

**Engineering progress
Enhancing lives**

Registered number: 00722004

REHAU LIMITED

Annual Report & Financial Statements

For the year ended 31 December 2018



REHAU LIMITED

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REHAU LIMITED



COMPANY INFORMATION

DIRECTORS

M R Baker
M J Hitchin
S A Fonseca
H E K Wagner

COMPANY SECRETARY

C M S Esteves

REGISTERED NUMBER

00722004

REGISTERED OFFICE

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the Strategic Report of the RehaU Limited group (the "group") for the year ended 31 December 2018.

BUSINESS REVIEW

The net assets of the group at the year-end was £9,167,225 (2017: £13,828,643).

REHAU Limited

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

REHAU delivers market-leading products, consulting and service innovations, supported by market specific expertise from four business divisions, Building Solutions, Furniture Solutions, Automotive and Industry.

From heating and plumbing to cable trunking, district heating and water management solutions, REHAU Building Solutions Division continually strives to provide products that make an impact on a building's performance today and in the years to come. REHAU's innovative and sustainable products deliver quality and reliability designed to leave a legacy for generations, remaining relevant and efficient as they can be as technologies advance.

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 casement windows in bold ruby red 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. All Window profiles for the UK market are extruded at our state of the art plant in Blaenau, North Wales.

Additionally, REHAU's furniture division aims to make modern designs easy by offering innovative surface and edging technology. REHAU is a leading supplier of edgeband and offers customers UK manufacturing and vastly reduced lead times. In 2018 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, Manchester and 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 to 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 modest growth with turnover rising by 1% from prior 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. The business has to respond to these new trends and ways of purchasing that are constantly emerging and, the Group has to ensure that it can remain a relevant brand for the future. During 2018, the UK Senior Management team produced an initiative called 'Shaping our Future' and, this 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 have taken the difficult decision to propose the closure of the site. The intention, if this proposal is actioned, is to transfer production of Edgeband PVC and roller-shutters to the Group's other European facilities that have available

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

production capacity. The full proposals were presented to all company employees in January 2019, with only the asset impairment effects being recognised within the 2018 results (£3.3 Million recognised in 2018).

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. Currently, customers in England and Wales are served from two sales offices, located in Slough and Manchester. 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 will allow 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 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 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 the process at the PVCR site will undergo significant investment in 2019, with the intention of creating a self-sustaining business in the medium term. The short-term profitability deficit meant the Directors had to agree to the impairment of the PVCR assets during the year. Whilst this creates a loss within the 2018 financial statements, the Directors are confident and committed that the PVCR business is essential for meeting the Groups longer-term objectives.

Waivis 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 had revenues grow by 18% in 2018, so whilst 2017 was a disappointing year the benefits of the site move are now starting to be realised. The continued business focus of further developing existing business relationships, new customer acquisition and expanding its' fabrication capabilities is moving the company in a positive direction.

PRINCIPAL RISKS AND UNCERTAINTIES*REHAU 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
- Reduced Government spending on infrastructure projects
- UK currency fluctuations
- Increased pension commitments
- Demand for exported products less certain arising from poor growth in Europe and beyond
- Uncertainty both in Customer and in Supplier market place following BREXIT decision.

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

The company grew revenues in 2018 by 15% and there is a ready internal/external market for their product. Of greatest necessity is to ensure a reliable and robust production process. This requires ongoing suitable investment to create long-term production stability. The current production site whilst functional was not designed with the specific needs of this business in mind. Within 2019, a decision to either significantly enhance the existing site or relocate the business to a more optimal site will be made.

A critical consideration for any recycling business must be the availability of suitable feed-in material. Dedicated purchasing resource to support the increasing input material demand has been appointed and a new procurement strategy developed.

WAIVIS Limited

This company also uses the risk management process but it is less dependent on imports. Its major risks can be identified as:

- Inability of main customer base to grow in the current economy

This company trades with a mixture of larger and smaller customers. This more diversified customer base helps protect the company in the current uncertain economic climate. As appropriate the Company will seek to further exploit its core competencies to further diversify its risks and maximise opportunity for growth.

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 being 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

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 forefront in 2019 will be either significant enhancements to the existing site or a move to a new more suitable site, making the business fit for its future expansion.

WAIVIS Limited

The main emphasis for this company in 2019 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.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 to 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	2018	2017
Gross Margin	23.8%	25.2%
Operating (Loss)/Profit	(£5,727,607)	£440,269
Cash Flow	(1,383,374)	(£3,743,415)

Company	2018	2017
Product Availability	97.8%	98.3%
Quantity Observance	95.7%	96.0%
Time Observance	92.8%	93.1%

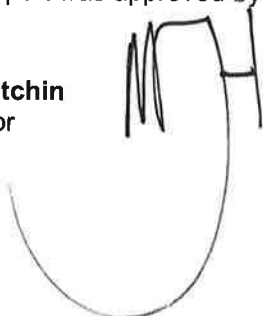
These three metrics illustrate the value that REHAU Limited places on delivering a first class service to its Customers. The 'Time Observance' metric is being below the others results from the continuing trend for our Customers to order more special products that involve nonstandard manufacture involving 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 **15/04/2019** and signed on its behalf by:

M J Hitchin
Director



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

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 world wide 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.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to (£6,787,878) (2017 loss - £166,408).

The directors do not recommend the payment of a dividend (2017 - £Nil).

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 are forecast and reviewed based on which forward purchase contracts may be placed. This is done using several preferred financial institutes but only when the foreign exchange rates are considered favourable by management.

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 Ltd are assessed as representing very minimal risk.

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

BREXIT

In June 2016, the UK voted to leave the European Union. The lack of clarity as to the final outcomes provides challenges for many businesses. 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 to be maintained. The Company has a stock build program, creating a buffer of finished goods and raw materials. The former allows continued supply without disruption, with the later giving the Company to flex product mix to meet the market demand. 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.

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
S A Fonseca – Appointed 16/08/2018

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.

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

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 Group holds quarterly employee briefings where the Group strategy and performance are presented, in addition, there is also an opportunity for employees to ask questions of the Senior Management team. The Group conducts two Pulse Surveys a year to gauge employee engagement.

CORPORATE RESPONSIBILITY & 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 established 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 aligned 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 seventeen applications for grants from community groups and awarded £2,669 during 2018.

The Group also conducted a democratic process in which colleagues voted overwhelmingly for the disabled charity SCOPE to be its chosen corporate charity partner for a two-year period 2018-2019 and for education to be the chosen theme of all community activity. Employees raised £9,592 for SCOPE during 2018 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 2018.

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 creditors are 37 days (2017: 31 days). The decrease in creditor days largely arises from the timing of payments to group companies.

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018****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.

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:

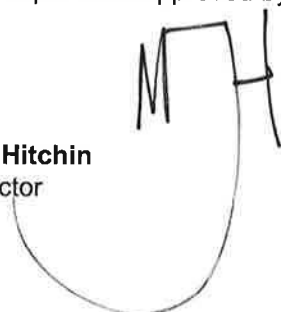
- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the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

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15/04/2019 and signed on its behalf by:

M J Hitchin
Director



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 2018 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 and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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.

REHAU LIMITED

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

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 2018 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 10, 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 LIMITED

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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
15 April 2019

REHAU LIMITED



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Revenue	4	85,620,044	85,093,823
Cost of sales		<u>(65,243,682)</u>	<u>(63,620,713)</u>
Gross profit		20,376,362	21,473,110
Distribution costs		(5,957,129)	(6,349,452)
Administrative expenses		(18,074,535)	(16,612,671)
Administrative expenses – exceptional	5	(3,845,164)	-
Other operating income		<u>1,772,859</u>	<u>1,929,282</u>
Operating (loss)/profit	5	(5,727,607)	440,269
Interest receivable and similar income	9	244,645	240,230
Interest payable and similar expenses	10	(539,972)	(371,487)
Other finance costs	11	<u>(409,000)</u>	<u>(502,000)</u>
Loss before taxation		(6,431,934)	(192,988)
Tax on loss	12	<u>(355,944)</u>	<u>26,580</u>
Loss for the financial year		<u>(6,787,878)</u>	<u>(166,408)</u>
Other comprehensive income/(expense)			
Actuarial (loss)/gain on defined benefit pension scheme		2,562,000	1,502,000
Movement of deferred tax relating to pension liability		(435,540)	(484,500)
Current tax relief on pension contributions		-	<u>370,000</u>
Total other comprehensive income for the year		<u>2,126,460</u>	<u>1,387,500</u>
Total comprehensive (expense)/income for the year		<u>(4,661,418)</u>	<u>1,221,092</u>
Loss for the financial year attributable to the owners of the parent company:			
Owners of the parent Company		<u>(6,787,878)</u>	<u>(166,408)</u>
Loss for the financial year		<u>(6,787,878)</u>	<u>(166,408)</u>
Total comprehensive (expense)/income for the year attributable to the owners of the parent company:			
Owners of the parent Company		<u>(4,661,418)</u>	<u>1,221,092</u>
Total comprehensive (expense)/income for the year		<u>(4,661,418)</u>	<u>1,221,092</u>

The notes on pages 20 to 44 form part of these financial statements.

REHAU LIMITED



CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	54,028	6,849
Tangible assets	14	<u>16,796,061</u>	<u>19,527,960</u>
		16,850,089	19,534,809
Current assets			
Inventories	16	13,552,909	12,620,376
Debtors: amounts falling due within one year	17	10,692,195	11,167,218
Debtors: amounts falling due after one year	17	6,273,807	6,897,650
Cash at bank and in hand	18	<u>179,928</u>	<u>373,904</u>
		30,698,839	31,059,148
Creditors: amounts falling due within one year	19	<u>(11,891,774)</u>	<u>(9,005,021)</u>
Net current assets		<u>18,807,065</u>	<u>22,054,127</u>
Total assets less current liabilities		35,657,154	41,588,936
Creditors: amounts falling due after more than one year	20	<u>(12,432,982)</u>	<u>(10,040,683)</u>
Provisions for liabilities			
Deferred tax	22	-	(2,870)
Other provisions	23	<u>(520,947)</u>	<u>(671,740)</u>
		(520,947)	(674,610)
Net assets excluding pension liability		22,703,225	30,873,643
Pension liability	28	<u>(13,536,000)</u>	<u>(17,045,000)</u>
Net assets		<u>9,167,225</u>	<u>13,828,643</u>
Capital and reserves			
Called up share capital	24	26,900,000	26,900,000
Profit and loss account	25	<u>(17,732,775)</u>	<u>(13,071,357)</u>
Total shareholders' funds		<u>9,167,225</u>	<u>13,828,643</u>

The financial statements on pages 14 to 44 were approved by the Board of Directors on 15th April 2019 and signed on its behalf by:

M J Hitchin
Director

The notes on pages 20 to 44 form part of these financial statements.

REHAU LIMITED



COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	54,028	6,849
Tangible assets	14	15,775,965	18,292,015
Investments	15	<u>653,408</u>	<u>2,503,408</u>
		16,483,401	20,802,272
Current assets			
Inventories	16	13,321,227	12,364,210
Debtors: amounts falling due within one year	17	10,464,154	11,907,949
Debtors: amounts falling due after one year	17	6,273,807	6,897,650
Cash at bank and in hand	18	-	211,585
		<u>30,059,188</u>	<u>31,381,394</u>
Creditors: amounts falling due within one year	19	<u>(11,235,258)</u>	<u>(8,557,099)</u>
Net current assets		18,823,930	22,824,295
Total assets less current liabilities		35,307,331	43,626,567
Creditors: amounts falling due after more than one year	20	(12,432,982)	(10,040,683)
Provisions for liabilities			
Other provisions	23	<u>(520,947)</u>	<u>(671,740)</u>
		<u>(520,947)</u>	<u>(671,740)</u>
Net assets excluding pension liability		22,353,402	32,914,144
Pension liability		<u>(13,536,000)</u>	<u>(17,045,000)</u>
Net assets		8,817,402	15,869,144
Capital and reserves			
Called up share capital	24	26,900,000	26,900,000
Profit and loss account	25	<u>(18,082,598)</u>	<u>(11,030,856)</u>
Total shareholders' funds		8,817,402	15,869,144
Company's profit for the financial year		9,529,702	208,520

The financial statements on pages 14 to 44 were approved and authorised for issue by the board and were signed on its behalf on by:

M J Hitchin
Director

15/04/2019

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	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

	Called up Share capital	Profit and loss account	Total shareholders' funds
At 1 January 2017	26,900,000	(14,292,449)	12,607,551
Comprehensive (expense)income for the year			
Loss for the financial year	-	(166,408)	(166,408)
Actuarial gain on pension scheme	-	1,502,000	1,502,000
Movement of deferred tax relating to pension liability	-	(484,500)	(484,500)
Current tax relief on pension contributions	-	370,000	370,000
Total other comprehensive income for the year	-	1,387,500	1,387,500
Total comprehensive income for the year	-	1,221,092	1,221,092
At 31 December 2017	26,900,000	(13,071,357)	13,828,643

The notes on pages 20 to 44 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	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

	Called up Share capital	Profit and loss account	Total shareholders' funds
At 1 January 2017	26,900,000	(12,626,876)	14,273,124
Comprehensive income/(expense) for the year			
Profit for the financial year	-	208,520	208,520
Actuarial gain on pension scheme	-	1,502,000	1,502,000
Movement of deferred tax relating to pension liability	-	(484,500)	(484,500)
Current tax relief on pension contributions	-	370,000	370,000
Total other comprehensive income for the year	-	1,387,500	1,387,500
Total comprehensive income for the year	-	1,596,020	1,596,020
At 31 December 2017	26,900,000	(11,030,856)	15,869,144

The notes on pages 20 to 44 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(6,787,878)	(166,408)
Adjustments for:		
Amortisation of intangible assets	7,733	10,462
Depreciation of tangible assets	2,676,249	2,598,861
Impairment of intangible assets	25,235	-
Impairment of tangible assets	3,817,988	26,252
Gain on disposal of tangible assets	(29,516)	(46,336)
Amortisation of government grants	(9,060)	(9,062)
Increase in Inventories	(932,533)	(1,300,415)
Interest charge	948,972	873,487
Interest received	(244,645)	(240,230)
Taxation charge/(credit)	355,944	(26,580)
Decrease/(increase) in debtors	178,998	(921,000)
Increase/(decrease) in creditors	1,698,714	(1,891,500)
(Decrease)/increase in provisions	(150,793)	3,431
Difference between defined benefits pension charge and cash contributions	(1,356,000)	(1,852,966)
Corporation tax refund	125,514	126,047
Net cash generated from/(used in) operating activities	324,922	(2,815,957)
Purchase of tangible fixed assets	(3,880,480)	(2,266,839)
Purchase of intangible fixed assets	(80,147)	(3,267)
Sale of tangible fixed assets	147,658	173,905
Interest received	244,645	240,230
Net cash used in investing activities	(3,568,324)	(1,855,971)
Cash flows from financing activities		
Receipt of inter-company loan	2,400,000	1,300,000
Interest paid	(539,972)	(371,487)
Net cash generated financing activities	1,860,028	928,513
Net decrease in cash and cash equivalents	(1,383,374)	(3,743,415)
Cash and cash equivalents at beginning of year	373,904	4,117,319
Cash and cash equivalents at the end of year	(1,009,470)	373,904
Cash and cash equivalents at the end of year comprise		
Cash at bank and in hand	179,928	373,904
Bank Overdraft	(1,189,398)	-
	(1,009,470)	373,904

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Notwithstanding the fact that the Company is loss making, the directors have prepared the financial statements on the going concern basis. The directors believe that it is probable that funding will continue to be provided by the company's parent undertaking if it is required and hence the company can meet its obligations as they fall with for a period of at least 12 months from the date of directors' 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:

2.2 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (continued)

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.

2.4 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%
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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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (continued)

2.5 Tangible assets (continued)

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.

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018****2. 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018****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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018****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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018****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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018****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.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 12, and the amount of deferred tax asset recognised and other relevant disclosures are included in note 22.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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:

	2018	2017
	£	£
United Kingdom	76,080,365	74,598,255
Rest of Europe	4,996,967	5,555,273
Rest of the world	4,542,712	4,940,295
	85,620,044	85,093,823

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. OPERATING (LOSS)/PROFIT

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

	2018	2017
	£	£
Amortisation of government grants	(9,060)	(9,062)
Depreciation of tangible fixed assets	2,676,249	2,598,861
Amortisation of intangible assets	7,733	10,462
Inventory recognised as an expense	48,815,257	48,073,371
Exchange differences	50,760	227,503
Operating lease rentals	1,273,931	1,211,510
Gain on disposal of fixed assets	(29,516)	(46,336)
Impairment charge – intangible assets	25,235	-
Impairment charge – tangible assets	3,817,988	-

Administrative expenses include recharges from associated companies within the REHAU worldwide group for administration, computing services and brand licensing of £3,728,504 (2017: £2,711,722).

Other operating income £1,719,628 (2017 £1,907,888) relates primarily to service charges to fellow group companies abroad and domestic.

6. AUDITORS' REMUNERATION

	2018	2017
	£	£
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	48,319	52,502
FEES PAYABLE TO THE GROUP'S AUDITORS IN RESPECT OF:		
Other services relating to taxation	-	6,000
FEES PAYABLE TO OTHER STATUTORY AUDITORS	7,000	10,648
FEES PAYABLES TO OTHER STATUTORY AUDITORS IN RELATION TO TAXATION	9,306	3,102

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. EMPLOYEES

Staff costs were as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Wages and salaries	16,510,883	16,086,982	15,700,169	15,369,427
Social security costs	1,744,305	1,514,386	1,668,914	1,443,164
Other pension costs	896,072	834,735	883,469	822,128
	19,151,260	18,436,103	18,252,552	17,634,719

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

	Group 2018	Group 2017	Company 2018	Company 2017
	No.	No.	No.	No.
Production	273	255	253	237
Administration and selling	250	267	241	258
	523	522	494	495

8. DIRECTORS' REMUNERATION

	2018	2017
	£	£
Directors' emoluments	363,388	482,114
Company contributions to defined contribution pension schemes	14,381	43,496
	377,769	525,610

During the year, retirement benefits were accruing to 3 directors (2017: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £179,840 (2017: £210,994).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £0 (2017: £27,194).

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 £744,384 (2017: £1,084,706).

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£	£
Other interest receivable	244,645	240,230

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2016
	£	£
Bank interest payable	368,905	222,255
Other interest payable	171,067	149,232
	<u>539,972</u>	<u>371,487</u>

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

11. OTHER FINANCE COSTS

	2018	2017
	£	£
Net interest on net defined benefit liability	<u>409,000</u>	<u>502,000</u>

12. TAX ON LOSS

TAX EXPENSE/(INCOME) INCLUDED IN LOSS

	2018	2017
	£	£

CORPORATION TAX

Current tax on losses for the year	-	327,973
Adjustments in respect of prior years	(167,922)	(58,942)
Foreign CT on losses for year	21,204	25,393
TOTAL CURRENT TAX	<u>(146,718)</u>	<u>294,424</u>

DEFERRED TAX

Origination and reversal of timing differences	18,462	(321,004)
Adjustments in respect of prior years	484,200	-
TOTAL DEFERRED TAX	<u>502,662</u>	<u>(321,004)</u>

TAXATION ON LOSS

	<u>355,944</u>	<u>(26,580)</u>
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TAX (EXPENSE)/INCOME INCLUDED IN OTHER COMPREHENSIVE INCOME

	2018	2017
	£	£
Deferred tax on OCI	(435,540)	(484,500)
Tax relief on pension contribution	-	370,000
TOTAL TAX EXPENSE INCLUDED IN OCI	<u>(435,540)</u>	<u>(114,500)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

12. TAX ON LOSS (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017 -lower than) the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%). The differences are explained below:

	2018	2017
	£	£
Loss before taxation	<u>(6,431,934)</u>	<u>(192,988)</u>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	(1,222,068)	(37,150)
EFFECTS OF:		
Expenses not deductible for tax purposes	497,296	214,704
Adjustments in respect of prior years	337,483	(58,942)
Non trade items	(53,793)	(44,313)
Other timing differences	202,636	(99,683)
Tax losses not recognised	602,461	-
Rate change	(8,071)	(1,196)
TOTAL TAX CHARGE FOR THE YEAR	<u>355,944</u>	<u>(26,580)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. INTANGIBLE ASSETS

Group

	Software £
COST	
At 1 January 2018	440,298
Additions	80,147
Disposals	<u>(25,462)</u>
At 31 December 2018	<u>494,983</u>
ACCUMULATED AMORTISATION	
At 1 January 2018	433,449
Charge for the year	7,733
Impairment	25,235
Disposals for the year	<u>(25,462)</u>
At 31 December 2018	<u>440,955</u>
NET BOOK VALUE	
At 31 December 2018	<u>54,028</u>
At 31 December 2017	<u>6,849</u>

Company

	Software £
COST	
At 1 January 2018	440,298
Additions	80,147
Disposals	<u>(25,462)</u>
At 31 December 2018	<u>494,983</u>
ACCUMULATED AMORTISATION	
At 1 January 2018	433,449
Charge for the year	7,733
Impairment	25,235
Disposals for the year	<u>(25,462)</u>
At 31 December 2018	<u>440,955</u>
NET BOOK VALUE	
At 31 December 2018	<u>54,028</u>
At 31 December 2017	<u>6,849</u>

Impairment relates to software used at Amlwch which is proposed for closure in 2019.

REHAU LIMITED
**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**
14. TANGIBLE ASSETS

Group	Land and buildings £	Plant and machinery £	Motor vehicles £	Office equipment, furniture and fittings £	Construction in progress £	Total £
COST						
At 1 January 2018	39,135,406	35,735,428	215,589	5,231,845	1,058,835	81,377,103
Transfer	8,150	1,014,682	-	11,372	(1,034,204)	-
Additions	115,031	2,716,304	-	11,677	1,037,468	3,880,480
Disposals	(45,717)	(3,832,057)	-	(256,359)	-	(4,134,133)
At 31 December 2018	39,212,870	35,634,357	215,589	4,998,535	1,062,099	81,123,450
ACCUMULATED DEPRECIATION						
At 1 January 2018	31,089,682	25,795,572	141,334	4,822,555	-	61,849,143
Transfer	-	-	-	-	-	-
Charge for the year	819,516	1,732,961	26,021	97,751	-	2,676,249
Impairment	1,764,260	2,013,981	8,019	31,728	-	3,817,988
Disposals	(42,582)	(3,717,050)	-	(256,359)	-	(4,015,991)
At 31 December 2018	33,630,876	25,825,464	175,374	4,695,675	-	64,327,389
NET BOOK VALUE						
At 31 December 2018	5,581,994	9,808,893	40,215	302,860	1,062,099	16,796,061
At 31 December 2017	8,045,724	9,939,856	74,255	409,290	1,058,835	19,527,960

REHAU LIMITED
**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**
14. 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 2018	39,117,923	34,395,998	236,913	4,662,312	1,058,834	79,471,980
Transfer	8,150	1,014,682	-	11,372	(1,034,204)	-
Additions	109,001	2,106,299	-	11,677	1,037,468	3,264,445
Disposals	(45,717)	(3,693,377)	-	(253,409)	-	(3,992,503)
At 31 December 2018	39,189,357	33,823,602	236,913	4,431,952	1,062,098	78,743,922
ACCUMULATED DEPRECIATION						
At 1 January 2018	31,079,592	25,541,312	162,658	4,396,403	-	61,179,965
Charge for the year	811,939	1,575,677	26,020	71,269	-	2,484,905
Impairment	1,764,260	1,479,801	8,019	23,744	-	3,275,824
Disposals	(45,718)	(3,673,611)	-	(253,409)	-	(3,972,738)
At 31 December 2018	33,610,073	24,923,179	196,697	4,238,008	-	62,967,957
NET BOOK VALUE						
At 31 December 2018	5,579,284	8,900,423	40,215	193,945	1,062,098	15,775,965
At 31 December 2017	8,038,331	8,854,686	74,255	265,909	1,058,834	18,292,015

Impairment relates to plant, equipment and buildings of Amw/wh site, which is proposed for closure in 2019.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. INVESTMENTS

Company

	Investments in subsidiary companies £
COST	
At 1 January 2018 and At 31 December 2018	<u>2,503,408</u>
IMPAIRMENT	
At 1 January 2018	-
Impairment charge	<u>1,850,000</u>
At 31 December 2018	<u>1,850,000</u>
NET BOOK VALUE	
At 31 December 2018	<u>653,408</u>
At 31 December 2017	<u>2,503,408</u>

The directors considered the carrying amount of the investments recorded by the Group and the Company are supported by the underlying assets. The impairment in investments relates to the write down of investment in subsidiary PVCRC.

The subsidiaries of the Company are disclosed in note 32.

16. INVENTORIES

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Raw materials and consumables	3,597,805	2,930,033	3,372,974	2,673,867
Finished goods and goods for resale	9,955,104	9,690,343	9,948,253	9,690,343
	<u>13,552,909</u>	12,620,376	<u>13,321,227</u>	12,364,210

Inventories are stated after provisions of £340,526 (2017: £523,087).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

17. DEBTORS

Debtors: amounts falling due within one year

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Trade debtors	8,843,989	8,893,445	8,613,767	8,739,232
Amounts owed by group undertakings	636,164	877,061	760,094	1,918,546
Corporation Tax	21,204	-	21,204	-
Other debtors	15,064	170,334	15,064	170,334
Deferred taxation	-	317,229	-	317,229
Prepayments and accrued income	1,175,774	909,149	1,054,025	762,608
	10,692,195	11,167,218	10,464,154	11,907,949

Trade debtors are stated after provisions for impairment of £300,372 (2017: £177,470).

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

Debtors: amounts falling due after one year

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Loan receivable	4,000,000	4,000,000	4,000,000	4,000,000
Deferred tax asset	2,273,807	2,897,650	2,273,807	2,897,650
	6,273,807	6,897,650	6,273,807	6,897,650

The loan receivable amount is a loan due for repayment in 2023 with interest payable of 6% each year.

18. CASH AT BANK AND IN HAND

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Cash at bank and in hand	179,928	373,904	-	211,585

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

19. CREDITORS: Amounts falling due within one year

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Trade creditors	5,786,783	2,754,258	5,380,445	2,624,212
Amounts owed to group undertakings	1,212,181	2,714,809	1,250,218	2,709,392
Bank overdraft	1,189,398	-	1,189,398	-
Other taxation and social security	1,236,344	1,154,860	1,204,215	1,128,079
Government grant	5,820	7,179	5,821	7,179
Accruals and deferred income	2,461,248	2,381,094	2,210,982	2,095,416
	11,891,774	9,005,021	11,235,258	8,557,099

Amounts owed to group undertakings are unsecured, have no scheduled repayment dates and are non-interest bearing.

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

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Amounts owed to group undertakings	12,400,000	10,000,000	12,400,000	10,000,000
Government grants received	32,982	40,683	32,982	40,683
	12,432,982	10,040,683	12,432,982	10,040,683

The amounts owed to group undertakings are unsecured and interest bearing loan from REHAU Verwaltungszentrale AG which is not demanded for repayment by the creditor before August 2020. Interest is charged at a rate of BBA LIBOR 3-months GBP plus 200 basis points, for the period up to 31 December 2019.

21. FINANCIAL INSTRUMENTS

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Financial assets that are debt instruments measured at amortised cost	13,495,217	13,940,840	13,388,925	14,828,112
Financial liabilities measured at amortised cost	(21,860,212)	(17,850,161)	(21,241,645)	(17,429,020)

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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. DEFERRED TAXATION

Group

	Deferred tax £
At 1 January 2018	3,212,009
Charged to the profit or loss	(502,662)
Credited to other comprehensive income	(435,540)
At 31 December 2018	<u>2,273,807</u>

Company

	Deferred tax £
At 1 January 2018	3,214,879
Charged to the profit or loss	(505,532)
Credited to other comprehensive income	(435,540)
At 31 December 2018	<u>2,273,807</u>

The deferred tax asset is made up of:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Accelerated capital allowances	(630,747)	297,203	(630,747)	300,073
Other short term timing differences	603,431	17,156	603,431	17,156
Pension	2,301,123	2,897,650	2,301,123	2,897,650
	<u>2,273,807</u>	3,212,009	<u>2,273,807</u>	3,214,879

COMPRISING

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Asset	2,273,807	3,214,879	2,273,807	3,214,879
Liability	-	(2,870)	-	-
	<u>2,273,807</u>	3,212,009	<u>2,273,807</u>	3,214,879

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. OTHER PROVISIONS

Group and Company

	Warranty provision £	Third party claims provision £	Restructure provision	Total £
At 1 January 2018	644,459	27,281	-	671,740
Charged to the profit or loss	(114,895)		40,000	(74,895)
Utilised in year	(73,618)	(2,281)	-	(75,899)
At 31 December 2018	455,946	25,000	40,000	520,947

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 3rd party claim provision is associated with a specific quality issue from previous years. This is expected to be released in the income statement in the following year

24. CALLED UP SHARE CAPITAL

Group and Company

	2018 £	2017 £
Allotted, called up and fully paid		
26,900,000 (2017: 26,900,000) Ordinary shares of £1 (2017: £1) each	26,900,000	26,900,000

25. PROFIT AND LOSS ACCOUNT

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

26. PARENT COMPANY PROFIT 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 profit for the financial year of the parent Company for the year was (£9,178,202) (2017 - £208,520).

27. CAPITAL COMMITMENTS

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Contracted for but not provided in these financial statements	1,061,227	2,857,773	644,973	2,490,108

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. 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 £872,645 (2017: £811,393).

A further scheme with Aviva relating to the Irish Sales Office had a charge of £10,824 (2017: £10,735). The WAIVIS defined contribution scheme had a charge of £12,315 (2017: £12,123). The PVCR defined contribution scheme had a charge of £13,234 (2017: £2,868).

Cost stated above are direct pension costs. 'Other pension costs' stated in Note 7 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 2015. At this date the market value of the assets was £35,581,000. As the scheme is closed to future accrual there is no current service cost.

Composition of plan assets:

	2018 £	2017 £
Equities	10,232,330	11,445,654
Gilts	11,696,457	11,735,770
Cash	48,627	919,244
Corporate bonds	13,789,317	13,325,091
Diversified Growth Funds	9,299,865	9,340,097
TOTAL PLAN ASSETS	45,066,596	46,765,856
	2018 £	2017 £
Fair value of plan assets	45,067,000	46,766,000
Present value of plan liabilities	(58,603,000)	(63,811,000)
NET PENSION SCHEME LIABILITY	(13,536,000)	(17,045,000)

The amounts recognised as expense in the year are as follows:

	2018 £	2017 £
Net interest on obligation	(409,000)	(502,000)
Actual return on scheme assets	(1,886,000)	3,087,000
Past service costs	(494,000)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

28. PENSION COMMITMENTS (continued)

Reconciliation of fair value of plan liabilities were as follow:

	2018 £	2017 £
Opening defined benefit obligation	(63,811,000)	(63,772,000)
Interest cost	(1,580,000)	(1,662,000)
Actuarial gain/loss	5,619,000	(425,000)
Benefits paid	1,663,000	2,097,000
Administrative costs	-	(49,000)
Past service costs	(494,000)	-
CLOSING DEFINED BENEFIT OBLIGATION	(58,603,000)	(63,811,000)

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

Reconciliation of fair value of plan assets were as follows:

	2018 £	2017 £
Opening fair value of scheme assets	46,766,000	43,877,000
Interest income on plan assets	1,171,000	1,160,000
Contributions by employer	1,850,000	1,899,000
Actuarial gain/loss	(3,057,000)	1,927,000
Benefits paid	(1,663,000)	(2,097,000)
	45,067,000	46,766,000

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

	2018 %	2017 %
Discount rate	2.85%	2.5%
Future salary increases	3.2%	3.2%
Future pension increases	5.0%	5.0%
	3.2%	3.2%
Rate of decrease for pensions in deferment	2.3%	2.3%
Inflation assumption	2.3%	2.3%
Mortality rates		
- for a male aged 65 now	20.3	20.2
- at 65 for a male aged 45 now	21.6	21.2
- for a female aged 65 now	22.9	21.9
- at 65 for a female member aged h now	23.6	23.1

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

29. 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 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Not later than 1 year	828,472	799,419	821,522	799,419
Later than 1 year and not later than 5 years	2,902,605	3,403,961	2,882,193	2,752,312
Later than 5 years	3,644,676	3,872,373	3,211,845	3,872,373
TOTAL	7,375,753	8,075,753	6,915,560	7,424,104

30. RELATED PARTY TRANSACTIONS

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

	2018	2017
	£	£
Sales	6,827,141	8,079,127
Purchases	39,867,310	38,833,594
Guarantee fees	171,067	149,232
Interest cost	293,102	199,958

The balances at year end arising from these transactions are disclosed in notes 17, 19 and 20 above.

The purchases include a licence fee and commission of £972,476 (2017: £697,520).

31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING 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.

32. 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 100 % Fabrication and sale of tambour door products
WAIVIS Limited	England	£1 ordinary	
PVCR Limited and WAIVIS Limited are both registered at Hill Court, Ross-on-Wye, Herefordshire, HR9 5QN.			

33. POST BALANCE SHEET EVENT

In January 2019 the Company informed its employees of the intention to restructure the business. The restructure proposal involves the closure of the production plant in Amlwch, the Slough Sales Office and a small reduction Sales and Support staff.

The proposed Amlwch plant closure will generate significant fixed cost savings for the wider REHAU Group within EMEA Region. The Amlwch plant focused on Furniture products for both domestic consumption and export, the domestic demand will now be supplied from sister REHAU plants overseas. The management team are confident that service and supply to customers will not be affected. The other elements of the restructure will deliver a lean more cost efficient structure for the business. The Windows Factory based in Blaenau Ffestiniog which is very much focused on supply to UK customers, will continue to operate and there are no plans for any reduction in resourcing levels.

Included within the 2018 Financial statements are impairments of assets that will likely not be used elsewhere within the Group, the Amlwch site which is owned by the company is similarly impaired to expected realisable value. The total value of impairments included within the 2018 results in respect of the proposed closure is £3.3 million. A further £3.4 million is expected to be included within the 2019 results in respect of closure of the Amlwch factory and the other restructuring activities.