Engineering progress
Enhancing lives

REHAU Limited (Registered number: 00722004)
Annual Report & Consolidated Financial Statements

For the year ended 31 December 2019

REHAU

Contents

COMPANY INFORMATION

DIRECTORS	M R Baker M J Hitchin S A Fonseca
COMPANY SECRETARY	C M S Esteves
REGISTERED NUMBER	00722004
REGISTERED OFFICE	Hill Court Walford Ross-on-Wye Herefordshire HR9 5QN
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the Strategic Report of the REHAU Limited group (the "group") for the year ended 31 December 2019.

BUSINESS REVIEW

The net (liabilities)/assets of the group at the year-end was (£1,401,131) (2018: £9,167,225).

REHAU Limited

REHAU Limited is part of the globally operating polymer processor REHAU.

The REHAU Group is a polymer specialist with annual sales of around EUR 3.5 billion. The independent, privately held company has approximately 20,000 employees at more than 170 locations worldwide - 12,000 throughout Europe and 8,000 in Germany. For more than 70 years, REHAU has been working on making polymer products lighter, more comfortable, safer and more efficient. The company delivers market leading product, consulting and service innovations, supported by market specific know-how from four business units, Windows Solutions, Building Solutions, Furniture Solutions and Industry.

The Building Solutions division is focused on energy efficiency and delivers a huge range of solutions to the construction industry. It is a supplier of underfloor heating, heating and plumbing, cable management and a growing range of renewable energy and water management systems.

REHAU is one of the world's largest extruders of PVC-U window profile. It offers a range of high-quality profiles for windows and doors in an array of colours, from flush fit windows in Chartwell Green to sliding doors in popular Anthracite Grey. In 2018 REHAU also officially launched its first co-extruded profile, using up to 100% post-consumer waste in the core.

Additionally, REHAU's furniture division aims to make modern designs easy offering innovative surface and edging technology. REHAU is a leading supplier of edgebanding and offers customers UK manufacturing and vastly reduced lead times. REHAU extended its popular RAUVISIO Crystal range, with RAUVISIO Crystal Décor – a new collection of 'on trend' surface materials, suitable for both furniture production and interior wall cladding.

In the UK and Ireland, REHAU supplies a nationwide network of customers through regional sales offices in Dublin, Glasgow and Manchester and at the REHAU Hub, a dedicated facility at the Building Centre, London, showcasing products and services to clients and specifiers.

To succeed as a premium supplier, it is necessary for REHAU Limited to not only deliver a high quality product but also to add value by offering superior and consistent service levels supported by effective logistic solutions. These principles allow the Company to remain competitive in the market place. Whilst the overall market for polymer-based products was relatively static, the Company demonstrated underlying growth in all divisions with overall third party turnover rising by 1% from previous year.

The Group is experiencing major changes in its markets, from the way customers are reorganising themselves to changing how they do business with REHAU. In response to these new trends and ways of purchasing that are constantly emerging, the UK Senior Leadership team implemented an initiative called 'Shaping our Future'. The initiative is aligned to the global mission of the REHAU Business Strategy. In achieving this mission, REHAU must restructure, invest and improve performance.

Shaping our Future is about creating a sustainable, profitable and relevant REHAU UK for many years to come. For some time, we have been making considerable efforts to secure the future of the manufacturing facility at Amlwch, in North Wales. However, the market for Edgeband PVC and roller-shutters, the facility's primary manufacturing focus, has gone into significant decline, with a more than 70% reduction in European market size since 2014. With no sign of this market recovering, and further investment in Amlwch or utilisation of the site for the manufacture of alternative products impossible due to space restrictions, the Group made the difficult decision to close of the Amlwch site in December 2019, and transferred production of Edgeband PVC and roller-shutters to the Group's other European facilities. Total restructuring costs of £2.7mil were recognised in 2019 in respect to the plant closure. The future Furniture business will benefit from improved margins and a lower cost base in the UK delivering improved profitability from 2020 onwards.

At the same time, the UK Senior Management team looked at the sales office footprint in the UK and, specifically, how it can strengthen the service offering to its customers. We made the decision to centralise our sales functions within England and Wales by closing the Slough sales office and transferring these administrative services to a new central sales hub in Manchester. The centralisation of the two English sales offices allows for greater synergy across the business, an optimised resource and increased flexibility in covering peak demand.

The Senior Management team understand the significance of these proposed changes, particularly for all of those directly affected, but firmly believe that, the proposals will help REHAU UK take advantage of the many opportunities available, securing the future of the business in the UK. The costs for this restructuring were borne in the 2019 financial year.

The subsidiary PVCR Limited is an essential part of the sustainable, recycling Co-extrusion supply strategy for the Windows Division in the UK and is part of a wider strategic Group project. Using leading edge technology PVCR Limited recycles both post-consumer and post-industrial materials, producing a chip product used as a substitute for virgin PVC compound in Plant Blaenau. This strategy is designed to support our own environmental sustainability credentials, preparing for potential legislation limiting the use of non-recycled plastic material and reducing our dependency on third parties for input materials.

Co-extrusion technology is now active within the REHAU factory at Blaenau. The refinement and reliability of this process at the PVCR Limited site underwent a significant investment in 2019, with the relocation of PVCR Limited to a new site in Runcorn, Cheshire.

Waivis Limited is a vertically integrated business for the Group. It utilises components made at other REHAU sites and from these fabricates high quality products. The primary markets for its products are within shop fitting and kitchen furniture segments. This part of the business will now be looking to maximise its opportunities in other market areas, building on the improved factory infrastructure following the site move in early 2017.

The company has seen revenues static in 2019. Restructuring of the sales team and further developing existing business relationships, new customer acquisition and expanding its' fabrication capabilities is moving the company in a positive direction.

How the Board has complied with its Section 172 duty

The Board welcomes the new reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions.

The UK Directors and Senior Management team are responsible for the operational activities within the UK and Ireland, The Global Group is managed by Divisional Leaders and together with the Global Executive Board hold the ultimate responsibility for strategic direction and decision-making.

The UK Board engaged with the Senior Management team to develop the company's five year vision and strategic goals that are all aligned to the global vision & strategy of the group. This was supported by extensive dialogue with the wider leadership team, employees and other stakeholders.

The Board and the Senior Management team developed the 'Shaping our Future' initiative together with the Global Executive Board. The principal decisions were made based on a need to restructure and invest for the future. The closure of the Furniture Solutions Plant in Amlwch, North Wales was a Group decision in consultation with the local Board and was based on the global production footprint of the Furniture Solutions Division. We made the decision to centralise our sales functions within England and Wales by closing the Slough sales office and transferring these administrative services to a new central sales hub in Manchester. The Board and the Senior Management team made the decision to centralise English sales offices to optimise operational efficiency and reduce fixed costs. In line with the Company and Group's environmental principles investments in recycling technology is prioritised.

The overarching principle of our restructuring was to always ensure the very best treatment of colleagues that were at risk of redundancy. Where colleagues were affected by the restructuring, the company surpassed the minimum statutory consultation periods and in addition invited representatives to present alternative solutions to the local and Group management teams. Through working collaboratively with management and listening to feedback from the Company's many stakeholders, the Board and the Senior Management team believe that REHAU Limited is well positioned to respond to any further uncertainty seen in 2020 arising from the COVID-19 pandemic.

Stakeholder Engagement

External Stakeholders
REHAU Limited is committed to creating a diverse and inclusive environment for all those with whom it works. As such, it recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long-term value. The Directors encourage active dialogue and transparency with all its stakeholder groups.
The Company has identified four principal external stakeholder groups:

- Direct B2B customers i.e. window fabricators, merchants and mechanical & electrical contractors
- Indirect B2B customers i.e. Architects, Specifiers and Installers
- Indirect B2C customers i.e. Homeowners
- Trade & Consumer press and Trade Associations
- The local communities in which we trade.

Colleagues from across the business maintain regular communication with all the principle stakeholder groups and the Company is further supported by two retained external specialist communications partners.

EMPLOYEE ENGAGEMENT

The Group approach to Employee Engagement in the workplace is to ensure that employees are committed to the organisation's goals and values, and are motivated to contribute to the organisational success and are able, at the same time, to enhance their own sense of well-being.

The company rewards its employees based on technical competence and performance. Schemes are in place to recognise achievement in these areas. Additionally, the Company has commenced the roll–out of an Integrated Performance and Talent Management (IPTM) programme. IPTM has clear goals that are aligned to both the global and local vision and strategies. This is designed to further build and develop leadership competences and provide opportunity for enhanced recognition for employees.

The Directors & Senior Management Team attended an externally facilitated workshop to determine a local vision and strategy for the UK business. This complements quarterly employee briefings held by the Group where important topics including Group vision, strategy and performance are presented; in addition, there is also an opportunity for employees to ask questions of the Directors & Senior Management team. A monthly Newsletter is published and issued to all employees, which contains a business update, news, long service awards and activities within the organisation.

The UK Group conducts two Pulse Surveys a year to gauge employee engagement and have launched a new more informative and engaging intranet. To ensure neutrality, we conduct regular round table meetings with other members of the Global Group Senior Management from outside of the UK operation and offer a confidential email question line to the UK Directors & Senior Management.

In respect of the "Shaping our Future" initiative the Directors ensured that there was regular face to face contact with affected employees or their representatives. An extended consultation period was provided to listen to feedback and alternate suggestions. A clear and open approach was adopted with all employees with regular communication through physical presentations and video conference.

PRINCIPAL RISKS AND UNCERTAINTIES

REHAU Limited & WAIVIS Limited

A full risk management process is embedded within this Company, major risks are identified, and a series of measures created to combat the identified risk and mitigate potential losses in the future. The major risks and uncertainties for this Company are:

Increased Raw Material and Utility prices that cannot be recovered from the customers.
The Group has a dedicated purchasing organisation that pro-actively seeks out best prices on input materials. The purchasing power of the worldwide Group enables materials to be sourced at competitive prices. The purchasing organisation also has the ability to make contracts with key suppliers to ensure price, quality and service demands are met.

Reduced Government spending on infrastructure projects
A core value of the REHAU organisation is innovation. The Company offers a diverse product range managed by four separate Divisions. This diversification in products, customers and markets protects the Company from downturns arising in any specific sector. As a Group there is a strong product development function ensuring product offerings remain current to market need.

UK currency fluctuations
Any Company using commodities or importing input materials or finished products is subject to currency fluctuations. Where possible purchases, settlement and agreements are made in pound sterling thereby reducing the risk. Where appropriate Customer contracts can include pricing clauses based around the price of key input materials.

Increased pension commitments
The defined benefit pension scheme is closed to future accrual therefore limiting future increases in liability. The Scheme Trustees alongside the Company utilise expert advice to ensure the scheme assets are managed in an effective way. The Company has a very constructive dialogue with the Scheme Trustees, and is committed to making good its obligations to members of the scheme whilst ensuring cash flows represent a balance on all stakeholder needs. The company pro-actively engages with all the trustees and company representatives attend the Trustee meetings.

Effect of COVID-19 on short, medium and long-term sales demand

In respect of COVID-19, the Directors have taken measures to protect the Company's longer-term financial position. This includes taking advantage of the Government backed "Furlough Scheme" and carefully managing its' cash-flows through the expected downturn. In the short term the Company expects to see a significant downturn in turnover followed by a recovery in volumes as we progress through the year.

The Directors have undertaken detailed scenario planning and developed plans to support itself and its' Customers during the difficult trading period. The Company's varying scenarios allow the Company to adapt its' plans to maximise the opportunities when trading returns to more normal patterns.

The Directors and Senior Management Team have also adopted an "employee first" approach to dealing with the COVID-19 situation. This involves ensuring all sites remain COVID compliant with all necessary sanitation and distancing measures being rigorously maintained. There have been very frequent reviews to establish Furlough status and ensure that employees return based on business need. Communication has been open and clear taking the form of regular briefing by video link and employee newsletters.

BREXIT

In June 2016, the UK voted to leave the European Union (EU), and following the official withdrawal from the EU on 31st January 2020 we have continued to monitor the transformation process. The Company's overall approach is multi-layered and co-ordinated in a structured way through a BREXIT committee. This comprises of experts from across the business coming together to find good solutions and effective ways to mitigate risk.

The first and most significant need is to ensure surety of supply to Customers. There is an expectation of uninterrupted customer supply, with current exceptional service levels being maintained. The company has also completed full supplier evaluations looking at their ability for supply and as necessary identifying new sourcing from the domestic marketplace.

The Company also considers that BREXIT may have an impact on future margins. This risk has been assessed on a companywide and Divisional basis and necessary measures have been put in place.

Technical topics on the future customs, tax and supply structures remain the most uncertain, given the lack of clarity from UK authorities. Evaluations on potential systems, process and software changes have been made so that any necessary changes can be made in suitable time after BREXIT impacts are fully defined. A full review of customs processes and the company's preparedness has been made and new customs agents appointed.

A careful balance has been struck to ensure that the Company is as well prepared as it can be for BREXIT, whilst not over-committing resources away from other key business initiatives.

Overall, the REHAU business depends on a combination of Government and consumer spending and in times of stringent financial retrenchment and in the environment post the BREXIT decision there will always be uncertainty as to future growth.

PVCR Limited

This company follows the standard REHAU risk management methodology, whereby risks and mitigating measures are assessed on a routine basis. Specific to PVCR Limited are the robustness of the new technologies associated with recycling previously used window frames. PVCR Limited is operating at a new site from November 2019 with enhanced processes and capacities. The site development and new process design were assisted by key specialists from the Groups technical team. With the significant investments and expert knowledge applied there is an anticipated staged increase in output volumes through 2020.

FUTURE DEVELOPMENTS

REHAU Limited

In the main parts of the business, a policy of continuous improvement is being applied to current and future designs, to provide high quality and efficient windows systems that significantly exceed thermal efficiency regulations.

Further development in sustainable products and technologies are planned. This will build upon past success seen in the geothermal solutions. Increased weighting is now been placed on new digital technologies and how these can be incorporated into the service offering and delivering both new products and a better customer experience.

PVCR Limited

PVCR Limited is an essential part of the Groups long-term sustainability strategy. There is a clear direction that the Company will obtain an increased proportion of the Groups material needs with recycled material. The Company will continue to invest to meet all of its business and environmental obligations. At the end of 2019 the business moved site and has invested heavily in new technology and capacity. This expansion will allow PVCR Limited to significantly grow its quality, turnover and have a significant positive effect upon its' financial performance.

WAIVIS Limited

The main emphasis for this company in 2020 and beyond is to both attract new and develop existing customers for its wide range of fabricated solutions. Emphasis is being placed on adding new options to meet customer's needs to source more of their requirements from one supplier so that they shorten their supply chain.

STRATEGY

To the REHAU UK Group, customer service is a key strength of the REHAU offering with special emphasis being placed on supporting customers directly in growing and developing their business. A partnership approach is taken that allows both parties to benefit from increased market share.

In addition to this, the product range is being refined and expanded to meet the construction market's demand for total solutions for its customers. For example, the Group does provide a full range of products to the construction industry encompassing window products, pre-insulated pipe, domestic and commercial products, electrical distribution and geothermal energy solutions. REHAU actively train their end customers through in-house training courses and potential specifiers through CPD seminars.

RESEARCH AND DEVELOPMENT

The REHAU UK group's policy is one of constant improvement. Quality is of great importance and refinements are made to products on a regular basis to support this. It is our stated intention to provide the best product available to our customers, so we canvass the customer's views and wherever possible incorporate those into improved products. Product development is supported by the REHAU worldwide Group where there is very significant engineering and product expertise.

KEY PERFORMANCE INDICATORS

To assist in the measurement and development of the business several key performance indicators by product range are reviewed by the directors on a regular basis:

Group	2019	2018
Gross Margin	**23.7%**	23.8%
Operating (Loss)	**(4,386,200)**	(£5,727,607)
Free Cash Flow	**(260,287)**	(1,383,374)

Company	2019	2018
Quantity Observance	**95.3%**	95.7%
Time Observance	**91.4%**	92.8%

These three metrics illustrate the value that REHAU Limited places on delivering a first-class service to its Customers. The 'Time Observance' metric being below the others results from the continuing trend for our Customers to order more special products that involve nonstandard manufacture involving longer lead times.

The Group has KPI's for employee fluctuation based on employee retention and Health & Safety training. Continuous improvement remains a key focus.

The Group is committed to meet its duty to protect the environment and minimise the impact that our processes have on the locales in which we operate. The Group is committed to continuous improvement of its environmental performance and to the overall sustainability of its operations and products.

This report was approved by the board on 17th November 2020 and signed on its behalf by:

M J Hitchin
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited consolidated financial statements for REHAU Limited group (the "Group") and REHAU Limited (the "Company") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group provides a wide range of polymer based products to its customers primarily in the building and construction sectors, but also in the industrial sectors of furniture and industrial applications.

The Group is part of an international group of REHAU companies operating throughout the world.

REHAU Limited sells a wide range of polymer based products and other support products to the construction, transportation and industrial business sectors. It manufactures many of these products in the UK but also imports further products produced by other REHAU companies in the worldwide group. Third party products are also supplied to its customers.

WAIVIS Limited makes and sells fabricated products manufactured from REHAU Limited materials and third party supplied materials.

PVCR Limited is a processor of post-consumer PVC waste. It takes scrap PVC products and through a series of processes cleans and converts this into PVC chip material that can be subsequently used by extruders of PVC goods.

Employee and other stakeholder engagement is further explained within the Strategic Report.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £5,569,939 (2018 loss - £6,787,878).

The directors do not recommend the payment of a dividend (2018 - £Nil).

GOING CONCERN

The UK Group finished 2019 showing a net liability situation in the balance sheet. This has arisen over time through the increases in the defined benefit pension scheme deficit, the decision to restructure the business in early 2019 and the one time effects of financial asset impairments. The additional pressures brought by the COVID-19 pandemic has meant that the Directors have had to pay specific attention to the financial management within the business.

The restructure of 2019 has helped, having a reduced underlying cost base and having the right structures in place to quickly respond to difficult circumstances. The Company has also taken advantage of the Government Furlough scheme at the height if the lockdown. Rigorous scenario planning supported by effective measures have been established to ensure the COVID situation did not damage the long-term prospects of the Company. The worldwide REHAU Group has also taken significant actions in managing the Global risk and providing expert support where required. The Global REHAU Group is fully committed to the UK business and sees its success as an important contributor to that of the Group. In addition to the Company and Group's UK cash and external borrowing facilities, the Company and Group has access to REHAU Group facilities. The Directors have obtained confirmation that these facilities will be in place for at least the next 12 months. In prior years, the REHAU Group has also provided additional funding to the UK Company and Group where this has been required.

The directors have updated forecast results and cashflows for the impacts of Covid 19, this has included scenario planning and even after assuming plausible downside scenarios the sensitised forecasts did not indicate an impediment to the continuation of the UK Group as a going concern. Due to the diligence and hard work of all employees, the business has recovered strongly from a short-term fall in revenue encountered during the lockdown. The expected financial outcomes for the Company are now at the highest end of expectation versus all scenarios that could have been encountered.

The UK Management team are not complacent and significant effort remains directed to ensuring risk is minimised; with business development opportunities already targeted for 2020 being actively pursued. The Directors are satisfied that the Company and Group have sufficient financial resources to meet their liabilities for a period of at least 12 months from the approval of these financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In carrying out its activities the Group has limited the use of financial instruments to a minimal level. Short term funding is by overdraft and excess cash balances are invested in short term deposit accounts until required. Short term needs of foreign currency for payment to suppliers has now been minimised and only a small amount of purchases are settled in foreign currency.

The Group and the Company use commodities in its manufacturing process and are significantly affected by fluctuations in raw material prices. The risk of increases in these prices affecting margins is minimised by an active purchasing organisation that secures the best available prices for raw materials and products for resale. Short term need of electricity as the major energy cost in the manufacturing process is forecast and reviewed, based on which a forward purchase contract is placed with a preferred supplier to fix the energy cost from market price fluctuation in the year by management.

Credit risk is minimised by a structured central credit activity that assesses customers for ability to pay, sets suitable credit limits and oversee the entire debtors' ledger. Day to day management of debtors is carried out by specialised staff to maintain regular contact with the customer from the point of ordering to the receipt of payment.

The liquidity and cash flow impact of management decisions are regulated at the highest level within the Group and the Company and form an integral part of the planning process.

The needs of the Group are such that in any specific year the operative cash flows may be higher or lower than investment requirement. Both the operative and investment cash flows are affected by the natural business cycle and need to invest strategically at times. The wider REHAU Group prides itself on its' financial stability and independence, thus allowing the parent entity to flex up and down loan capital as required. The process is controlled and managed by the REHAU Group in a very structured way based on mid-term business planning. The Inter-company loans granted to REHAU Limited are assessed as representing very minimal risk.

FUTURE DEVELOPMENTS

The Group and the Company's future developments are contained in the Strategic Report.

DIRECTORS

The directors who served during the year and up to the signing of the financial statements were:

M R Baker
M J Hitchin
H E K Wagner (Resigned 19th May 2020)
S A Fonseca

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

DISABLED EMPLOYEES

The organisation recognises that it has clear obligations towards all its employees and the community at large, to ensure that people with disabilities are afforded equal opportunities to enter employment and progress within the organisation. In addition to complying with the requirements of the Equality Act 2010, the organisation will follow procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career development needs. Applications for employment by disabled persons will always be fully considered, bearing in mind the aptitudes of the applicant concerned. If an employee becomes disabled in the course of their employment, reasonable steps will be taken to accommodate their disability by considering adjustments to working practices and arrangements, or by considering redeployment and appropriate retraining to enable them to remain in employment with the organisation wherever reasonably possible. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

CORPORATE RESPONSIBILTY & CHARITABLE DONATIONS

The Group believe supporting local communities is a key pillar of its Corporate Responsibility (CR) and underpins the Group values. The Group has a Corporate Responsibility Steering Group with the purpose of ensuring that its activity remains aligned to the CR strategy and the wishes of local employees across all REHAU sites. To ensure the Group support is matched with the needs of the local community, employees were asked for their views on what should be the focus of the CR strategy. The Corporate Responsibility Steering Group considered twelve applications for grants from community groups and awarded £2,873 during 2019.

The Group also has had a two year agreement with the colleague voted charity partner Scope. During the time of this partnership our employees have raised over £3,300 for SCOPE from a variety of fundraising activities that were supported by the Group.

POLITICAL CONTRIBUTIONS

The Group and the Company made no political contributions during the year 2019.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the Group and the Company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms. Creditor days on purchases based on year end trade and excluding financing items are 32 days (2018: 37 days). The decrease in creditor days largely arises from the timing of payments to group companies.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

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 comply with the Companies Act 2006.

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.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director, in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

This report was approved by the board on 17th November 2020
and signed on its behalf by:

MJH

M J Hitchin
Director

REHAU

Independent auditors' report to the members of Rehau Limited

Report on the audit of the financial statements

Opinion

In our opinion, Rehau Limited'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 2019 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheet as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statement 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.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Independent auditors' report to the members of Rehau Limited (continued)

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, ISAs (UK) require us also to report certain opinions and matters as described below.

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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.

REHAU

Independent auditors' report to the members of Rehau Limited (continued)

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 are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Matthew Walker

Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
17 November 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Revenue	4	**83,129,481**	85,620,044
Cost of sales		**(63,467,058)**	(65,243,682)
Gross profit		**19,662,423**	20,376,362
Distribution costs		**(5,852,493)**	(5,957,129)
Administrative expenses before exceptional items		**(15,332,304)**	(18,074,535)
Exceptional administrative expenses	5	**(4,561,306)**	(3,845,164)
Total administrative expenses		**(19,893,610)**	(21,919,699)
		(6,083,680)	(7,500,466)
Other operating income	6	**1,697,480**	1,772,859
Operating loss	6	**(4,386,200)**	(5,727,607)
Interest receivable and similar income	10	**240,576**	244,645
Interest payable and similar expenses	11	**(711,058)**	(539,972)
Other finance costs - pensions	12	**(360,000)**	(409,000)
Loss before taxation		**(5,216,682)**	(6,431,934)
Tax on loss	13	**(353,257)**	(355,944)
Loss for the financial year		**(5,569,939)**	(6,787,878)
Other comprehensive (expense)/income			
Actuarial (loss)/gain on defined benefit pension scheme		**(5,717,004)**	2,562,000
Movement of deferred tax relating to pension liability		**718,587**	(435,540)
Current tax relief on pension contributions		**-**	-
Total other comprehensive (expense)/income for the year		**(4,998,417)**	2,126,460
Total comprehensive expense for the year		**(10,568,356)**	(4,661,418)
Loss for the financial year attributable to the owners of the parent company:			
Owners of the parent Company		**(5,569,939)**	(6,787,878)
Loss for the financial year		**(5,569,939)**	(6,787,878)
Total comprehensive expense for the year attributable to the owners of the parent company:			
Owners of the parent Company		**(10,568,356)**	(4,661,418)
Total comprehensive expense for the year		**(10,568,356)**	(4,661,418)

The notes on pages 22 to 49 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	14		**38,987**		54,028
Tangible assets	15		**17,364,504**		16,796,061
			17,403,491		16,850,089
Current assets					
Inventories	17	**14,291,382**		13,552,909	
Debtors: amounts falling due within one year	18	**11,598,643**		10,692,195	
Debtors: amounts falling due after one year	18	**5,303,380**		6,273,807	
Cash at bank and in hand	19	**147,077**		179,928	
		31,340,482		30,698,839	
Creditors: amounts falling due within one year	20	**(20,508,504)**		(11,891,774)	
Net current assets			**10,831,978**		18,807,065
Total assets less current liabilities			**28,235,469**		35,657,154
Creditors: amounts falling due after more than one year	21		**(10,032,982)**		(12,432,982)
Provisions for liabilities					
Other provisions	24	**(1,840,618)**		(520,947)	
			(1,840,618)		(520,947)
Net assets excluding pension liability			**16,361,869**		22,703,225
Pension liability	25		**(17,763,000)**		(13,536,000)
Net (liabilities)/assets			**(1,401,131)**		9,167,225
Capital and reserves					
Called up share capital	26		**26,900,000**		26,900,000
Profit and loss account	27		**(28,301,131)**		(17,732,775)
Total shareholders' (deficit)/funds			**(1,401,131)**		9,167,225

The financial statements on pages 16 to 49 were approved by the Board of Directors on 17th November 2020 and signed on its behalf by:

MJH

M J Hitchin
Director

The notes on pages 16 to 49 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	14		**38,987**		54,028
Tangible assets	15		**13,813,251**		15,775,965
Investments	16		**653,408**		653,408
			14,505,646		16,483,401
Current assets					
Inventories	17	**13,812,422**		13,321,227	
Debtors: amounts falling due within one year	18	**11,265,078**		10,464,154	
Debtors: amounts falling due after one year	18	**5,303,380**		6,273,807	
Cash at bank and in hand	19	**-**		-	
		30,380,880		30,059,188	
Creditors: amounts falling due within one year	20	**(19,847,238)**		(11,235,258)	
Net current assets			**10,533,642**		18,823,930
Total assets less current liabilities			**25,039,288**		35,307,331
Creditors: amounts falling due after more than one year	21		**(10,032,982)**		(12,432,982)
Provisions for liabilities					
Other provisions	24	**(1,640,618)**		(520,947)	
			(1,640,618)		(520,947)
Net assets excluding pension liability			**13,365,688**		22,353,402
Pension liability	25		**(17,763,000)**		(13,536,000)
Net (liabilities)/assets			**(4,397,312)**		8,817,402
Capital and reserves					
Called up share capital	26		**26,900,000**		26,900,000
Profit and loss account	27		**(31,297,312)**		(18,082,598)
Total shareholders' (deficit)/funds			**(4,397,312)**		8,817,402
Company's loss for the financial year			**(8,216,297)**		(9,178,202)

The financial statements on pages 16 to 49 were approved by the Board of Directors on 17th November 2020 and signed on its behalf by:

MJH

M J Hitchin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up Share capital	Profit and loss account	Total shareholders' Funds
At 1 January 2019	**26,900,000**	**(17,732,775)**	**9,167,225**
Comprehensive (expense)/income for the year			
Loss for the financial year	-	**(5,569,939)**	**(5,569,939)**
Actuarial loss on pension scheme	-	**(5,717,004)**	**(5,717,004)**
Movement of deferred tax relating to pension liability	-	**718,587**	**718,587**
Total other comprehensive expense for the year	-	**(4,998,417)**	**(4,998,417)**
Total comprehensive expense for the year	-	**(10,568,356)**	**(10,568,356)**
At 31 December 2019	**26,900,000**	**(28,301,131)**	**(1,401,131)**

	Called up Share capital	Profit and loss account	Total shareholders' funds
At 1 January 2018	**26,900,000**	**(13,071,357)**	**13,828,643**
Comprehensive (expense)/income for the year			
Loss for the financial year	-	**(6,787,878)**	**(6,787,878)**
Actuarial gain on pension scheme	-	**2,562,000**	**2,562,000**
Movement of deferred tax relating to pension liability	-	**(435,540)**	**(435,540)**
Total other comprehensive income for the year	-	**2,126,460**	**2,126,460**
Total comprehensive expense for the year	-	**(4,661,418)**	**(4,661,418)**
At 31 December 2018	**26,900,000**	**(17,732,775)**	**9,167,225**

The notes on pages 22 to 49 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up Share capital	Profit and loss account	Total shareholders' funds
At 1 January 2019	**26,900,000**	**(18,082,598)**	**8,817,402**
Comprehensive (expense)/income for the year			
Loss for the financial year	-	**(8,216,297)**	**(8,216,297)**
Actuarial loss on pension scheme	-	**(5,717,004)**	**(5,717,004)**
Movement of deferred tax relating to pension liability	-	**718,587**	**718,587**
Total other comprehensive expense for the year	-	**(4,998,417)**	**(4,998,417)**
Total comprehensive expense for the year	-	**(13,214,714)**	**(13,214,714)**
At 31 December 2019	**26,900,000**	**(31,297,312)**	**(4,397,312)**

	Called up Share capital	Profit and loss account	Total shareholders' funds
At 1 January 2018	**26,900,000**	**(11,030,856)**	**15,869,144**
Comprehensive (expense)/income for the year			
Loss for the financial year	-	**(9,178,202)**	**(9,178,202)**
Actuarial gain on pension scheme	-	**2,562,000**	**2,562,000**
Movement of deferred tax relating to pension liability	-	**(435,540)**	**(435,540)**
Total other comprehensive income for the year	-	**2,126,460**	**2,126,460**
Total comprehensive expense for the year	-	**(7,051,742)**	**(7,051,742)**
At 31 December 2018	**26,900,000**	**(18,082,598)**	**8,817,402**

The notes on pages 22 to 49 form part of these financial statements.

REHAU

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	**(5,569,939)**	(6,787,878)
Adjustments for:		
Amortisation of intangible assets	**15,041**	7,733
Depreciation of tangible assets	**2,468,474**	2,676,249
Impairment of intangible assets	**-**	25,235
Impairment of financial assets	**1,600,000**	-
Reversal of impairment of tangible assets	**(476,841)**	3,817,988
Gain on disposal of tangible assets	**(270,370)**	(29,516)
Amortisation of government grants	**-**	(9,060)
Increase in Inventories	**(738,473)**	(932,533)
Interest charge	**1,071,058**	948,972
Interest received	**(240,576)**	(244,645)
Taxation (credit)/charge	**353,257**	355,944
(Increase)/decrease in debtors	**(906,448)**	178,998
(Decrease)/increase in creditors	**(410,705)**	1,698,714
Increase/(decrease) in provisions	**1,319,671**	(150,793)
Difference between defined benefits pension charge and cash contributions	**(1,850,004)**	(1,356,000)
Corporation tax (paid)/refunded	**(24,243)**	125,514
Net cash (used in)/ generated from operating activities	**(3,660,098)**	324,922
Purchase of tangible fixed assets	**(3,974,660)**	(3,880,480)
Purchase of intangible fixed assets	**-**	(80,147)
Sale of tangible fixed assets	**1,684,953**	147,658
Interest received	**576**	244,645
Net cash used in investing activities	**(2,289,131)**	(3,568,324)
Cash flows from financing activities		
Receipt of inter-company loan	**6,400,000**	2,400,000
Interest paid	**(711,058)**	(539,972)
Net cash generated from financing activities	**5,688,942**	1,860,028
Net decrease in cash and cash equivalents	**(260,287)**	(1,383,374)
Cash and cash equivalents at beginning of year	**(1,009,470)**	373,904
Cash and cash equivalents at the end of year	**(1,269,757)**	(1,009,470)
Cash and cash equivalents at the end of year comprise		
Cash at bank and in hand	**147,077**	179,928
Bank Overdraft	**(1,416,834)**	(1,189,398)
	(1,269,757)	(1,009,470)

1. GENERAL INFORMATION

REHAU Limited ('the Group') is engaged in providing a wide range of polymer based products to its customers primarily in the building and construction sectors but also in the industrial sectors of furniture and industrial applications.

The company is a private company limited by shares and is incorporated and domiciled in United Kingdom. The address of its registered office is Hill Court, Walford, Ross-on-Wye, Herefordshire, HR9 5QN, England.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The UK Group finished 2019 showing a net liability situation in the balance sheet. This has arisen over time through the increases in the defined benefit pension scheme deficit, the decision to restructure the business in early 2019 and the one time effects of financial asset impairments. The additional pressures brought by the COVID-19 pandemic has meant that the Directors have had to pay specific attention to the financial management within the business.

The restructure of 2019 has helped, having a reduced underlying cost base and having the right structures in place to quickly respond to difficult circumstances. The Company has also taken advantage of the Government Furlough scheme at the height if the lockdown. Rigorous scenario planning supported by effective measures have been established to ensure the COVID situation did not damage the long-term prospects of the Company. The worldwide REHAU Group has also taken significant actions in managing the Global risk and providing expert support where required. The Global REHAU Group is fully committed to the UK business and sees its success as an important contributor to that of the Group. In addition to the Company and Group's UK cash and external borrowing facilities, the Company and Group has access to REHAU Group facilities. The Directors have obtained confirmation that these facilities will be in place for at least the next 12 months. In prior years, the REHAU Group has also provided additional funding to the UK Company and Group where this has been required.

The directors have updated forecast results and cashflows for the impacts of Covid 19, this has included scenario planning and even after assuming plausible downside scenarios the sensitised forecasts did not indicate an impediment to the continuation of the UK Group as a going concern. Due to the diligence and hard work of all employees, the business has recovered strongly from a short-term fall in revenue encountered during the lockdown. The expected financial outcomes for the Company are now at the highest end of expectation versus all scenarios that could have been encountered.

The UK Management team are not complacent and significant effort remains directed to ensuring risk is minimised; with business development opportunities already targeted for 2020 being actively pursued. The Directors are satisfied that the Company and Group have sufficient financial resources to meet their liabilities for a period of at least 12 months from the approval of these financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently:

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore 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. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

2.3 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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

- revenue from the sale of goods is recognised when all of the following conditions are satisfied:
- the Group has transferred the significant risks and rewards of ownership to the buyer.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the Group will receive the consideration due under the transaction.
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. ACCOUNTING POLICIES (continued)

2.3 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Amortisation is provided on the following bases

Software	-	12.5% - 25%

2.5 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases

Land and buildings	- No depreciation on Land. Buildings 4% per annum on cost
Plant and machinery	- 10% to 33% per annum on straight line basis - Tooling 50% per annum on cost
Motor Vehicles	- 25% per annum on cost
Office equipment, furniture, and fittings	- 20% to 33% per annum on straight line
Construction in progress	- No depreciation

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

2. ACCOUNTING POLICIES (continued)

2.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

2.7 Impairment of tangible and intangible assets

The Company examines the expected future cash flows derived from each Cash Generating Unit (CGU) or individual assets on a routine basis. An impairment review trigger typically arises from negative economic performance, asset obsolescence or strategic changes in business direction. If expected future cash flows are below the current carrying value of asset(s) then an impairment is recognised; any impairments or reversal of impairments are verified at the highest level within the Parent Company.

The impairment loss is the amount by which the carrying amount of an asset or CGU exceeds its recoverable amount or the carrying amount is higher than the recoverable amount. If the recoverable amount falls below the carrying amount, impairment to that extent exists and an unplanned depreciation must be made. If the recoverable amount (value in use or fair value less cost to sell) exceeds the carrying amount, no impairment exists.

3. ACCOUNTING POLICIES (continued)

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, Inventories are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

The company has taken advantage of the exemption conferred by FRS 102 (section 7, para 3.17(d)) and have not prepared a cash flow statement.

2. ACCOUNTING POLICIES (continued)

2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans to related parties and investments in non-puttable ordinary shares. The company applies section 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and Loss Account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2. ACCOUNTING POLICIES (continued)

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.16 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. ACCOUNTING POLICIES (continued)

2.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension scheme

Pension scheme assets are measured using their respective bid price market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet. This scheme was closed to future accrual as at 31 December 2008.

2.18 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. ACCOUNTING POLICIES (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

2.21 Exceptional items

The Group classifies certain one-off charges or credits that have a material impact in the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Inventory provisioning

The company maintains sufficient stock levels to maintain an excellent customer service. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

(ii) Deferred taxation

The company assesses whether it is appropriate to recognise, at the balance sheet date, deferred tax assets resulting from historical trading losses, timing differences and pension. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of the company, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes. Further disclosures relating to the effect on the profit and loss account of the recognition of deferred tax assets are included in note 13, and the amount of deferred tax asset recognised and other relevant disclosures are included in note 23.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(iii) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

(iv) Warranty provision

Many of the Group's products are used in building, construction and other industrial applications. Dependent on product type the company is obliged to provide certain warranties as to the quality and consistency of its' products. An assessment is made on a regular basis to determine the probable future obligation arising from the short and long-term warranties in place. This is done based on product group and the inherent characteristics and use of each product type.

(v) Impairment

The Company examines the expected future cash flows derived from each Cash Generating Unit (CGU) or individual assets on a routine basis. The need for examination typically arises from negative economic performance, asset obsolescence or strategic changes in business direction. If expected future cash flows are below the current carrying value of asset(s) then an impairment is recognised; any impairments or reversal of impairments are verified at the highest level within the Parent Company.

The impairment loss is the amount by which the carrying amount of an asset or CGU exceeds its recoverable amount or the carrying amount is higher than the recoverable amount. If the recoverable amount falls below the carrying amount, impairment to that extent exists and an unplanned depreciation must be made. If the recoverable amount (value in use or fair value less cost to sell) exceeds the carrying amount, no impairment exists.

Principally distinguished are originally occurring impairments (for example, due technical obsolescence, physical damage, technical condition) and other impairments due to remaining indications/triggering events.

(vi) Restructuring provision

The Company continually reviews it's structure to ensure that an optimised production and business footprint is maintained. At times it is necessary to make changes to structure within the business.

In the event of significant changes, additional costs can arise in respect of redundancy pay, onerous leases, additional professional services costs, etc. At the point of disclosure of any restructure then all incremental costs are provided for. The costs are accounted for on a best estimate basis, based around detailed supporting schedules.

As cost associated with the restructuring, occur these are matched against the provisions raised. The outstanding provision values are routinely reviewed based upon best available information at the balance sheet date.

4. REVENUE

The whole of the revenue is attributable to the group's principal activity. The directors consider that there is only one class of business being the production and sale of a wide range of polymer based products to its customers primarily in the building and construction sectors.

Analysis of revenue by country of destination:

	2019 £	2018 £
United Kingdom	**77,288,546**	76,080,365
Rest of Europe	**4,088,980**	4,996,967
Rest of the world	**1,751,955**	4,542,712
	83,129,481	85,620,044

5. EXCEPTIONAL ADMINISTRATIVE EXPENSES

	2019 £	2018 £
Restructure costs	**3,519,766**	3,845,164
Reversal of impairment	**(558,460)**	-
Impairment of third-party loan	**1,600,000**	-
	4,561,306	3,845,164

The Group incurred exceptional expenses in respect of items during 2019:

Restructure costs associated with the closure of the Amlwch factory and the Shaping our Future initiative were expensed during the period with a value of £3,519,766 (2018 £3,845,164). The reversal of impairment is a credit of £558,460 in respect of Amlwch factory assets previously impaired where the assets have been successfully sold.

As part of its' risk management process the Company regularly assesse it's third party debtor position. Following prudent principles, the Company determined that it was necessary to raise a provision of £1,600,000 in respect of a third party loan shown within debtors greater than one year.

6. OPERATING LOSS

The operating loss is stated after (crediting)/charging:

	2019 £	2018 £
Amortisation of government grants	-	(9,060)
Depreciation of tangible fixed assets	**2,468,474**	2,676,249
Amortisation of intangible assets	**15,041**	7,733
Inventory recognised as an expense	**47,081,405**	48,815,257
Exchange differences	**192,414**	50,760
Operating lease rentals	**1,631,111**	1,273,931
Gain on disposal of fixed assets	**(270,370)**	(29,516)
Impairment charge – intangible assets	-	25,235
Impairment charge – financial assets	**1,600,000**	-
Impairment charge – tangible assets	**81,619**	3,817,988
Reversal of Impairment – tangible assets	**(558,460)**	-
Restructure Costs	**3,519,766**	-

6. OPERATING LOSS (Continued)

Administrative expenses include recharges from associated companies within the REHAU worldwide group for administration, computing services and brand licensing of £3,068,439 (2018: £3,728,504).

Other operating income £1,697,480 (2018 £1,772,859) relates primarily to service charges to fellow group companies abroad and domestic.

7. AUDITORS' REMUNIRATION

	2019	2018
	£	£
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	**47,500**	48,319
FEES PAYABALE TO OTHER STATUTORY AUDITORS	**10,000**	7,000
FEES PAYABLES TO OTHER STATOTORY AUDITORS IN RELATION TO TAXATION	**7,900**	9,306

8. EMPLOYEES

Staff costs were as follows:

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Wages and salaries	**17,871,858**	16,510,883	**16,940,153**	15,700,169
Social security costs	**1,865,124**	1,744,305	**1,793,236**	1,668,914
Other pension costs	**922,130**	896,072	**891,886**	883,469
	20,659,112	19,151,260	**19,625,275**	18,252,552

The wages and salaries include £2,220,910 in respect of severance costs associated with restructuring.

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

	Group 2019	Group 2018	**Company 2019**	Company 2018
	No.	No.	**No.**	No.
Production	**298**	273	**277**	253
Administration and selling	**186**	250	**178**	241
	484	523	**455**	494

9. DIRECTORS' REMUNERATION

	2019	2018
	£	£
Directors' emoluments	448,309	363,388
Company contributions to defined contribution pension schemes	19,371	14,381
	467,680	377,769

During the year, retirement benefits were accruing to 3 directors (2018: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £199,473 (2018: £179,840).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £0 (2018: £0).

Key management personnel

Key management includes the directors and members of senior management. The compensation paid or payable to key management personnel for employee services during the year was £1,085,667 (2018: £744,384).

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Other interest receivable	240,576	244,645

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank interest payable	547,058	368,905
Other interest payable	164,000	171,067
	711,058	539,972

Other interests include fees payable on intercompany guarantees with group undertakings and other accrued interest not attributable to loans or banks.

12. OTHER FINANCE COSTS

	2019	2018
	£	£
Net interest on net defined benefit liability	360,000	409,000

13. TAX ON LOSS

TAX EXPENSE INCLUDED IN LOSS	2019	2018
	£	£
CORPORATION TAX		
Current tax on losses for the year	-	-
Adjustments in respect of prior years	-	(167,922)
Foreign CT on losses for year	**24,243**	21,204
TOTAL CURRENT TAX	**24,243**	(146,718)
DEFERRED TAX		
Origination and reversal of timing differences	**329,014**	18,462
Adjustments in respect of prior years	-	484,200
TOTAL DEFERRED TAX	**329,014**	502,662
TAXATION ON LOSS	**353,257**	355,944

TAX INCOME/(EXPENSE) INCLUDED IN OTHER COMPREHENSIVE (EXPENSE)/INCOME	2019	2018
	£	£
Deferred tax on OCI	**718,587**	(435,540)
TOTAL TAX INCOME/(EXPENSE) INCLUDED IN OCI	**718,587**	(435,540)

13. TAX ON LOSS (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 – 19.00%). The differences are explained below:

	2019	2018
	£	£
Loss before taxation	**(5,216,682)**	(6,431,934)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	**(991,170)**	(1,222,068)
EFFECTS OF:		
Fixed Asset differences	**135,239**	-
Expenses not deductible for tax purposes	**11,193**	497,296
Adjustments in respect of prior years	-	337,483
Non trade items	-	(53,793)
Amounts charged directly to STRGL	**(367,641)**	-
Other timing differences	**(2,449)**	202,636
Foreign Tax	**24,243**	-
Tax losses not recognised	**1,411,722**	602,461
Rate change	**132,120**	(8,071)
TOTAL TAX CHARGE FOR THE YEAR	**353,257**	355,944

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantially enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantially enacted at the balance sheet date, its effects are not included in these financial statements. However it is likely that the overall effect of the change, had it been substantially enacted by the balance sheet date, would be to reduce the tax expense for the year by £0.1m and to increase the deferred tax asset by £0.1mil.

14. INTANGIBLE ASSETS

Group

	Software £
COST	
At 1 January 2019	494,983
Additions	-
Disposals	-
At 31 December 2019	494,983
ACCUMULATED AMORTISATION	
At 1 January 2019	440,955
Charge for the year	15,041
Disposals for the year	-
At 31 December 2019	455,996
NET BOOK VALUE	
At 31 December 2019	38,987
At 31 December 2018	54,028

Company

	Software £
COST	
At 1 January 2019	494,983
Additions	-
Disposals	-
At 31 December 2019	494,983
ACCUMULATED AMORTISATION	
At 1 January 2019	440,955
Charge for the year	15,041
Disposals for the year	-
At 31 December 2019	455,996
NET BOOK VALUE	
At 31 December 2019	38,987
At 31 December 2018	54,028

15. TANGIBLE ASSETS

Group

	Land and buildings £	Plant and machinery £	Motor vehicles £	Office equipment, furniture and fittings £	Construction in progress £	Total £
COST						
At 1 January 2019	39,212,870	35,634,357	215,589	4,998,535	1,062,099	81,123,450
Transfer	-	983,893	-	-	(983,893)	-
Additions	220,312	3,378,417	-	65,187	310,744	3,974,660
Disposals	(88,385)	(4,445,784)	(40,367)	(39,909)	-	(4,614,445)
At 31 December 2019	39,344,797	35,550,883	175,222	5,023,813	388,950	80,483,665
ACCUMULATED DEPRECIATION						
At 1 January 2019	33,630,876	25,825,464	175,374	4,695,675	-	64,327,389
Charge for the year	718,004	1,694,040	17,281	39,149	-	2,468,474
Impairment	-	81,619	-	-	-	81,619
Reversal of impairment	-	(558,460)	-	-	-	(558,460)
Disposals	(88,385)	(3,038,969)	(40,367)	(32,140)	-	(3,199,861)
At 31 December 2019	34,260,495	24,003,694	152,288	4,702,684	-	63,119,161
NET BOOK VALUE						
At 31 December 2019	5,084,302	11,547,189	22,934	321,129	388,950	17,364,504
At 31 December 2018	5,581,994	9,808,893	40,215	302,860	1,062,099	16,796,061

Impairment/reversal of impairment relates to plant, equipment and buildings at the Amlwch site which was closed during 2019.

15. TANGIBLE ASSETS (continued)

Company

	Land and buildings £	Plant and machinery £	Motor vehicles £	Office equipment, furniture and fittings £	Construction in progress £	Total £
COST						
At 1 January 2019	39,189,357	33,823,602	236,913	4,431,952	1,062,098	78,743,922
Transfer	-	983,893	-	-	(983,893)	-
Additions	-	854,302	-	17,828	310,743	1,182,873
Disposals	(64,872)	(4,199,636)	(40,367)	(5,699)	-	(4,310,574)
At 31 December 2019	39,124,485	31,462,161	196,546	4,444,081	388,948	75,616,221
ACCUMULATED DEPRECIATION						
At 1 January 2019	33,610,073	24,923,179	196,697	4,238,008	-	62,967,957
Charge for the year	711,785	1,509,060	17,281	34,418	-	2,272,544
Impairment	-	81,619	-	-	-	81,619
Reversal of Impairment	-	(558,460)	-	-	-	(558,460)
Disposals	(64,872)	(2,849,752)	(40,367)	(5,699)	-	(2,960,690)
At 31 December 2019	34,256,986	23,105,646	173,611	4,266,727	-	61,802,970
NET BOOK VALUE						
At 31 December 2019	4,867,499	8,356,515	22,935	177,354	388,948	13,813,251
At 31 December 2018	5,579,284	8,900,423	40,216	193,944	1,062,098	15,775,965

Impairment/reversal of impairment relates to plant, equipment and buildings at the Amlwch site which was closed during 2019.

16. INVESTMENTS

Company

	Investments in subsidiary companies £
COST	
At 1 January 2019	**3,503,408**
Additions	**3,600,000**
At 31 December 2019	**7,103,408**
IMPAIRMENT	
At 1 January 2019	**2,850,000**
Impairment charge	**3,600,000**
At 31 December 2019	**6,450,000**
NET BOOK VALUE	
At 31 December 2019	**653,408**
At 31 December 2018	653,408

The directors considered the carrying amount of the investments recorded by the Group and the Company are supported by the underlying assets. The impairment relates to investment in subsidiary PVCR Limited. Whilst the subsidiary remains significantly loss making, the recoverability of capital amounts invested require regular review; at the current time provision is made on a prudent basis projecting that investment balances may not be recoverable based on its value in use.

The subsidiaries of the Company are disclosed in note 33.

17. INVENTORIES

	Group 2019 £	Group 2018 £	**Company 2019** £	Company 2018 £
Raw materials and consumables	**3,524,582**	3,597,805	**3,045,621**	3,372,974
Finished goods and goods for resale	**10,766,800**	9,955,104	**10,766,801**	9,948,253
	14,291,382	13,552,909	**13,812,422**	13,321,227

Inventories are stated after provisions of £541,763 (2018: £340,526).

The difference between purchase price or production cost of Inventories and their replacement cost is not material.

18. DEBTORS

Debtors: amounts falling due within one year

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Trade debtors	**9,401,162**	8,843,989	**9,197,263**	8,613,767
Amounts owed by group undertakings	**1,423,409**	636,164	**1,762,282**	760,094
Corporation Tax	**21,204**	21,204	**21,204**	21,204
Other debtors	**10,796**	15,064	**10,796**	15,064
Prepayments and accrued income	**742,072**	1,175,774	**273,533**	1,054,025
	11,598,643	10,692,195	**11,265,078**	10,464,154

Trade debtors are stated after provisions for impairment of £291,979 (2018: £300,372).

The amounts owed by group undertakings are unsecured and have no scheduled repayment dates.

Debtors: amounts falling due after one year

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Loan receivable	**2,640,000**	4,000,000	**2,640,000**	4,000,000
Deferred tax asset	**2,663,380**	2,273,807	**2,663,380**	2,273,807
	5,303,380	6,273,807	**5,303,380**	6,273,807

The loan receivable amount is a loan due for repayment in 2023 with interest payable of 6% each year. Interest accrued in 2019 was paid as PIK notes rather an as cash thereby increasing the loan balance. The loan receivable is net of a provision for impairment of £1,600,000 (2018 : £Nil)

19. CASH AT BANK AND IN HAND

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Cash at bank and in hand	**147,077**	179,928	**-**	-

20. CREDITORS: Amounts falling due within one year

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Bank Overdraft	**1,416,834**	1,189,398	**1,416,834**	1,189,398
Trade creditors	**2,639,985**	5,786,783	**2,361,232**	5,380,445
Amounts owed to group undertakings	**11,695,921**	1,212,181	**11,684,470**	1,250,218
Other taxation and social security	**1,890,135**	1,236,344	**1,802,062**	1,204,215
Government grant	**5,820**	5,820	**5,820**	5,820
Accruals and deferred income	**2,859,809**	2,461,248	**2,576,820**	2,205,162
	20,508,504	11,891,774	**19,847,238**	11,235,258

Of the amounts owed to group undertakings are unsecured, have no scheduled repayment dates and are non-interest bearing. The bank overdraft is secured by a parental guarantee.

21. CREDITORS: Amounts falling due after more than one year

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Amounts owed to group undertakings	**10,000,000**	12,400,000	**10,000,000**	12,400,000
Government grants received	**32,982**	32,982	**32,982**	32,982
	10,032,982	12,432,982	**10,032,982**	12,432,982

The amounts owed to group undertakings are unsecured and interest bearing loan from REHAU Verwaltungszentrale AG is charged at a rate of BBA LIBOR 3-months GBP plus 200 basis points, for the period up to 31 December 2019. They are not scheduled for repayment prior to August 2021

22. FINANCIAL INSTRUMENTS

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Financial assets that are debt instruments measured at amortised cost	**13,475,367**	13,495,217	**13,610,341**	13,388,925
Financial liabilities measured at amortised cost	**(27,234,517)**	(21,860,212)	**(26,661,324)**	(21,241,645)

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial Liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

23. DEFERRED TAXATION

Group

	Deferred tax £
At 1 January 2019	**2,273,807**
Charged to the profit or loss	**(329,014)**
Credited to other comprehensive income	**718,587**
At 31 December 2019	**2,663,380**

Company

	Deferred tax £
At 1 January 2019	**2,273,807**
Charged to the profit or loss	**(329,014)**
Credited to other comprehensive income	**718,587**
At 31 December 2019	**2,663,380**

The deferred tax asset is made up of:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accelerated capital allowances	**(373,430)**	(630,747)	**(373,430)**	(630,747)
Other short term timing differences	**17,100**	603,431	**17,100**	603,431
Pension	**3,019,710**	2,301,123	**3,019,710**	2,301,123
	2,663,380	2,273,807	**2,663,380**	2,273,807

COMPRISING

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Asset	**2,663,380**	2,273,807	**2,663,380**	2,273,807
	2,663,380	2,273,807	**2,663,380**	2,273,807

24. OTHER PROVISIONS

Group

	Warranty provision	Third party claims provision	Restructure provision	Total
	£	£		£
At 1 January 2019	455,947	25,000	40,000	520,947
Charged to the profit or loss	9,219	200,000	3,519,766	3,728,985
Utilised in year	(65,044)	-	(2,344,270)	(2,409,314)
At 31 December 2019	400,122	225,000	1,215,496	1,840,618

Company

	Warranty provision	Third party claims provision	Restructure provision	Total
	£	£		£
At 1 January 2019	455,947	25,000	40,000	520,947
Charged to the profit or loss	9,219	-	3,519,766	3,528,985
Utilised in year	(65,044)	-	(2,344,270)	(2,409,314)
At 31 December 2019	400,122	25,000	1,215,496	1,640,618

The warranty provisions are recognised for expected standard claims on products which remain under warranty and are expected to be utilised within the next 10 years.

The restructure structure provision relates to the remaining costs associated with the closure and sale of the Amlwch Factory. It is expected cash flows associated with the remaining restructure provision will utilised within 1 year.

The 3rd party claims provision relates to contractual disputes which are expected to be resolved within the next 12 months.

25. PENSION COMMITMENTS

Defined contribution scheme

The Group also operates a stakeholder pension scheme which operates on a money purchase basis with the Group contributing two times the employee contribution up to a maximum of 10%. The pension charge for this scheme was £879,427 (2018: £872,645).

A further scheme with Aviva relating to the Irish Sales Office had a charge of £12,459 (2018: £10,824). The WAIVIS Limited defined contribution scheme had a charge of £13,206 (2018: £12,315). The PVCR Limited defined contribution scheme had a charge of £17,038 (2018: £13,234).

The cost stated above are direct pension costs. 'Other pension costs' stated in Note 8 also contains Life Assurance cost.

Defined benefit scheme

The Group operates the REHAU Limited Retirement Benefits Scheme which is a defined benefit scheme. The scheme is a funded defined benefit scheme and contributions are determined by the Scheme Actuary on the basis of triennial valuations. The scheme was closed to new entrants in 2003 and a money purchase scheme was put in place. As at the 31 December 2008 the scheme was closed to future accrual. This removed the link between future salary increases and the pension liability.

The most recent actuarial valuation was undertaken as at 1 January 2018. At this date the market value of the assets was £49,245,000. As the scheme is closed to future accrual there is no current service cost.

Composition of plan assets:

	2019	2018
	£	£
Equities	**12,669,277**	10,232,330
Gilts	**12,912,877**	11,696,457
Cash	**329,851**	48,627
Corporate bonds	**15,961,502**	13,789,317
Diversified Growth Funds	**10,221,493**	9,299,865
Insured Annuities	**2,275,000**	-
TOTAL PLAN ASSETS	**54,370,000**	45,066,596

	2019	2018
	£	£
Fair value of plan assets	**54,370,000**	45,067,000
Present value of plan liabilities	**(72,133,000)**	(58,603,000)
NET PENSION SCHEME LIABILITY	**(17,763,000)**	(13,536,000)

The amounts recognised in statement of comprehensive income are as follows:

	2019	2018
	£	£
Net interest on obligation	**(360,000)**	(409,000)
Actual return on scheme assets	**9,381,000**	(1,886,000)

25. PENSION COMMITMENTS (continued)

Reconciliation of fair value of plan liabilities were as follow:

	2019 £	2018 £
Opening defined benefit obligation	**(58,603,000)**	(63,811,000)
Interest cost	**(1,643,000)**	(1,580,000)
Actuarial (loss)/gain	**(13,815,000)**	5,619,000
Benefits paid	**1,928,000**	1,663,000
Past service costs	**-**	(494,000)
CLOSING DEFINED BENEFIT OBLIGATION	**(72,133,000)**	(58,603,000)

Past service costs relate to Guaranteed Minimum Pensions (GMPs) equalisation costs.

Reconciliation of fair value of plan assets were as follows:

	2019 £	2018 £
Opening fair value of scheme assets	**45,067,000**	46,766,000
Interest income on plan assets	**1,283,000**	1,171,000
Contributions by employer	**1,850,000**	1,850,000
Actuarial gain/(loss)	**8,098,000**	(3,057,000)
Benefits paid	**(1,928,000)**	(1,663,000)
	54,370,000	45,067,000

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2019 %	2018 %
Discount rate	**1.95%**	2.85%
Future pension increases	**5.0%** **3.1%**	5.0% 3.2%
Rate of increases for pensions in deferment	**2.15%**	2.3%
Inflation assumption (CPI)	**2.15%**	2.3%
Mortality rates		
- for a male aged 65 now	**20.9**	20.3
- at 65 for a male aged 45 now	**22.2**	21.6
- for a female aged 65 now	**23.1**	22.9
- at 65 for a female member aged 45 now	**24.6**	23.6

26. CALLED UP SHARE CAPITAL

Group and Company

	2019	2018
	£	£
Allotted, called up and fully paid		
26,900,000 (2018: 26,900,000) Ordinary shares of £1 (2018: £1) each	**26,900,000**	26,900,000

27. PROFIT AND LOSS ACCOUNT

The profit and loss account represents the accumulated profits, losses and distributions of the company.

28. PARENT COMPANY PROFIT/(LOSS) FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss for the financial year of the parent Company for the year was £8,216,297 (2018 – (£9,178,202)).

29. CAPITAL COMMITMENTS

At 31 December the Group and Company had capital commitments as follows:

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Contracted for but not provided in these financial statements	**1,062,204**	1,061,227	**917,059**	644,973

30. COMMITMENTS UNDER OPERATING LEASES

At 31 December, the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Not later than 1 year	**806,140**	828,472	**799,054**	821,522
Later than 1 year and not later than 5 years	**2,911,959**	2,902,605	**2,739,756**	2,882,193
Later than 5 years	**3,957,004**	3,644,676	**2,547,325**	3,211,845
TOTAL	**7,675,103**	7,375,753	**6,086,135**	6,915,560

31. RELATED PARTY TRANSACTIONS

The group entered into trading transactions with companies under common control as follows:

	2019	2018
	£	£
Sales	**5,053,062**	6,827,141
Purchases	**38,367,547**	39,867,310
Guarantee fees	**164,000**	171,067
Interest cost	**485,422**	293,102

The balances at year end arising from these transactions are disclosed in notes 18, 20 and 21 above.

The purchases include a licence fee and commission of £916,893 (2018: £972,476).

32. ULTIMATE PARENT UNDERTAKING AND CONTOLLING PARTY

The company is owned by REHAU Verwaltungszentrale AG, a company incorporated in Switzerland. The only group in which the results of the company are consolidated is that headed by REHAU Verwaltungszentrale AG. These financial statements are not available to the public.

33. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holdings	Principal activity
PVCR Limited	England	£1 ordinary	100 %	Recycler of post-consumer PVC waste
WAIVIS Limited	England	£1 ordinary	100 %	Fabrication and sale of tambour door products

PVCR Limited and WAIVIS Limited are both registered at Hill Court, Ross-on-Wye, Herefordshire, HR9 5QN.

34. SUBSEQUENT EVENTS

The Company experienced normal profitable trading through the first quarter of 2020. At the end of March, a significant number of Customers began to be affected by the COVID-19 crisis. The Company operates in several different product areas, which have all been affected to a greater or lesser extent.

The Company recognised early on that turnover, cash flow and profitability would all be affected in the short term. The Company has reacted by:

- Engaging in scenario planning to determine the range of outcomes in the short and medium term. This allows the Company to make the appropriate choices and take actions to protect the long-term interests of the Business, its Employees and Customers.

- The Company has and will continue to use support schemes provided by the Government. Additional controls have been put in place to actively manage cash flows within the business to ensure its' long-term success. These financial mitigations and actions give the management strong confidence that the Company has a secure and strong future and can be ready to maximise opportunities once economic activity begins to normalise after the COVID-19 crisis.

In respect of Customers there has only been one bad debt this however this is significant with a provision on £1.3million being raised in quarter 2 of 2020.

Additionally, the third party loan already partially impaired (note 6) was deemed irrecoverable and the financial asset was written down to nil value, incurring a loss of £2.6million.

Since the end of the national lockdown the Company has experienced a strong recovery returning significantly positive results in both June and July 2020.

Hill Court
Walford
Ross-on-Wye
Herefordshire
HR9 5QN