eurocell
All together better

Manufacturer
Distributor
Recycler

EUROCELL PLC
Annual Report and Accounts 2017

eurocell®

All together better

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INTRODUCTION

We are a market leading, vertically integrated UK manufacturer, distributor and recycler of innovative window, door and roofline PVC building products.

Manufacturer

Read about our manufacturing activity on page 14

Distributor

Find out more about our distribution network on page 16

Recycler

Find out more about our recycling capability on page 18

OVERVIEW

2017 Highlights

Revenue	**Gross Margin**	**Adjusted EBITDA[1]**
£224.9m	**51.0%**	**£31.7m**
▲10%	▼1%	▲1%
(8% excluding acquisitions)	(2016: 52.0%)	(2016: £31.3m)
Adjusted Profit Before Tax[1]	**Profit Before Tax**	**Adjusted EPS[1]**
£24.5m	**£23.7m**	**20.4p**
▲1%	▼0.7%	▲2%
(2016: £24.3m)	(2016: £23.8m)	(2016: 20.0p)
EPS	**Total Dividends (per share)**	**Net Debt**
19.6p	**9.0p**	**£14.5m**
—	▲6%	▼£5.8m
(2016: 19.6p)	(2016: 8.5p)	(2016: £20.3m)

PROGRESS WITH STRATEGIC PRIORITIES

- Gaining market share – Organic sales growth of 6% for Profiles and 9% for Building Plastics.
- Expanding the branch network – 190 branches, with 31 new sites in 2017.
- Increasing use of recycled PVC in manufactured products – 17% in 2017 (2016: 14%).
- Completed acquisition – Security Hardware in February 2017.

(1) Adjusted measures are before non-underlying costs and the related tax effect. Adjusted profit measures are used by management to assess business performance and are provided here in addition to statutory measures to help describe the underlying results on the Group.

View the latest results online at
investors.eurocell.co.uk

At a Glance

We operate our business through two divisions that reflect the principal routes to market for our products: Profiles and Building Plastics.

PROFILES DIVISION

The Profiles division manufactures extruded rigid PVC profiles and foam PVC products. We make rigid and foam products using virgin PVC compound, the largest component of which is resin. Our rigid products also include recycled PVC compound, produced at our market leading recycling facility.

Rigid PVC profiles are sold to third-party fabricators, who produce windows, trims, cavity closer systems, patio doors and conservatories for their customers.

There are broadly four types of fabricator. Trade frame fabricators supply finished products to tradesmen or small retail outlets. New build fabricators supply and install the products they make for house builders. Commercial fabricators supply and install products used in applications such as office space and education facilities. Finally, retail fabricators make products for sale via their own retail operation, which may be a large national business, or a small company servicing the local community. Most of Eurocell's customers are trade frame fabricators, although new build is becoming increasingly important.

Fabricators have production facilities which are customised to the window or door system they make. As a result, fabricators predominately buy profiles from a single supplier, which in turn creates a stable and loyal customer base.

Foam PVC products are used for roofline and are supplied to customers through our nationwide branch network in the Building Plastics division (see opposite).

As such, all of our manufacturing margin is recorded within the Profiles division, which therefore also benefits from expansion of the branch network.

The Profiles division also includes S&S Plastics and Vista; businesses acquired in 2015 and 2016 respectively. S&S supplies plastic injection moulding products and services for use in windows and certain other markets. Vista manufactures composite and PVC entrance doors, which are sold to third parties either direct or via the Building Plastics division.

OUR ROUTE TO MARKET

Our sales and distribution strategy is implemented through our cross functional sales and business development teams, which target the key decision makers in the supply chain. The key decision makers include fabricators, installers, developers, architects and local authorities. By influencing the influencers we earn the loyalty of our customers by helping them grow their businesses.

Third-party suppliers

35,000 tonnes[3] of virgin compound consumed[1]
plus 6,000 tonnes[3] of other raw materials[2]

MANUFACTURING
Eurocell Profiles
44k tonnes[3]
of profile produced

RECYCLING
Merritt Plastics
8.3k tonnes[3]
of recycled compound consumed
(17% of profile raw material consumed)

DISTRIBUTION
Eurocell Building Plastics
14k tonnes[3]
of foam profile

Third-party suppliers – e.g. Rainwater · Sealants · Tools

Average number of employees in 2017

1,496

190

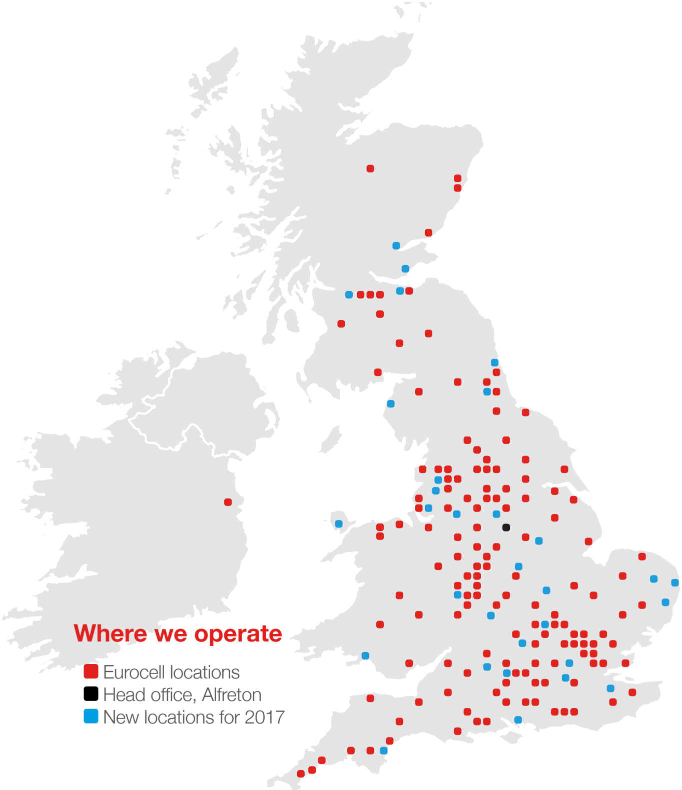
Branches

BUILDING PLASTICS DIVISION

The Building Plastics division distributes a range of Eurocell manufactured and branded foam PVC roofline products and Vista doors, as well as third-party manufactured ancillary products. These include sealants, tools and rainwater products, as well as windows fabricated by third parties using products manufactured by the Profiles division.

Distribution is through our national network of 190 branches to installers, small and independent builders, house builders and nationwide maintenance companies. The branches also sell roofline products to independent wholesalers.

The Building Plastics division also includes Security Hardware, acquired in February 2017. Security Hardware is a supplier of locks and hardware, primarily to the Repair, Maintenance and Improvements ('RMI') market.



Where we operate

- Eurocell locations
- Head office, Alfreton
- New locations for 2017

Revenue total £224.9m

Profiles	£94.2m
Building Plastics	£130.7m

EBITDA total £31.7m

Profiles	£23.1m
Building Plastics	£8.6m

Owner managed businesses and contractors

Profile customers

350+ fabricators

30k tonnes[3] of rigid profile

RMI[4]
Proportion of revenue in RMI market
> 80%

NEW BUILD
Proportion of revenue in new build housing market
> 10%

PUBLIC SECTOR
Proportion of revenue in public new build housing market
< 5%

See our Market Overview on page 6

(1) Virgin Resin: stabiliser, titanium dioxide, impact modifier, filler.
(2) Other raw materials: e.g. skin and rubber flex.
(3) Tonnages shown are approximate based on 2017 volumes.
(4) Repairs, Maintenance and Improvements.

Investment Case

CLEAR STRATEGY:
Five clear strategic priorities

- Target growth in market share
- Expand our branch network
- Increase the use of recycled materials
- Develop innovative new products
- Explore potential bolt-on acquisitions

We made good progress with all our strategic priorities during 2017.

See Our Strategy on page 20

VERTICALLY INTEGRATED BUSINESS MODEL:
Recycling, manufacturing and own distribution network

We are a leading manufacturer of rigid and foam PVC profiles. Our recycling operation helps to lower material costs and improve production stability. Our branches are conveniently located, offering a wide range of products and providing excellent service to local customers and nationwide groups alike.

See Our Business Model on page 12

SUSTAINABLE OPERATION:
In-house, closed loop recycling facility

We recycle both customer factory offcuts ('post-industrial' waste) and old windows ('post-consumer' waste). The recycled material is used to generate brand new extruded plastic products.

See Corporate Social Responsibility on page 30

LEADERSHIP:
Strong and experienced team

We have an effective Board and strong senior management team with the requisite and complementary skills, knowledge and experience to secure the future success of the business.

See Board of Directors on page 40

STRATEGIC REPORT

Chairman's Statement

Against a more challenging economic backdrop, we have reported robust financial results and delivered another consistent operational performance.

"

I am pleased to report we have made good progress with our strategic priorities in 2017 and that the business continues to outperform its markets."

Bob Lawson
Chairman

Adjusted EPS	EPS	Total Dividends (per share)
20.4p	19.6p	9.0p
▲ 2% (2016: 20.0p)	— (2016: 19.6p)	▲ 6% (2016: 8.5p)

Financial and Operating Performance

Our sales growth was good at +10% (+8% excluding acquisitions), with market share gains across the business. Profitability was solid, having been impacted by a subdued RMI market, especially in the second half, and higher raw material cost inflation.

As a result, we reported adjusted profit before tax of £24.5 million, up 1% on last year. Reported profit before tax of £23.7 million is down 0.7% on last year.

Cash conversion remains solid, with underlying operating cash flow of £28.8 million (2016: £32.2 million) driving a reduction in net debt to £14.5 million (31 December 2016: £20.3 million). We have a strong balance sheet which provides flexibility and options for the future.

In February 2017, we completed the acquisition of Security Hardware Limited, a supplier of locks and hardware primarily to the RMI market, with annual sales of approximately £3 million. The integration is now substantially complete.

Strategy

In January 2018, building on the work done in 2017, we conducted a review of the Company's strategy and the fundamental elements of our markets and activities. At the conclusion of this process, we reaffirmed that our overall objective remains to deliver sustainable growth in Shareholder value by increasing sales and profits at above our market level growth rates.

We have five clear strategic priorities to help us achieve our overall objective:

- Target growth in market share.
- Expand our branch network.
- Increase the use of recycled materials.
- Develop innovative new products.
- Explore potential bolt-on acquisitions.

We made good progress with each of these priorities during 2017, with the key aspects of our performance described in the Chief Executive's Review and in Our Strategy.

Looking forward, we will continue to develop each of these areas. We expect the significant investments now made in our specifications teams and in expanding the branch network will deliver further gains in market share. In addition, in response to continued raw material cost inflation, we intend to place more emphasis on increasing the use of recycled materials in our manufacturing processes.

Governance

As a Board, we are committed to promoting the highest standards of corporate governance and ensuring effective communication with Shareholders. We continue to comply with the UK Corporate Governance Code as outlined in our Corporate Governance Statement on pages 43 to 45.

Dividends

We paid an interim dividend of 3.0 pence per share. The Board proposes a final dividend of 6.0 pence per share, resulting in total dividends for the year of 9.0 pence, representing growth of 6%.

People

The good progress and robust financial results we reported in 2017 are a direct result of the hard work and dedication of our teams in every part of our business. On your behalf and on behalf of the Board, I offer our sincere thanks.

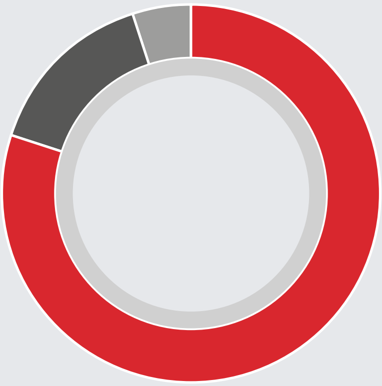
Bob Lawson
Chairman
8 March 2018

Market Overview

The level of UK economic activity, in particular the state of the repair, maintenance and improvement ('RMI') and new build housing markets, are important drivers of our performance.

Eurocell Revenue by Market (%)

Further commentary on these markets is set out opposite. Whilst private home improvement and, increasingly, new build housing are the most important market segments for Eurocell, social housing improvement and public new build are also covered.



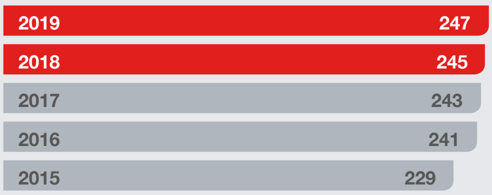
RMI	> 80%
New Build	> 10%
Public Sector (RMI & New Build)	< 5%

Markets For Eurocell Products

On average, markets for the product groups specific to Eurocell are also currently expected to be broadly flat over the next two years.

Roofline (Tonnes 000s)

Window Profile (Tonnes 000s)



Source: D&G Consulting September 2017

External Market Drivers

Driver	Description	Potential Impact on Eurocell
GDP	UK GDP has slowed and is currently forecast to grow by 1.5% in 2018 (2017: 1.8%).	▶
Consumer confidence	Negative sentiment, with a backdrop of rising inflation and economic uncertainty.	▶
Interest rates	First increase to UK interest rates in 10 years in November 2017, with further increases expected in 2018.	▼
Construction	Housing construction activity remains below pre-recession peak, but is forecast to rise by 3% in 2018 and 2% in 2019. Private housing starts are forecast to increase by 2% in 2018 and 2% in 2019.	▲ ▼
Housing market	Private housing RMI[1] market CAGR[2] forecast 2016-2019 is broadly flat.	▶

(1) RMI is Repair, Maintenance and Improvement market.
(2) CAGR is Compound Annual Growth Rate.

Sources: CPA: Construction Industry Forecasts 2016-19 (published Autumn 2017)
Oxford Economic Data (via FactSet) (published in February 2018)

Key to potential impact on demand for Eurocell products:
▲ Positive
▶ Neutral
▼ Negative

Despite a subdued RMI market and the prevailing economic uncertainty, we are confident that our strategic initiatives (described in Our Strategy on pages 20 and 21), including increasing market share, continued expansion of the branch network and further expanding our use of recycled material, will deliver above our market level growth rates for Eurocell.

Eurocell Markets and Drivers

Private Home Improvement ('RMI')

The RMI market is subdued, reflecting (inter alia): political uncertainty, the unknown impact of Brexit, the potential for further increases in interest rates and the relatively weak growth in real wages.

- *Demand is influenced by the state of the economy –* as spend is often significant, the state of the economy and the resulting impact on the housing market and consumer confidence influence demand.
- *Housing market –* if the housing market is weak, home owners may choose to improve or extend their existing property rather than move house, which can be positive for Eurocell.
- *Retirement housing –* planned improvements to retirement housing and increased availability of funds following changes to pension scheme rules may provide support to the RMI market in the future.

Private New Build Housing

New build growth has been strong in recent years and the large house builders continue to report good performance.

- *Macro-economic environment –* uncertainty suggests affordability will likely remain a key issue.
- *Help to Buy scheme –* continues to support demand.
- *Housing shortage –* on-going positive government intervention remains a possibility.

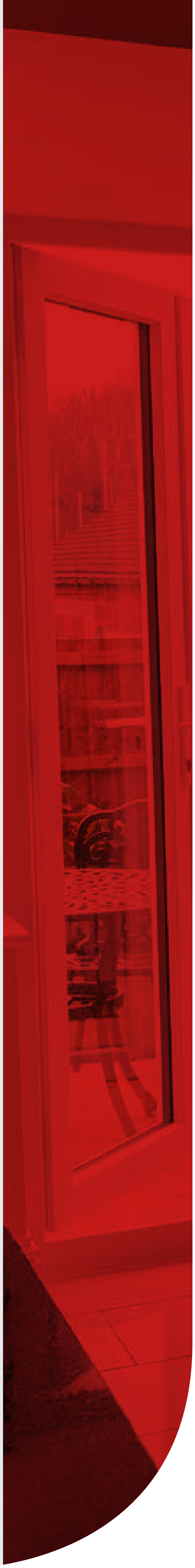
Public New Build Housing

This sector represents a very small proportion of the UK housing market, as government policies are targeted towards increasing private sector affordable housing rather than public sector social housing.

- *Right to Buy scheme –* enables council and housing association tenants to buy their homes at a discount, therefore a reduction in public sector housing stock is expected as result of the scheme.
- *Rent caps –* may reduce the financing available for new development.
- *Rental property development –* housing associations have relied on market sales to raise capital, weaker house price growth and few transactions will likely hamper this.

Social Housing Improvement

- *Decent Homes Programme and the Energy Company Obligation ('ECO') scheme both ended in 2017 –* under these schemes the support typically came in the form of heating packages, insulation and energy efficient windows.



STRATEGIC REPORT

Chief Executive's Review

Market Context

I am pleased to report a strong performance for the Group. The Repair, Maintenance and Improvement ('RMI') market has been subdued during 2017, particularly during the second half, reflecting low consumer confidence. We have experienced an almost perfect storm of macro factors, including increasing political and economic risk, the first interest rate rise in ten years, worsening house price data, low real wage growth and a weak pound driving material cost inflation.

Against this more challenging backdrop, we have made excellent progress with our strategic priorities, continued to invest significantly in the growth of our business and made further gains in market share.

Financial Performance

We have reported robust financial results for 2017 and delivered higher revenues and profits.

Overall, sales growth was good at 8% (excluding acquisitions). Growth was driven by our specifications teams, which have continued to be successful in generating demand for our products with architects and planning authorities in the private new build sector, and by the continued expansion of our branch network.

Profitability was solid, having been impacted by the weaker second-half markets and increasing cost inflation we have seen for resin, other raw materials and traded goods. We are implementing selling price increases to mitigate pricing pressure where possible, but the market does lag supplier price increases, so there is a delay in capturing the benefit. We continue to manage our underlying operating costs tightly, whilst progressing further our strategic priorities and investing in business expansion.

As a result, adjusted profit before tax was £24.5 million (2016: £24.3 million) and reported profit before tax was £23.7 million (2016: £23.8 million). Further information on financial performance is provided in the Divisional and Group Financial Reviews.

Operational Performance

Health and safety

The safety and well-being of our employees and contractors is our first operational priority. We continue to maintain good health and safety performance. We recorded one major injury in 2017 (cut to an employee's hand) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ('RIDDOR').

We noted in our 2017 Half-Year Report that the Health and Safety Executive ('HSE') intended to take action against the Company, following a minor accident to an employee in August 2016. The matter has now been concluded, resulting in a fine of £68,000 under the Health and Safety at Work Act.

Further details of our safety performance are included in Corporate and Social Responsibility.

Production

We delivered another consistent production performance in 2017. We manufactured approximately 44.4k tonnes of rigid and foam PVC profiles at our primary extrusion facilities, up from 40.9k tonnes in 2016, an increase of 9%.

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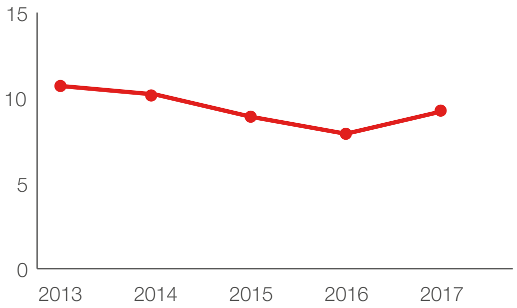
We believe that our proven strategy and capabilities will enable Eurocell to deliver value to our customers and Shareholders."

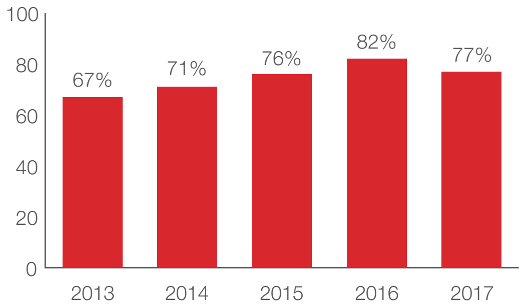
Mark Kelly
Chief Executive Officer

Scrap Levels[1]



(1) Scrap = 100% – (good product produced/consumption)

Overall Equipment Effectiveness ('OEE')[2]



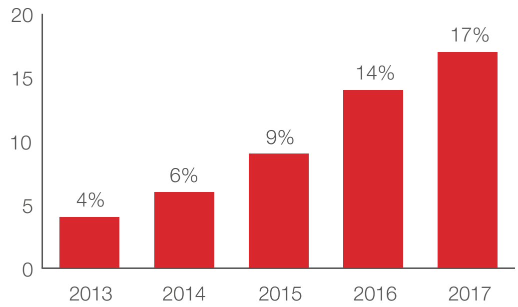
(2) OEE is a measure which takes into account machine availability, performance and yield

Planned initiatives aimed at mitigating raw material cost inflation lead to increased scrap and lower OEE levels. These include increased trials of alternative materials, including resin from potential new suppliers and other materials used in the extrusion process (e.g. compound stabilisers), as well as tests of new technologies (e.g. tooling) to support increasing the use of recycled material in the extrusion process.

Recycling

In 2017 we used 8.3k tonnes of recycled compound alongside virgin resin in the manufacture of many of our rigid PVC products in our primary extrusion processes. This represents 17% of material consumption, up from 14% in 2016, an increase of approximately 2k tonnes.

Recycled Material Usage as a % of Consumption



Our efforts to secure increased supplies of in-feed stock for the recycling plant are proving successful, with collections up 15% in 2017. Initiatives include back-hauling material from our fabricator, installer and branch networks.

Information on our recent investments in recycling and objective to increase further the use of recycled materials is described in Strategic Priorities below.

Warehouse logistics

We reported last year that, following a period of outsourcing, the operation of our main warehouse facility was brought back in-house with effect from February 2017.

We have worked to understand how the arrangements could be better structured to deliver a more efficient operation and improved customer service levels. We have made good progress, with on-time in-full deliveries increasing to 96%, compared to 91% in 2016. Initiatives include shorter production run times and revised warehouse shift patterns, with picking and relationship teams assigned to specific key accounts.

Whilst we have incurred some incremental cost as a result of these changes, we believe that the primary benefit of improved customer service has been a critical factor in maintaining the loyalty of our existing customer base and in supporting the winning of new accounts.

Chief Executive's Review continued

Strategic Priorities

As described in Our Strategy on page 20, our overall objective is to deliver sustainable growth in Shareholder value by increasing sales and profits at above our market level growth rates.

We have five clear strategic priorities to help us achieve our overall objective. We are making good progress with all of our strategic priorities, with the key aspects detailed below.

Target growth in market share

Our aim is to increase our share of the PVC profiles market to utilise the spare manufacturing capacity in our extrusion facilities. The effect of this is such that, whilst new volume could be dilutive to gross margin in the short term, the net margin on these sales should be attractive.

In order to deliver the incremental volume, we have been targeting the new build, commercial and public sectors, as well as a number of larger trade fabricators. In doing so, we emphasise why Eurocell is different: we have a strong single brand, good customer service and a leading recycling capability, all of which are attractive to customers. In addition, expanding the branch network pulls through demand for our manufactured products, thereby exploiting the spare capacity.

After a slow start in the first half of 2017, we have made good progress winning accounts since the summer. Sales have started to come through from customers who have recently moved onto our product systems, with more new accounts contracted for 2018.

Expand our branch network

Expanding the branch network secures sales growth and delivers good returns in the medium term, as new branches begin to mature. It also provides an increasing opportunity for sales of windows and other high-value products through the branch network, and (as noted above) pulls through demand for our manufactured products.

I am very pleased to report that we opened 31 branches in 2017, which is a record number of new sites introduced by Eurocell in a 12-month period (2016: 18 new branches). This represents a significant investment in the expansion of our business, taking the total estate to 190 branches at the year end. We also launched a new and improved branch format with more products on display, and added new product lines to the range, to help meet our objective of becoming a one-stop shop for customers.

The cost of investing in new branches does create downward pressure on profitability in the near term as the new sites work towards a break-even position. Historically it has taken more than two years for a new branch to reach a break-even run-rate. We have been running trials to reduce start-up costs and shorten the time to break-even for the branches opened in 2017, with initiatives based on more focused direct marketing campaigns and sharing resources with established sites in the same region. The trials have gone well and there have been some key learnings. There is more work to do in this area, particularly with respect to the branches opened in 2016, but we are confident that, in future, new branches should reach a break-even run-rate before their two-year anniversary.

Our intention remains to develop an estate of approximately 250 branches in the medium term. Subject to the success of the current programme, consideration of the sites available, potential branch maturity and sales saturation rates, we continue to believe that an estate of around 350 sites is a realistic long-term aspiration for Eurocell.

However, in order to allow the team to consolidate the existing estate, complete the work on reducing break-even times and maximise the sales of high value items through the whole branch network, we have revised down our short term target for new sites and plan to open up to 15 branches in 2018.

Increase the use of recycled materials

The work to increase the use of recycled materials in our primary extrusion manufacturing processes is becoming even more important in the face of continued raw material cost inflation, particularly for PVC resin.

Average resin prices increased by 13% in 2017 and by approximately £150 per tonne over the last two years, driven by a combination of currency movements (largely weak Sterling) and underlying commodity price changes (rising oil and ethylene). This has resulted in a widening gap between the cost of virgin PVC compound and our recycled compound, making the case for further investment in recycling more compelling.

During the course of 2016 and 2017 we invested approximately £1.8 million in a project to increase our recycling capacity, which has boosted usage in primary extrusion from 9% (4.1k tonnes) of material consumption in 2015 to 17% (8.3k tonnes) in 2017.

Looking forward, we intend to invest to expand again our recycling capacity. As a result, we expect usage in primary extrusion to increase to around 20% in 2018 (approximately 10k tonnes), driving a substantial saving compared to the cost of using virgin material.

Beyond that we will continue to evaluate opportunities to increase further our recycling capacity in the years ahead.

Develop innovative new products
We are committed to maintaining market leadership by offering the very latest in product improvement, both through development of existing products and the introduction of new ones. Some of the products launched during 2017 include:

- *InSite window solution*
  A window solution which includes a special hinge for off-site construction applications, which allows timber frame and modular home manufacturers to install fully glazed windows into wall panels in the factory production process.

- *StudioGlide bi-fold door*
  A new alluminium bi-fold door with improved opening and closing mechanism which complements our existing product designs and is now in production with several of our trade frame fabricators.

- *SlateSkin*
  A new sheet tile roof system designed to save installation time when fitted in conjunction with our Equinox products.

- *Modus and Skypod continued improvement*
  Range extension for these excellent products.

Explore potential bolt-on acquisitions
In February 2017, we completed the acquisition of Security Hardware, a supplier of locks and hardware primarily to the RMI market. Annual sales at acquisition were approximately £3 million.

The integration of Security Hardware is now substantially complete. The extensive product range (over 3,000 stock keeping units ('SKUs'), covering the major hardware brands and an own label offering, Schlosser Technik) is now available through our branch network, supporting our objective to be a one-stop shop for anything window related for our customers. This also allows us to better engage with facilities management companies and other large maintenance contractors.

We are developing a range of hardware to complement our window profile. This will enable our fabricator customers to offer a fully certified common specification of window (including hardware), giving Eurocell the opportunity to target a greater share of the new build market and grow sales of windows through branches. We expect the hardware range to be available later in 2018.

We will continue to assess and consider bolt-on acquisition opportunities in the markets in which we operate. Our focus is principally on businesses that add value through range extension, operational efficiencies or added value products, or to satisfy a make-or-buy decision.

Outlook

We have made excellent progress with our strategic priorities in 2017, continued to invest significantly in the growth of our business and made further gains in market share.

Profit was impacted by raw material cost inflation and a subdued RMI market, especially in the second half. However, the benefits of our differentiated business model are becoming increasingly evident. I expect the significant investments we are making in the Group to deliver further gains in market share and allow Eurocell to take more control of material costs in the future.

Looking ahead, our focus for 2018 will be on optimising our existing branch network and expanding further our recycling capability. Whilst our markets remain challenging and raw material price inflation continues, we are in a strong financial position and sales in the first two months are in line with our expectations.

In summary, we believe that our proven strategy and capabilities will enable Eurocell to deliver value to our customers and Shareholders throughout 2018 and beyond.

Mark Kelly
Chief Executive Officer
8 March 2018

Our Business Model

WHAT WE DO

WE MANUFACTURE

We are a leading manufacturer of rigid and foam PVC profiles, composite and PVC entrance doors for the window and building home improvement sectors. Our manufacturing process uses raw materials including PVC resin and our own produced recycled material.

44.4k tonnes

produced in 2017

See Business Model in Action on page 14

WE DISTRIBUTE

The Profiles division supplies our manufactured profile to a network of fabricators, who in turn supply end products to installers, retail outlets and house builders.

The Building Plastics division sells, through its network of branches, our manufactured foam products and entrance doors, along with a range of third-party related products, as well as windows fabricated by third parties using products manufactured by the Profiles division. Customers are mainly installers, small builders, roofing contractors and independent stockists.

> 350,000 products

delivered in 2017

See Business Model in Action on page 16

WE RECYCLE

We recycle both customer factory offcuts ('post-industrial' waste) and old windows that have been replaced with new ('post-consumer' waste). The recycled material is used to generate brand new extruded plastic products.

> 1 million old windows

recycled in 2017

See Business Model in Action on page 18

HOW WE CREATE VALUE

Vertically integrated model

The coordination of our procurement, manufacturing and distribution processes enables us to capture margin throughout all stages of our value chain.

Our recycling activities help lower material costs and improve production stability.

Scale

We operate well-invested and modern extrusion facilities, with spare manufacturing capacity that can be exploited with little incremental cost.

We are the UK's largest window recycling operator.

Our extensive branch network is a driver of sales growth and market share. It also helps improve manufacturing efficiency, with pull-through demand driving higher factory utilisation.

Innovative products

We are committed to a strategy of continually developing new and existing products.

We support the use of Building Information Modelling ('BIM') software, giving architects and contractors access to a library of Eurocell products, making it easier to specify them.

Brand

We have a strong brand image and our marketing activities seek to maximise our brand awareness.

People and culture

Our experienced management team have a proven track record of achieving profitable growth.

Our corporate culture is one of openness, trust, encouragement and clarity of purpose. We train and empower our people to help our customers grow their businesses.

Local footprint

Our branches are conveniently located and have readily available inventory, thereby providing excellent service to local customers and national groups alike.

We also strive to help our customers through the provision of technical, business development and marketing support services.

See our Chief Executive's Review on page 8

OUTPUTS

Sales growth
Our initiatives to support sales and deliver high levels of customer service differentiate Eurocell from our competitors. We expect this to drive good sales growth.

8% sales growth (excluding acquisitions)

Solid profitability
Utilisation of our spare manufacturing capacity can drive profit growth.

Expanding the branch network, whilst dilutive until new branches become established, should deliver strong medium-term returns.

Increased use of recycled materials can help mitigate raw material pricing pressure.

£23.7 million profit before tax

Good cash generation
Our operating cash flow conversion is good, particularly in the Building Plastics division, where a high proportion of customers pay at point of sale or shortly thereafter.

£23.7 million net cash generated from operating activities

Good return on sales
Our strong brand, well-invested facilities and capital-light branch expansion programme ensure a good return on sales.

14% return on sales(1)

(1) Return on sales is Adjusted EBITDA/revenue.

See Group Financial Review on page 26

KEY BENEFICIARIES

SHAREHOLDERS
Our overall strategic objective is to deliver sustainable growth in Shareholder value.

FABRICATORS
Through high-quality products and a strong focus on customer service, we have developed a very loyal customer base.

SMALL BUILDERS AND INSTALLERS
The independent sole traders that visit our branches benefit from the one-stop shop offering we provide.

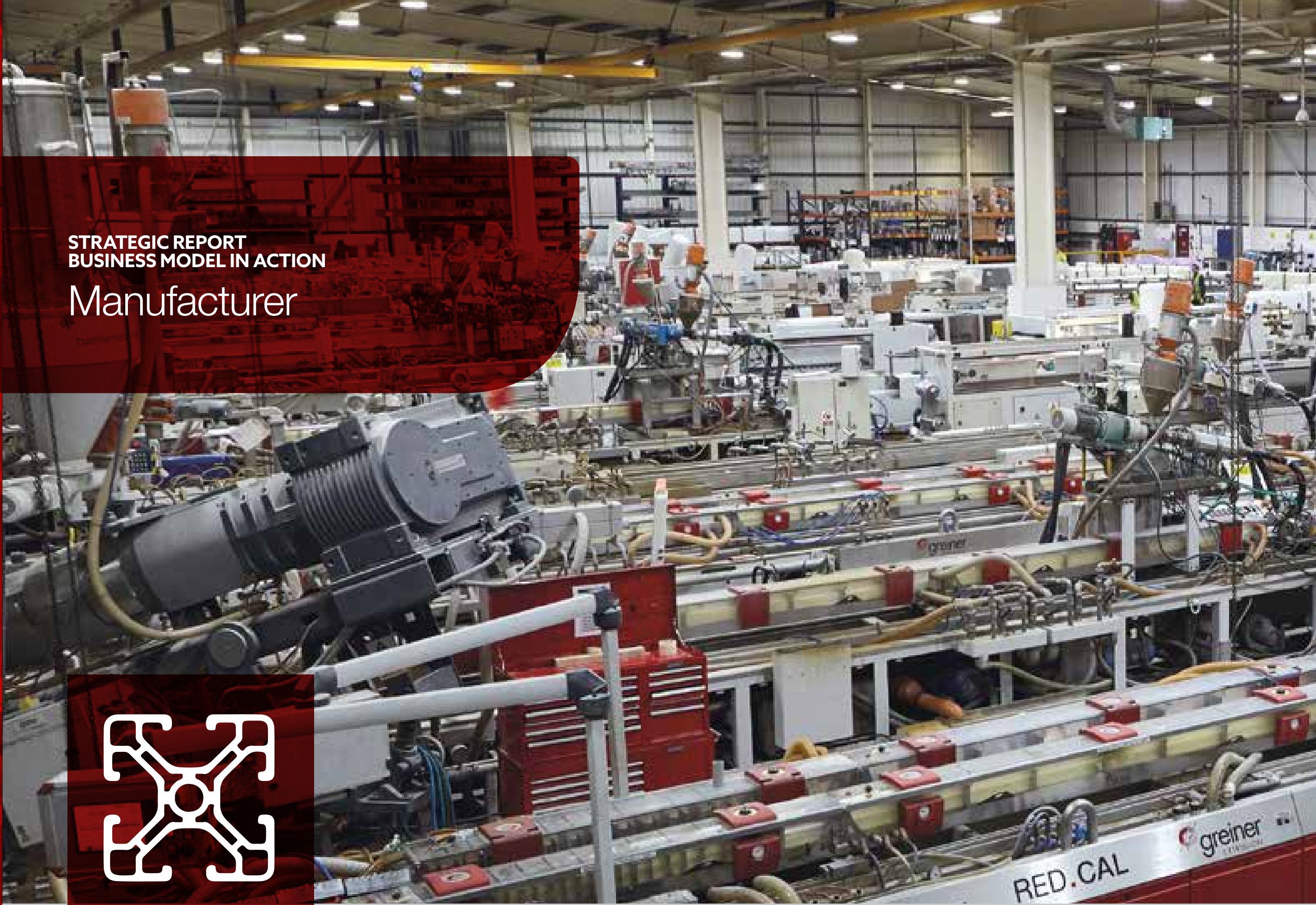
HOME BUILDERS
Home builders appreciate the quality of our products and benefit from Eurocell coordinating our fabricators' offering to meet their requirements.

INSTALLERS
We aim to make our products as easy as possible to work with, which is very attractive to our direct or indirect installer base.

EMPLOYEES
We work hard to train and develop our people, and provide rewards commensurate with our goal to be an employer of choice.

See Corporate Social Responsibility on page 30

Manufacturer



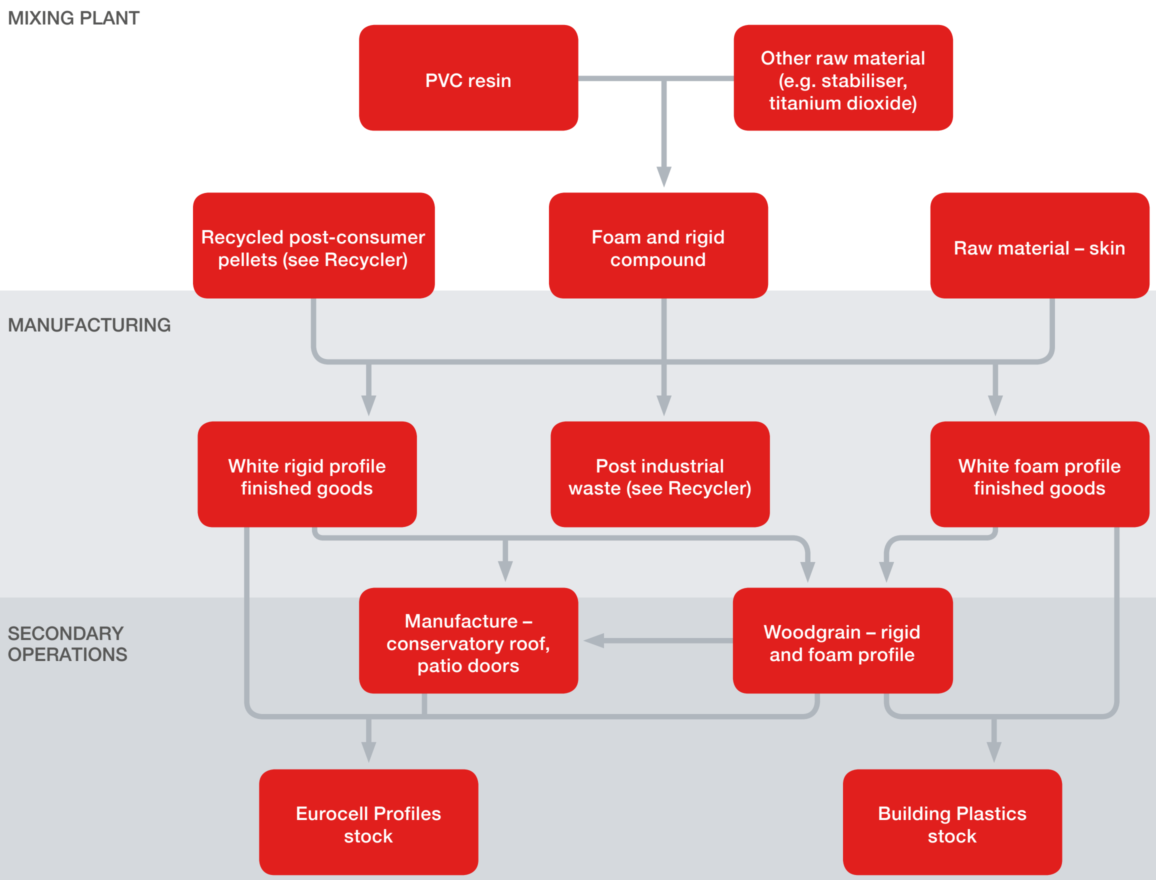
Optimise the manufacturing process

We manufacture both rigid and foam PVC profiles at our purpose-built extrusion facilities in Alfreton, which comprise three separate manufacturing sites with a combined footprint of 140,000 square feet.

Today we operate with 49 active extrusion machines. Recent production volumes have averaged over 40k tonnes per annum and we believe that production of at least 50k tonnes per annum can be achieved with limited additional capital investment or incremental labour costs.

Across our various sites around the Group we are working to standardise processes and share best practice wherever possible. This, together with judicious capital investment, on-going work on lean manufacturing techniques and continuous improvement driven by our Kaizen team, supports the delivery of on-going manufacturing efficiencies.

By increasing market share of PVC rigid and foam profiles we can utilise the spare manufacturing capacity and drive profit growth. The expansion of our branch network remains an ideal platform to promote our manufactured products as well as creating pull through demand for both rigid and foam products.



The chart above illustrates our principal manufacturing process.

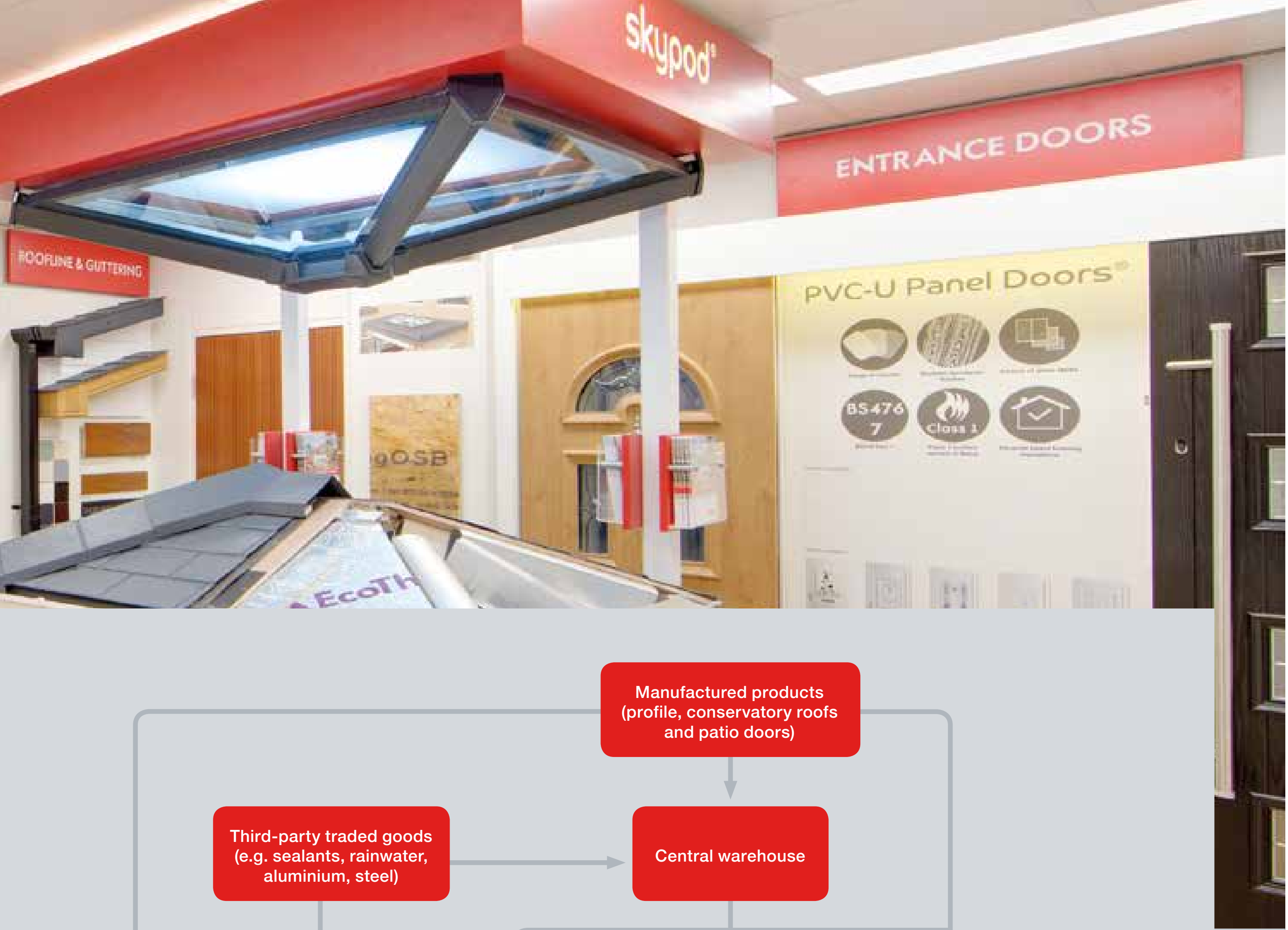
Distributor

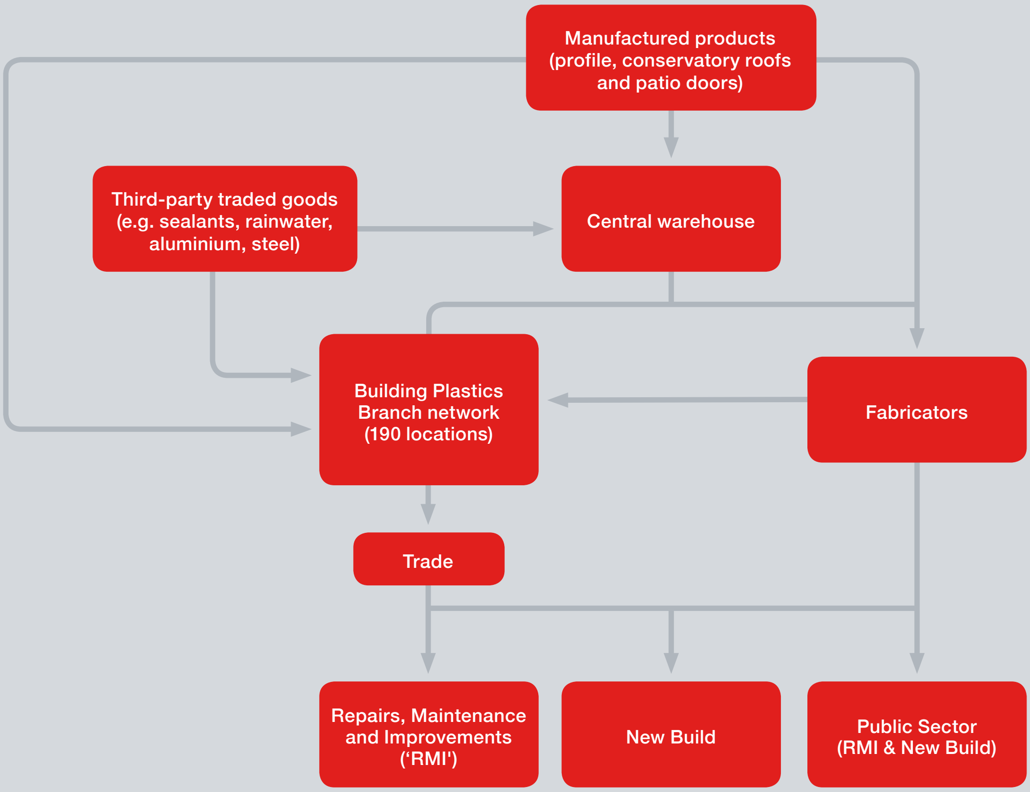
Leverage our nationwide **distribution** network

Eurocell Profiles supplies manufactured profile direct to fabricators, who in turn supply end products to installers, retail outlets and house builders.

Eurocell Building Plastics sells through its nationwide network of 190 branches. Each branch offers a wide range of Eurocell manufactured foam PVC products, Vista doors and windows which have been fabricated by third parties using products made by the Profiles division. The branches also sell a wide range of third-party products, such as sealants, tools and rainwater products. The main customers are installers, small builders, roofing contractors and independent stockists.

Overall, our aim is to provide a one-stop shop for builders and installers which, together with excellent customer service will drive increased customer spend and expand our market share.


skypod
ENTRANCE DOORS
ROOFLINE & GUTTERING
PVC-U Panel Doors
BS476 7
Class 1


Manufactured products (profile, conservatory roofs and patio doors)
Third-party traded goods (e.g. sealants, rainwater, aluminium, steel)
Central warehouse
Building Plastics Branch network (190 locations)
Fabricators
Trade
Repairs, Maintenance and Improvements ('RMI')
New Build
Public Sector (RMI & New Build)

STRATEGIC REPORT
BUSINESS MODEL IN ACTION

Recycler

Increase the use of **recycled** materials

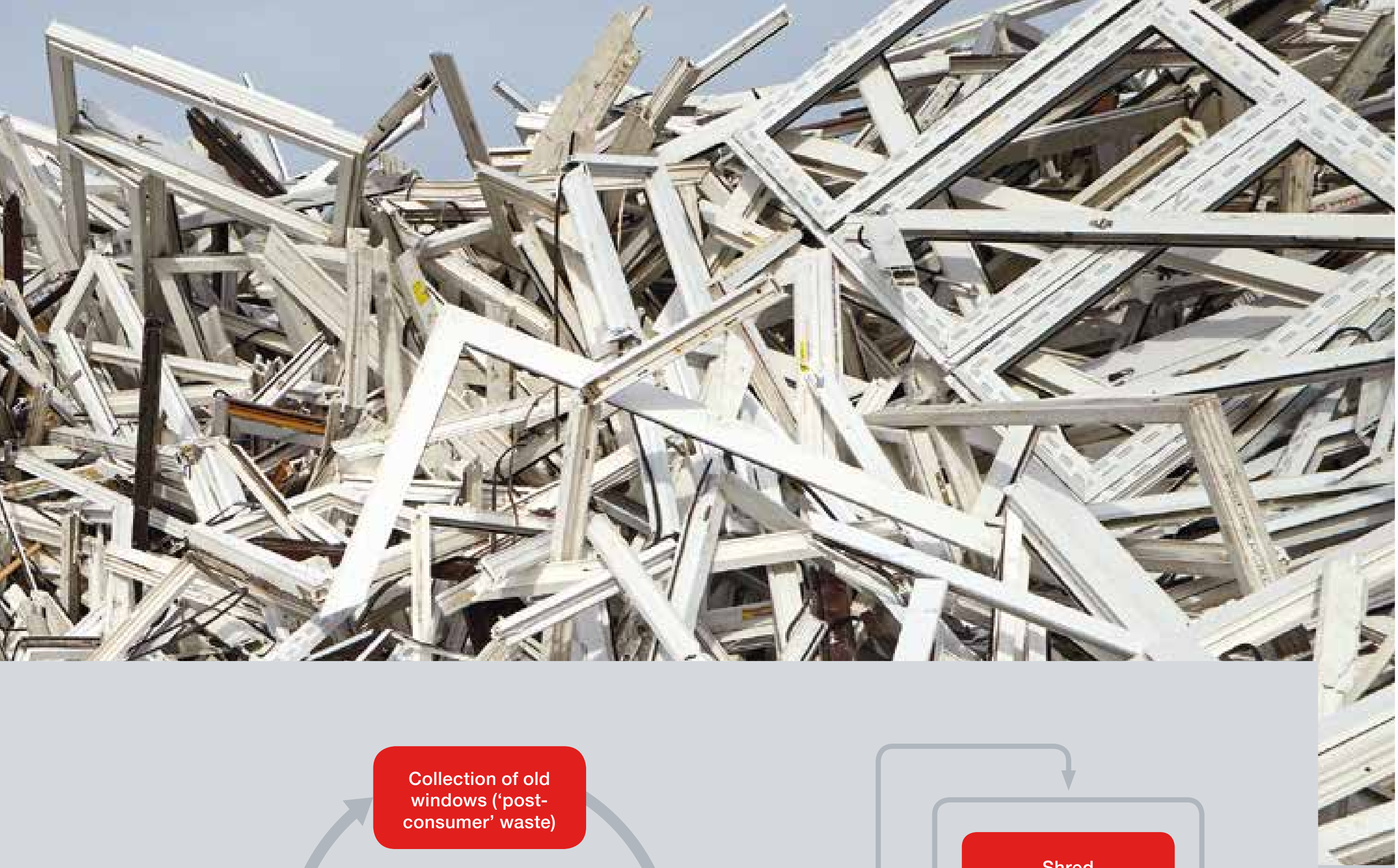
We recycle both old windows ('post-consumer' waste) and customer factory offcuts ('post-industrial' waste) at our 75k square foot recycling and extrusion facility in Ilkeston.

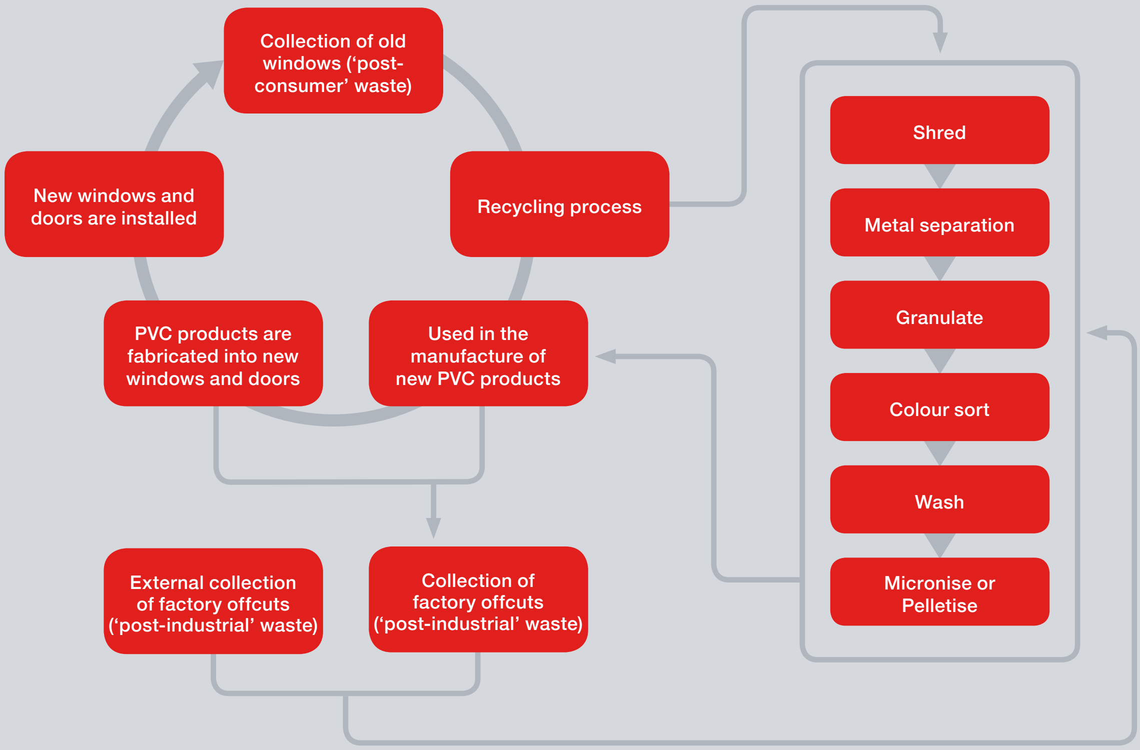
Post-consumer and post-industrial waste is collected from a variety of our customers and other providers. In general, around two-thirds of the input feedstock for recycling is post-consumer and one-third is post-industrial waste.

The Ilkeston plant produces recycled PVC compound in pellet form from this waste, for use in our other manufacturing processes. This provides a substantial saving in cost compared to virgin resin compound and therefore helps to mitigate raw material price increases. Using recycled material also enhances product stability and lowers the carbon footprint of our manufactured goods.

When we develop new products, we look to include as much recycled content as possible. For example, most Modus and Eurologik systems comprise on average 45% recycled materials. In addition, the continued expansion in the use of recycled material remains attractive to the new build market.

The chart opposite illustrates our recycling process.





In 2017 we produced approximately 13.2k tonnes of recycled PVC compound for use in our extrusion processes. Of the recycled compound produced, 8.3k tonnes (being almost exclusively derived from post-consumer waste) was used alongside virgin resin in the manufacture of many of our rigid PVC products in our primary extrusion processes. This represents 17% of material consumption, up from 14% in 2016.

Most of the remaining 4.9k tonnes of recycled PVC compound produced (being almost exclusively derived from post-industrial waste) was used in products which are manufactured at the Ilkeston plant from 100% recycled material, including thermal inserts and cavity closer systems.

As described in the Chief Executive's Review, we plan to invest to increase further our recycling production capability. These investments are comprised of new equipment at the Ilkeston recycling plant to remove bottlenecks and increase efficiencies, as well as tooling and other extrusion equipment required to make the rigid profile. As a result, we expect recycled material usage to increase to around 20% in 2018.

Our Strategy

Our overall objective is to deliver sustainable growth in Shareholder value by increasing sales and profits at above our market level growth rates through leadership in products, operations, sales, marketing and distribution.

STRATEGIC PRIORITIES	PROGRESS IN 2017
TARGET GROWTH IN MARKET SHARE Increase market share of PVC rigid and foam profiles to utilise spare manufacturing capacity.	• Organic sales growth of 8%. • Specifications team successful in generating demand for our products, particularly in the private new build sector. • Sales now started from customers moved on to our systems in H2, with more new accounts contracted for 2018.
EXPAND OUR BRANCH NETWORK Investment in new branches to drive sales and medium-term profit growth.	• 31 new branches opened. • New and improved branch format, with more products on display. • Significant investment in supporting infrastructure and management teams. • Growth in sales of windows through branches.
DEVELOP INNOVATIVE NEW PRODUCTS Maintain market leadership by offering the latest in product innovation.	• StudioGlide bi-fold door, aluminium bi-fold door. • InSite construction hinge. • Slateskin. • Modus and Skypod continuous development.
INCREASE THE USE OF RECYCLED PRODUCTS Increased use of recycled material will help to mitigate raw material pricing pressure, enhance product stability and reduces the carbon footprint of our manufactured goods.	• Increased use of recycled material to 17% (2016: 14%). • Waste collections increased by 15%.
EXPLORE POTENTIAL BOLT-ON ACQUISITIONS Consider acquisition opportunities when they arise.	• Integration of Security Hardware now substantially complete (acquired in February 2017). • Several bolt-on opportunities reviewed and developing pipeline.

We intend to leverage the Eurocell brand, and the advantages that our vertically integrated business model with local distribution offers over our competitors, in order to grow our market share. We have five key strategic priorities:

	FOCUS IN 2018
14% Profiles **20%** Building Plastics estimated market shares	• Continue to build and exploit prospect pipeline. • Seamless new account on-boarding process.
£7.0m growth in revenue from new branches opened in 2016/17	• Expect approximately 15 new branches in 2018. • Consolidate existing estate: – Implement measures to reduce time to break-even for new branches. – Maximise sales of value added products.
13 new product ranges launched	• Further development of complementary product offerings.
20.5k tonnes processed in the recycling plant	• Further investment to deliver step change in use of recycled material to > 20%.
2,000 Security Hardware product codes introduced into the Building Plastics branch network	• Continue to develop acquisition pipeline and consider acquisition opportunities that arise.

Profiles

The Profiles division manufactures extruded rigid and foam PVC profiles. We make rigid and foam products using virgin PVC compound, the largest component of which is resin. Our rigid products also include recycled PVC compound, produced at our market-leading recycling facility.

Rigid PVC profiles are sold to third-party fabricators, who produce windows, trims, cavity closer systems, patio doors and conservatories for installers, retail outlets and house builders. Foam products are used for roofline and are supplied to customers through our nationwide branch network in the Building Plastics division.

As such, all of our manufacturing margin is recorded within the Profiles division, which therefore also benefits from expansion of the branch network.

The Profiles division also includes Vista Panels and S&S Plastics.

Revenue

Profiles third-party revenue was up 8% in 2017 to £94.2 million (2016: £87.4 million), which includes an like-for-like sales increase of 6%. The remaining growth was driven by the acquisition of Vista Panels in March 2016.

We have continued to gain share, despite the RMI market (the most significant external driver of our performance) remaining subdued in 2017, particularly during the second half.

We have been pleased to see continued good growth in the private new build sector, where sales were up more than 15% in 2017. We believe we are now the largest supplier of window profile to this market. Our dedicated specifications teams have been successful in generating demand, well supported by our ability to supply a comprehensive product range through the new build fabricator network. As well as windows, this includes composite doors, PVC and aluminium bi-fold doors and the only sixty-minute fire rated cavity closure system. Further, our InSite construction hinge allows timber frame and modular home manufacturers to install fully glazed windows into wall panels in the factory for off-site construction.

Our new build forums have been successful, bringing fabricators together with Eurocell and the house builders. The objective is to agree consistent specifications, quality and prices across the fabricator network. This allows new build buyers to source consistent products from a wide supplier base, mitigating their delivery risk.

Our larger trade fabricators also performed well in 2017, taking a greater share of the available volume mix, albeit with lower growth rates in the second half. Generally, the larger trade fabricators have been increasing their capacity, by extending or adding factory units and investing in new plant and machinery. As such, they are benefiting from economies of scale and automation, which is allowing them to grow share at the expense of smaller fabricators.

Importantly, we also continue to build our prospect pipeline. In the fourth quarter, sales started to come through from customers who have recently moved on to our product systems, with more new accounts contracted for 2018.

Finally, Vista Panels continues to perform very well, with 39% of doors sales now channelled through our branch network.

Adjusted EBITDA

Adjusted EBITDA was £23.1 million (2016: £22.7 million), an increase of 2%.

Gross margin and return on sales in the Profiles division are lower in 2017, largely as a result of increasing raw material price pressure, particularly for resin. We have been implementing selling price increases to mitigate this where possible, but the market does lag supplier price rises. Further information in relation to the impact of increasing raw material prices is included in the Group Financial Review.

Profiles	2017 £m	2016 £m	Change %
Third-party Revenue	**94.2**	87.4	8%
Like-for-like / Organic	**84.5**	80.0	6%
Vista Panels[1]	**9.7**	7.4	31%
Inter-segmental Revenue	**45.4**	39.8	14%
Total Revenue	**139.6**	127.2	10%
Adjusted EBITDA	**23.1**	22.7	2%

(1) Acquired March 2016

In addition, margins have been impacted by a shift in sales mix towards larger fabricators at the expense of smaller customers as described above.

The increase in adjusted EBITDA is therefore primarily a function of sales growth.

Ian Kemp
Profiles Sales Director

Building Plastics

Building Plastics distributes a range of Eurocell manufactured and branded PVC foam roofline products and Vista doors, as well as third-party manufactured ancillary products. These include windows made by our fabricator customers using products manufactured by Profiles, sealants, tools and rainwater products.

Distribution is through our national network of 190 branches to installers, small and independent builders, house builders and nationwide maintenance companies. The branches also sell roofline products to independent wholesalers.

The Building Plastics division includes Security Hardware, acquired in February 2017. Security Hardware is a supplier of locks and hardware, primarily to the RMI market.

Revenue

Building Plastics revenue was up 11% to £130.7m (2016: £117.5m), which includes an increase in like-for-like sales of 3%, as well as the impact of branch openings and the acquisition of Security Hardware.

Like-for-like sales includes growth from branches opened in 2015 and prior, as the more recent sites from that vintage begin to mature. Growth was bolstered by increased sales of windows, Skypod and Equinox through the branch network, which were £15.6 million in 2017, compared to £13.3 million last year. We have implemented window configuration software across the network, using common pricing and specifications for windows supplied to all Eurocell branches. This is proving successful and we will develop the software to incorporate products such as Skypod and doors.

Like-for-like growth also includes some benefit from an initiative to improve our proposition as a one-stop shop for customers, via the roll-out of an additional 500 product lines in 2016. In addition, the acquisition of Vista Panels has supported growth in the sales of doors through the branches, which reached £6.6 million in 2017 (2016: £5.5 million).

In terms of new branches, we opened 31 in 2017, compared to 18 in 2016. We now have a total of 190 branches providing national coverage across the UK, which offers a significant competitive advantage. Branches opened in 2016/17 added £7.0 million to sales in 2017.

Security Hardware was acquired in February 2017 for consideration (net of cash acquired) of £1.3 million. Sales for the period of £2.5 million were in line with our expectations. As described in the Chief Executive's Review, the integration is now substantially complete and we look forward to the introduction of our own range of hardware later in 2018.

Adjusted EBITDA

Adjusted EBITDA for 2017 was £8.6 million (2016: £8.8 million), a decrease of 3%.

We maintained our gross margin in 2017. Although we continue to experience cost inflation, a good proportion of this has been mitigated with selling price increases implemented through the year.

Higher overheads in Building Plastics includes significant investment to accelerate the pace of expansion of our branch network described above. New branches are a key driver of future sales and profit growth, but they do create downward pressure on profitability in the short term due to investment in central infrastructure and in our teams at new sites. We estimate that investment in 18 new branches in 2016 and 31 in 2017 has together created a drag on EBITDA of approximately £2 million in 2017, compared to a drag of approximately £1 million in 2016.

Further information in relation to the impact of cost inflation and new branches is included in the Group Financial Review.

The reduction in adjusted EBITDA and return on sales is therefore a function of the significant investments made in accelerating the branch roll-out in 2017.

We are making progress with initiatives to support new branches reaching profitability sooner, which now include a more comprehensive and sustained marketing campaign and sharing resources with established sites in the same region. Whilst there is more work to do in this area, we are confident that, in future, new branches should reach a break-even run-rate before their two-year anniversary and be mature in 4-5 years.

Building Plastics	2017 £m	2016 £m	Change %
Third-party Revenue	**130.7**	117.5	11%
Organic	**128.2**	117.5	9%
Security Hardware[1]	**2.5**	–	n/a
Inter-segmental Revenue	**1.1**	0.7	56%
Total Revenue	**131.8**	118.2	12%
Adjusted EBITDA	**8.6**	8.8	(3%)

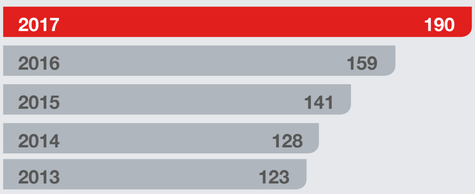
(1) Acquired February 2017

Indicative branch economics (rounded)

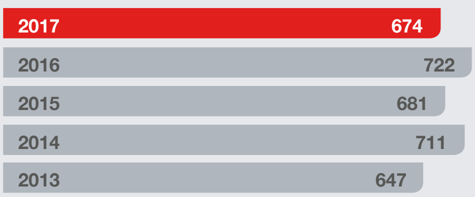
Branch open	< 2 years	2–4 years	> 4 years
Number of branches	50	22	118
Average sales per branch (£000)	150	500	800
Return on sales per branch (%)[1]	Small loss	> 10%	Mid-teen %

(1) EBITDA as % of revenue before regional infrastructure and central costs

No. of branches (at the end of the year)



Average revenue per branch (£000)



When the 49 branches opened in 2016/17 are mature, we expect a substantial improvement in performance for the division.

As described in the Chief Executive's Review, we expect to open up to 15 branches in 2018. This will allow the team to consolidate the existing estate, complete the work on reducing break-even times and ensure the sales of windows and other high-value products are maximised.

Tony Smith
Building Plastics Commercial Director

Group Financial Review

Revenue

Revenue for 2017 was £224.9 million (2016: £204.8 million), which represents growth of 10%, or 8% excluding acquisitions. Like-for-like sales growth (i.e. excluding the impact of acquisitions and branches opened in 2016/17) was 4%.

As described in the Divisional Reviews, sales have been driven by good like-for-like growth in Profiles (£4.5 million, or 6% for the division), particularly in private new build, solid like-for-like growth in the branch network (£3.8 million, or 3% for the division) and the positive impact from branches opened in 2016/17 (£7.0 million, or 6% for the division). Together, the acquisitions of Vista Panels and Security Hardware added £4.8 million to sales in 2017.

Gross Margin

We have experienced higher price pressure for raw materials and traded goods. Resin was up 13% in 2017, representing an additional cost to the business of approximately £2.6 million. Inflation for other raw materials and traded goods increased costs by a further £1.7 million. In addition, margins have been impacted by the sales mix, with stronger growth in sales to larger fabricators relative to smaller customers.

As described in the Divisional Reviews, we continue to mitigate cost inflation via the implementation of selling price increases where possible. We recovered approximately £3.3 million of the £4.3 million cost inflation in 2017, which reflects the time lag in capturing the benefit.

We further offset the impact of cost inflation by increasing the use of recycled materials in our primary extrusion operations to 17% (2016: 14%). This resulted in a benefit of £1.1 million to gross margin.

Overall, these factors drove a reduction in gross margin from 52.0% in 2016 to 51.0% in 2017.

Distribution Costs and Administrative Expenses (Overheads)

Overheads for the year were £82.9 million (2016: £75.2 million), representing a similar percentage of sales for both periods. The increase includes £3.8 million as a result of new branches opened in 2016/17 and £2.3 million from acquisitions. The balance of £1.6 million relates to an increase of 2% in the like-for-like organic business, where sales growth was 4% as described above. We continue to focus on the tight control of underlying overheads, with the increase driven largely by the impact of the Minimum Wage legislation and higher volume related distribution costs.

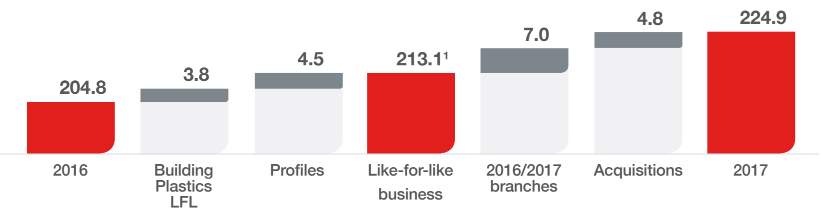
"We have made good progress with our strategic priorities and other self-help initiatives and delivered robust financial results in the process."

Michael Scott
Chief Financial Officer

Group	2017 £000	2016 £000
Revenue	**224,906**	204,816
Gross Profit	**114,624**	106,565
Gross Margin %	**51.0%**	52.0%
Overheads	**(82,890)**	(75,236)
Adjusted[1] EBITDA	**31,734**	31,329
Depreciation and Amortisation	**(6,677)**	(6,377)
Adjusted[1] Operating Profit	**25,057**	24,952
Finance Costs	**(553)**	(677)
Adjusted[1] Profit Before Tax	**24,504**	24,275
Tax	**(4,089)**	(4,299)
Adjusted[1] Profit After Tax	**20,415**	19,976
Adjusted[1] Basic EPS (pence per share)	**20.4**	20.0
Non-underlying Costs After Tax	**(773)**	(374)
Reported Profit After Tax	**19,642**	19,602
Reported Basic EPS (pence per share)	**19.6**	19.6

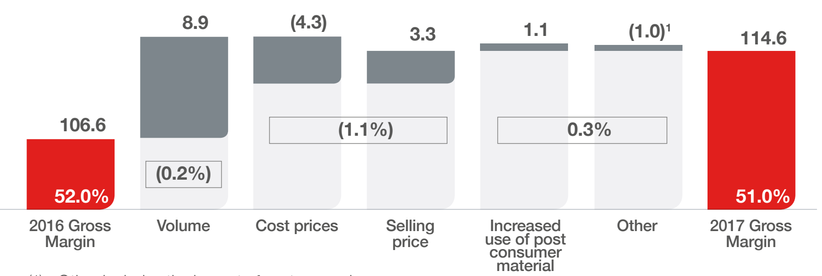
(1) See Adjusted Profit Measures on page 28

Revenue (£m)



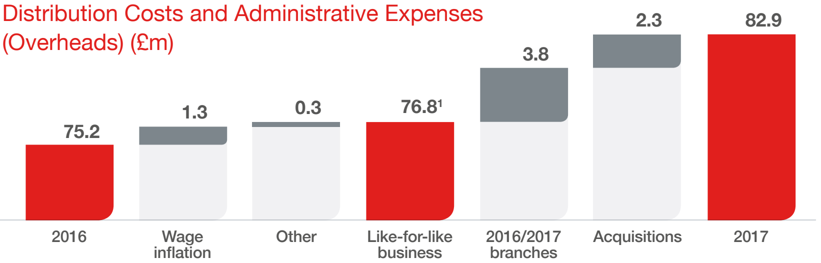
(1) Like-for-like sales and overheads exclude acquisitions and branches opened in 2016 and 2017; Like-for-like sales up 4%

Gross Profit (£m)



(1) Other includes the impact of customer mix

Distribution Costs and Administrative Expenses (Overheads) (£m)



(1) Like-for-like sales and overheads exclude acquisitions and branches opened in 2016 and 2017; Like-for-like overheads up 2%

Group Financial Review continued

Depreciation and Amortisation
Depreciation and amortisation for 2017 was £6.7 million (2016: £6.4 million), with the increase due to amortisation of acquired intangibles relating to the acquisitions of Vista Panels and Security Hardware, as well as recent capital investment.

Finance Costs
Finance costs for the year were £0.6 million (2016: £0.7 million), reflecting lower average net debt in 2017.

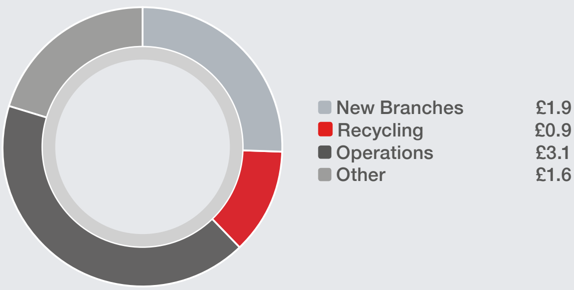
Adjusted Profit Measures
Adjusted EBITDA, adjusted operating profit and adjusted profit before tax all exclude non-underlying costs (see opposite). Adjusted profit after tax and adjusted earnings per share exclude non-underlying costs and the related tax effect.

Adjusted profit measures are used by management to assess business performance and are provided here in addition to statutory measures to help describe the underlying results of the Group.

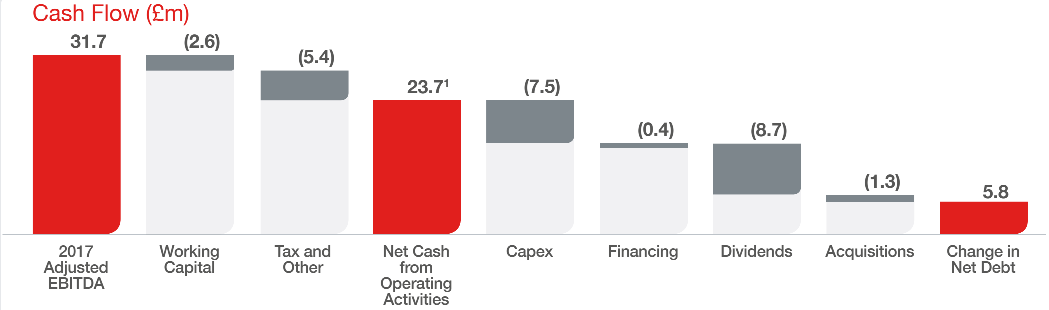
Non-underlying Costs
Non-underlying costs for 2017 of £0.8 million include professional fees and earn-out costs related to the acquisition of Security Hardware, as well as the redundancy and settlement costs of a staff reorganisation. Non-underlying costs for 2016 of £0.5 million comprise duplicated costs relating to the handover period during which the Company employed two CEO's, as well as professional fees related to the acquisition of Vista Panels.

Tax
The effective tax rate on adjusted profit before tax for 2017 of 16.7% was lower than the standard corporation tax rate for the year due to the benefit of Patent Box relief. The effective rate on adjusted profit before tax for 2016 of 17.7% reflected the beneficial impact on deferred tax of reductions in the corporation tax rate enacted in the period, as well as adjustments to prior year taxes. The effective tax rate on reported profit before tax was 17.0% (2016: 17.7%).

Capital Expenditure (£m)



Cash Flow (£m)



(1) Cash generated from underlying operations of £28.8 million less tax and non-underlying costs paid.

Earnings Per Share

Taking into account all of the factors described above, adjusted basic earnings per share for 2017 was 20.4 pence per share (2016: 20.0 pence per share).

Reported basic earnings per share for 2017 was 19.6 pence per share (2016: 19.6 pence per share).

	2017 pence	2016 pence
Basic earnings per share	**19.6**	19.6
Adjusted basic earnings per share	**20.4**	20.0
Diluted earnings per share	**19.6**	19.6
Adjusted diluted earnings per share	**20.4**	19.9

Acquisitions

As previously described, we acquired Security Hardware in February 2017 for an initial consideration of £1.3 million (net of cash acquired). The impact of Security Hardware on Group earnings for 2017 was not material.

Dividends

We paid an interim dividend of 3.0 pence per share in October 2017. The Board proposes a final dividend of 6.0 pence per share, resulting in total dividends for the year of 9.0 pence (2016: 8.5 pence). This represents an increase of 6%.

The dividend will be paid on 23 May 2018 to Shareholders registered at the close of business on 27 April 2018. The ex-dividend date will be 26 April 2018.

Retained earnings as at 31 December 2017 were £46.7 million (2016: £35.8 million). The Company takes steps to ensure distributable reserves are maintained at an appropriate level through intra-group dividend flows.

Capital Expenditure

Capital expenditure for 2017 was £7.5 million (2016: £7.2 million).

Capital expenditure includes investment to increase our recycling capacity of £0.9 million and in new branches opened in 2017 of £1.9 million. Investment of £3.1 million in Operations includes new tooling costs and general maintenance capex. Other capital expenditure of £1.6 million includes branch refurbishments and various IT-related costs.

Cash Flow

Net cash generated from operating activities was £23.7 million, compared to £28.4 million in 2016.

This includes a net outflow from working capital for 2017 of £2.6 million, comprised of an increase in stocks (£2.8 million), trade and other receivables (£3.0 million) and in trade and other payables (£3.2 million). This compares to a net inflow from working capital of £0.8 million in 2016, which included a reduction in inventory of £1.6 million.

The increase in stocks has been driven largely by the 31 new branches, as well as the introduction of new product lines to the branch network. We have also built a higher level of safety stocks to ensure consistent on-time deliveries, particularly for our new build customers. Stock days were 55 at 31 December 2017, compared to 58 at 31 December 2016.

The changes to trade receivables and payables reflect normal business seasonality, alongside increased activity and growth in 2017. Debtor days were 37 at year end, compared to 36 at the end of 2016.

Net cash generated from operating activities also include tax paid in the year of £4.6 million (2016: £3.5 million).

Other payments include acquisitions of £1.3 million (2016: £6.3 million) and capital investment of £7.5 million (2016: £7.2 million).

Dividends paid represent the final dividend for 2016 of 5.7 pence per share (or £5.7 million) and the interim dividend for 2017 of 3.0 pence per share (or £3.0 million).

Taking all of these factors into account, net debt fell by £5.8 million during the year to £14.5 million at 31 December 2017 (31 December 2016: £20.3 million).

Net Debt (£000)

	2017	2016	Change
Cash	**11,361**	5,559	5,802
Borrowings	**(25,851)**	(25,827)	(24)
Net Debt	**(14,490)**	(20,268)	5,778

Bank Facilities

We have an unsecured, multi-currency, revolving credit facility of £45 million, provided by Barclays and Santander. The Group operates comfortably within the terms of the facility and related financial covenants. The facility matures in 2020.

Key Performance Indicators ('KPIs')

We utilise the financial highlights on page 1 to assess the financial performance and position of the Group. Pages 2 to 33 detail the performance of the Group using both financial and non-financial benchmarks.

Michael Scott
Chief Financial Officer

Corporate Social Responsibility

PEOPLE
- Health and safety
- Incentives and rewards
- Equality and diversity
- Training and development

See more on page opposite

ENVIRONMENT
- Greenhouse gas data
- Reduce waste sent to landfill

See more on page 32

SUPPLIERS
- Ethical and sustainable sourcing
- Modern slavery

See more on page 32

CUSTOMERS
- Sustainable and quality products
- Service levels
- Quality Policy Statement

See more on page 33

COMMUNITY
- Nominated charities
- Camp Kernow

See more on page 33

People

Health and safety

We employ over 1,500 people. The safety and the well-being of these employees and our contractors is our first operational priority.

We continue to maintain good safety performance and our safety statistics continue to benchmark well with industry standards.

	2017	2016
Injury frequency rate (1)	**6.81**	5.15
Lost time injury frequency rate (2)	**1.38**	1.05

(1) Injuries per 100,000 hours worked.
(2) Lost time accidents per 100,000 hours worked

We recorded one major injury in 2017 (cut to the hand) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ('RIDDOR').

During 2017 we appointed a new Group Quality Manager, with specific responsibility for health and safety matters. The appointment has been instrumental in driving improvements in our health and safety culture, with an emphasis on ownership and accountability to drive a more uniform and consistent approach across the Group. This is particularly important in our expanding branch network, where we added 88 employees during the year.

In terms of quality, the focus has been on implementing key principles of quality management and measuring systems, which have been captured in our new Quality Policy Statement (see page 33).

Incentives and rewards

Our remuneration policies remain competitive and packages include combinations of salary, performance related pay and a contributory pension scheme.

In addition, in 2017 we launched our first Save As You Earn share scheme since the Initial Public Offering ('IPO'). This enables employees to save a fixed sum each month, with an option to buy Eurocell shares at a discounted purchase price at the end of a three year savings period. Approximately 40% of employees have decided to join the scheme, saving an average £150 per month. We plan a similar scheme for 2018.

Equality and diversity
Equality and diversity form part of Eurocell's core values.

Our equal opportunities policy requires that we give full and fair consideration to applications for employment by disabled people. In the event of a colleague becoming disabled, every effort will be made to ensure that their employment with us continues and that appropriate support is available.

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.

Our whistleblowing policy operates to give visibility to issues that might not otherwise be uncovered or resolved through normal channels. We recently introduced a whistleblowing hotline, with an associated employee awareness campaign and e-learning modules.

Our colleagues come from wide and diverse backgrounds, nationalities and ethnic and religious groups and we respect and embrace cultural 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 remain committed to increasing the participation of women throughout the Group, including at Board level, within the steering group and senior management.

Gender diversity	Male no.	%	Female no.	%	Total average no.
Directors	6	100	0	0	6
Executive Committee	6	86	1	14	7
Senior managers	15	79	4	21	19
Other employees	1,297	89	167	11	1,464
Total	**1,324**	**88**	**172**	**12**	**1,496**

Training and development
We continue to invest in the training and development of our staff, and support them in the delivery of our Group-wide and individual objectives. We provide a number of training programmes for our teams, using a combination of internal and external service providers. In addition, we provide financial and study leave support for our trainees who are in the process of obtaining a professional qualification.

We operate a management development programme, which has three levels reflecting the relative seniority of participants. During 2017, 24 delegates attended level 1 and level 2 of the programme.

Within the Group we also offer e-learning training programmes to our employees. During 2017, staff from across the business have completed and passed over 2,000 e-learning courses.

We have an apprenticeship programme and during 2017, 13 new apprentices have joined the Group.

Looking forward, we intend to invest more in the training and development of our employees.

Overall, we work hard to ensure we remain a local employer of choice, to help us attract and retain talented people.

Corporate Social Responsibility continued

Environment

We are committed to protect and minimise our impact on the environment. We will operate in compliance with our relevant environmental legislation and we will strive to use pollution prevention and environmental best practice in all that we do. We recognise that our operations result in emissions and waste and we are committed to control, recover and re-use PVC waste wherever possible. We promote the efficient use of materials and resources throughout our facilities particularly non-renewable resources and continue our development of sustainably sourced products using recycled materials.

Environmental concerns and impacts are a consideration in all of our decision making and activities and we promote environmental awareness amongst our employees and encourage them to work in an environmentally responsible manner. This is achieved through training, education and informing our employees about environmental issues that may affect their work.

Emergency response procedures are maintained where required by legislation or where significant health, safety or environmental hazards exist.

Our environmental objectives are set out in alignment with legislation and continually reviewed to ensure they are being met. Our environmental policies apply to all our operations and sufficient resources will be made available to ensure that this policy is implemented. We will strive to continually improve our environmental performance and review this policy in light of any planned future activities.

Our policies are also communicated amongst all employees and interested parties.

Greenhouse gas data

We are reporting our greenhouse gas ('GHG') emissions as part of our Strategic Report and our GHG reporting period is the same as our financial year.

GHG emissions for the Group for the year ended 31 December 2017 were, in tonnes of carbon dioxide equivalent (tCO_2e):

Source	tCO_2e	%
Fuel combustion (stationary)	446	1.7
Fuel combustion (mobile)	6,365	24.8
Facility operation	64	0.3
Purchased electricity	18,792	73.2
Total	**25,667**	

The main driver behind the fall in GHG emissions is the sharp drop in the carbon intensity of electricity over this period, owing to the phasing out of coal-fired generation and its replacement by gas and renewables.

Annual comparison and emissions intensity:

tCO_2e	2017	2016	% Change
Total emissions	**25,666**	26,385	(2.7)
Emissions intensity*	**114**	129	(11.6)

* Expressed in tCO_2e per £m revenue.

Methodology and emission factors

These emissions were calculated using the methodology set out in the updated greenhouse gas reporting guidance, Environmental Reporting Guidelines (Ref. PB 13944), issued by the Department for Environmental, Food and Rural Affairs in June 2013; and DEFRA's 2017 carbon factors.

Reduce waste sent to landfill

Our recycling facility in Ilkeston collects old windows ('post-consumer' waste) and customer factory offcuts ('post-industrial' waste) and processes them into a recycled PVC compound, which is then used in our other manufacturing processes. By recycling these products we reduce the amount of waste going to landfill. In 2017 we increased the amount of waste that we recycled by 2.9k tonnes.

Suppliers

Ethical and sustainable sourcing

We ensure that suppliers understand and work with us to meet our aspirations.

Over 70% of our suppliers have been supplying Eurocell for more than three years. All supply and tender agreements include the following statement:

"The supplier advocates the principles of Corporate Social Responsibility and requires a serious approach to social-economic issues from its supply chain."

All of our suppliers are required to confirm their commitment to the following principles:

- The obligation to the global and local environment;
- Respect for fundamental human entitlements;
- In purchasing activities, a commitment to improving the organisation's performance in relation to fairness to all;
- A system of internal and external reporting which matches espoused values;
- A proactive promotion of sustainable practices and products;
- Recognition that there is responsibility to add value to communities and societies upon which the organisation has influence; and
- An ethical approach to purchasing activities.

Modern slavery

We are absolutely committed to preventing slavery and human trafficking in our business activities, and to ensuring that our supply chains are free from these practices.

We aim to identify modern slavery risks and prevent slavery and human trafficking in our operations. We have made good progress during 2017 in identifying any potential risks in the top 80% of our suppliers. In cases where medium or high risk is identified, further assessments are being carried out.

Our full Anti-Slavery and Human Trafficking Statement is published on our website at investors.eurocell.co.uk.

Customers

Sustainable and quality products

We adhere to industry-leading specifications and ISO-based standards for Quality & Environmental Management and British Standards for Health and Safety.

Service levels

We recently introduced the following customer-focused Quality Policy Statement, which captures the way we aspire to work at Eurocell.

Quality Policy Statement

Customers

To be trusted by our customers in everything we do. Working in partnership with them to ensure that they are able to differentiate their service and product offerings from their competitors. Easy to do business with and always responsive to their needs, in a consistent, timely, courteous and flexible manner.

Quality

Adherence to industry-leading specifications and ISO-based standards for Quality & Environmental Management and British Standards for Health and Safety. Ensuring that suppliers understand and work with us to meet our aspirations.

Constant improvement

Uniform standards across our business benchmarked against industry best practice, constantly reviewing and improving processes. Benchmarked leading industry best practice transferred across businesses and customers with a view to reducing waste and improving consistency. Always tracking and measuring through business and departmental KPI's reflecting the business objectives.

Everyone's responsibility

All departments responsible for constantly reviewing, measuring, checking and improving the quality of their work and ensuring that the necessary training, facilities and tools are available to get the job done, right first time through a culture of continuous improvement. All departments working together and supporting each other with no barriers and no silos.

Community

Nominated charities

We have the following nominated charities: East Midlands Air Ambulance Service and Starlight.

During 2017 a team of Eurocell employees took part in the Derby 10k race and raised £5,000 for the East Midlands Air Ambulance.

Amount raised for the East Midlands Air Ambulance

£5,000

Camp Kernow

Camp Kernow is an award-winning organisation with an innovative off-grid environmental adventure centre dedicated to reconnecting and engaging children with the natural environment and inspiring them to live more sustainably. We provided various materials and components to support construction of the centre, some of which were made using recycled post-consumer material.

Principal Risks and Uncertainties

Risk management is the responsibility of the Board and is a key factor in delivering the Group's strategic objectives.

The Board is responsible for setting the risk appetite, establishing a culture of effective risk management and for ensuring that effective systems and controls are in place and maintained.

Senior managers take ownership of specific risks and implement policies and procedures to mitigate exposure to those risks.

Risk Management Process

The risk management process sits alongside our strong governance culture and effective internal controls to provide assurance to the Board that risks are being appropriately identified and managed.

How we manage risk

Risk is managed across the Group in the following ways:

- The Board meets annually to review strategy and set the risk appetite.
- Risks faced by the Group are identified during the formulation of the annual business plan and budget process, which sets objectives and agrees initiatives to achieve the Group's goals, taking account of the risk appetite set by the Board.
- Senior management and risk owners consider the root cause of each risk and assess the impact and likelihood of it materialising. The analysis is documented in a risk register, which identifies the level of severity and probability, ownership and mitigation measures, as well as any proposed further actions (and timescale for completion) for each significant risk.
- At the beginning of the year the Group established an executive Risk Management Committee, chaired by the Chief Financial Officer. This Committee meets on a regular basis (generally monthly). The status of the most significant risks and mitigations are reviewed at each meeting, with other risks reviewed on a cyclical basis.
- The Executive Directors also meet with senior managers on a regular basis throughout the year. This allows the Executive Directors to ensure that they maintain visibility over the material aspects of strategic, financial and other risks.
- The Group's Executive Directors also compile their own risk assessment, ensuring that a top-down, bottom-up approach is undertaken when considering the Group-wide environment.
- The Group's Audit and Risk Committee assists the Board in assessing and monitoring risk management across the Group. The role of the Committee includes ensuring the timely identification and robust management of inherent and emerging risks, by reviewing the suitability and effectiveness of risk management processes and controls. The Committee also reviews the risk register to ensure net risk and proposed further actions are together consistent with the risk appetite set by the Board.

Internal control

The Group has a well-defined system of internal controls.

The Group has a robust process of financial planning and monitoring, which incorporates Board approval of operating and capital expenditure budgets. Performance against the budget is subsequently monitored and reported to the Board on a monthly basis. The Board also monitors overall performance against operating, safety and other targets set at the start of the year. Performance is reported formally to Shareholders through the publication of its results both annually and half-yearly. Operational management regularly reports on performance to the Executive Directors.

The Group also has processes in place for ensuring business continuity and emergency planning.

Day-to-day operations are supported by a clear schedule of authority limits that define processes and procedures for approving material decisions. This ensures that projects and transactions are approved at the appropriate level of management, with the largest and most complex projects being approved by the Board. The schedule of authority limits was updated in December 2016, to reflect the development of the business since its IPO, and approved by the Board.

In order to further enhance the internal control and risk management processes, the Group appointed KPMG as internal auditor in March 2017. KPMG work closely with the Risk Management Committee in delivering the Groups internal audit programme.

With the assistance of the Audit and Risk Committee, the Board has reviewed the effectiveness of the system of internal control. Following its review, the Board determined that it was not aware of any significant deficiency or material weakness in the system of internal control.

Principal Risks and Uncertainties continued

Risk profile

The principal risks monitored by the Board are as follows:

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
MACRO-ECONOMIC CONDITIONS The Group's products are used in the residential and commercial building and construction markets, both within the RMI sector, for new residential housing developments and for new construction projects. The Group's private RMI business is strongly correlated to the level of household disposable incomes. The Group's new build business is particularly influenced by the level of activity in the house building industry. As such, the Group's business and ability to fund ongoing operations is dependent on the level of activity and market demand in these sectors, itself often a function of general economic conditions (including interest rates and inflation) in the UK.		• Notwithstanding macro conditions, we expect our strategic priorities and self-help initiatives to support sales and market share growth. • Initiatives include: growing market share to exploit spare manufacturing capacity, investment in our specifications team (targeting new build, commercial and public sector work) and expanding the branch network. • We currently operate comfortably within the terms of our existing bank facility and related financial covenants.	• Perception of increased political and economic uncertainty following UK 2017 General Election. • The general RMI market is currently subdued. • Specific markets for our products are broadly flat at present. • The UK base rate was increased in November 2017, the first increase in ten years, partly as a result of increasing inflationary pressures. • Reducing the pace of branch network expansion can improve short-term profit and cash flows.	▲
EU REFERENDUM There remains significant uncertainty over how the economic landscape will be affected by the Referendum result. This in turn could impact on our ability to grow the business (e.g. due to economic uncertainty) and/or the cost of our raw materials (see Raw Material Prices).		• Strategic priorities and self-help initiatives noted above. • Flexible plans with the ability to adapt if circumstances change (e.g. curtail investment in the short term to protect the business).	• Brexit negotiations on-going, but perception of increasing uncertainty as to the terms under which the UK will leave the EU.	▲
RAW MATERIAL PRICES The Group's manufacturing operations depend on the supply of PVC resin, a material derivative of ethylene which in turn is a derivative of crude oil. The price of PVC resin can therefore be subject to fluctuations based on the markets for crude oil and ethylene, as well as the market for resin itself. In addition, although we pay for resin in sterling, crude oil and ethylene are priced in US Dollars and Euros respectively. As such, the price of resin in sterling is also impacted by international currency markets. Our ability to pass on resin and other raw material or traded goods price increases to our customers will depend on market conditions at the time.		• Where possible we pass through resin price increases to our customers. • Increased use of recycled material in our manufacturing. • Use of more than one supplier to provide competitive pricing. • Resin supply contracts contain mechanisms to help mitigate some variations in price.	• Resin and other raw material prices increased significantly in 2017, primarily due to the weakness in Sterling. • Partially mitigated with selling price uplifts, increased use of recycled material and manufacturing efficiencies. • There may be further raw material pricing pressure in 2018.	▲
RAW MATERIAL SUPPLY There are only a limited number of PVC resin and certain other raw material suppliers and we operate with limited material storage capacity. Failure to receive raw materials on a timely basis could impact on our ability to manufacture products and meet customer demand.		• Raw material tests to identify potential alternative suppliers are on-going. • Spot market for resin available to access. • Contractual arrangements for certain key suppliers include liquidated damages for failure to supply. • Regular reviews to test financial stability of key suppliers.	• Lower global production and supply into Europe of PVC resin contributed to increasing prices in 2017. • New US capacity expected to come on line in 2018 and beyond, potentially increasing supplies into Europe. • Competitive resin sourcing introduced for 2017.	◀▶
UNPLANNED PLANT DOWNTIME The business is dependent on the continued and uninterrupted performance of its production facilities. Each of the facilities is subject to operating risks, such as industrial accidents (including fire); extended power outages; withdrawal of permits and licences (particularly in the context of the regulated operation of the recycling facility); breakdowns in machinery; equipment or information systems; prolonged maintenance activity; strikes; natural disasters and other unforeseen events.		• We have meaningful spare manufacturing capacity. • Regular planned maintenance to reduce the risk of plant failure. • Maintenance capital investment of approximately £5 million per annum across the Group. • Extrusion facilities spread over 3 manufacturing sites.	• Group-wide disaster recovery plans reviewed and updated in 2017. • Capital investment in the recycling plant of £1.8 million in 2016/17 to increase capacity and eliminate bottlenecks. • Successful project in 2017 to increase raw material feedstock for the recycling plant.	◀▶

Movement key:

▲ Increase ◀▶ No change ▼ Decrease

Strategic Priorities key:

- Target growth in market share
- Develop innovative new products
- Explore potential bolt-on acquisition opportunities
- Expand our branch network
- Increase the use of recycled materials

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
CORPORATE AND REGULATORY RISKS We may be adversely affected by unexpected corporate or regulatory risks. This could include health and safety, reputational and environmental events, or other legal and compliance matters. Enacted or soon to be enacted increases in the penalty regime have increased the potential financial impact of breaches or incidents in many cases. These areas are receiving additional management focus, but the impact of the underlying risk has been increasing of late.		• We have procedures and policies in place to support compliance with regulations. • Regular communication and training on policy compliance. • Monitoring procedures in place, including near miss and potential hazard reporting for health and safety matters. • Internal and third-party site audits to test compliance with our policies.	• Health and safety continues to be high-profile risk area. • New position of Group Quality Manager in post mid-2017, with specific focus on driving improvements in health and safety behaviours. • General Data Protection Regulations ('GDPR') come into force in May 2018, with increased compliance requirements and higher penalties for breaches.	▲
UNSUCCESSFUL BRANCH OPENINGS The Group has invested in expanding the branch network over the last two years. Good new sites may become more difficult to find. New branches may fail to reach the required scale and therefore deliver the required sales and profitability within an acceptable timeframe.		• Large portfolio of potential new sites, prioritised based on detailed research into areas most likely to be successful. • Trials of reduced start-up costs in new branches in progress.	• Significant acceleration of the network expansion, with 18 new sites in 2016 and 31 opened in 2017. • More to do on consolidating the existing estate, completing the work to reduce break-even times and maximise sales of high-value products.	▲
CUSTOMER CREDIT RISK We do not insure our receivables, so there is an inherent risk that default by a large customer could result in a material bad debt.		• In-depth credit review for new and ongoing customer accounts. • Experienced Credit Manager (over 15 years with the Group) and strong credit control team.	• Increased economic uncertainty and falling consumer confidence may lead to more business failures. • No material bad debts in 2017, but inherent risk remains.	◀▶
COMPETITOR ACTIVITY The Group has a number of existing competitors who compete on range, price, quality and service. Increased competition could reduce volumes and margins on manufactured and traded products.		• Strong market and customer awareness, with good intelligence around competitor activity. • Focus on customer proposition and points of differentiation in product and service offering.	• The Group has continued to gain market share in both divisions. • The more uncertain market environment has potentially weakened some of our key competitors.	◀▶
FAILURE TO DEVELOP NEW PRODUCTS Failure to innovate could reduce our growth potential, render existing products obsolete and cause a reduction in market share. The launch of new products and new variants of existing products is an inherently uncertain process. We cannot guarantee that we will continuously develop successful new products or new variants of existing products. Nor can we predict how customers and end-users will react to such new products or how successful our competitors will be in developing products which are more attractive than ours.		• We invest continuously in research and development through our in-house team. • The team is highly focused on new ways to develop existing products and to be innovative with new ones.	• Recent successes include new products to support off-site home construction, an improved PVC bi-fold door alongside the introduction of an aluminum bi-fold door offering, a new sheet-tile roof system and improvements to the Modus and Skypod ranges. • We also have a strong product pipeline with more than 25 projects in development.	◀▶
ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL AND HIGHLY SKILLED INDIVIDUALS The Group's success depends inter alia, on the efforts and abilities of certain key personnel and its ability to attract and retain such personnel. The Executive Directors and senior managers have significant experience in the relevant sectors and capital markets and are expected to make an important contribution to the Group's growth and success.		• Market rate compensation for all personnel, including leadership team. • Clear strategic direction provides attractive backdrop to working at Eurocell.	• Recent introduction for senior team of long-term incentive plans and adjustments to fixed/variable compensation to support high retention rate.	◀▶

Principal Risks and Uncertainties continued

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
SHORTAGES OR INCREASED COSTS OF APPROPRIATELY SKILLED LABOUR The Group is subject to supply risks related to the availability and cost of labour, particularly in our branch business. We may also experience labour cost increases (including those related to the Minimum Wage) or disruptions in circumstances where we have to compete for employees with the necessary skills and experience in tight labour markets.		• Market level or better salaries and good benefits package. • Induction and training programme.	• New Group HR Director (appointed in 2017) designing strategy to improve retention and recruitment, leadership and development, employee engagement and communication. • Reducing churn rate in our branch business is a primary objective of the new strategy. • SAYE scheme launched for all personnel in 2017.	
CYBER SECURITY A breach of IT security (externally or internally) could result in an inability to operate systems effectively (e.g. viruses) or the release of inappropriate information (e.g. hackers). This remains a high profile area and is receiving considerable management focus.		• Physical security of servers at third-party off-site data centre with full disaster recovery capability. • Password and safe use policies in place. • Internet usage monitored. • Anti-malware regularly used.	• Network defences enhanced and Wi-Fi access controls improved in 2017. • Cyber awareness campaign and promotion of IT security policies introduced for all employees early in 2018.	
FAILURE TO IDENTIFY, COMPLETE AND INTEGRATE BOLT-ON ACQUISITIONS Exploring potential bolt-on acquisitions is one of our strategic priorities. We may not be able to identify appropriate bolt-on acquisitions. Any future acquisition we do make poses integration and other risks which may significantly affect our results or operations. The acquisition and integration of companies is a complex, costly and time-consuming process involving a number of possible risks. These include diversion of management attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with various third parties and unanticipated liabilities.		• Public communication of bolt-on acquisitions being a strategic priority. • Good knowledge of companies operating in our sector and related sectors. • We have a tried and tested procedure for the integration of new acquisitions and a good track record of recent success.	• Acquisition and integration of Security Hardware now substantially complete.	

STRATEGIC REPORT

Viability Statement

As required by provision C.2.2 of the Code, the Directors have taken into account forecasts to assess the future funding requirements of the Group, and compared them with the level of committed available borrowing facilities.

A period of three years has been adopted as this is the timeframe used by the Board in forming the Group's strategy, in appraising material investments and in accessing financial viability. The assessment of viability has been made with reference to the Group's current position and future prospects, its strategy, its management of risk, and also the Board's assessment of the outlook in the marketplace.

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 on cash flows and key ratios. Operational plans and financing options are considered as part of this process.

In preparing the plan, the Group adopts a prudent forecast in respect of like-for-like sales growth, but assumes other initiatives, such as expansion of the branch network, in line with the published strategy. The plan is stress tested by applying the following scenarios:

Scenario 1

Macro-economic conditions lead to a decline in sales

Decreases in revenues have been applied over the 3-year plan period.

Scenario 2

Commodity prices and/or exchange rates or raw material shortages lead to a sustained increase in resin prices

Increases in resin costs have been applied over the 3-year plan period.

Scenario 3

Scenario 1 and 2 combined

There is a possibility that both of the above scenarios could materialise at the same time, therefore we have assessed the combined impact through the 3-year plan period.

The Board considers these tests to be sufficient to test the viability of the Group given the size of the Group and the markets it operates within. As described in Principal Risks and Uncertainties above, we have measures in place to help mitigate the impact of these events should they occur.

The Directors confirm that we have a reasonable expectation that the Company and the Group will continue in operation and meet their liabilities as they fall due in the next three years.

Going Concern

The Directors have reviewed the Company's and the Group's forecast and projections, which demonstrate that the Company and the Group will have sufficient headroom on their bank facilities for the foreseeable future and that the likelihood of breaching the related covenants in this period is remote.

Accordingly the Directors continue to adopt the going concern basis in preparing the annual Financial Statements.

This Strategic Report was approved by the Board on 8 March 2018.

Mark Kelly
Chief Executive Officer

Michael Scott
Chief Financial Officer

Board of Directors

Mark Kelly
Chief Executive Officer

Bob Lawson
Non-executive Chairman

Michael Scott
Chief Financial Officer

Date of appointment:
29 March 2016

Experience:
Mark Kelly joined the Group in March 2016 and was appointed Chief Executive Officer in May 2016. He was formerly Chief Executive of Grafton Merchanting GB and previously worked for BDR Thermea Group BV, IMI and Novar. Mark has previous experience of the PVC windows and doors industry having worked for Duraflex and Celuform.

Committee membership:

Date of appointment:
4 February 2015

Experience:
Bob Lawson is the Non-executive Chairman of Genus plc. He was previously the Chairman at Barratt Developments plc, Hays plc and the Federation of Groundwork Trust. Prior to this Bob was Managing Director for the Vitec Group for four years, Chief Executive Officer of Electrocomponents plc for eleven years and subsequently Chairman for a further six years. Bob is Chairman of the Nomination Committee.

Committee membership:

Date of appointment:
1 September 2016

Experience:
Michael Scott joined the Group as Chief Financial Officer in September 2016. Michael previously worked at Drax Group plc, where he held senior financial positions including Group Financial Controller and Head of Corporate Finance & Investor Relations. Prior to Drax, Michael worked for MT International and Arthur Andersen, where he qualified as a Chartered Accountant.

Key:
- Member of the Audit and Risk Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

Patrick Kalverboer
Non-executive Director

Date of appointment:
16 August 2013

Experience:
Patrick Kalverboer is a managing partner of H2 Equity Partners, a private equity house that, prior to March 2015, held a controlling interest in Eurocell. Patrick has over 20 years of private equity experience and has been involved in various investments made by H2 (and its predecessors) in both an executive and non-executive capacity.

Committee membership: Nomination Committee

Frank Nelson
Senior Independent Non-executive Director

Date of appointment:
4 February 2015

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

Committee membership: Audit and Risk Committee, Remuneration Committee, Nomination Committee

Martyn Coffey
Independent Non-executive Director

Date of appointment:
4 February 2015

Experience:
Martyn Coffey is the Chief Executive Officer of Marshalls plc. Prior to his role at Marshalls, Martyn was Divisional Chief Executive Officer at BDR Thermea Group BV, with responsibility for operations in the UK, France, Germany, Iberia and Italy. He is also a Director of the Mineral Products Association. Martyn is the Chairman of the Remuneration Committee.

Committee membership: Audit and Risk Committee, Remuneration Committee, Nomination Committee

Chairman's Introduction

Letter from the Chairman

Dear Shareholder,

I am pleased to report that, in our third year as a listed business, Eurocell has delivered more progress and continued to develop and improve its systems of governance and internal control.

This Corporate Governance Statement, together with the Reports of the Nomination, Audit and Risk and Remuneration Committees on pages 46 to 64, explain how our governance framework operates and how we apply the principles of business integrity, high ethical values and professionalism in all our activities. I hope that it provides you with a meaningful insight into how we operate and the matters on which we have focused during the year.

As a Board, we recognise that we are accountable to Shareholders for good corporate governance. We seek to promote consistently high standards of governance throughout the Group, which are recognised and understood by all.

Good governance involves good and effective leadership, robust systems and processes that are regularly tested, and a good understanding of risk appetite. The Board seeks to add value through guiding the strategy of the Group, constructive challenge and dialogue and through engagement with Shareholders and other stakeholders. Each Director continues to make a very valuable contribution to the Board.

This Corporate Governance Statement, which is part of the Directors' Report, has been prepared in accordance with the principles of the UK Corporate Governance Code published in April 2016 (the 'Code'), which the Board fully supports. The Code is published by the Financial Reporting Council and is available on its website at www.frc.org.uk.

I am committed to ensuring that the Company manages its affairs in compliance with the principles and provisions of the Code. I am pleased to report that the Board considers the Company to have complied with the relevant provisions of the Code throughout the year in all material respects. I can also confirm that, in the opinion of the Directors, this Annual Report presents a fair, balanced and understandable assessment of the Group's position and prospects and provides the information necessary for Shareholders to assess the Group's strategy, business model and performance.

The Group's strategy is outlined on pages 20 and 21 of the Strategic Report.

The respective responsibilities of the Directors and the auditors in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities on page 68 and Auditors' Report pages 69 to 75.

I would like to thank my Board and management colleagues for their contributions to the governance of the Company. I look forward to working with them in 2018 to continue to build on the foundations and system of governance that we have established in support of our long-term objectives.

Bob Lawson
Chairman
8 March 2018

"I am pleased to report that, in our third year as a listed business, Eurocell has delivered more progress and continued to develop and improve its systems of governance and internal control."

Corporate Governance Statement

Role of the Board

The Board comprises a Non-executive Chairman, three Non-executive Directors and two Executive Directors, who are equally and collectively responsible for the proper stewardship and leadership of the Company. Their biographical details are set out on pages 40 and 41.

The Code recommends that for companies beneath the FTSE 350, the Board should comprise 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 Code.

The formal schedule of matters reserved for the Board's consideration includes the following:

- Approval of the Group's strategy, long-term objectives, annual operating budgets and capital expenditure plans.
- Approving transactions of significant value or major strategic importance, including acquisitions.
- Approving significant changes to the Group's capital, corporate or management structure.
- Monitoring and assessing the overall effectiveness of the Group's risk management processes and internal control systems, including those related to health and safety, financial controls and anti-bribery policies and procedures.
- Approving the Annual and Half-Year Reports, including Financial Statements.
- Approving other corporate communications related to matters decided by the Board.
- Board appointments and succession planning and setting terms of reference for Board Committees.
- Remuneration matters, including the general framework for remuneration and share and incentive schemes.

The Board has delegated specific responsibilities to the Nomination, Audit and Risk and Remuneration Committees.

The Nomination Committee Report on page 46 explains how the Board and senior management appointments, succession planning and development are being addressed.

The Audit and Risk Committee Report on pages 47 to 49 provides details of how the Board applies the Code in relation to financial reporting, risk management and internal controls.

The Remuneration Committee Report on pages 50 to 64 gives details of Directors' remuneration and policy.

Day-to-day management and the implementation of strategies agreed by the Board are delegated to the Executive Directors. The Board meets regularly to discuss key operational issues and prescribe actions as appropriate. The Group's reporting structure below Board level is designed so that all decisions are made by those most qualified to do so in a timely manner.

Key to the structure is the Executive Committee (the 'Steering Group'), comprising nine senior managers, including the two Executive Directors. Management teams report to members of the Steering Group, which meets each month.

The Board receives regular updates from the Steering Group in relation to business issues and developments.

This structure enables the Board to make informed decisions on a range of key issues including strategy and risk management.

Role of the Chairman

The Board has concluded that the Chairman has met the independence criteria of the Code since appointment.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer.

The Chairman is responsible for ensuring that the Board functions effectively. He sets the agenda for Board meetings and ensures that adequate time is devoted to discussion of all agenda items, particularly strategic issues, facilitating the effective contribution of all Directors and ensuring that the Board as a whole is involved in the decision-making process.

Role of the Chief Executive Officer

The Chief Executive Officer has principal responsibility for all operational activities and the day-to-day management of the business, in accordance with the strategies and policies approved by the Board. The Chief Executive also has responsibility for communicating to the Group's employees the expectations of the Board in relation to culture, values and behaviours.

Role of the Senior Independent Director and Non-executive Directors

The Senior Independent Director has an important role on the Board, providing a sounding board for the Chairman, leading on corporate governance issues and serving as an intermediary for the other Non-executive Directors. He is 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 not appropriate.

All Non-executive Directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively. The Non-executive Directors act in a way they consider will promote the long-term success of the Group for the benefit of, and with regard to the interests of its Shareholders.

Board composition, commitment and election of Directors

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. On appointment, Board members, in particular the Chairman and the Non-executive Directors, disclose their other commitments and agree to allocate sufficient time to the Company to discharge their duties effectively and ensure that these other commitments do not affect their contribution.

The current Board commitments of all Directors are shown on pages 40 and 41. Their terms of appointment are reported on page 57. Directors' length of service on the Board is set out in the table below.

Corporate Governance Statement continued

Length of service

	Date joined Eurocell	Date joined the Board
Bob Lawson	1 January 2015	4 February 2015
Mark Kelly	29 March 2016	29 March 2016
Michael Scott	1 September 2016	1 September 2016
Patrick Kalverboer	16 August 2013	16 August 2013
Frank Nelson	1 January 2015	4 February 2015
Martyn Coffey	1 January 2015	4 February 2015

The Company's Articles of Association contain powers of removal, appointment, election and re-election of Directors and provide that all of the Directors must retire and may offer themselves for re-election at each Annual General Meeting ('AGM').

At the upcoming AGM, all the Directors intend to offer themselves for re-election. We consider all the Directors to be effective, committed to their roles and to have sufficient time available to perform their duties.

Board evaluation and effectiveness

It is the Group's intention that a performance evaluation of the Board and its Committees is undertaken on a periodic basis. Such a review considers the following:

- Effectiveness of the Board's decision-making.
- Strategy development process.
- Board composition.
- Succession planning.
- Risk and risk management systems.
- Culture.

The evaluation process is designed to stimulate thought and discussion, and includes consideration over the effectiveness of Executive Directors, Non-executive Directors and the Chairman. The Senior Independent Director separately reviews the Chairman's performance with the other Non-executive Directors. The results of the evaluation are considered by the Chairman and discussed by the Board.

The Board believes that the evaluation process described above is thorough, robust and works well. All Directors are expected to engage fully, with a genuine desire to enhance overall Board performance. The process includes sufficient objectivity and confidentiality to ensure that challenge is acknowledged and acted upon.

The first internal evaluation was undertaken in 2015 as part of the Group's IPO process. In the light of changes to the Board post IPO, with a new Chief Executive Officer and Chief Financial Officer joining the Group in 2016, no review was carried out in 2017. However, in accordance with the Code, an external evaluation of the Board will be carried out every three years by an independent third-party facilitator. Such an external evaluation is currently in progress and the results will be included in next year's Annual Report.

Taking all of the above into account, 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 the Board and its Committees to discharge their duties and responsibilities effectively and in line with the Code.

Board meetings and attendance

There were six regular Board meetings scheduled during 2017, four meetings of the Audit and Risk Committee, two meetings of the Remuneration Committee and two meetings of the Nomination Committee. Non-executive Directors also attended site visits.

The Chief Executive and Chief Financial Officer are usually invited to attend Audit and Risk Committee meetings, although the Audit and Risk Committee also meets with the external auditor without any Executive Director being present. The Chief Executive is invited to attend Remuneration Committee meetings when appropriate. The Company Secretary is also Secretary to the Remuneration Committee and the Audit and Risk Committee, and attends meetings for this purpose.

Number of meetings attended	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Bob Lawson	6/6	–	2/2	2/2
Frank Nelson	6/6	4/4	2/2	2/2
Martyn Coffey	6/6	4/4	2/2	2/2
Patrick Kalverboer	5/6	–	–	2/2
Mark Kelly	6/6	–	–	2/2
Michael Scott	6/6	–	–	–

The Company Secretary

All the Directors have access to the advice and services of the Company Secretary. The Company Secretary has responsibility for ensuring that all Board 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.

Whenever necessary, Directors may take independent professional advice at the Company's expense. Board Committees are provided with sufficient resources to undertake their duties, including the option to appoint external advisers when they deem it appropriate.

Board induction, development and support

New Directors receive a formal induction on joining the Board, which covers Group policies and other key information. Tailored training may be arranged to meet individual needs, for example to refresh knowledge of the Listing Rules and regulatory compliance. Typically, a new Director will meet the Chairman and other Non-executive Directors in one-on-one sessions; he or she will have meetings with key management, briefings with external advisers and Shareholders, and a programme of site visits will be arranged at which the Director meets site-based staff to gain a full understanding of the business.

Looking forward, it is the Company's expectation that training will be built in to the annual Board programme, designed to incorporate a range of in-depth topics of particular relevance to the business. Training needs will be identified through the Board evaluation process and through individual reviews between the Directors and the Chairman. Directors are expected to attend external courses and seminars as appropriate to maintain and develop their Board competencies.

During 2017, there were Board briefings relating to changes to financial reporting and corporate governance (including health and safety regulations and business continuity planning). There were also individual meetings between Non-executive Directors and senior managers relating to areas of particular interest.

Engagement with Shareholders

The Board considers that communications with Shareholders are extremely important. Now in our third year as a listed business, we have developed open and frequent dialogue with investors. The Chief Executive and Chief Financial Officer meet regularly with major Shareholders and potential investors to discuss the Group's performance, strategic issues and Shareholder investment objectives. We also periodically arrange site visits for investors.

Alongside the Annual and Half-Year Results, the Group follows a regular reporting and announcement schedule to ensure that matters of importance affecting the Group are communicated to investors. In addition, in 2017 the Group launched a much improved investor website: investors.eurocell.co.uk

During 2017, a total of approximately 87 investor meetings were held, at which at least 57 institutions were represented. Feedback from these meetings and other Shareholder communications are provided to the Board. The Board also receives copies of analysts' and brokers' briefings.

The Chairman is available to meet with institutional Shareholders to discuss governance and strategy and gain an understanding of Shareholder views and concerns. The Chairman ensures that the views of Shareholders are communicated to the Board as a whole. The Senior Independent Director and other Non-executive Directors are also available to meet Shareholders separately if requested.

Risk management and internal control

The Board acknowledges its responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and for the Group's system of internal control.

The Board has carried out a review of the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, for the period covered by this Annual Report.

The Strategic Report comments in detail (pages 34 to 38) on the nature of the principal risks and uncertainties facing the Group; in particular those that would threaten our business model, future performance, solvency or liquidity and the measures in place to mitigate them. In conducting its review, the Board has included a robust assessment of these risks, and the effectiveness of mitigating controls.

The Audit and Risk Committee Report on pages 47 to 49 describes the internal control system and how it is managed and monitored.

The Board confirms that no significant failings or weaknesses were identified in relation to the review. The Board also acknowledges that such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Statement of compliance with the Code

This Corporate Governance Statement, together with the Nominations Committee Report, the Audit and Risk Committee Report and the Remuneration Committee Report, provide a description of how the main principles of the Code have been applied within Eurocell during 2017.

It is the Board's view that Eurocell was in compliance with the relevant provisions set out in the Code in all material respects.

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 2.60 of Rule 7 is shown on pages 65 to 67.

Annual General Meeting

Our AGM will be held at Fairbrook House on 18 May 2018.

The notice of our AGM, together with the Directors' voting recommendations on the resolutions to be proposed, is included on a separate circular to Shareholders and will be dispatched at least 20 working days before the meeting. The notice will be available to view at investors.eurocell.co.uk.

All Directors attend the AGM, including the Chairs of the Audit and Risk, Remuneration and Nomination Committees, who are available to answer questions. The Board welcomes questions from Shareholders who have an opportunity to raise issues informally or formally before or during the meeting.

For each proposed resolution, the proxy appointment forms provide Shareholders with the option to direct their proxy vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

All valid proxy appointments are properly recorded and counted by Equiniti, the Company Registrars. Information on the number of shares represented by proxy, the proxy votes for and against each resolution, and the number of shares in respect of which the vote was withheld for each resolution, together with the proxy voting result, are given at the AGM. The total votes cast, including those at the AGM are published on our website (investors.eurocell.co.uk) immediately after the meeting.

Nomination Committee

Statement from Bob Lawson, Chair of the Nomination Committee

Members:
Bob Lawson (Chairman)
Patrick Kalverboer
Frank Nelson
Martyn Coffey
Mark Kelly

Role and Responsibilities:
The principal duties of the Nomination Committee are to:
- Keep under review the structure, size and composition of the Board, including the skills, knowledge and experience required by it.
- Keep under review the time commitments required from Non-executive Directors.
- Consider succession planning for the Directors and other senior managers, giving due weight to the achievement of diversity in its widest sense.
- Identify and nominate candidates to fill any vacancies arising in Board positions.

Dear Shareholder,
I am pleased to report to you on the main activities of the Committee and how it has performed its duties during 2017. I chair Nomination Committee meetings, but would not do so where the Committee was discussing matters relating to my own reappointment or replacement as Chairman.

During the year the Nomination Committee held two scheduled meetings. Attendance at meetings is shown on page 44.

Activities during the year
- Assisted the Executive Directors with the selection and recruitment of a new Head of Human Resources, following the retirement of Glenn Parkinson in October 2017.
- Organisational succession and development planning at Board and senior management level.

Diversity
The Committee remains committed to achieving diversity in its widest sense in the composition of the Board, senior management and throughout the Group. This includes diversity in gender and ethnicity.

Our objective is to recruit people with an appropriate range of skills, knowledge and experience. We would like to see women represented fairly on the Board and Steering Group and we will continue to work towards this. Our overriding policy in any new appointment is to select on merit to ensure the continued success of the business.

Bob Lawson
Chair of the Nomination Committee
8 March 2018

Audit and Risk Committee

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

Members:
Frank Nelson (Chairman)
Martyn Coffey

The Company Secretary acts as secretary to the Committee.

Role and Responsibilities:

The principal duties of the Audit and Risk Committee are to:

- Review the Annual Report, Half-Year Report and any other formal announcements relating to the Group's financial performance, giving due consideration to significant accounting issues and judgements contained therein, as well as compliance with accounting standards and other legal and regulatory requirements.
- Review the Annual Report and Financial Statements to advise the Board on whether they give a fair, balanced and understandable explanation of the Group's business and performance over the relevant period.
- Review the Group's financial reporting systems and procedures.
- Review the Group's internal controls and risk management systems and advise the Board whether they are adequate, by considering reports on their effectiveness from the Chief Financial Officer and Chief Executive Officer, together with reports from the Group's outsourced internal auditor and from the external auditor.
- Review and update the Group's risk register.
- Review the Group's procedures to ensure compliance with the provisions of the Bribery Act 2010 and the Group's whistleblowing policy.
- Review external auditors' independence and objectivity, audit and non-audit fees and make recommendations regarding audit tender and the appointment and remuneration of the auditors', together with the terms of their engagement.
- Review the annual audit plan and monitor the effectiveness of the external audit process.
- Monitor and review the effectiveness of the outsourced internal audit function. Review the internal audit plan, all internal audit reports, and review and monitor management's responses to the findings and recommendations of the internal audit function.
- Consider the adequacy of the Group's finance function.
- Review the Group's tax strategy.
- Review the Committee Terms of Reference.

Dear Shareholder,

I am pleased to report to you on the Audit and Risk Committee's objectives and activities during 2017. This report, which is part of the Directors' Report, explains how the Audit and Risk Committee has discharged its responsibilities during 2017, and reflects the recent changes to reporting under the Code. I hope you find it useful and informative.

The role of the Audit and Risk Committee is to oversee financial reporting. The Committee reviews the ongoing effectiveness of the Group's internal controls and provides assurance on the Group's risk management processes. The Committee also assesses information received from the external and internal audit functions.

The Committee has reviewed the Group's Financial Statements contained in this Annual Report and is satisfied that they present a fair, balanced and understandable assessment of the Group's position and prospects. The Committee has provided assurance to this effect to the Board.

The Audit and Risk Committee is the body appointed by the Board with responsibility for carrying out the functions required by the Listing Rules DTR 7.1.3R. The terms of reference of the Committee include all the matters required under the Code.

The Chairman of the Committee is a Fellow of the Chartered Institute of Management Accountants and the Board is satisfied he has recent and relevant financial experience as required by the Code.

During the year, the Audit and Risk Committee held four scheduled meetings. Attendance is shown on page 44.

The external auditors were invited to attend all meetings of the Committee. Other individuals, such as the Chief Executive Officer, the Chief Financial Officer and other members of the Board are invited to attend the Committee meetings as and when appropriate.

In addition, the external auditors' met with the Committee without executive management being present. The external auditors' also met separately with each of the Audit and Risk Committee Chairman and the Chief Financial Officer.

Audit and Risk Committee continued

Summary of activities

The areas of particular focus for the Committee in 2017, and up to the date of this Annual Report, were as follows:

- Reviewed the 2016 and 2017 Annual Reports, as well as the 2017 Half-Year Report.
- Considered information presented by management on significant accounting estimates and judgements adopted in respect of the Group's 2016 and 2017 Financial Statements and the 2017 Half-Year Report.
- Reviewed reports from the external auditors' setting out their findings as a result of their audits for the years ended 31 December 2016 and 2017, as well as their review of the 2017 Half-Year Report.
- Reviewed the external auditors' plan for their audit for the year ended 31 December 2017.
- Reviewed documentation prepared to support the viability statement and going concern assumption set out on page 39.
- Considered the impact of new accounting standards and financial reporting requirements, including guidance issued by the Financial Reporting Council ('FRC').
- Considered reports by management related to the effectiveness of the Group's systems of risk management and internal control.
- Reviewed the Group's risk register.
- Considered reports prepared by the Group's outsourced internal audit function.
- Reviewed and updated the Group's Whistleblowing and Anti-bribery policies.

The Committee is kept up to date with changes to accounting standards and developments in financial reporting, company law and other regulatory matters through presentations from the external auditors', Chief Financial Officer and the Company's Finance function.

Key accounting estimates and judgements

As described above, the Committee reviewed the key estimates and judgements used in the preparation of the Group's 2017 Financial Statements. These were as follows:

Inventory valuation

The Committee critically reviewed the carrying value of the Group's inventory, particularly with regard to management's assessment of the appropriate level of provisioning against obsolescence as at 31 December 2017. This review was undertaken in the context of current trading and the forecast for the next financial year. The Committee concurred with management's assessment of the carrying value of Group inventory. The Committee noted that there continues to be considerable management focus on both the optimisation of finished goods inventory levels and, looking forward, on the operational controls over the management of inventory.

Accounts receivable recoverability

The Committee considered and critically evaluated the Group's methodology with respect to setting provisions for potential bad and doubtful debts, as well as the absolute level of provisions held as at 31 December 2017. The review took into account the specific nature and characteristics of customers in the Group's two major divisions. The Committee is satisfied that the current level of provisions is appropriate.

Provisions for dilapidations on leased properties

The Group currently operates with 190 branches, each of which is situated in a leased property. Leases are typically for five years, with a three-year break clause. The Committee undertook a review of the methodology used to estimate the liability for remedial works that may arise with respect to the Group's leasehold properties, as well as the absolute level of provision held and amounts utilised. The Committee is satisfied that the current level of provision is reasonable.

Carrying value of intangible assets

The carrying value of goodwill and intangible assets are assessed at least annually, or when an indication of impairment arises. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down. The Committee is satisfied that the key estimates applied to assess the recoverable amounts are reasonable. Further details on impairment along with the key estimates are provided in Note 16.

Risk management

The Group's risk management processes are set out in detail on pages 34 to 35.

The Group maintains a written risk register that identifies key risks, the probability of those risks occurring and the impact they would have on the Group if unmitigated. Against each gross risk, the controls that exist to manage and, where possible, minimise or eliminate those risks are also listed, and an assessment of net risk is provided. The risk register also identifies any further actions required such that net residual risk is consistent with the risk appetite set by the Board. The register is regularly updated to reflect changes in circumstances.

The Group, established a Risk Management Committee early in 2017, chaired by the Chief Financial Officer. This Committee reviews the most significant risks and the status of related mitigating actions each month, with other risks reviewed on a cyclical basis.

The Audit and Risk Committee reviews the risk register twice per year to ensure the timely identification and robust management of inherent and emerging risks taking place. To the extent that any failings or weaknesses are identified during the review process, appropriate measures are taken to remedy these.

Information relating to the management of risks and any changes to the assessment of key risks is reported by the Audit and Risk Committee to the Board.

Internal controls

The Group has an established internal control framework, the key features of which include clearly defined reporting lines and authorisation limits and a comprehensive budget and monthly reporting system. The schedule of authorisation limits was updated in December 2016, to reflect the development of the business since its IPO, and approved by the Board.

The internal control framework governs the internal financial reporting process of the business, with checks and balances built into the system that are designed to reduce the likelihood of material error or fraud.

The Committee monitors and reviews the effectiveness of internal controls on an ongoing basis, primarily by reviewing reports from senior management.

Internal audit

In order to further enhance the internal control and risk management processes, the Group implemented an outsourced internal audit function in March 2017. Following a formal tender process the Company appointed KPMG to fulfil this role. The Committee worked with KPMG to set the programme for internal audit in 2017, which included reviews over the Group's risk management systems, payroll, cyber security, GDPR readiness and management's branch audit process.

External audit and auditors' independence

The Audit and Risk Committee has primary responsibility for making a recommendation to the Board on the appointment, reappointment and removal of the external auditors'. It keeps under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors'. There are no contractual obligations restricting our choice of external auditors.

The Group's current auditors' PwC were appointed at the Audit and Risk Committee meeting on 29 April 2015, following the Company's IPO. PwC has processes in place designed to maintain independence, including regular rotation of the audit partner.

The Committee has also adopted policies to safeguard the independence of its external auditors'. Any work awarded to the external auditors' with a value of more than £5,000 in aggregate in any financial year, other than an audit, requires the specific approval of the Committee. Where the Committee perceives that the independence of the auditors' could be compromised, the work will not be awarded to it. Details of amounts paid to PwC for audit and audit related assurance services in 2017 are set out on page 88.

An annual review of external audit effectiveness is undertaken by the Committee.

Whistleblowing and bribery

The Audit and Risk Committee monitors any reported incidents under our whistleblowing policy, which is available to all employees. This policy sets out the procedure for employees to raise legitimate concerns about any wrongdoing without fear of criticism, discrimination or reprisal. No matters were raised under the policy during 2017.

The Audit and Risk Committee also takes responsibility for reviewing the policies and procedures adopted by the Group to prevent bribery. The Group is committed to a zero-tolerance position with regard to bribery. The Committee is satisfied that the Group's procedures with respect to these matters are adequate.

Frank Nelson
Chair of the Audit and Risk Committee
8 March 2018

Directors' Remuneration Report

Remuneration Committee Chairman's Letter

Members:
Martyn Coffey (Chairman)
Bob Lawson
Frank Nelson

Role and Responsibilities:

The Committee's principal responsibilities are to:

- Recommend to the Board the remuneration strategy and framework for the Chairman, Executive Directors and senior managers.
- Determine, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers.
- Oversee any major changes in employee benefit structures throughout the Group.

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for 2017. The report is split into two parts:

- Part A: The Directors' Remuneration Policy – which provides a summary of the remuneration policy for which Shareholder approval was obtained at the 2016 AGM and which will continue to apply without amendment for the forthcoming year; and
- Part B: The Annual Report on Remuneration – which sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2017 and how the policy will be operated for 2018.

As no changes are proposed to the existing policy, only one remuneration resolution will be tabled at the 2018 AGM i.e. the advisory Shareholder vote on the Annual Report on Remuneration.

Work of the committee during the year

The Committee met two times during 2017. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:

- Agreeing the performance against the targets and payout for the 2016 annual bonus awards.
- Agreeing Executive Director base salary increases from 1 April 2017.
- Setting the performance targets for the 2017 annual bonus.
- Agreeing the award levels and earnings per share and operating cash flow targets for the 2017 PSP awards.
- Approving awards under the Eurocell Save As You Earn Scheme (including awards to the two Executive Directors).
- Approving the vesting of Mark Kelly's buyout share award at the 12-month anniversary of grant.

Pay for Performance

As described in earlier sections of this Annual Report, our senior management team delivered very good progress against our strategic priorities in 2017. Further, against a more challenging economic backdrop, the business reported robust financial results and another consistent operational performance.

Sales growth was good at 8% (excluding acquisitions), with market share gains across the Group. Profitability was solid, having been impacted by a subdued Repair, Maintenance and Improvements ('RMI') market and especially by higher raw material cost inflation. Where possible, the team mitigated pricing pressure with selling price increases, but the market does lag supplier rises so there is a delay in capturing the benefit. However, management also delivered on initiatives which increased significantly the use of recycled material in our manufacturing operations, in order to further alleviate cost inflation.

In addition, the business made significant investments in 2017, including opening 31 new branches and progressing capital expenditure to expand our recycling capability. Management believes these investments leave the Group well placed to deliver further gains in market share and more control of material costs in the future.

This performance has been reflected in the payments made to the Executive Directors under the Annual Bonus Plan, amounting to 40% of salary. Performance against the adjusted profit before tax element of the bonus resulted in a bonus of 42% of that element (i.e. approx. 30% of salary) while performance against the cash flow element of the bonus resulted in a bonus of 33% of that element (i.e. approx. 10% of salary). In addition, the health and safety underpin was considered satisfied.

Further details of these bonus pay-outs (including information regarding performance against the relevant targets and the operation of the deferred share element of the plan) can be found on page 60 and 61 of this report.

No Performance Share Plan ('PSP') awards vested during the year (the first vestings for the current Executive Directors are due to take place in 2019 based on EPS and operating cash flow performance over the three years to 31 December 2018).

Summary of our Directors' Remuneration Policy

At the AGM on 19 May 2016, we put our Remuneration Policy to Shareholders for a binding vote. We were very pleased to receive unanimous approval for the policy. We do not propose making any changes to the policy this year. Therefore, the main elements of the Executive Directors' packages will remain as follows:

- *Base salaries*
  Salary levels (as well as overall remuneration opportunity) will be positioned to reflect experience and responsibility. Mark Kelly's and Michael Scott's current salaries are £367,200 and £234,600 respectively. In line with other Eurocell employees, with effect from 1 April 2018, these salaries will be increased by 2%.
- *Pensions/benefits*
  A defined contribution/salary supplement of 15% of salary will continue to be offered, together with a standard suite of other benefits.
- *Annual bonus*
  The maximum annual bonus remains at 100% of salary. For 2018, reflecting Eurocell's underlying strategy, 70% of the bonus will be based on adjusted profit before tax and 30% will be based on cash flow targets. The targets will be subject to a health and safety underpin. Up to 50% of any bonus earned is normally deferred into shares for three years.
- *Long-term incentives*
  PSP awards are expected to be made in April 2018. Award levels will be set at 100% of salary for Mark Kelly and Michael Scott. Performance targets will be based on three year earnings per share growth (two-thirds of the award) and cash flow (one-third) targets.

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 this Report and matters to be approved at our AGM

Notwithstanding the fact that: (i) we will not be seeking Shareholder approval for any changes to our Remuneration Policy at the 2018 AGM; and (ii) the relevant Regulations do not require us to reproduce our Remuneration Policy in this report; for ease of reference we have decided to include a summary of our policy in addition to the Annual Report on Remuneration section of the report (in respect of which we will be holding an advisory vote at the forthcoming AGM). The full Directors' Remuneration Policy was disclosed in the 2015 Annual Report.

I hope that you will continue to show support for our approach to remuneration at Eurocell. Should you have any queries or comments, please feel free to contact me at martyn.coffey@eurocell.co.uk.

Martyn Coffey
Chair of the Remuneration Committee
8 March 2018

Explanatory foreword

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. Our Directors' Remuneration Policy was approved at the 2016 AGM. We are not proposing to make any changes to this policy, which will continue to apply for the forthcoming year. For ease of reference, we have set out in Part A below the key features of our policy. The full, formal policy is as disclosed in the 2015 Annual Report, which is available on the Company's website.

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

PART A: DIRECTORS' REMUNERATION POLICY

The following table summarises the key aspects of the Directors' Remuneration Policy:

Executive Directors

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Base salary 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. 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 judgement, 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. 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), 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 To provide benefits valued by recipients.	The Executive Directors can receive a car allowance or company car, private family medical cover, permanent health insurance and life assurance. 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. 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). 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

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Pension 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 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. 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. 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. Awards under the DSP are deferred for such periods 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. 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. Clawback and malus provisions apply to the Annual Bonus Plan and DSP, as explained in more detail in the notes to the policy table, as disclosed in the 2015 Annual Report.	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. 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. However, the Annual Bonus Plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement 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.

Executive Directors continued

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Long-term incentives 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. Under the PSP plan rules, vested awards may also be settled in cash. 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. Malus and clawback provisions apply to PSP awards and are explained in more detail in the notes to the policy table, as disclosed in the 2015 Annual Report.	The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year. 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). 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. No more than 25% of awards vest for attaining the threshold level of performance conditions.
Share ownership guidelines 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. The Committee reserves the power to amend (but not reduce) these levels in future years.	n/a
All-employee share plans 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.	These are all-employee share plans established under HMRC tax-advantaged regimes and follow the usual form for such plans. Executive Directors will 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 will be the limits for such plans set by HMRC from time to time.	Consistent with normal practice, such awards will 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 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. The fees payable to the Non-executive Directors are determined by the Board, with the Chairman's fees determined by the Remuneration Committee. Fees are paid monthly in cash. The Chairman and Non-executive Directors will not participate in any new cash or share incentive arrangements from admission. The Company reserves the right to provide benefits (including travel and office support) to the Chairman and Non-executive Directors.	Any increases actually made will be appropriately disclosed. 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). If the Chairman and/or Non-executive Directors devote special attention to the business of the Company, or otherwise perform 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

Other elements of our policy include:

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 both 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:

Mark Kelly	29 March 2016
Michael Scott	1 September 2016

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, 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.

Name	Date of Original Appointment	Date of Latest Appointment	Term
Bob Lawson	4 February 2015	2 February 2018	3 years
Patrick Kalverboer	4 February 2015	2 February 2018	3 years
Frank Nelson	4 February 2015	2 February 2018	3 years
Martyn Coffey	4 February 2015	2 February 2018	3 years

The Directors' 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 an 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. 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.

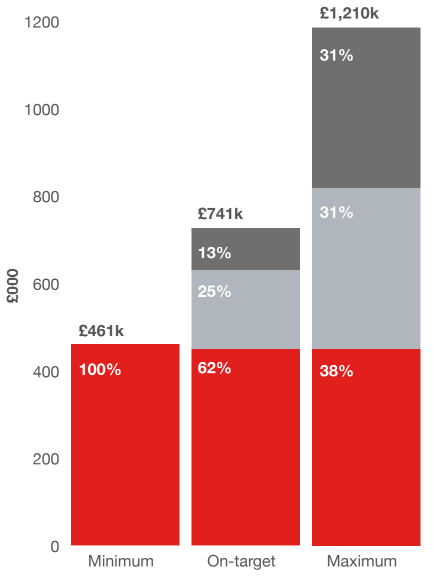
Other policy matters

The 2015 Annual Report also set out formal details of our approach to:

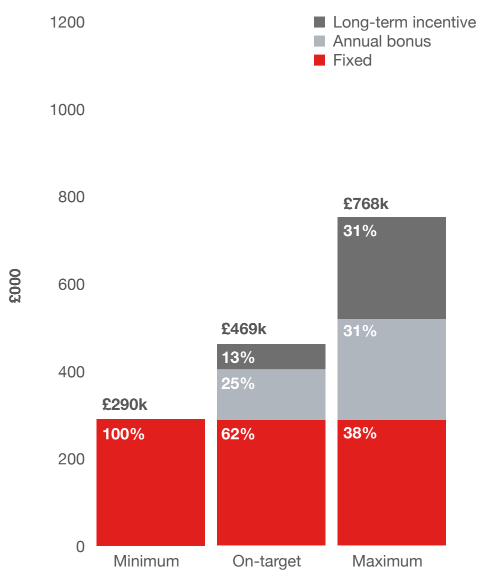
- Travel and hospitality;
- Differences between the policy on remuneration for Directors from the policy on remuneration for other employees;
- Committee discretions;
- External appointments;
- Considerations of employment conditions elsewhere in the Group;
- The operation of malus and clawback in relation to the PSP and annual bonus; and
- How the views of Shareholders are taken into account.

The Committee is mindful of ongoing debate regarding the publication of ratios comparing CEO to employee pay. The Committee does not at present consider it appropriate to publish such data in this report as it is concerned that no common methodology has yet been established amongst UK companies and their investors for these comparisons. The Company's expectation is that it will publish ratios showing comparisons in future years when, as can be expected, UK regulations or guidance develop a common methodology.

Illustrations of application of Remuneration Policy



Chief Executive Officer – Mark Kelly



Chief Financial Officer – Michael Scott

The charts above aim to show how the Remuneration Policy for Executive Directors will be applied in 2018 using the assumptions in the table below.

Minimum	• Consists of base salary, benefits and pension. • Base salary is the salary to be paid with effect from 1 April 2018. • Estimated value of a full year's benefits, including car allowance, private medical cover, health insurance and life assurance. • Pension measured as the cash allowance in lieu of Company contributions at 15% of salary.				
		Base Salary	Benefits	Pension	Total Fixed
	Mark Kelly	£374,544	£29,785	£56,182	£460,511
	Michael Scott	£239,292	£14,322	£35,894	£289,508
Target	Based on what the Director would receive if performance was on-target (excluding share price appreciation and dividends): • Annual bonus: consists of the on-target bonus of 50% of maximum opportunity. • Long-term incentives: consists of the threshold level of vesting (25% vesting) under the PSP.				
Maximum	Based on the maximum remuneration receivable (excluding share price appreciation and dividends): • Annual bonus: consists of maximum bonus of 100% of base salary. • Long-term incentives: consists of the face value of awards (at 100% of salary for both Executive Directors) under the PSP.				

PART B: THE ANNUAL REPORT ON REMUNERATION

The Committee (unaudited information)

The members of the Remuneration Committee are:

Martyn Coffey (Chairman)
Bob Lawson
Frank Nelson

The Committee's principal responsibilities are to:

- Recommend to the Board the remuneration strategy and framework for the Chairman, Executive Directors and senior managers.
- Determine, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers.
- Oversee 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. Bob Lawson takes no part in any discussions relating to his own remuneration.

The Committee met two 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 (investors.eurocell.co.uk).

FIT Remuneration Consultants LLP ('FIT'), signatories to the Remuneration Consultants Group's Code of Conduct, are appointed by the Committee and provide 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 2017 were £8,824 (excluding 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 relevant financial year is detailed below. The Chairman and Non-executive Directors received no remuneration other than their annual fee.

For the year ended 31 December 2017:

Director	Salary/fees £000	Taxable benefits[1] £000	Bonus £000	Long-term incentives £000	Pension £000	Other £000	Total remuneration £000
Mark Kelly[2]	**365**	**28**	**146**	**–**	**55**	**322**	**916**
Michael Scott[3]	**233**	**14**	**93**	**–**	**35**	**–**	**375**
Robert Lawson	**120**	**–**	**–**	**–**	**–**	**–**	**120**
Patrick Kalverboer	**40**	**–**	**–**	**–**	**–**	**–**	**40**
Frank Nelson	**48**	**–**	**–**	**–**	**–**	**–**	**48**
Martyn Coffey	**45**	**–**	**–**	**–**	**–**	**–**	**45**

For the year ended 31 December 2016:

Director	Salary/fees £000	Taxable benefits[1] £000	Bonus £000	Long-term incentives £000	Pension £000	Other £000	Total remuneration £000
Mark Kelly[2]	274	26	220	–	41	–	561
Michael Scott[3]	77	4	61	–	12	–	154
Patrick Bateman[4]	189	8	59	–	28	–	284
Matthew Edwards[5]	117	8	39	–	17	1	182
Robert Lawson	120	–	–	–	–	–	120
Patrick Kalverboer	40	–	–	–	–	–	40
Frank Nelson	48	–	–	–	–	–	48
Martyn Coffey	45	–	–	–	–	–	45

Notes:
(1) Taxable benefits comprise car allowance, private family medical cover, permanent health insurance and life assurance.
(2) Mark Kelly was appointed to the Board with effect from 29 March 2016 and was appointed Chief Executive Officer with effect from 1 May 2016. Other in 2017 relates to the value of the recruitment award over 123,864 Eurocell plc shares granted on 28 June 2016 in connection with an amount forfeited on cessation of employment with his previous employer. The award vested after the expiry of a 12-month deferral period and was subject to continued employment but no other performance conditions. The value of the shares is based on the closing Eurocell share price on the date of vesting. While the buyout award also included the potential payment of £200,000 in cash, this amount was ultimately forfeited by Mr. Kelly and therefore no compensation was payable by Eurocell for this cash part of the buyout.
(3) Michael Scott was appointed Chief Financial Officer with effect from 1 September 2016.
(4) Patrick Bateman resigned with effect from 30 June 2016.
(5) Matthew Edwards left the Company with effect from 30 June 2016. Other in 2016 relates to payments for legal fees and other expenses made to Mr Edwards in connection with his settlement agreement.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2017 was £1,544,000 (2016: £1,434,000).

Further information on the 2017 annual bonus (audited)

In 2017, the annual bonus metrics were a blend of targets relating to adjusted profit before tax (70% of the bonus opportunity) and cash flow (30% of the bonus opportunity). In addition, a health and safety adjustment underpin applied which, if not achieved, could reduce the bonus pay-out.

More particularly, the adjusted profit before tax and cash flow bonus targets were as follows:

£m	Threshold	Target	Maximum	Actual	Pay-out (% of max)
Adjusted Profit before Tax	23.6	24.8	26.7	24.5	42
Cash flow	28.1	29.6	31.8	28.8	33

Performance against the adjusted profit before tax element of the bonus resulted in a bonus of 42% of that element (i.e. approx. 30% of salary).

Performance against the cash flow element of the bonus resulted in a bonus of 33% of that element (i.e. approx. 10% of salary).

The health and safety underpin was also considered satisfied.

In total, this results in a total bonus pay-out of 40% of salary.

50% of the annual bonus paid to Mark Kelly and Michael Scott will be deferred into shares under the DSP.

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 2017:

Director	Beneficially owned 31 Dec 16[2]	Beneficially owned 31 Dec 17[2]	Vested but unexercised awards	Unvested DSP	Unvested PSP[3]	Unvested SAYE	SOG (% of salary)[4]	SOG met?[4]
Mark Kelly	43,939	109,469	–	45,502	421,565	11,029	100	No
Michael Scott	–	14,215	–	12,724	220,656	11,029	100	No
Patrick Kalverboer[1]	20,159,094	30,000	–	–	–	–	–	n/a
Robert Lawson	58,596	72,811	–	–	–	–	–	n/a
Frank Nelson	28,571	28,571	–	–	–	–	–	n/a
Martyn Coffey	5,714	10,714	–	–	–	–	–	n/a

Notes:
(1) The interests of H2 Equity Partners are noted as interests of Patrick Kalverboer. Mr Kalverboer is a managing partner of H2 Equity Partners. On 16 March 2017 H2 Equity Partners disposed of its entire shareholding in the Company.
(2) The beneficial shareholdings set out above include those held by Directors and their respective connected persons.
(3) Performance-based share awards.
(4) 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 within five years of commencement of employment. As described above, Mark Kelly and Michael Scott were appointed in March and September 2016 respectively and continue to build their shareholdings to comply with this guideline.

Performance Share Plan awards granted in 2017

The following awards were made under the PSP in 2017:

	Date of grant	Basis of award (% salary)	Share price[1]	Number of shares	Face value of award at grant	Exercise period
Mark Kelly	4 April 2017	100	243.0	148,148	360,000	April 2020 to April 2021
Michael Scott	4 April 2017	100	243.0	94,650	230,000	April 2020 to April 2021

Notes:
(1) Rounded to one decimal place for the purposes of presentation in this report.

The performance conditions applying to the awards made in April 2017 relate to: (i) adjusted earnings per share growth for two-thirds of the award; and (ii) Group cash flow targets for one-third of the award. Group cash flow is defined as the aggregate of EBITDA less working capital (and excluding capital expenditure) for each of the three financial years falling in the performance period.

More specifically:

Adjusted EPS growth target to 31 December 2019	Portion of award vesting
Above 13% p.a.	100%
Between 7% p.a. and 13% p.a.	Pro rata on straight-line between 25% and 100%
7% p.a.	25%
Below 7% p.a.	0%

Operating cash flow to 31 December 2019	Portion of award vesting
Above £103.7 million	100%
Between £84.9 million and £103.7 million	Pro rata on straight-line between 25% and 100%
£84.9 million	25%
Below £84.9 million	0%

Outstanding Share Plan awards

Details of all outstanding share awards made to Executive Directors are set out below:

Executive	Award type	Ex price (p)	Grant date	Interest at 1 January 2017	Awards granted in the year	Awards lapsed in the year	Awards vested in the year	Interest at 31 December 2017	Exercise period	Notes
Mark Kelly	PSP	0	28/06/16	273,417	–	–	–	273,417	Jun 19 – Jun 20	(1)
	Recruitment	0	28/06/16	119,424	–	–	119,424	–	Jun 17 – Jun 18	(2)
	PSP	0	04/04/17	–	148,148	–	–	148,148	Apr 20 – Apr 21	(3)
	DSP	0	04/04/17	–	45,502	–	–	45,502	Apr 20 – Apr 21	(4)
	SAYE	163.2	07/04/17	–	11,029	–	–	11,029	Apr 20 – Oct 20	(5)
Michael Scott	PSP	0	19/12/16	126,006	–	–	–	126,006	Dec 19 – Dec 20	(1)
	PSP	0	04/04/17	–	94,650	–	–	94,650	Apr 20 – Apr 21	(3)
	DSP	0	04/04/17	–	12,724	–	–	12,724	Apr 20 – Apr 21	(4)
	SAYE	163.2	07/04/17	–	11,029	–	–	11,029	Apr 20 – Oct 20	(5)
Patrick Bateman	PSP	0	09/03/15	118,094	–	–	–	118,094	Mar 18 – Mar 19	(6)
Matthew Edwards	PSP	0	09/03/15	57,142	–	–	–	57,142	Mar 18 – Mar 19	(6)

Notes:
(1) Performance targets are presented on page 60 of the Annual Report 2016.
(2) Recruitment award of shares with a value of £200,000 (measured at the date of grant) in relation to an amount forfeited on cessation from previous employer. As first disclosed in the Annual Report 2015, the shares vested 12 months from grant, subject to continued employment. The number of shares under award (119,424) was increased by 4,440 dividend equivalent shares at vesting.
(3) Performance targets for the 2017 PSP awards are set out above.
(4) Deferred Share Bonus awards in respect of the 2016 annual bonus award.
(5) Awards granted under the Eurocell plc Save As You Earn Scheme. Awards are based on a 3-year savings contract with an exercise price of 163.2p.
(6) Performance targets are presented on page 61 of the Annual Report 2016. Pursuant to the PSP rules, these awards have been pro-rated to reflect the cessation of employment of Messrs Bateman and Edwards and shall vest on the normal vesting dates (subject to performance against the above targets).

During the year ended 31 December 2017, the highest mid-market price of the Company's shares was 274.5p and the lowest mid-market price was 170.1p. At 31 December 2017 the share price was 215.0p.

The aggregate gains by all Directors during 2017 was £322,146 (2016: £nil).

Payments to past Directors (audited)

No payments were made to past Directors during the year. The March 2018 vesting of the PSP awards held by past Directors will be disclosed in the 2018 Annual Report and Accounts.

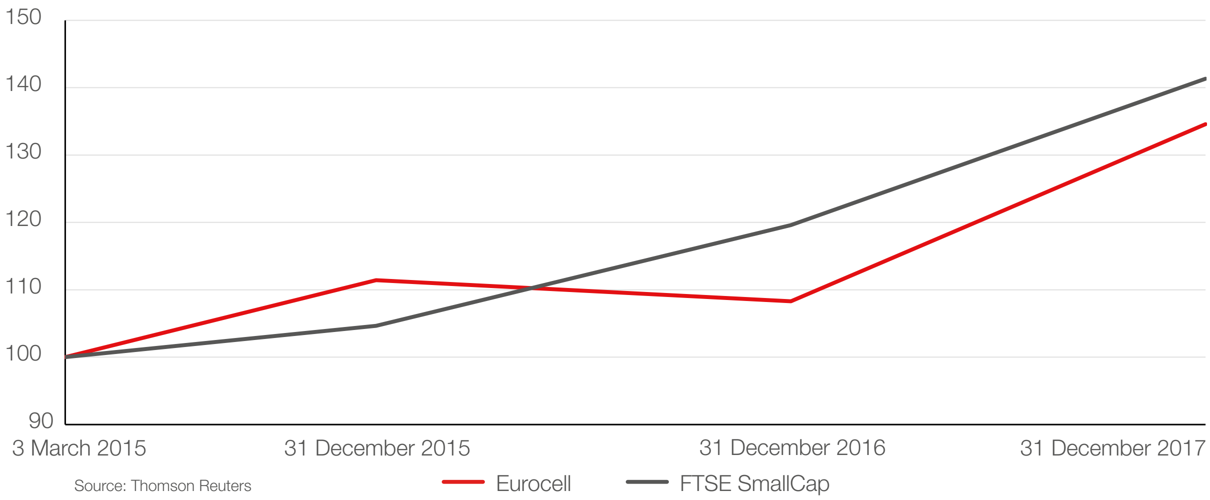
Payments for loss of office (audited)

No payments for loss of office were made during the year.

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 similar sized companies.

TSR Index



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

	Single figure of total remuneration	Annual bonus pay-out against maximum %	Long-term incentive vesting rates against maximum opportunity %
2017	Mark Kelly: £916,442	Mark Kelly: 40%	Mark Kelly: n/a
2016	Patrick Bateman: £284,457 Mark Kelly: £560,558	Patrick Bateman: 33% Mark Kelly: 80%	Patrick Bateman: n/a Mark Kelly: n/a
2015	Patrick Bateman: £637,098	Patrick Bateman: 87%	Patrick Bateman: 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 Regulations require us to show 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. As Mark Kelly replaced Patrick Bateman in July 2016, there is no appropriate base against which to measure the percentage change in remuneration received by the Chief Executive Officer. The table below presents the year-on-year percentage change in remuneration received by all UK employees:

	Percentage increase in remuneration between 2016 and 2017	
	CEO	All staff
Salary and fees	n/a	2.7%
Short-term incentives	n/a	0%
All taxable benefits	n/a	0%

Mark Kelly joined the Company on 29 March 2016 and his total remuneration for 2016 (9 months) was £560,558 and for 2017 (12 months) was £916,442.

Relative importance of spend on pay (unaudited)

The table below details the change in total employee pay between 2016 and 2017 as detailed in Note 8 of the Financial Statements, compared with distributions to Shareholders by way of dividend, share buybacks or any other significant distributions or payments.

	% change	2017 £m	2016 £m
Total gross employee pay	11%	47.4	42.7
Dividends/share buybacks	6%	9.0	8.5

The average number of employees during the year was 1,496 (2016: 1,289).

Statement of voting at General Meeting

The following table shows the results of the binding Remuneration Policy vote at the 19 May 2016 AGM and the advisory Directors' Remuneration Report vote at the 19 May 2017 AGM.

	19 May 2016 AGM (Binding Vote)		19 May 2017 AGM (Advisory Vote)	
	Approval of the Directors' Remuneration Policy		Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	85,931,870	100%	73,190,172	99.52%
Against	–	–	349,500	0.48%
Votes withheld	–	–	2,108,300	–

Implementation of policy for 2018 (unaudited information)

Base salary

- Base salaries from 1 April 2017 were as follows: £367,200 for Mark Kelly, and £234,600 for Michael Scott. In line with other Eurocell employees, with effect from 1 April 2018, these salaries will be increased by 2% to £374,544 and £239,292 respectively.

Pension

- Contribution rates for Executive Directors will be 15% of salary in 2018.

Benefits

- Details of the benefits received by Executive Directors are set out in Note 1 to the Single Total Figure Table on page 60. There is no intention to introduce additional benefits in 2018.

Annual bonus

- The annual bonus opportunity for 2018 will be structured in a similar manner to 2017. The maximum bonus will be 100% of salary and will be payable based on performance against a blend of adjusted profit before tax (70% of the bonus opportunity) and operating cash flow (30% of the bonus opportunity) targets.
- These targets will be set in light of internal and external forecasts and will require significant outperformance to generate higher levels of pay-out. In addition, a health and safety adjustment underpin will apply which, if not achieved, could reduce the bonus pay-out.
- Up to 50% of any bonus earned will be deferred into shares for three years.
- Given the competitive nature of the Company's sector, the specific performance targets for 2018 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 2018 bonus outturn.

Long-term incentives

- Awards will be made under the PSP in 2018 to the Executive Directors structured in a similar manner to the awards made in 2017, in that awards will be made which will vest subject to three-year earnings per share (two-thirds of the award) and operating cash flow (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 2017 PSP awards.

Chairman and Non-executive Directors' fees

- The fees of the Chairman and Non-executive Directors will remain unchanged from 2017 levels.

Directors' Report

The Directors' Report includes the Corporate Governance Statement set out on pages 43 to 45.

The Directors' Report and Strategic Report comprise the 'Management Report' for the purpose of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 4.1.8R).

The Directors of the Company are listed on pages 40 and 41 and were in place on the date this Directors' Report was approved.

The Group is UK domiciled and the majority of its activity is within the United Kingdom.

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, which is set out on pages 4 to 39. Specifically, this relates to information on the Group's strategy, business model, likely future developments and risk management.

UK Corporate Governance Code

Matters related to corporate governance and our compliance with the Code are set out in the Corporate Governance Statement on pages 43 to 45, which is incorporated herein by reference.

Results

Our Financial Statements for year ended 31 December 2017 are set out on pages 69 to 109. The Financial Statements should be read in conjunction with the Chief Executive's Review, Divisional Reviews and the Group Financial Review.

Dividends

The Board is recommending a final dividend of 6.0 pence (2016: 5.7 pence) per share which, together with the interim dividend of 3.0 pence (2016: 2.8 pence) per share, makes a combined dividend of 9.0 pence (2016: 8.5 pence) per share.

Payment of the final dividend, if approved at the Annual General Meeting, will be made on 23 May 2018 to Shareholders registered at the close of business on 27 April 2018.
The ex-dividend date will be 26 April 2018.

Dividends paid in the year to 31 December 2017 and disclosed in the cash flow statement of £8.7 million (2016: £8.0 million), is comprised of the 2016 final dividend of 5.7 pence per share and the 2017 interim dividend of 3.0 pence per share, which were paid in May and October 2017 respectively.

Tax governance

Our tax policy is set out below. It is determined by the Board and overseen by the Audit and Risk Committee. The Board reviews the policy, and our compliance with it, on an annual basis. Operational responsibility for the execution of the Group's tax policy rests with the Chief Financial Officer, who reports the Group's tax position to the Audit and Risk Committee on a regular basis.

Tax Policy

We are committed to compliance with tax law and practice in the UK. Compliance for us means paying the amount of tax we are legally obliged to pay and doing so at the right time. It involves disclosing all relevant facts and circumstances to the UK tax authorities and claiming appropriate reliefs and incentives where available.

Risk management

The level of risk that we accept in relation to UK tax is consistent with our overall objective of achieving certainty in the Group's tax affairs. At all times, we seek to comply fully with our regulatory and other obligations, and to act in a way that upholds our core values and reputation as a responsible corporate citizen. We see compliance with tax legislation as key to managing tax risk, and understand the importance of tax in the wider context of business decisions.

Processes have been put in place to ensure tax is considered as part of our overall decision-making processes, with tax risks managed by local finance teams and escalated through to appropriate levels of management and, ultimately, to the Board when necessary.

Tax planning

In structuring our commercial activities, we will always consider, among other factors, the relevant tax laws. We believe that it is fair to mitigate tax using generally available reliefs in the spirit in which they are intended. However, any tax planning that we undertake will have commercial and economic substance and we will not use aggressive tax planning or enter into complicated tax avoidance schemes.

Engaging with HMRC

We aim to have a good working relationship with HMRC. We will engage with honesty and integrity, and in a spirit of cooperative compliance. We will make all returns and pay tax on a timely basis, across all types of tax.

Share Capital

Details of our issued share capital, including movements during the year, are shown in Note 23 to the Financial Statements. We have one class of ordinary shares, which carries no 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 2017, we had 100,137,186 (2016: 100,000,000) ordinary shares of 0.001 pence each in nominal value in issue (the 'issued share capital').

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.

Whilst the Board has the power under the Articles of Association to refuse to register a transfer of shares, there are no such restrictions on the transfer of shares in place.

Under the Company's Articles of Association, 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.

Share schemes

The Company operates a number of share schemes.

Long-Term Incentive Plans payable to executives and senior managers are operated under our Performance Share Plan ('PSP'). Executive Directors and PDMRs have a proportion of their annual bonus deferred for three years under our Deferred Share Plan ('DSP'). During 2017 the Company successfully launched a Save As You Earn (or sharesave scheme) which was available to all employees.

All shares issued under these plans carry the same rights as those already in issue.

Related party transactions

Other than in respect of arrangements set out in Note 28 to the Financial Statements and in relation to the employment of Directors, details of which are provided in the Remuneration Committee Report on pages 50 to 64, 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.

Substantial Shareholders

As at 29 December 2017, the Company had been notified of the following holdings of voting rights in its shares under Chapter 5 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority:

Shareholder	No. of Shares	% of voting rights
Woodford Investment Management	14,885,249	15%
Aberforth Partners	12,020,396	12%
JO Hambro Capital Management	10,825,011	11%
AXA Investment Managers	7,561,862	8%
Alantra Asset Management	6,596,666	7%
Hargreave Hale	6,080,516	6%
Ruffer	4,969,314	5%
Santander Asset Management UK	4,905,877	5%
BlackRock Investment Management	4,422,324	4%
Janus Henderson Investors	3,035,714	3%

The Takeover Directive

The rights and obligations attached to the issued share capital are set out in the Articles of Association (see below).

There are no agreements in place between the Company, its employees or Directors for compensation for loss of office or employment that trigger as a result of a takeover bid.

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 investors.eurocell.co.uk.

The Company's Articles of Association give powers to the Board to appoint Directors. All Board members are required to retire and submit themselves for re-election by Shareholders at each Annual General Meeting.

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 meetings. The powers of the Directors include those in relation to the issue and buyback of shares.

Directors' retirement by rotation

In accordance with above and in line with the Code, all Directors in office will retire and offer themselves for re-election at the 2018 AGM.

The Articles of Association provide that a Director may be appointed by an ordinary resolution of Shareholders or by 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 12 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' interests

Details of Directors' remuneration, interests in the share capital (or derivatives or other financial instruments relating to those shares) of the Company and of their share-based payment awards are contained in the Remuneration Committee Report on pages 50 to 64. No change in the interests of the Directors has been notified between 31 December 2017 and the date of this report.

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 2017 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 or potential conflicts of interest.

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.

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 assessment, 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 assessed stringently and that robust control measures are in place to limit or mitigate risk as appropriate.

Other matters

Employee disclosure (including Equality and Diversity)

See Corporate Social Responsibility on page 31.

Financial risk management

Please refer to Note 3 of the Financial Statements.

Research and development

The Group undertakes research and development work in support of it objectives. Further details of our research and development activities can be found in the Strategic Report on pages 4 to 21.

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 2017.

Greenhouse gas emissions

See Corporate Social Responsibility on page 32.

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.

By Order of the Board

Gerald Copley
Company Secretary
8 March 2018

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements.
- make judgements and accounting estimates that are reasonable and prudent.
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company 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.

The Directors are also responsible for safeguarding the assets of the Group and Company 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 Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the corporate governance section on pages 40 and 41 confirm that, to the best of their knowledge:

- the Company Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company.
- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and 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 Group and Company's auditors are aware of that information.

The Directors' Responsibility Statement was approved by the Board on 8 March 2018.

Mark Kelly
Chief Executive Officer

Michael Scott
Chief Financial Officer

Independent Auditors' Report

to the members of Eurocell plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Eurocell plc's Group Financial Statements and Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit and cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements, included within the Annual Report and Accounts 2017 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial position as at 31 December 2017; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

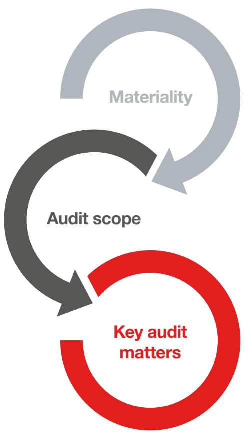
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 5 to the Financial Statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview



- Overall Group materiality: £1.3m (2016: £1.2m), based on 5% of underlying profit before tax.
- Overall Company materiality: £0.7m (2016: £0.7m), based on 1% of total assets.

- Financially significant components were determined to be those that represented 15% or more of the consolidated underlying profits before tax.
- The financial information of Eurocell Building Plastics Limited and Eurocell Profiles Limited was therefore included as a full scope audit.
- Together these represent 89% of the consolidated revenues and underlying profits before tax.
- For the remaining entities, we also scoped in any individual balances that were above £1.3m and represented 15% or more of the consolidated balance. This resulted in Property, Plant and Equipment for Eurocell Group Limited and Cash and Cash Equivalents for Vista Panels Limited and S&S Plastics Limited being included in our audit scope.
- Analytical review procedures were performed over all other remaining balances within the out-of-scope subsidiary Companies.

- Assessment of the valuation of inventory (Group).
- Trade receivables provisions (Group).
- Dilapidations provisions (Group).
- Recoverability of investments and amounts owed by subsidiary undertakings (Company).

Independent Auditors' Report continued

to the members of Eurocell plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group, which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company Financial Statements, including, but not limited to, the Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to, review of the Financial Statement disclosures to underlying supporting documentation, review of correspondence with regulators, enquiries of management and review of internal audit reports in so far as they related to the Financial Statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Assessment of the valuation of inventory Refer to pages 34 to 38 (Risk management / Principal risks and uncertainties), pages 47 to 49 (Audit & Risk Committee report), Note 1 (Accounting policies) and Note 17 (Inventories). Inventory totalled £21.1m as at 31 December 2017 (2016: £17.4m) after provisions of £1.8 million (31 December 2016: £1.8 million). 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. Specifically the determination of inventory provisions for slow moving, obsolete and discontinued line items, reflecting the level of inventory held across the 190 branches and manufactured goods at the year end, requires the exercise of judgement. In addition, we also focused on this area because the incentive schemes of the Directors and senior management are based upon 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. **Group**	We understood the nature of the costs absorbed into inventory and determined their appropriateness, considering the requirements of IAS 2 Inventories ('IAS 2'). We tested, on a sample basis, the valuation and calculation of costs absorbed into inventory. We also assessed the reasonableness of the Directors' estimates in this area for bias. We found no material exceptions from the procedures noted above. 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 records. We found no material exceptions from these procedures. We tested, on a sample basis, inventory held as at 31 December 2017 to verify that sale prices in 2018 were above cost. 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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Trade receivables provisions Refer to pages 34 to 38 (Risk management/ Principal risks and uncertainties), pages 47 to 49 (Audit & Risk Committee report), Note 1 (Accounting policies) and Note 18 (Trade and other receivables). The Group had gross trade receivables of £28.8m as at 31 December 2017 (2016: £26.5m) against which provisions of £0.9 million (2015: £0.7 million) were held. We focused on this area because the Directors' assessment of the provisions required in respect of trade receivables involved subjective judgements. In addition, we also focused on these areas because the incentive schemes of the Directors and senior management are based upon financial measures including profit, which we concluded gave a greater risk of manipulation of judgements, including those around trade receivables provisions, to ensure that bonus targets are achieved. **Group**	We understood the Directors' methodology for calculating trade receivables provisions across the Group and considered whether these complied with relevant IFRSs. We tested the ageing of amounts due at the balance sheet date to understand and quantify the potential risk in overdue balances. We then challenged management in respect of those customers with whom amounts were past due but not impaired to assess for bias. We also assessed the Directors' history of accuracy over this key estimate. We tested, on a sample basis, cash received from customers following the year-end to validate the appropriateness of the Directors' estimates. We found no material exceptions from the procedures noted above. Based on the results of our audit work, we found that the provisions recorded by the Directors were materially accurate and were consistent with the requirements of the relevant IFRSs.
Dilapidations provisions Refer to pages 34 to 38 (Risk management/ Principal risks and uncertainties), pages 47 to 49 (Audit & Risk Committee report), Note 1 (Accounting policies) and Note 21 (Provisions). The Group held provisions in respect of dilapidations of £1.1 million (2016: £1.5 million). We focused on this area because the Directors' assessment of the provisions required in respect of dilapidations involved subjective judgements. In addition, we also focused on this area because the incentive schemes of the Directors and senior management are based upon financial measures including profit, which we concluded gave a greater risk of manipulation of judgements, including those around dilapidations provisions, to ensure that bonus targets are achieved. **Group**	We understood the Directors' methodology for calculating dilapidations provisions across the Group and considered whether these complied with relevant IFRSs. In respect of dilapidation provisions for Eurocell Profiles, we tested management's assessment to the most recent third party estimate of the expected costs less amounts spent during 2017. For Eurocell Building Plastics, we tested management's estimated average branch dilapidations cost to actual costs incurred in respect of leases exited during the current and prior year. We found no material exceptions from the procedures noted above. Based on the results of our audit work, we found that the provisions recorded by the Directors were materially accurate and were consistent with the requirements of the relevant IFRSs.
Recoverability of investments and amounts owed by subsidiary undertakings Investments in subsidiary companies are £17.8m as at 31 December 2017 (2016: £17.8m) and amounts owed by subsidiary undertakings total £53.1m (2016: £48.0m). The recovery of the assets requires the use of judgement by the Directors. There is a risk that impairments to these assets may not be booked by the Directors as it could hinder the ability of the Company to pay dividends. **Company**	We have reviewed the impairment assessment performed by the Directors. This has included comparing the carrying value of the investments to their net assets values and assessing the estimated profits and cash flows of the subsidiaries for reasonableness. We found no material exceptions from the procedures noted above.

Independent Auditors' Report continued

to the members of Eurocell plc

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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Eurocell operates in the market of the extrusion of UPVC (unplasticised polyvinyl chloride) window and building products to the new and replacement window market and the sale of building plastics materials. The Group has sites throughout the UK with its headquarters in Alfreton. The business is managed as two primary divisions:

- Eurocell Building Plastics, focusing on sales and distribution across around 190 branches within the UK to smaller scale customers. This segment includes the trading subsidiary companies Eurocell Building Plastics Limited and Security Hardware Limited; and
- Eurocell Profiles, focusing on manufacture and distribution to large-scale customers. This division includes the trading subsidiaries Eurocell Profiles Limited, Vista Panels Limited and S&S Plastics Limited.

Each legal entity has its own local finance team and management team who report directly into the head office finance and management teams.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Consolidated 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.

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 in aggregate on the Financial Statements as a whole.

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

	Group Financial Statements	Company Financial Statements
Overall Group materiality	£1.3m (2016: £1.2m)	£0.7m (2016: £0.7m).
How we determined it	5% of underlying profit before tax.	1% of total assets.
Rationale for benchmark applied	We believe that underlying profit before tax is the key measure used by the Shareholders in assessing the performance of the Group. This benchmark, which excludes the non-underlying items described in Note 7 to the Financial Statements, provides consistent year on year basis for determining materiality by eliminating the non-underlying and/or disproportionate impact of these items.	We believe that total assets is the primary measure used by the Shareholders in assessing the financial position of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.2m and £0.8m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £65,000 (Group audit) (2016: £60,980) and £35,000 (Company audit) (2016: £35,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK), we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' Statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' Statement relating to Going Concern in accordance with Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Independent Auditors' Report continued

to the members of Eurocell plc

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 45 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 39 of the Annual Report 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 42, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 47 to 49 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company 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.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 29 April 2015 to audit the Financial Statements for the year ended 31 December 2015 and by the members for subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2015 to 31 December 2017.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
8 March 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 Underlying £000	Year ended 31 December 2017 Non-underlying* £000	Year ended 31 December 2017 Total £000	Year ended 31 December 2016 Underlying £000	Year ended 31 December 2016 Non-underlying* £000	Year ended 31 December 2016 Total £000
Revenue	4,9	**224,906**	**–**	**224,906**	204,816	–	204,816
Cost of sales		**(110,282)**	**–**	**(110,282)**	(98,251)	–	(98,251)
Gross profit		**114,624**	**–**	**114,624**	106,565	–	106,565
Distribution costs		**(17,254)**	**–**	**(17,254)**	(15,517)	–	(15,517)
Administrative expenses		**(72,313)**	**(843)**	**(73,156)**	(66,096)	(455)	(66,551)
Operating profit	6	**25,057**	**(843)**	**24,214**	24,952	(455)	24,497
Finance expense	10	**(553)**	**–**	**(553)**	(677)	–	(677)
Profit before tax	9	**24,504**	**(843)**	**23,661**	24,275	(455)	23,820
Taxation	11	**(4,089)**	**70**	**(4,019)**	(4,299)	81	(4,218)
Profit for the year and total comprehensive income		**20,415**	**(773)**	**19,642**	19,976	(374)	19,602
Basic earnings per share	12	**20.4**		**19.6**	20.0		19.6

*Non-underlying items are detailed in Note 7. The Group's policy regarding the recognition of non-underlying costs is outlined on page 81.

The Notes on pages 80 to 109 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 £000	2016 £000
Assets			
Property, plant and equipment	14	**31,167**	29,294
Intangible assets	15	**19,431**	19,713
Total non-current assets		**50,598**	49,007
Current assets			
Inventories	17	**21,094**	17,404
Trade and other receivables	18	**31,578**	28,123
Cash and cash equivalents		**11,361**	5,559
Total current assets		**64,033**	51,086
Total assets		**114,631**	100,093
Liabilities			
Current liabilities			
Borrowings	19	**–**	(42)
Trade and other payables	20	**(33,011)**	(29,042)
Provisions	21	**(405)**	(48)
Corporation tax		**(2,448)**	(2,873)
Total current liabilities		**(35,864)**	(32,005)
Non-current liabilities			
Borrowings	19	**(25,851)**	(25,785)
Trade and other payables	20	**(718)**	(520)
Provisions	21	**(654)**	(1,463)
Deferred tax	22	**(2,170)**	(2,194)
Total non-current liabilities		**(29,393)**	(29,962)
Total liabilities		**(65,257)**	(61,967)
Net assets		**49,374**	38,126
Equity attributable to equity holders of the Parent			
Share capital	23	**100**	100
Share premium account	23	**2,104**	1,926
Share-based payment reserve	24	**480**	348
Retained earnings		**46,690**	35,752
Total equity		**49,374**	38,126

The Financial Statements on pages 76 to 109 were approved and authorised for issue by the Board of Directors on 8 March 2018 and were signed on its behalf by:

Mark Kelly
Director

Michael Scott
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £000	Year ended 31 December 2016 £000
Cash generated from operations	30	**27,926**	31,782
Non-underlying costs	7	**843**	455
Cash generated from underlying operations		**28,769**	32,237
Income taxes paid		**(4,557)**	(3,537)
Non-underlying costs paid		**(489)**	(273)
Net cash generated from operating activities		**23,723**	28,427
Investing activities			
Acquisition of subsidiaries	29	**(1,260)**	(6,332)
Purchase of property, plant and equipment		**(7,068)**	(6,342)
Sale of property, plant and equipment		**15**	–
Purchase of intangible assets		**(413)**	(877)
Net cash used in investing activities		**(8,726)**	(13,551)
Financing activities			
Proceeds from bank borrowings	19	**–**	8,000
Repayment of bank and other borrowings	19	**(42)**	(8,523)
Finance expense paid		**(449)**	(643)
Dividends paid to equity Shareholders	13	**(8,704)**	(8,000)
Net cash used in financing activities		**(9,195)**	(9,166)
Net increase in cash and cash equivalents		**5,802**	5,710
Cash and cash equivalents at beginning of year	31	**5,559**	(151)
Cash and cash equivalents at end of year	31	**11,361**	5,559

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £000	Share premium account £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	**100**	**1,926**	**348**	**35,752**	**38,126**
Comprehensive income for the year					
Profit for the year	**–**	**–**	**–**	**19,642**	**19,642**
Total comprehensive income for the year	**–**	**–**	**–**	**19,642**	**19,642**
Contributions by and distributions to owners					
Exercise of share options	**–**	**178**	**(178)**	**–**	**–**
Share-based payments	**–**	**–**	**260**	**–**	**260**
Deferred tax on share-based payments	**–**	**–**	**50**	**–**	**50**
Dividends paid	**–**	**–**	**–**	**(8,704)**	**(8,704)**
Total transactions with owners recognised directly in equity	**–**	**178**	**132**	**(8,704)**	**(8,394)**
Balance at 31 December 2017	**100**	**2,104**	**480**	**46,690**	**49,374**

	Share capital £000	Share premium account £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	100	1,926	380	24,150	26,556
Comprehensive income for the year					
Profit for the year	–	–	–	19,602	19,602
Total comprehensive income for the year	–	–	–	19,602	19,602
Contributions by and distributions to owners					
Share-based payments	–	–	18	–	18
Deferred tax on share-based payments	–	–	(50)	–	(50)
Dividends paid	–	–	–	(8,000)	(8,000)
Total transactions with owners recognised directly in equity	–	–	(32)	(8,000)	(8,032)
Balance at 31 December 2016	100	1,926	348	35,752	38,126

Notes to the Financial Statements

For the year ended 31 December 2017

1 ACCOUNTING POLICIES (GROUP)

Corporate information

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

The Group is principally engaged in the extrusion of 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 years presented, unless otherwise stated.

The Group has adequate resources to continue in operational existence for the foreseeable future and, as a result of this, the going concern basis has been adopted in preparing the Financial Statements.

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries at 31 December 2017 and present the results as if they formed a single entity. Where the Company has power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary.

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

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

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

No new standards, amendments or interpretations, effective for the first time for the year ended 31 December 2017 have had a material impact on the Company or Group. However, a number of major new standards will soon become effective.

IFRS 9 Financial Instruments (effective from 1 January 2018) addresses the classification, measurement and recognition of financial assets and liabilities and replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement.

The main impact of adopting this standard is likely to arise from the adoption of the expected loss model of assessing the impairment of trade receivables. Management has modelled the impact of adopting the expected loss model and estimates that retained earnings would be decreased by less than £50,000 as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) replaces IAS 18 Revenue and IAS 11 Construction Contracts. The standard addresses revenue recognition and establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers.

Revenue is recognised when a customer obtains control of goods or services, giving them the ability to direct the use and obtain the benefits of those goods and services. Variable consideration is included in the transaction price if it is highly probable that the cumulative revenue will not be reversed when any outstanding uncertainty is resolved.

Management has completed an assessment of its existing contractual relationships with customers, and has determined that there will be no material impact of implementing IFRS 15 on its revenue streams.

IFRS 16 Leases (effective from 1 January 2019) fundamentally changes the way in which certain leases are recognised in the Financial Statements, with most operating leases brought on to the balance sheet. The standard replaces IAS 17 Leases and related interpretations, and addresses the definitions of a lease, recognition and measurement of leases and establishes principles for reporting useful information to the users of Financial Statements about the leasing activities of both lessees and lessors.

Management is in the process of reviewing its lease contracts, determining the appropriate discount rates and establishing value in use for its various leased assets. An initial assessment of the impact of adopting IFRS 16 has been conducted, based upon the Group's lease commitments as at 31 December 2017. This assessment indicates that the Group would recognise additional non-current assets and lease liabilities of approximately £32.9 million on adoption of the standard, with additional depreciation of £9.9 million and finance costs of £1.9 million being incurred in the first year of adoption, offset by a corresponding reduction in administrative costs of £9.6 million. In making this assessment, management has assumed that the Group would apply the Modified Retrospective transition approach.

In addition to the standards noted above, the following standards, which are not expected to have a material impact on the Group's future Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 2 Share Based Payments (effective from 1 January 2018);
- IFRS 4 Insurance Contracts (effective from 1 January 2018);
- IFRS 17 Insurance Contracts (effective from 1 January 2021);
- IAS 28 Investments in Associates and Joint Ventures (effective from 1 January 2018 and 2019);
- IAS 40 Investment Property (effective from 1 January 2018);
- IFRIC 22 Foreign Currency Transactions and Advanced Consideration (effective from 1 January 2018); and
- IFRIC 23 Uncertainty Over Income Tax Treatment (effective from 1 January 2019).

The Group does not intend to adopt any standard, revision or amendment before the required implementation date.

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-underlying

The Group presents some material items of income and expense as non-underlying 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 users of the Financial Statements to better understand the elements of financial performance in the year; it facilitates comparison with prior periods; and it helps in understanding trends in financial performance.

Business combinations and goodwill

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

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

1 ACCOUNTING POLICIES (GROUP) CONTINUED

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 to ten years	Cost to acquire
Technology based	Ten to seventeen years	Cost to acquire
Marketing related	Ten to fifteen years	Cost to acquire
Customer related	Four to twelve years	Cost to acquire

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

Impairment of tangible assets, intangible assets and investments

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

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

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

Property, plant and equipment

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

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

Asset class	Depreciation policy
Freehold property	2.5% per annum straight-line
Leasehold improvements	Equal instalments over the period of the lease
Plant and machinery	
Mixing plant	Between 20% and 25% per annum on cost
Extruders	13 years based on production usage
Stillages and tooling	5 to 10 years based on production usage
Other	Between 10% and 25% per annum on cost
Motor vehicles	Between 20% and 25% per annum on cost
Office equipment and fixtures	Between 20% and 25% per annum on cost

Inventories

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

Financial assets

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

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

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

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.

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

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities which include the following items:

- Bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Taxation

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

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

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

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2017

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Taxation continued

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Provisions

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

The Group has recognised provisions for liabilities of uncertain timing or amount in respect of leasehold dilapidations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate as described above.

Share capital

The Group's ordinary shares are classified as equity instruments.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity Shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the Shareholders at the Annual General Meeting.

Retirement benefits: defined contribution scheme

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

Operating leases

Operating leases are contractual arrangements conferring the right of use of an asset but where substantially all of the risks and rewards incidental to ownership are not transferred to the Group, the total rentals payable under the lease are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Foreign currency

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

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the prevailing rate when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Consolidated Statement of Comprehensive Income.

Share-based payment transactions

The Group has applied the requirements of IFRS 2 Share-Based Payments.

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

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and 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. The key judgement is the extent to which items of inventory remain saleable as they age. Management use their knowledge of market conditions to assess future demand for the Group's products and achievable selling prices.

Further disclosures relating to inventories are provided in Note 17.

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 payment 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 on the carrying value of trade receivables and the amount credited or charged in the Consolidated Statement of Comprehensive Income. Further disclosures relating to trade receivables are provided in Note 18.

c) Dilapidation provisions

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

d) Carrying value of intangible assets

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

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

- credit risk
- market risk
- foreign exchange risk
- 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

Notes to the Financial Statements continued

For the year ended 31 December 2017

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

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

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

Financial assets	2017 £000	2016 £000
Cash and cash equivalents	**11,361**	5,559
Trade and other receivables	**27,702**	25,287
Total financial assets	**39,063**	30,846

Financial liabilities	2017 £000	2016 £000
Trade and other payables	**33,729**	29,562
Borrowings	**25,851**	25,827
Total financial liabilities	**59,580**	55,389

Impairment of financial assets

Impairments of trade receivables are outlined in Note 18. No further impairments to financial assets are considered necessary. Factors which are considered when assessing the need for impairment include the liquidity of the asset, its maturity profile and other commercial considerations.

General objectives, policies and processes

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk through its trade receivables arising from its normal commercial activities. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts.

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

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

Further disclosures regarding financial assets are provided in Note 18.

Market risk

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

During 2017 and 2016 the Group's borrowings at variable rate were denominated in Sterling.

Further disclosures relating to bank borrowings are provided in Note 19.

Foreign exchange risk

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

Liquidity risk

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

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

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

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

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

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

At 31 December 2016	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	(29,562)	(29,042)	–	–	(520)	–
Bank overdraft and borrowings	(26,042)	(42)	–	–	(26,000)	–
Total	(55,604)	(29,084)	–	–	(26,520)	–

Capital disclosures

The Group's objective when managing capital, which is deemed to be total equity plus total debt and which totalled £75,225,000 (2016: £63,953,000) at the balance sheet date, is to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance, and to maintain good headroom on its debt facilities and financial covenants. The Group manages its capital structure and makes appropriate decisions in the light of current economic conditions and its strategic objectives.

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

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

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

The financial covenants which are in place are as follows:

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

Covenants are measured semi-annually on a rolling twelve-month basis. As at 31 December 2017 they were 0.5:1 and 57:1 respectively (2016: 0.6:1 and 46:1).

Notes to the Financial Statements continued

For the year ended 31 December 2017

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

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

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

	As at 31 December 2016		
	Euro £000	GBP £000	Total £000
Trade and other receivables	38	28,085	28,123
Cash and cash equivalents	327	5,232	5,559
Other interest-bearing borrowings	–	(25,827)	(25,827)
Trade and other payables	(241)	(29,321)	(29,562)
	124	(21,831)	(21,707)

4 REVENUE

Revenue arises from:

	2017 £000	2016 £000
Sale of goods	**224,906**	204,816

External revenue by location of customers:

	2017 £000	2016 £000
United Kingdom	**221,667**	202,055
Rest of European Union	**2,943**	2,761
Rest of World	**296**	–
	224,906	204,816

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

5 AUDITORS' REMUNERATION

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

	2017 £000	2016 £000
Audit of these Financial Statements	**43**	16
Amounts receivable by auditors and their associates in respect of:		
Audit of Financial Statements of subsidiaries pursuant to legislation	**116**	118
Audit-related assurance services	**25**	25
	184	159

6 EXPENSES BY NATURE

	2017 £000	2016 £000
Depreciation of property, plant and equipment	**5,119**	5,005
Amortisation of intangible assets	**1,558**	1,372
(Profit)/loss on disposal of property plant and equipment and intangible assets	**(51)**	86
Cost of inventories	**100,210**	92,728
Employee benefits expense (Note 8)	**47,378**	42,728
Non-underlying costs (Note 7)	**843**	455
Rentals under operating leases	**10,415**	5,325
Other expenses	**35,220**	32,620
Total cost of sales, distribution costs and administration expenses	**200,692**	180,319

7 NON-UNDERLYING COSTS

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

	2017 £000	2016 £000
Acquisition related costs	**414**	112
Redundancy and settlement costs	**361**	–
HSE penalty	**68**	–
Duplicated costs related to CEO handover period	**–**	343
	843	455

Any expenses arising from the acquisition of subsidiary undertakings are classified as non-underlying due to the fact that they relate solely to the transfer of ownership rather than ongoing operations. Of the £414,000 (2016: £112,000) acquisition costs, £322,000 (2016: £nil) relates to contingent consideration which is dependent upon continued employment and £92,000 (2016: £112,000) relates to professional fees and transaction costs incurred in respect of completed acquisitions.

The redundancy and settlement costs of £361,000 (2016: £nil) relate to a reorganisation of the production function in the Profiles division and have been classified as non-underlying because they relate to termination costs for positions that no longer exist.

The penalty of £68,000 (2016: £nil) relates to a fine imposed by the Health and Safety Executive ('HSE') following their prosecution of the Company in respect of an accident incurred in August 2016. The penalty has been classified as non-underlying because such costs are not in the normal course of business and are not expected to recur in the foreseeable future.

In the prior year, the Group recognised the duplicated salary costs relating to the handover period between its current and previous Chief Executive Officer as non-underlying.

8 EMPLOYEE BENEFITS EXPENSE

	2017 £000	2016 £000
Staff costs (including Directors) comprise:		
Wages and salaries	**41,808**	38,152
Share-based payments	**260**	18
Social security costs	**4,137**	3,575
Pension costs – defined contribution plans	**1,173**	983
	47,378	42,728

	2017 No.	2016 No.
The average monthly number of employees, including Directors, during the year were as follows:		
Production	**432**	434
Office and administration	**302**	236
Distribution	**762**	619
	1,496	1,289

Notes to the Financial Statements continued

For the year ended 31 December 2017

8 EMPLOYEE BENEFITS EXPENSE CONTINUED

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.

	2017 £000	2016 £000
Emoluments	1,889	1,865
Share-based payment	169	234
Pension and other post-employment benefit costs	190	132
	2,248	2,231

Directors' remuneration is set out in the Remuneration Report.

During the year, retirement benefits were accruing to two Directors in respect of defined contribution pension schemes (2016: two).

The highest paid Director received remuneration of £916,442 (2016: £560,558).

In total 123,864 share options were exercised by Directors of the Group during the year (2016: nil).

The value of contributions paid in cash in lieu of pension in respect of the highest paid Director amounted to £54,810 (2016: £41,123).

The Group's policy for consulting with, sharing information with, and encouraging the involvement of employees is discussed on pages 30 and 31.

9 SEGMENTAL INFORMATION

The Group organises itself into a number of operating segments that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Internal reporting provided to the chief operating decision maker, which has been identified as the executive management team including the Chief Executive Officer and the Chief Financial Officer, reflects this structure.

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

- Profiles – extrusion and sale of 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.

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

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

	Profiles 2016 £000	Building Plastics 2016 £000	Corporate 2016 £000	Total 2016 £000
Revenue				
Total revenue	127,171	118,148	–	245,319
Inter-segmental revenue	(39,817)	(686)	–	(40,503)
Total revenue from external customers	87,354	117,462	–	204,816
Adjusted EBITDA	22,657	8,832	(160)	31,329
Amortisation	(158)	(123)	(1,091)	(1,372)
Depreciation	(3,969)	(609)	(427)	(5,005)
Operating profit before non-underlying costs	18,530	8,100	(1,678)	24,952
Non-underlying costs				(455)
Finance expense				(677)
Profit before tax				23,820

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

	Profiles 2016 £000	Building Plastics 2016 £000	Corporate 2016 £000	Total 2016 £000
Additions to plant, property, equipment and intangible assets	5,498	1,105	616	7,219
Segment assets	53,524	27,575	18,994	100,093
Segment liabilities	(17,391)	(12,402)	(1,280)	(31,073)
Borrowings				(25,827)
Corporation tax payable				(2,873)
Deferred tax liability				(2,194)
Total liabilities				(61,967)
Total net assets				38,126

10 FINANCE EXPENSE

	2017 £000	2016 £000
Finance expense		
Bank borrowings	**535**	648
Other	**18**	29
	553	677

Notes to the Financial Statements continued

For the year ended 31 December 2017

11 TAXATION

	2017 £000	2016 £000
Current tax expense		
Current tax on profits for the year	**4,253**	5,025
Adjustment in respect of prior years	**(170)**	75
Total current tax	**4,083**	5,100
Deferred tax expense		
Origination and reversal of temporary differences	**53**	(174)
Adjustment in respect of change in rates	**(15)**	(385)
Adjustment in respect of prior years	**(102)**	(323)
Total deferred tax	**(64)**	(882)
Total tax expense	**4,019**	4,218

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:

	2017 £000	2016 £000
Profit before tax	**23,661**	23,820
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**4,555**	4,764
Taxation effect of:		
Expenses not deductible for tax purposes	**439**	87
Patent Box claim in respect of prior years	**(738)**	(451)
Adjustments to tax charge in respect of prior years	**(272)**	253
Tax on share-based payments recognised in equity	**50**	(50)
Adjustment in respect of change in rates	**(15)**	(385)
Total tax expense	**4,019**	4,218

Changes in tax rates and factors affecting the future tax charge

The mainstream rate of UK corporation tax changed in April 2017 from 20% to 19%. This gives rise to an effective rate of 19.25% (2016: 20%) for the year. A further reduction to 17% from 1 April 2020 has been substantively enacted. Deferred taxes at the year end date have been measured using these enacted tax rates and reflected in the Financial Statements.

There are no material uncertain tax provisions.

Tax on non-underlying items

The tax credit arising on non-underlying items within the Comprehensive Income Statement is £70,000 (2016: £81,000).

Tax included in Other Comprehensive Income

The tax credit arising on share-based payments within Other Comprehensive Income is £50,000 (2016: charge of £50,000).

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

12 EARNINGS PER SHARE

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

	2017 £000	2016 £000
Profit attributable to ordinary Shareholders	**19,642**	19,602
Profit attributable to ordinary Shareholders excluding non-underlying costs	**20,415**	19,976

	Number	Number
Weighted average number of shares – basic	**100,040,383**	100,000,000
Weighted average number of shares – diluted	**100,301,071**	100,227,068

	Pence	Pence
Basic earnings per share	**19.6**	19.6
Adjusted basic earnings per share	**20.4**	20.0
Diluted earnings per share	**19.6**	19.6
Adjusted diluted earnings per share	**20.4**	19.9

13 DIVIDENDS

	2017 £000	2016 £000
Dividends paid during the year		
Interim dividend for 2017 of 3.0p per share (2016: 2.8p per share)	**3,004**	2,800
Final dividend for 2016 of 5.7p per share (2015: 5.2p per share)	**5,700**	5,200
	8,704	8,000
Dividends proposed		
Final dividend for 2017 of 6.0p per share (2016: 5.2p per share)	**6,008**	5,700

The parent Company and its subsidiaries have combined distributable reserves of £61,349,000 (2016: £48,259,000) from which to make future dividend payments.

Notes to the Financial Statements continued

For the year ended 31 December 2017

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Office equipment and fixtures £000	Assets under construction £000	Total £000
Cost							
Balance at 1 January 2016	8,604	70	24,667	85	68	2,794	36,288
Additions	40	–	2,428	61	1	3,812	6,342
Added on acquisition	–	–	339	51	18	–	408
Disposals	–	(7)	(333)	–	(3)	–	(343)
Transfer	–	–	4,305	–	–	(4,305)	–
Balance at 1 January 2017	**8,644**	**63**	**31,406**	**197**	**84**	**2,301**	**42,695**
Additions	**–**	**122**	**3,484**	**45**	**–**	**3,417**	**7,068**
Added on acquisition	**–**	**–**	**43**	**–**	**–**	**–**	**43**
Disposals	**–**	**–**	**(103)**	**(30)**	**–**	**–**	**(133)**
Transfer	**23**	**–**	**3,876**	**–**	**–**	**(4,003)**	**(104)**
Balance at 31 December 2017	**8,667**	**185**	**38,706**	**212**	**84**	**1,715**	**49,569**
Accumulated depreciation							
Balance at 1 January 2016	450	43	8,091	14	55	–	8,653
Charge for the year	229	6	4,695	43	32	–	5,005
Disposals	–	(6)	(248)	–	(3)	–	(257)
Balance at 1 January 2017	**679**	**43**	**12,538**	**57**	**84**	**–**	**13,401**
Charge for the year	**228**	**7**	**4,839**	**45**	**–**	**–**	**5,119**
Disposals	**–**	**–**	**(88)**	**(30)**	**–**	**–**	**(118)**
Balance at 31 December 2017	**907**	**50**	**17,289**	**72**	**84**	**–**	**18,402**
Net book value							
At 31 December 2017	**7,760**	**135**	**21,417**	**140**	**–**	**1,715**	**31,167**
At 31 December 2016	7,965	20	18,868	140	–	2,301	29,294

Included within freehold property is non-depreciable land of £2,320,000 (31 December 2016: £2,320,000).

During the year, £104,000 of assets under construction were transferred to Intangible Assets.

15 INTANGIBLE ASSETS

	Software £000	Technology based £000	Customer related £000	Marketing related £000	Goodwill £000	Total £000
Cost						
Balance at 1 January 2016	428	1,612	3,449	4,807	6,085	16,381
Additions	317	–	560	–	–	877
Added on acquisition	–	–	1,917	1,531	2,243	5,691
Balance at 1 January 2017	**745**	**1,612**	**5,926**	**6,338**	**8,328**	**22,949**
Additions	**510**	**–**	**5**	**–**	**–**	**515**
Added on acquisition	**–**	**–**	**486**	**–**	**222**	**708**
Disposals	**–**	**–**	**(101)**	**–**	**–**	**(101)**
Transfers	**104**	**–**	**–**	**–**	**–**	**104**
Balance at 31 December 2017	**1,359**	**1,612**	**6,316**	**6,338**	**8,550**	**24,175**
Accumulated amortisation						
Balance at 1 January 2016	212	222	630	800	–	1,864
Charge for the year	117	95	713	447	–	1,372
Balance at 1 January 2017	**329**	**317**	**1,343**	**1,247**	**–**	**3,236**
Charge for the year	**158**	**95**	**882**	**423**	**–**	**1,558**
Disposals	**–**	**–**	**(50)**	**–**	**–**	**(50)**
Balance at 31 December 2017	**487**	**412**	**2,175**	**1,670**	**–**	**4,744**
Net book value						
At 31 December 2017	**872**	**1,200**	**4,141**	**4,668**	**8,550**	**19,431**
At 31 December 2016	416	1,295	4,583	5,091	8,328	19,713

16 IMPAIRMENT

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

	2017 £000	2016 £000
Eurocell Building Plastics Limited	**2,584**	2,584
Eurocell Profiles Limited	**3,350**	3,350
Vista Panels Limited	**2,243**	2,243
S & S Plastics Limited	**151**	151
Security Hardware Limited	**222**	–
	8,550	8,328

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

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

	2017	2016
Period on which management approved forecasts are based (years)	**3**	3
Discount rate (pre-tax)	**10%**	11%
Profit growth rate in perpetuity	**2%**	2%

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

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

17 INVENTORIES

	2017 £000	2016 £000
Raw materials	**1,108**	2,184
Work in progress	**1,209**	1,495
Finished goods and goods for resale	**18,777**	13,725
	21,094	17,404

All inventories are carried at cost less a provision to take account of slow moving and obsolete items. At 31 December 2017 the inventory provision amounted to £1,800,000 (2016: £1,800,000).

Notes to the Financial Statements continued

For the year ended 31 December 2017

18 TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Trade receivables	**28,833**	26,500
Less: provision for impairment of trade receivables	**(880)**	(738)
Less: provision for rebates payable	**(354)**	(481)
Trade receivables – net	**27,599**	25,281
Total financial assets other than cash and cash equivalents classified as loans and receivables	**27,599**	25,281
Prepayments	**3,876**	2,836
Other receivables	**103**	6
Total trade and other receivables	**31,578**	28,123

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 2017 trade receivables of £1,181,000 (2016: £1,113,000) were past due but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	2017 £000	2016 £000
Up to 3 months overdue	**1,171**	1,113
3 to 6 months	**10**	–
	1,181	1,113

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.

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

	2017 £000	2016 £000
At 1 January	**738**	715
Charged during the year	**826**	2,533
Released or utilised during the year	**(476)**	(2,053)
Receivables written-off during the year as uncollectible	**(208)**	(457)
At 31 December	**880**	738

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

19 BORROWINGS

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

	Book Value 2017 £000	Fair Value 2017 £000	Book Value 2016 £000	Fair Value 2016 £000
Non-current				
Bank borrowings unsecured	**25,851**	**25,851**	25,785	25,785
Current				
Other borrowings	**–**	**–**	42	42
Total borrowings	**25,851**	**25,851**	25,827	25,827

The bank borrowings outstanding at 31 December 2017 are classified as non-current liabilities as they relate to committed facilities available to the Group until 2020. The book value and fair value are not considered to be materially different.

Borrowings

The Company has a £45,000,000 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 2017 (2016: £26,000,000) less unamortised issue costs of £149,000 (2015: £215,000).

Interest is charged at an excess over base rate of between 1.25% and 2.25% per annum and is dependent upon the ratio of total net debt to consolidated EBITDA.

Based upon current economic and market trends, management consider that the Sterling LIBOR rate will remain relatively stable during the next reporting period to 31 December 2018, and any changes, when applied to the Group's current bank borrowings of £25,851,000 would not lead to a significant change in finance expense.

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

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

	2017 £000	2016 £000
Within one year or repayable on demand	**–**	42
Between one and two years	**–**	–
Between two and five years	**25,851**	25,785
	25,851	25,827

20 TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Current liabilities		
Trade payables	**23,179**	18,398
Other tax and social security	**4,429**	3,837
Other payables	**429**	393
Accruals	**4,974**	6,414
Total current trade and other payables	**33,011**	29,042
Non-current liabilities		
Other payables	**718**	520

Book values approximate to fair value at 31 December 2017 and 2016.

Notes to the Financial Statements continued

For the year ended 31 December 2017

21 PROVISIONS

	Dilapidations provision £000
At 1 January 2017	**1,511**
Credited to Statement of Comprehensive Income	**(477)**
Discounting of provisions	**(47)**
Utilised	**(25)**
Added on acquisition (Note 29)	**97**
At 31 December 2017	**1,059**
Current	**405**
Non-current	**654**
At 31 December 2017	**1,059**

Dilapidations 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 respective leases. The provision represents the Directors' best estimate of the costs associated with this obligation.

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

22 DEFERRED TAX

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

	2017 £000	2016 £000
At 1 January	**(2,194)**	(2,493)
Credited to Statement of Comprehensive Income	**64**	882
Credited/(charged) to equity	**50**	(50)
Recognised upon acquisition	**(90)**	(533)
At 31 December	**(2,170)**	(2,194)

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

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year, together with amounts recognised in the Consolidated Statement of Comprehensive Income and amounts recognised in Other Comprehensive Income are as follows:

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

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

	Asset 2016 £000	Liability 2016 £000	Net 2016 £000	Statement of Comprehensive Income 2016 £000	Equity 2016 £000
Accelerated capital allowances/intangible fixed assets	–	(2,209)	(2,209)	929	–
Other temporary differences	15	–	15	(47)	(50)
Net tax assets/(liabilities)	15	(2,209)	(2,194)	882	(50)

23 SHARE CAPITAL

	Allotted, called up and fully paid	
	2017 Number	2016 Number
Ordinary shares of £0.001 each	**100,137,186**	100,000,000

	2017 £000	2016 £000
Ordinary shares of £0.001 each	**100**	100
Share premium account	**2,104**	1,926

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

During the year 123,864 shares vested and were issued in respect of share-based payment transactions for Directors and 13,322 shares were issued in respect of share-based payment transactions for other key management personnel.

24 SHARE-BASED PAYMENTS

The Group enters into equity-settled payment transactions with its employees. For the year ended 31 December 2017, the charge was £260,000 (2016: £18,000). The overall Consolidated Statement of Financial Position is unchanged as a result of this.

A Save As You Earn scheme was launched in June 2017. The scheme allows employees to make monthly contributions over a three year period which are then used to purchase Company shares at a fixed price. This price is agreed at the inception of the scheme, and carried a discount on the market value at that date of 20%.

For details of share-based payment schemes see page 54 of the Directors' Remuneration report.

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

25 OPERATING LEASES

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

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

Land and buildings	2017 £000	2016 £000
Not later than one year	**5,062**	3,193
Later than one year and not later than five years	**10,169**	11,098
Later than five years	**3,443**	6,046
	18,674	20,337

Other	2017 £000	2016 £000
Not later than one year	**6,712**	2,425
Later than one year and not later than five years	**8,179**	3,933
Later than five years	**38**	1
	14,929	6,359

The Group has for the first time included within operating lease commitments as at 31 December 2017 the total future minimum lease payments in respect of the outsourcing of its logistics operation, which amount to £6,027,000 (2016: £9,639,000).

26 CONTINGENT ASSETS AND LIABILITIES

The Group has entered into a cross-guarantee arrangement to cover the bank borrowings of all other Group companies in the event of default. As at 31 December 2017 the bank borrowings were £25,851,000 (2016: £25,785,000).

The Group had no other material contingent assets or liabilities (31 December 2016: £nil).

27 RETIREMENT BENEFITS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £1,173,000 (2016: £983,000).

28 RELATED PARTY TRANSACTIONS

The remuneration of Executive and Non-executive Directors is disclosed on pages 50 to 65.

Transactions with key management personnel

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

	2017 £000	2016 £000
Kellmann Recruitment Limited – recruitment services	**84**	–
Kalverboer Management UK LLP – Director Remuneration	**40**	40

The following balances are outstanding at the balance sheet date:

	2017 £000	2016 £000
Kellmann Recruitment Limited	**13**	–
Kalverboer Management UK LLP	**10**	10

29 ACQUISITION OF SUBSIDIARIES

On 24 February 2017, the Group acquired 100% of the ordinary share capital of Security Hardware Limited, a supplier of locks and hardware primarily to the RMI market, with annual sales of approximately £3 million. Initial consideration paid was £1.5 million (or £1.3 million net of cash acquired).

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

	Book values on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Intangible assets	20	466	486
Property, plant and equipment	43	–	43
Inventories	748	153	901
Trade and other receivables	297	–	297
Cash and cash equivalents	226	–	226
Trade and other payables	(453)	–	(453)
Provisions	–	(97)	(97)
Corporation tax	(49)	–	(49)
Deferred tax	(7)	(83)	(90)
Identifiable assets and liabilities	**825**	**439**	**1,264**
Cash consideration paid			1,486
Goodwill on acquisition			**222**

Cash flows arising on the acquisition were £1,260,000 comprising the consideration paid less cash acquired.

Fair value adjustments

- The adjustment to intangible assets is to recognise intangible assets in respect of customer relationships, and has been valued using discounted cash flows.
- The adjustment to inventories is to reflect the fair value of finished goods acquired.
- Trade receivables include a bad debt provision of £nil which has not been adjusted in the fair value exercise.
- The adjustment to trade and other payables is to recognise a dilapidation provision in respect of the leased premises occupied by Security Hardware.
- The adjustment to deferred taxation is to recognise the associated deferred tax liability arising on the intangible assets.

Subsequent payments

Under the terms of the acquisition agreement, the former Shareholders of Security Hardware are entitled to further cash consideration based on financial performance for the year ended 31 December 2017 (the 'earn out'), provided they remain employed by the Group. The Directors estimate the total earn out payable will be £322,000, which has been recognised as a non-underlying expense in the 2017 Consolidated Statement of Comprehensive Income. The earn out is payable in equal instalments over a three-year period.

Acquisition-related costs

The Group incurred acquisition related costs of £92,000 in relation to professional fees and transaction costs arising upon acquisition. These costs have been expensed to the Consolidated Statement of Comprehensive Income, also as a non-underlying item. The total charge for acquisition related costs in the year is £414,000 (2016: £112,000).

Included within the Consolidated Statement of Comprehensive Income is revenue of £2,500,000 and profit before tax of £130,000 relating to Security Hardware Limited. Had the acquisition occurred on 1 January 2017, revenue of £3,200,000 and profit before tax of £180,000 would have been recognised by the Group.

30 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2017 £000	2016 £000
Profit after tax	**19,642**	19,602
Taxation	**4,019**	4,218
Finance expense	**553**	677
Operating profit	**24,214**	24,497
Adjustments for:		
Depreciation of tangible fixed assets	**5,119**	5,005
Amortisation of intangible fixed assets	**1,558**	1,372
(Profit)/loss on sale of property, plant and equipment and intangible fixed assets	**(51)**	86
Share-based payments	**260**	18
(Increase)/decrease in inventories	**(2,789)**	1,635
(Increase) in trade and other receivables	**(3,057)**	(616)
Increase/(decrease) in trade and other payables	**3,221**	(184)
(Decrease) in provisions	**(549)**	(31)
Cash generated from operations	**27,926**	31,782

31 RECONCILIATION OF NET DEBT

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

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

	1 January 2016 £000	Cash flows £000	Non-cash movements £000	31 December 2016 £000
Cash and cash equivalents	(151)	5,710	–	5,559
Borrowings	(25,720)	38	(145)	(25,827)
Total	(25,871)	5,748	(145)	(20,268)

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

31 December 2016	Current assets £000	Current liabilities £000	Non-current liabilities £000	Total £000
Cash and cash equivalents	5,559	–	–	5,559
Borrowings	–	(42)	(25,785)	(25,827)
Total	5,559	(42)	(25,785)	(20,268)

Notes to the Financial Statements continued

For the year ended 31 December 2017

32 EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any material events that have occurred after 31 December 2017 which would require disclosure under IAS 10.

Company Statement of Financial Position

As at 31 December 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Investments	35	**17,839**	17,839
Total non-current assets		**17,839**	17,839
Current assets			
Trade and other receivables	36	**53,183**	48,141
Deferred tax	37	**105**	94
Total current assets		**53,288**	48,235
Total assets		**71,127**	66,074
Liabilities			
Current liabilities			
Trade and other payables	38	**(26,419)**	(12,892)
Total current liabilities		**(26,419)**	(12,892)
Non-current liabilities			
Borrowings	39	**(25,851)**	(25,785)
Total non-current liabilities		**(25,851)**	(25,785)
Total liabilities		**(52,270)**	(38,677)
Net assets		**18,857**	27,397
Issued capital and reserves attributable to owners of the Company			
Share capital	23	**100**	100
Share premium account	23	**2,104**	1,926
Share-based payment reserve	24	**480**	348
Retained earnings		**16,173**	25,023
Total equity		**18,857**	27,397

A separate Statement of Comprehensive Income for the Company is not presented, in accordance with Section 408 of the Companies Act 2006. The Company recognised a loss of £146,000 in the year (2016: profit of £29,992,000). Dividend income from subsidiary undertakings included in the results was £nil (2016: £30,000,000).

The Financial Statements on pages 103 to 109 were approved and authorised for issue by the Board of Directors on 8 March 2018 and were signed on its behalf by:

Mark Kelly
Director

Michael Scott
Director

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £000	Share premium account £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	100	1,926	348	25,023	27,397
Comprehensive income for the year					
Loss for the year	–	–	–	(146)	(146)
Total comprehensive income for the year	–	–	–	(146)	(146)
Contributions by and distributions to owners					
Exercise of share options	–	178	(178)	–	–
Share-based payments	–	–	260	–	260
Deferred tax on share-based payments	–	–	50	–	50
Dividends paid	–	–	–	(8,704)	(8,704)
Total transactions with owners recognised directly in equity	–	178	132	(8,704)	(8,394)
Balance at 31 December 2017	100	2,104	480	16,173	18,857

	Share capital £000	Share premium reserve £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	100	1,926	380	3,031	5,437
Comprehensive income for the year					
Profit for the year	–	–	–	29,992	29,992
Total comprehensive income for the year	–	–	–	29,992	29,992
Contributions by and distributions to owners					
Share-based payments	–	–	18	–	18
Deferred tax on share-based payments	–	–	(50)	–	(50)
Dividends paid	–	–	–	(8,000)	(8,000)
Total transactions with owners recognised directly in equity	–	–	(32)	(8,000)	(8,032)
Balance at 31 December 2016	100	1,926	348	25,023	27,397

Notes to the Company Financial Statements

For the year ended 31 December 2017

33 ACCOUNTING POLICIES (COMPANY)

Corporate information

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

The Company is principally engaged as a holding company for its subsidiaries which are engaged in the extrusion of 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 has adequate resources to continue in operational existence for the foreseeable future and, as a result of this, the going concern basis has been adopted in preparing the Financial Statements.

The Company Financial Statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). These Financial Statements have been prepared under the historical cost convention in accordance with UK GAAP and the Companies Act 2006.

Changes in accounting policies and disclosures applicable to the Company

There were no standards or interpretations which took effect in the year which materially affect the Financial Statements.

Investments in subsidiary undertakings

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

Financial assets

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

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

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

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

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

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 borrowings in current liabilities in the balance sheet.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities which include the following items:

- bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Further information is provided in Note 3.
- trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

33 ACCOUNTING POLICIES (COMPANY) CONTINUED

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share capital

The Company's ordinary shares are classified as equity instruments.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity Shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the Shareholders at the Annual General Meeting.

Further information regarding dividends is provided in Note 13.

FRS 101 exemptions

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

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

Paragraph 38 of IAS 1, Presentation of Financial Statements, comparative information requirements in respect of:
(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).

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).

The requirements in IFRS 7 Financial Instruments: Disclosures.

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.

34 EMPLOYEE BENEFITS EXPENSE

	2017 £000	2016 £000
Staff costs (including Directors) comprise:		
Wages and salaries	**213**	213
Social security contributions and similar taxes	**27**	27
	240	240

The average number of monthly employees was three (2016: three).

35 INVESTMENTS

Cost	Investments in subsidiary undertakings £000
At 31 December 2017 and at 31 December 2016	17,839

The subsidiaries of Eurocell plc, all of which have been incorporated in the United Kingdom are included in these Consolidated Financial Statements, as follows:

		Holding	
Name	Principal activity	2017	2016
Eurocell Holdings Limited*	Holding company	**100%**	100%
Eurocell Group Limited	Holding company	**100%**	100%
Eurocell Building Plastics Limited	Sale of building plastic materials	**100%**	100%
Eurocell Profiles Limited	Manufacture and sale of building plastic materials	**100%**	100%
S&S Plastics Limited	Manufacture and sale of injection moulded products	**100%**	100%
Vista Panels Limited	Manufacture and sale of doors	**100%**	100%
Security Hardware Limited	Sale of locks and security hardware products	**100%**	–
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 Limited	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%**	100%

* Directly held by Eurocell plc.

All of the above have a registered address of Fairbrook House, Clover Nook Road, Alfreton, Derbyshire, DE55 4RF.

Notes to the Company Financial Statements continued

For the year ended 31 December 2017

36 TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Prepayments and other debtors	45	129
Amounts owed by Group undertakings	53,138	48,012
Total trade and other receivables	**53,183**	48,141

37 DEFERRED TAX

	2017 £000	2016 £000
At 1 January	94	58
Credited/(charged) to equity	50	(50)
(Charged)/credited to Statement of Comprehensive Income	(39)	86
At 31 December	**105**	94

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

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

	Asset 2017 £000	Liability 2017 £000	Net 2017 £000	Statement of Comprehensive Income 2017 £000	Equity 2017 £000
Other temporary differences	105	–	105	(39)	50
Net tax assets	105	–	105	(39)	50

	Asset 2016 £000	Liability 2016 £000	Net 2016 £000	Statement of Comprehensive Income 2016 £000	Equity 2016 £000
Other temporary differences	94	–	94	86	(50)
Net tax assets	94	–	94	86	(50)

38 TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Trade and other payables	129	117
Amount owed to Group undertakings	26,290	12,775
Total current liabilities	**26,419**	12,892

Book values approximate to fair value at 31 December 2017 and 2016.

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

39 BORROWINGS

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

	Book Value 2017 £000	Fair Value 2017 £000	Book Value 2016 £000	Fair Value 2016 £000
Non-current				
Bank borrowings unsecured	25,851	25,851	25,785	25,785
Total borrowings	**25,851**	**25,851**	25,785	25,785

Borrowings

The Company has a £45,000,000 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 2017 (2016: £26,000,000) less unamortised issue costs of £149,000 (2016: £215,000).

Interest is charged at an excess over base rate of between 1.25% and 2.25% per annum and is dependent upon the ratio of total net debt to consolidated EBITDA.

Based upon current economic and market trends, management consider that the Sterling LIBOR rate will remain relatively stable during the next reporting period to 31 December 2018, and any changes, when applied to the Company's current bank borrowings of £25,851,000 would not lead to a significant change in finance expense.

Company Information

For the year ended 31 December 2017

Directors	Bob Lawson Frank Nelson Martyn Coffey Patrick Kalverboer Mark Kelly Michael Scott
Registered Number	08654028
Registered Office	Fairbrook House Clover Nook Road Alfreton Derbyshire DE55 4RF
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP Santander UK plc 2 Triton Square Regent's Place London NW1 3AN

Notes

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