:

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

### IFRS 7, 'Financial instruments: disclosures'

Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
(iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (statement of cash flows)
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
- 16 (statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third statement of financial position
- 111 (cash flow statement information), and
- 134-136 (capital management disclosures)

### IAS 7, 'Statement of cash flows'

Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

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

## 2 Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Estimates and assumptions*

### a) Carrying value of inventories

Management review the market value of, and demand for, its inventories on a periodic basis to ensure inventory is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of inventories. Management use their knowledge of market conditions to assess future demand for the group's products and achievable selling prices. Further disclosures relating to inventories are provided in note 18.

### b) Recoverability of trade receivables

Management makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payments terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and the charge in the profit and loss statement. Further disclosures relating to trade receivables are provided in note 19.

### c) Dilapidation provisions

The group recognises dilapidation provisions on the leasehold properties it occupies. Management assess the level of provision required on a property by property basis based on past experience within the property portfolio. These provisions are reviewed annually to ensure that they reflect the current best estimate of the provision required. Further disclosures relating to dilapidation provisions are provided in note 22.

## 3 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:
- credit risk
- market risk
- foreign exchange risk
- liquidity risk

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

### *Principal financial instruments*

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:
- trade and other receivables
- cash and cash equivalents
- trade and other payables
- bank overdrafts
- floating-rate bank loans
- shareholder loan notes
- credit facilities

## 3 Financial instruments – risk management continued

### *Group*

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

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **1,176** | 2,751 |
| Trade and other receivables | **24,944** | 20,407 |
| **Total financial assets** | **26,120** | 23,158 |

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Financial liabilities** | | |
| Trade and other payables | **27,592** | 21,658 |
| Loans and borrowings | **27,047** | 38,273 |
| **Total financial liabilities** | **54,639** | 59,931 |

### *Company*

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

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Financial assets** | | |
| Investments | **90** | 90 |
| Trade and other receivables | **389** | 11 |
| Amounts owned by Group undertakings | **33,769** | – |
| **Total financial assets** | **34,248** | 101 |

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Financial liabilities** | | |
| Trade and other payables | **74** | 604 |
| Loans and borrowings | **28,795** | 146 |
| **Total financial liabilities** | **28,869** | 750 |

There were no financial instruments classified at fair value through profit or loss.

### *General objectives, policies and processes*

The Board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function.

The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. These are then discussed at monthly meetings.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

### *Credit risk*

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk through its trade receivables arising from its normal commercial activities. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Existing credit risks associated with trade receivables are managed in line with group policies as discussed in the financial assets section of accounting policies.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This risk is mitigated by ensuring that deposits are only made with banks and financial institutions with a minimum rating "A" as issued by an industry recognised independent third party e.g. Standard and Poor's.

Further disclosures regarding financial assets are provided in note 19.

### *Market risk*

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

During 2015 and 2014 the group's borrowings at variable rate were denominated in Sterling.

Further disclosures relating to bank borrowings are provided in note 21.

### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of a financial instrument or future cashflow will fluctuate because of changes in foreign exchange rates. The group's exposure to foreign exchange risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency. The group manages its exposure to fluctuations in currency rates by wherever possible negotiating both purchases and Sales to be denominated in Sterling. The effect on the profit or loss from likely changes in foreign exchange is not significant.

### *Liquidity risk*

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, annual cash flow models are prepared and updated on a weekly basis to ensure that the group has adequate headroom in its facilities.

The Board receives monthly updates on the liquidity position and any issues are reported by exception. At the end of the financial year, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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

| At 31 December 2015 | Total £000 | Up to 3 months £000 | Between 3 and 12 months £000 | Between 1 and 2 years £000 | Between 2 and 5 years £000 | Over 5 years £000 |
|---|---|---|---|---|---|---|
| Trade and other payables | **(27,592)** | **(27,092)** | **–** | **–** | **(500)** | **–** |
| Bank overdraft, loans and borrowings | **(27,327)** | **(1,327)** | **–** | **–** | **(26,000)** | **–** |
| **Total** | **(54,919)** | **(28,419)** | **–** | **–** | **(26,500)** | **–** |

| At 31 December 2014 | Total £000 | Up to 3 months £000 | Between 3 and 12 months £000 | Between 1 and 2 years £000 | Between 2 and 5 years £000 | Over 5 years £000 |
|---|---|---|---|---|---|---|
| Trade and other payables | (21,658) | (21,536) | – | – | – | (122) |
| Bank overdraft, loans and borrowings | (38,273) | (10,420) | (2,477) | (2,677) | (2,224) | (20,475) |
| **Total** | (59,931) | (31,956) | (2,477) | (2,677) | (2,224) | (20,597) |

### *Capital disclosures*

The group's objective when managing capital, which is deemed to be total equity plus total debt, is to safeguard the group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating and headroom on financial covenants. The group manages its capital structure and makes appropriate decisions in light of the current economic conditions and Strategic objectives of the group.

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

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

A key objective of the group's capital management is to maintain compliance with the covenants set out in the existing facility agreements and to maintain a comfortable headroom over and above these requirements.

## 3 Financial instruments – risk management continued

The financial covenants which are in place are as follows:

Leverage: The ratio of Total Net Debt to Consolidated EBITDA of any relevant period of not more that 3.0:1
Interest cover: The ratio of EBITDA to Net Interest Payable in respect of any relevant period of not less than 4.0:1.

Covenants are measured semi-annually on a rolling twelve month basis. As at 31 December 2015 they were 0.9:1 and 38.1:1 respectively.

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

| | As at 31 December 2015 | | |
|---|---|---|---|
| | Euro £000 | GBP £000 | Total £000 |
| Trade and other receivables | – | 24,944 | 24,944 |
| Cash and cash equivalents | 1,106 | 70 | 1,176 |
| Other interest – bearing loans and borrowings | | (27,047) | (27,047) |
| Trade and other payables | – | (27,592) | (27,592) |
| | 1,106 | (29,625) | (28,519) |

| | As at 31 December 2014 | | |
|---|---|---|---|
| | Euro £000 | GBP £000 | Total £000 |
| Trade and other receivables | – | 20,407 | 20,407 |
| Cash and cash equivalents | 218 | 2,533 | 2,751 |
| Other interest – bearing loans and borrowings | – | (38,273) | (38,273) |
| Trade and other payables | – | (21,658) | (21,658) |
| | 218 | (36,991) | (36,773) |

## 4 Revenue

Revenue arises from:

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| Sale of Goods | 175,947 | 173,093 |

External revenue by location of customers:

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| United Kingdom | 173,442 | 169,543 |
| Rest of European Union | 2,503 | 3,516 |
| Other | 2 | 34 |
| | 175,947 | 173,093 |

There are no customers with turnover in excess of 10% of total turnover.

## 5 Auditor's remuneration

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| Audit of these financial statements | 16 | 5 |
| Amounts receivable by auditors and their associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | 89 | 57 |
| Audit-related assurance services | 20 | – |
| Services relating to taxation | – | 13 |
| All other services | – | 284 |
| | 125 | 359 |

## 6 Operating profit

Amounts included within operating profit are as follows:

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| Depreciation of property, plant and equipment | 4,302 | 4,252 |
| Impairment of property, plant and equipment | 234 | – |
| Amortisation of intangible assets | 1,135 | 428 |
| Rentals under operating leases | 4,483 | 4,282 |

## 7 Non-recurring costs

Amounts included in the consolidated statement of comprehensive income are as follows:

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| Professional fees and other costs relating to IPO | 3,323 | 800 |
| Restructuring costs | – | 246 |
| Profit on sale of tangible fixed assets | – | (239) |
| Stamp duty | – | (14) |
| Group recharges | – | 310 |
| | 3,323 | 1,103 |

Restructuring costs in the prior year relate to the restructuring of the distribution department following the outsourcing of product distribution during 2014.

Profit on sale of tangible fixed assets in the prior year relates to the sale of one of the group's properties in 2014.

Group recharges reflect costs associated with the former Shareholders.

## 8 Employee benefits expense

Staff costs (including directors) comprise:

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| Wages and Salaries | **30,534** | 30,723 |
| Share based payments | **322** | – |
| Social security contributions and Similar taxes | **2,866** | 2,555 |
| Defined contribution pension cost | **978** | 861 |
| | **34,700** | 34,139 |

The average monthly number of employees, including directors, during the year were as follows:

| | 2015 No. | 2014 No. |
|---|---|---|
| Production | **338** | 375 |
| Office and administration | **188** | 149 |
| Distribution | **558** | 474 |
| | **1,084** | 998 |

### *Key management personnel compensation and directors' remuneration*

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

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Emoluments | **1,454** | 1,253 |
| Share based payment | **322** | – |
| Pension and other post-employment benefit costs | **114** | 93 |
| | **1,890** | 1,346 |

Directors' remuneration is set out in the Remuneration Report.

During the year retirement benefits were accruing to 2 directors in respect of defined contribution pension schemes (2014: 2).

The highest paid director received remuneration of £680,251 (2014: £486,944).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £51,025 (2014: £43,387).

## 9 Segmental information

For management purposes the group is organised into divisions based on their products and Services and has two reportable segments as follows:

- Profiles – extrusion and sale of UPVC window and building products to the new and replacement window market across the UK
- Building Plastics – sale of building plastic materials across the UK

No operating segments have been aggregated to form the above reportable operating segments.

### *Factors that management used to identify the Group's reportable segments*

The group's reportable segments are strategic business units that offer different products and Services. They are managed separately because each business requires different technology and marketing strategies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team including the Chief Executive Officer and the Chief Financial Officer.

| | Profiles 2015 £000 | Building Plastics 2015 £000 | Corporate 2015 £000 | Total 2015 £000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total revenue | **105,957** | **102,661** | **–** | **208,618** |
| Inter-segmental revenue | **(32,088)** | **(583)** | **–** | **(32,671)** |
| **Total revenue from external customers** | **73,869** | **102,078** | **–** | **175,947** |
| **Adjusted EBITDA** | **21,608** | **8,384** | **(261)** | **29,731** |
| Amortisation | **(234)** | **(240)** | **(661)** | **(1,135)** |
| Depreciation | **(3,473)** | **(457)** | **(372)** | **(4,302)** |
| **Operating profit before non-recurring costs** | **17,901** | **7,687** | **(1,294)** | **24,294** |
| Non-recurring costs | | | | **(3,323)** |
| Finance expense | | | | **(1,275)** |
| **Profit before tax** | | | | **19,696** |

| | Profiles 2014 £000 | Building Plastics 2014 £000 | Corporate 2014 £000 | Total 2014 £000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total revenue | 104,735 | 100,746 | – | 205,481 |
| Inter-segmental revenue | (32,043) | (345) | – | (32,388) |
| **Total revenue from external customers** | 72,692 | 100,401 | – | 173,093 |
| **Adjusted EBITDA** | 16,964 | 8,668 | 436 | 26,068 |
| Amortisation | (92) | (239) | (97) | (428) |
| Depreciation | (3,499) | (391) | (362) | (4,252) |
| **Operating profit before non-recurring costs** | 13,373 | 8,038 | (23) | 21,388 |
| Non-recurring costs | | | | (1,103) |
| Finance expense | | | | (3,542) |
| **Profit before tax** | | | | 16,743 |

| | Profiles 2015 £000 | Building Plastics 2015 £000 | Corporate 2015 £000 | Total 2015 £000 |
|---|---|---|---|---|
| Purchase of plant, property equipment and intangible assets | **4,722** | **1,157** | **473** | **6,352** |
| Reportable segment assets | **40,594** | **29,472** | **16,260** | **86,326** |
| Reportable segment liabilities | **(15,670)** | **(11,992)** | **(1,372)** | **(29,034)** |
| Deferred tax liability | | | | **(2,493)** |
| Borrowings | | | | **(27,047)** |
| Corporation tax payable | | | | **(1,196)** |
| Total liabilities | | | | **(59,770)** |
| Total net assets | | | | **26,556** |

## 9 Segmental information continued

| | Profiles 2014 £000 | Building Plastics 2014 £000 | Corporate 2014 £000 | Total 2014 £000 |
|---|---|---|---|---|
| Purchase of plant, property equipment and intangible assets | 3,996 | 845 | 279 | 5,120 |
| Reportable segment assets | 34,726 | 22,507 | 20,494 | 77,727 |
| Reportable segment liabilities | (11,723) | (8,897) | (2,337) | (22,957) |
| Deferred tax liability | | | | (1,227) |
| Borrowings | | | | (38,273) |
| Corporation tax payable | | | | (3,752) |
| Total liabilities | | | | (66,209) |
| Total net assets | | | | 11,518 |

## 10 Finance expense

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| **Finance expense** | | |
| Exchange movements on foreign cash balances | **29** | 39 |
| Bank loans | **869** | 967 |
| Related party loan notes | **377** | 2,536 |
| | **1,275** | 3,542 |

## 11 Taxation

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| **Current tax expense** | | |
| Current tax on profits for the year | **3,758** | 4,329 |
| Adjustment for (over)/under provision in prior years | **(619)** | 228 |
| Total current tax | **3,139** | 4,557 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **1,129** | 404 |
| Adjustment for over provision in prior years | **(55)** | – |
| **Total deferred tax** | **1,074** | 404 |
| **Total tax expense** | **4,213** | 4,961 |

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Profit before income tax | **19,696** | 16,743 |
| Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 20.25% (2014: 21.5%) | **3,988** | 3,600 |
| Expenses not deductible for tax purposes | **450** | 650 |
| Provisions | **–** | 46 |
| Difference between depreciation and capital allowances | **(169)** | (95) |
| Adjustments to tax charge in respect of prior periods | **(619)** | 228 |
| Other short-term timing differences | **618** | 575 |
| Adjustments to deferred tax charge in respect of prior years | **(55)** | (43) |
| Total tax expense | **4,213** | 4,961 |

### *Changes in tax rates and factors affecting the future tax charge*

A reduction in the mainstream rate of UK corporation tax from 21% to 20% took effect from April 2015 which gives rise to an effective rate of 20.25% for the year. A further reduction to 19% from 1 April 2017 and 18% from 1 April 2020 have been substantively enacted. UK temporary differences are measured at the rate at which they are expected to reverse.

### *Tax on non-recurring items*

The tax charge arising on non-recurring items within the comprehensive income statement is £241,000 (2014: £53,000).

### *Tax included in other comprehensive income*

The tax credit arising on share based payments within Other comprehensive income is £58,000 (2014: nil).

## 12 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary Shareholders by the weighted number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. Adjusted earnings per share excludes non-recurring costs from the calculations.

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| Profit attributable to ordinary Shareholders | **15,483** | 11,782 |
| Profit attributable to ordinary Shareholders excluding non-recurring cost | **18,565** | 12,832 |
| | **Number** | Number |
| Weighted average number of shares – basic | **99,816,141** | 98,899,860 |
| Weighted average number of shares – diluted | **99,816,141** | 98,899,860 |
| | **Pence** | Pence |
| Basic earnings per share | **15.51** | 11.91 |
| Adjusted basic earnings per share | **18.60** | 12.97 |
| Diluted earnings per share | **15.51** | 11.91 |
| Adjusted diluted earnings per share | **18.60** | 12.97 |

## 13 Dividends

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| **Dividends paid during the year** | | |
| 2.7p per ordinary share (2014: £nil) | **2,700** | – |
| **Dividends proposed** | | |
| 5.2p per ordinary share | **5,200** | – |

Please refer to page 51 in the Directors report for discussion in relation to the procedural issue in respect of dividends paid during the year.

## 14 Property, plant and equipment

| Group | Freehold property £000 | Leasehold improve-ments £000 | Plant and machinery £000 | Motor vehicles £000 | Office equipment and fixtures £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | |
| **Balance at 1 January 2014** | 11,728 | 86 | 17,443 | 57 | 115 | 11 | 29,440 |
| Additions | 22 | – | 4,900 | 40 | – | 98 | 5,060 |
| Disposals | (3,169) | – | (1,387) | (12) | (46) | – | (4,614) |
| **Balance at 1 January 2015** | **8,581** | **86** | **20,956** | **85** | **69** | **109** | **29,886** |
| Additions | **23** | **–** | **2,107** | **–** | **–** | **4,137** | **6,267** |
| On acquisition | **–** | **–** | **307** | **–** | **–** | **–** | **307** |
| Disposals | **–** | **(16)** | **(155)** | **–** | **(1)** | **–** | **(172)** |
| Transfer | **–** | **–** | **1,452** | **–** | **–** | **(1,452)** | **–** |
| **Balance at 31 December 2015** | **8,604** | **70** | **24,667** | **85** | **68** | **2,794** | **36,288** |
| ***Accumulated depreciation*** | | | | | | | |
| **Balance at 1 January 2014** | 112 | 16 | 1,298 | 4 | 8 | | 1,438 |
| Charge for the year | 249 | 33 | 3,933 | 11 | 26 | – | 4,252 |
| Disposals | (138) | – | (1,323) | (12) | (3) | – | (1,476) |
| **Balance at 1 January 2015** | **223** | **49** | **3,908** | **3** | **31** | **–** | **4,214** |
| Charge for the year | **227** | **10** | **4,029** | **11** | **25** | **–** | **4,302** |
| Disposals | **–** | **(16)** | **(80)** | **–** | **(1)** | **–** | **(97)** |
| Impairment | **–** | **–** | **234** | **–** | **–** | **–** | **234** |
| **Balance at 31 December 2015** | **450** | **43** | **8,091** | **14** | **55** | **–** | **8,653** |
| ***Net book value*** | | | | | | | |
| **At 31 December 2015** | **8,154** | **27** | **16,576** | **71** | **13** | **2,794** | **27,635** |
| At 31 December 2014 | 8,358 | 37 | 17,048 | 82 | 38 | 109 | 25,672 |

Security over the assets is disclosed within note 21. Included within freehold property is non-depreciable land of £2,320,000 (31 December 2014: £2,320,000).

## 15 Intangible assets

| | Software £000 | Technology based £000 | Customer related £000 | Marketing related £000 | Goodwill £000 | Total £000 |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| **Balance at 1 January 2014** | 344 | 1,604 | 2,200 | 4,755 | 5,934 | 14,837 |
| Additions | – | 8 | – | 52 | – | 60 |
| **Balance at 1 January 2015** | **344** | **1,612** | **2,200** | **4,807** | **5,934** | **14,897** |
| Additions | **85** | **–** | **–** | **–** | **–** | **85** |
| On acquisition | **–** | **–** | **1,249** | **–** | **151** | **1,400** |
| Disposals | **(1)** | **–** | **–** | **–** | **–** | **(1)** |
| **Balance at 31 December 2015** | **428** | **1,612** | **3,449** | **4,807** | **6,085** | **16,381** |
| ***Accumulated amortisation*** | | | | | | |
| **Balance at 1 January 2014** | 58 | 32 | 53 | 159 | – | 302 |
| Charge for the year | 110 | – | 294 | 24 | – | 428 |
| **Balance at 1 January 2015** | **168** | **32** | **347** | **183** | **–** | **730** |
| Charge for the year | **45** | **190** | **283** | **617** | **–** | **1,135** |
| Disposals | **(1)** | **–** | **–** | **–** | **–** | **(1)** |
| **Balance at 31 December 2015** | **212** | **222** | **630** | **800** | **–** | **1,864** |
| ***Net book value*** | | | | | | |
| **At 31 December 2015** | **216** | **1,390** | **2,819** | **4,007** | **6,085** | **14,517** |
| At 31 December 2014 | 176 | 1,580 | 1,853 | 4,624 | 5,934 | 14,167 |

## 16 Impairment

For the purpose of impairment testing, goodwill is allocated at an operating segment level as follows:

| | **As at 31 December 2015 £000** | As at 31 December 2014 £000 |
|---|---|---|
| Buildings Plastics | **2,584** | 2,584 |
| Profiles | **3,501** | 3,350 |
| | **6,085** | 5,934 |

The recoverable amounts of the CGUs have been determined from value in use calculations which have been predicated on discounted cash flow projections from formally approved budgets covering a three year period, assumptions are as follows:

| | **As at 31 December 2015** | As at 31 December 2014 |
|---|---|---|
| Period on which management approved forecasts are based (years) | **3** | 3 |
| Discount rate (pre-tax) | **11%** | 11% |

The goodwill is considered to have an indefinite useful life and the recoverable amount is determined based on "value-in-use" calculations. These calculations use pre-tax cash flow projections based on a five year business plan approved by the board. These projections are based on all available information and growth rates do not exceed growth rates achieved in prior periods.

The discount rate was estimated based on past experience and industry average weighted average cost of capital.

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 17 Investments

| Company | Investments in subsidiary undertakings £000 |
|---|---|
| *Cost* | |
| At 31 December 2015 and at 31 December 2014 | 90 |

The subsidiaries of Eurocell plc, all of which have been incorporated in the United Kingdom are included in these consolidated financial statements, as follows:

| | | Holding | |
|---|---|---|---|
| Name | Principal activity | **2015** | 2014 |
| Eurocell Holdings Limited | Holding company | **100%** | 100% |
| Eurocell Group Limited | Holding company | **100%** | 100% |
| Eurocell Building Plastics Limited | Sale of building plastic materials | **100%** | 100% |
| Eurocell Profiles Limited | Manufacture of building plastic materials | **100%** | 100% |
| S. and S. Plastics Limited | Manufacture of injection moulded products | **100%** | n/a |
| Fairbrook Group Limited | Dormant | **100%** | 100% |
| Northampton Profiles Limited | Dormant | **100%** | 100% |
| Peninsula Plastics Limited | Dormant | **100%** | 100% |
| Sheet Plastic UK Limited | Dormant | **100%** | 100% |
| Fairbrook Limied | Dormant | **100%** | 100% |
| Fairbrook Holdings Limited | Dormant | **100%** | 100% |
| Reversible Systems Limited | Dormant | **100%** | 100% |
| Brunel Building Plastics Limited | Dormant | **100%** | 100% |
| Eurocell Window Systems Limited | Dormant | **100%** | 100% |
| Eurocell Plastics Limited | Dormant | **100%** | 100% |
| Cavalok Building Products Limited | Dormant | **100%** | 100% |
| Merritt Plastics Limited | Dormant | **100%** | 100% |
| Merritt Engineering Limited | Dormant | **100%** | 100% |
| Deeplas Limited | Dormant | **100%** | 100% |
| Deeplas Building Plastics Limited | Dormant | **100%** | 100% |
| Ampco 113 Limited | Dormant | **100%** | n/a |

## 18 Inventories

| Group | 2015 £000 | 2014 £000 |
|---|---|---|
| Raw materials | **1,864** | 2,284 |
| Work in progress | **1,850** | 2,035 |
| Finished goods and goods for resale | **14,340** | 10,411 |
| | **18,054** | 14,730 |

All inventories are carried at cost less a provision to take account of slow moving and obsolete items.

At 31 December 2015 the inventory provision amounted to £2,591,000 (2014: £4,520,000).

The costs of inventories recognised as an expense and included within cost of sales is £79,608,000 (2014: £84,103,000).

## 19 Trade and other receivables

| Group | 2015 £000 | 2014 £000 |
|---|---|---|
| Trade receivables | **22,581** | 21,707 |
| Less: provision for impairment of trade receivables | **(715)** | (2,098) |
| Less: provision for rebates | **(400)** | (741) |
| Trade receivables – net | **21,466** | 18,868 |
| **Total financial assets other than cash and cash equivalents classified as loans and receivables** | **21,466** | 18,868 |
| Prepayments | **3,444** | 1,406 |
| Other receivables | **34** | 133 |
| **Total trade and other receivables** | **24,944** | 20,407 |

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

The fair values of trade and other receivables classified as loans and receivables are not materially different to their carrying values. As at 31 December 2015 trade receivables of £1,473,000 (2014: £4,823,000) were past due but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Up to 3 months overdue | **1,465** | 4,823 |
| 3 to 6 months | **8** | – |
| | **1,473** | 4,823 |

Movements on the group provision for impairment of trade receivables are as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| At 1 January | **2,098** | 1,948 |
| Provided during the year | **1,848** | 2,316 |
| Released during the year | **(2,670)** | (1,776) |
| Receivable written off during the year as uncollectible | **(561)** | (390) |
| At 31 December | **715** | 2,098 |

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

| Company | 2015 £000 | 2014 £000 |
|---|---|---|
| Prepayments and other debtors | **389** | – |
| Receivables from group undertakings | **33,769** | 11 |
| **Total trade and other receivables** | **34,158** | 11 |

## 20 Trade and other payables

| Group | 2015 £000 | 2014 £000 |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | **19,393** | 13,546 |
| Other tax and social security | **2,178** | 3,224 |
| Other payables | **297** | 253 |
| Accruals | **5,224** | 4,513 |
| **Total trade and other payables** | **27,092** | 21,536 |
| *Non-current liabilities* | | |
| Other payables | **500** | 122 |

Book values approximate to fair value at 31 December 2015 and 2014.

| Company | 2015 £000 | 2014 £000 |
|---|---|---|
| Trade and other payables | **74** | 604 |
| Payables to group undertakings | **3,075** | 146 |
| **Total current liabilities** | **3,149** | 750 |

Book values approximate to fair value at 31 December 2015 and 2014.

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

## 21 Loans and borrowings
### *Group*

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

| | Book value 2015 £000 | Fair value 2015 £000 | Book value 2014 £000 | Fair value 2014 £000 |
|---|---|---|---|---|
| **Non-Current** | | | | |
| Bank loans secured | **–** | **–** | 4,901 | 4,901 |
| Bank loans unsecured | **25,720** | **25,720** | – | – |
| Shareholder loans | **–** | **–** | 20,095 | 20,095 |
| Management loans | **–** | **–** | 380 | 380 |
| | **25,720** | **25,720** | 25,376 | 25,376 |
| **Current** | | | | |
| Bank overdraft | **1,327** | **1,327** | – | – |
| Bank loans secured | **–** | **–** | 12,897 | 12,897 |
| **Total loans and borrowings** | **27,047** | **27,047** | 38,273 | 38,273 |

The bank loans outstanding at 31 December 2015 are renewed on a short term basis. The book value and fair value are therefore not considered to be materially different.

The management and shareholder loans outstanding at 31 December 2014 had interest charged at 11% and given that this is compounded rather than paid, the directors consider this to be a commercial rate. The book value and fair value are therefore not considered to be materially different.

### *Company*
The book value and fair value of loans and borrowings are as follows:

| | Book value 2015 £000 | Fair value 2015 £000 | Book value 2014 £000 | Fair value 2014 £000 |
|---|---|---|---|---|
| **Non-Current** | | | | |
| Bank loans secured | **–** | **–** | – | – |
| Bank loans unsecured | **25,720** | **25,720** | – | – |
| Shareholder loans | **–** | **–** | – | – |
| Management loans | **–** | **–** | – | – |
| | **25,720** | **25,720** | – | – |
| **Current** | | | | |
| Bank overdraft | **–** | **–** | – | – |
| Bank loans secured | **–** | **–** | – | – |
| **Total loans and borrowings** | **25,720** | **25,720** | – | – |

### *Borrowings*
On 9 March 2015, as part of the listing process, the Company refinanced its borrowings. As a result of this, from 9 March 2015, the Company has a £45m committed multi-currency revolving unsecured credit facility with Barclays Bank plc and Santander UK plc which expires in 2020.

Borrowings of £26,000,000 were drawn down at 31 December 2015 (2014: nil) less unamortised issue costs of £280,500 (2014: nil).

Interest is charged at an excess over base rate of between 1.25% and 2.25% per annum and is dependent upon the ratio of Total Net Debt to Consolidated EBITDA.

Based upon current economic and market trends, management consider that the Sterling LIBOR rate will remain stable during the next reporting period to 31 December 2016, and any changes, when applied to the group's current bank borrowings of £27,047,000, would not be significant.

### *Security*

| | As at 31 December 2015 £000 | As at 31 December 2014 £000 |
|---|---|---|
| **Current** | | |
| Secured over trade debtors and Stock | **–** | 9,569 |
| Secured over cashflow | **–** | 1,888 |
| Secured over plant and equipment | **–** | 769 |
| Secured over property | **–** | 671 |
| | **–** | 12,897 |
| **Non-current** | | |
| Secured over cashflow | **–** | 1,250 |
| Secured over plant and equipment | **–** | 1,274 |
| Secured over property | **–** | 2,377 |
| | **–** | 4,901 |

The management and shareholder loan outstanding at 31 December 2014 was secured by way of a fixed and floating charge over the assets of the group, subordinated to the security of the bank loans. On 3 March 2015, at the IPO, the Company refinanced the debt and these loans were repaid in full and replaced with an unsecured loan.

The bank loans outstanding at 31 December 2014 were secured by way of fixed and floating charge over the subsidiary company assets. Interest was charged at an excess over base rate of between 2% and 4% dependant on the loan.

Loans secured over property, plant and equipment were repayable by instalments, loans secured over accounts receivable and inventory were not repayable by instalments.

## 21 Loans and borrowings continued

The currency profile of the group's external loans and borrowings is as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Loan – Sterling | 25,720 | 38,273 |
| Overdraft – Sterling | 1,327 | – |
| | 27,047 | 38,273 |

### *Management and shareholder loans*

Management loans outstanding at 31 December 2014 amounted to £379,586 (including £40,710 accrued interest). Interest was charged at 11% and compounded until the loan was repaid. On 3 March 2015 at the IPO, the management loan notes and accrued interest were repaid in full.

Shareholder loans outstanding at 31 December 2014 amounted to £20,095,084 (including £2,685,084 accrued interest). Interest was charged at 11% and compounded until the loan was repaid. On 3 March 2015 at the IPO, the shareholder loan notes and accrued interest were repaid in full.

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

| | As at 31 December 2015 £000 | As at 31 December 2014 £000 |
|---|---|---|
| Within one year or repayable on demand | 1,327 | 12,897 |
| Between one and two years | – | 2,676 |
| Between two and five years | 25,720 | 2,226 |
| After five years | – | 20,474 |
| | 27,047 | 38,273 |

## 22 Provisions

| | Dilapidations provision £000 |
|---|---|
| **At 1 January 2015** | 1,299 |
| Additions in the year | 143 |
| **At 31 December 2015** | 1,442 |

| | |
|---|---|
| Current | 76 |
| Non-current | 1,366 |
| **At 31 December 2015** | 1,442 |

### *Dilapidation provision*

Under property operating lease agreements, Eurocell Building Plastics Limited and Eurocell Profiles Limited, being group subsidiaries, have obligations to maintain all properties to the standard that prevailed at the inception of the lease. The provision represents the directors' best estimate of the costs associated with this obligation.

The timing of the utilisation of the provision is variable dependant on the lease expiry dates of the properties concerned, which vary between 1 and 10 years.

## 23 Deferred tax

The movement on the deferred tax account is as shown below:

### *Group*

| | 2015 £000 | 2014 £000 |
|---|---|---|
| At 1 January | (1,227) | (823) |
| Recognised in income statement | (1,074) | (404) |
| Recognised in equity | 58 | – |
| Recognised upon acquisition | (250) | – |
| At 31 December | (2,493) | (1,227) |

### *Company*

| | 2015 £000 | 2014 £000 |
|---|---|---|
| At 1 January | – | – |
| Recognised in equity | 58 | – |
| At 31 December | 58 | – |

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

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

### *Group*

| | Asset 2015 £000 | Liability 2015 £000 | Net 2015 £000 | Income Statement 2015 £000 | Equity 2015 £000 |
|---|---|---|---|---|---|
| Accelerated capital allowances | – | (2,355) | (2,355) | (721) | – |
| Other temporary differences | 112 | – | 112 | (353) | 58 |
| Recognised upon acquisition | – | (250) | (250) | – | – |
| Net tax assets/(liabilities) | 112 | (2,605) | (2,493) | (1,074) | 58 |
| | 2014 £000 | 2014 £000 | 2014 £000 | 2014 £000 | 2014 £000 |
| Accelerated capital allowances | – | (1,634) | (1,634) | (591) | – |
| Other temporary differences | 407 | – | 407 | 187 | – |
| Net tax assets/(liabilities) | 407 | (1,634) | (1,227) | (404) | – |

### *Company*

| | Asset 2015 £000 | Liability 2015 £000 | Net 2015 £000 | Income Statement 2015 £000 | Equity 2015 £000 |
|---|---|---|---|---|---|
| Accelerated capital allowances | – | – | – | – | – |
| Other temporary differences | 58 | – | – | – | 58 |
| Available losses | – | – | – | – | – |
| Net tax assets | 58 | – | – | – | 58 |
| | 2014 £000 | 2014 £000 | 2014 £000 | 2014 £000 | 2014 £000 |
| Accelerated capital allowances | – | – | – | – | – |
| Other temporary differences | – | – | – | – | – |
| Available losses | – | – | – | – | – |
| Net tax assets | – | – | – | – | – |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 24 Share capital

| | Allotted, called up and fully paid 2015 Number | 2014 Number |
|---|---|---|
| Ordinary shares of £0.001 each | **100,000,000** | – |
| A Ordinary shares of £0.10 each | **–** | 90,000 |
| B Ordinary shares of £0.10 each | **–** | 5,057 |
| C Ordinary shares of £0.20 each | **–** | 3,034 |
| D Ordinary shares of £0.20 each | **–** | 1,011 |
| E Ordinary shares of £0.20 each | **–** | 1,011 |
| F Ordinary shares of £0.20 each | **–** | 1,011 |
| 50,000 Preference shares of £1.00 each | **–** | 50,000 |
| | **100,000,000** | 151,124 |

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Ordinary shares of £0.001 each | **100** | – |
| A Ordinary shares of £0.10 each | **–** | 1 |
| B Ordinary shares of £0.10 each | **–** | 1 |
| C Ordinary shares of £0.20 each | **–** | – |
| D Ordinary shares of £0.20 each | **–** | – |
| E Ordinary shares of £0.20 each | **–** | – |
| F Ordinary shares of £0.20 each | **–** | – |
| Preference shares of £1.00 each | **–** | 50 |
| | **100** | 52 |
| Share premium | **1,926** | 99 |

On 3 March 2015, in preparation for the IPO, the following share transactions took place:

- The 50,000 preference shares were redeemed at par
- The Company issued the following shares as a bonus issue; 8,056,936 A Ordinary shares, 74,182 B Ordinary shares, 44,506 C Ordinary shares, 6,910 D Ordinary shares, 6,910 E Ordinary shares and 6,910 F Ordinary shares
- The nominal value of A-F Ordinary shares were changed to £0.001. The number of A-F Ordinary shares was changed to ensure that the total share capital and proportion of equity held by each class of share remained unchanged
- All A-F Ordinary shares were re-designated as Ordinary shares
- 1,100,140 Ordinary shares were issued at £1.75 in consideration for the satisfaction of shareholder loan notes

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

## 25 Share based payments

The Group has applied the requirements of IFRS2 – Share based payments.

On 9 March 2015 the Group has issued equity-settled share-based payments to certain key management personnel. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based upon the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured based on the value of charges on the date of grant and the likelihood of all or part of the option vesting. For the year ended 31 December 2015, the charge to the consolidated income statement was £322,000 with a deferred tax credit of £58,000. The overall statement of financial position is unchanged as a result of this.

For details of the scheme see page 48 of the Directors Remuneration report.

## 26 Operating leases

The group has entered into commercial leases on certain non-current assets. The majority of these leases have an average life of between two and five years. There are no restrictions placed on the group by entering into these leases.

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

| Land and buildings | 2015 £000 | 2014 £000 |
|---|---|---|
| Not later than one year | **3,706** | 3,758 |
| Later than one year and not later than five years | **9,438** | 8,941 |
| Later than five years | **5,931** | 6,981 |
| | **19,075** | 19,680 |

| Other | 2015 £000 | 2014 £000 |
|---|---|---|
| Not later than one year | **2,392** | 2,601 |
| Later than one year and not later than five years | **3,939** | 4,138 |
| Later than five years | **48** | 141 |
| | **6,379** | 6,880 |

## 27 Contingent assets and liabilities

On 3 March 2015, as part of the re-financing exercise, the group entered into a cross-guarantee arrangement to cover the bank borrowings of all other group companies in the event of default. As at 31 December 2015 the bank borrowings were £25.7m.

The group had no other material contingent assets or liabilities (as at 31 December 2014: Nil).

## 28 Retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £978,000 (2014: £861,000).

## 29 Related party transactions

During the year there was a management charge made by the Company to its subsidiaries of £1,200,000 (2014; £nil) to cover professional charges relating to the IPO. Of this amount, £400,000 relates to charges incurred in 2015 and £800,000 in 2014. Balances with subsidiary undertakings are shown in notes 19 and 20. Details of transactions between the group and other related parties are disclosed in the following note.

### *Transactions with key management personnel*

H2 Equity Partners Limited is considered to be a related party by virtue of a mutual director.

Kalverboer Management UK LLP is controlled by P H L Kalverboer, a director of Eurocell plc.

At 31 December 2014 Coöperatief H2 Equity Partners Fund IV Holding WA was the majority shareholder of Eurocell plc. In March 2015, the Company floated on the London Stock Exchange and consequently there is no majority shareholder.

The following management charges have been made by the above companies:

| | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|---|---|---|
| H2 Equity Partners Limited | **49** | 250 |
| Kalverboer Management UK LLP | **40** | 13 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2015

## 29 Related party transactions continued
Prior to the IPO the Shareholders held loan notes, with interest payable at 11%. During the period the amounts of interest charged in the consolidated statement of comprehensive income were as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Coöperatief H2 Equity Partners Fund IV Holding WA | **368** | 2,103 |
| P Bateman | **4** | 18 |
| M K Edwards | **2** | 11 |
| G Parkinson | **1** | 4 |
| A Smith | **1** | 4 |
| I Kemp | **1** | 4 |

The loan notes and accrued interest outstanding at the period end were as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Coöperatief H2 Equity Partners Fund IV Holding WA | **–** | 20,095 |
| P Bateman | **–** | 172 |
| M K Edwards | **–** | 103 |
| G Parkinson | **–** | 35 |
| A Smith | **–** | 35 |
| I Kemp | **–** | 35 |

On 3 March 2015 at the IPO the loan notes and accrued interest were repaid in full as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Coöperatief H2 Equity Partners Fund IV Holding WA | **20,462** | – |
| P Bateman | **176** | – |
| M K Edwards | **106** | – |
| G Parkinson | **35** | – |
| A Smith | **35** | – |
| I Kemp | **35** | – |

## 30 Acquisitions of subsidiaries
On 31 July 2015, Eurocell Profiles Limited, an indirect wholly owned subsidiary undertaking of Eurocell plc acquired 100% of the ordinary share capital of Ampco 113 Limited and its wholly owned subsidiary S. and S. Plastics Limited.

S. and. S Plastics Limited specialises in injection moulding, predominately in the windows market. The acquisition took place to allow the group to expand their customer base and provide cross -selling opportunities of the group's extruded product range.

The consideration paid was £2,450,000, of which £350,000 is deferred and is outstanding at the balance sheet date. This amount is not contingent and will be settled once the group accounts for the year ended 31 December 2018 have been approved.

Goodwill represents the value of synergies arising from the economies of scale in the large group. The amount of goodwill deductible for tax purposes is £nil.

The goodwill arising on acquisition has been calculated as follows:

| | Book value acquisition £000 | Fair value adjustments £000 | Recognised values on acquisition £000 |
|---|---|---|---|
| **Acquiree's net assets at the acquisition date:** | | | |
| Property, plant and equipment | 307 | – | 307 |
| Intangible assets | – | 1,249 | 1,249 |
| Deferred tax | – | (250) | (250) |
| Inventories | 297 | 331 | 628 |
| Trade and other receivables | 898 | – | 898 |
| Cash and cash equivalents | 438 | – | 438 |
| Trade and other payables | (971) | – | (971) |
| Net assets and liabilities | 969 | 1,330 | 2,299 |
| Consideration paid: | | | |
| Cash paid | | | 2,100 |
| Deferred consideration | | | 350 |
| Total consideration | | | 2,450 |
| Goodwill on acquisition | | | 151 |

### *Fair value adjustments*
The fair value adjustment to intangible assets is to recognise previously unidentifiable intangible assets, and has been valued using discounted cash flows.

The fair value adjustment in relation to inventories is to recognise the fair value of finished goods acquired on acquisition.

The fair value adjustment to deferred taxation is to recognise the associated deferred tax liability arising on the amortisation of the identifiable intangible assets.

### *Acquisition related costs*
The group incurred acquisition related costs of £43,000 in relation to professional fees and transaction costs arising upon acquisition. All such costs have been expensed to the profit or loss within administrative expenses.

### *Overall impact on the group*
The contribution to profit before tax of the group for the period since acquisition was £45,000. If the acquisition had been completed on 1 January 2015 the contribution to the Group's revenue and operating profit for the year ended 31 December 2015 are estimated at £4,459,000 and £127,000 respectively.

## 31 Notes supporting statement of cash flows
Cash and cash equivalents for purposes of the statement of cash flows comprises:

| Group | 2015 £000 | 2014 £000 |
|---|---|---|
| Cash at banks and in hand | **1,176** | 2,751 |
| Bank overdraft | **(1,327)** | – |
| **Cash and cash equivalents** | **(151)** | 2,751 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 32 Reconciliation of profit after tax to net cash flows from operating activities

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Profit after tax** | **15,483** | 11,782 |
| Add back taxation | **4,213** | 4,961 |
| Finance expense (see note 10) | **1,275** | 3,542 |
| **Operating profit** | **20,971** | 20,285 |
| Adjustments for: | | |
| Depreciation of tangible fixed assets | **4,302** | 4,252 |
| Amortisation of intangible fixed assets | **1,135** | 428 |
| Profit on sale of property, plant and equipment | **–** | (425) |
| Impairment of property, plant and equipment | **234** | – |
| Share based payments | **322** | – |
| (Increase)/decrease in trade and other receivables | **(3,884)** | 436 |
| (Increase)/decrease in inventories | **(2,696)** | 515 |
| Increase/(decrease) in trade and other payables | **5,741** | (5,445) |
| Increase in provisions | **143** | – |
| | **26,268** | 20,046 |

## 33 Reconciliation of net debt

| | 1 January 2015 £000 | Cash flow £000 | Non-cash movements £000 | 31 December 2015 £000 |
|---|---|---|---|---|
| Cash and cash equivalents | **2,751** | **(2,902)** | **–** | **(151)** |
| Bank loans | **(17,798)** | **(8,202)** | **280** | **(25,720)** |
| Loan notes | **(20,475)** | **18,915** | **(1,560)** | **–** |
| **Total** | **(35,522)** | **7,811** | **(1,840)** | **(25,871)** |

| | 1 January 2014 £000 | Cash flow £000 | Non-cash movements £000 | 31 December 2014 £000 |
|---|---|---|---|---|
| Cash and cash equivalents | 3,308 | (557) | – | 2,751 |
| Bank loans | (29,151) | 11,353 | – | (17,798) |
| Loan notes | (18,332) | – | (2,143) | (20,475) |
| **Total** | (44,175) | 10,796 | (2,143) | (35,522) |

| **31 December 2015** | Current assets £000 | Current liabilities £000 | Non-current liabilities £000 | Total £000 |
|---|---|---|---|---|
| Cash and cash equivalents | **1,176** | **(1,327)** | **–** | **(151)** |
| Bank loans | **–** | **–** | **(25,720)** | **(25,720)** |
| Loan notes | **–** | **–** | **–** | **–** |
| **Total** | **1,176** | **(1,327)** | **(25,720)** | **(25,871)** |

| 31 December 2014 | Current assets £000 | Current liabilities £000 | Non-current liabilities £000 | Total £000 |
|---|---|---|---|---|
| Cash and cash equivalents | 2,751 | – | – | 2,751 |
| Bank loans | – | (4,901) | (12,897) | (17,798) |
| Loan notes | – | – | (20,475) | (20,475) |
| **Total** | 2,751 | (4,901) | (33,372) | (35,522) |

## 34 Events after the balance sheet date

On 9 March 2016, Eurocell Profiles Limited, a subsidiary of Eurocell plc acquired 100% the share capital of Vista Panels Limited for £7.1m.



# COMPANY INFORMATION PAGE

For the year ended 31 December 2015

**Directors**
P Bateman
M K Edwards
S G Gilbert (resigned 4 February 2015)
P H L Kalverboer
R A Lawson (appointed 4 February 2015)
F Nelson (appointed 4 February 2015)
M Coffey (appointed 4 February 2015)

**Registered Number**
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**Registered Office**
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Chartered Accountants and Statutory Auditor
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B3 2DT

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# NOTES

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