

Registered number: 02609772

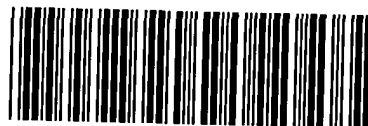
---

**MASCO UK WINDOW GROUP LIMITED**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

SATURDAY



A09 \*A7A5ZUFF\* #58  
14/07/2018  
COMPANIES HOUSE

---

**MASCO UK WINDOW GROUP LIMITED**

---

**COMPANY INFORMATION**

---

<b>DIRECTORS</b>	W Devine (resigned 28 March 2018) K Gorton (resigned 28 March 2018) D Padler (appointed 28 March 2018) K Ellis (appointed 28 March 2018)
<b>COMPANY SECRETARY</b>	Pinsent Masons Secretarial Limited
<b>REGISTERED NUMBER</b>	02609772
<b>REGISTERED OFFICE</b>	1 Park Row Leeds West Yorkshire LS1 5AB
<b>TRADING ADDRESS</b>	Premier House Western Industrial Estate Caerphilly Mid Glamorgan CF83 1BQ
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court, Pegasus Business Park Herald Way East Midlands DE74 2UZ
<b>BANKERS</b>	HSBC Bank Plc 60 Queen Victoria Street London EC4N 4HR
<b>SOLICITORS</b>	Pinsent Masons LLP 3 Colmore Circus Birmingham B4 6BH

---

**MASCO UK WINDOW GROUP LIMITED**

---

**CONTENTS**

---

	Page
<b>Strategic Report</b>	<b>1 - 2</b>
<b>Directors' Report</b>	<b>3 - 6</b>
<b>Independent Auditors' Report</b>	<b>7 - 9</b>
<b>Income Statement</b>	<b>10</b>
<b>Statement of Comprehensive Income</b>	<b>11</b>
<b>Statement of Financial Position</b>	<b>12</b>
<b>Statement of Changes in Equity</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14 - 39</b>

---

## **MASCO UK WINDOW GROUP LIMITED**

---

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

---

The directors present their Strategic report on the company for the year ended 31 December 2017.

#### **INTRODUCTION**

The principal activities of the company during the year were the extrusion of uPVC profile and the manufacture of double glazed windows, doors and related products.

#### **BUSINESS REVIEW**

The results of the company reflect the continuing competitive market within the building products sector. In the last 12 months, despite a continued decline in economic activity, the directors believe that the company has maintained its market share.

The directors consider that the profit achieved reflects a satisfactory performance for the financial year.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

In addition to the company's exposure to general macroeconomic developments and specific market fluctuations, described in the business review section above, the company is also exposed to a variety of financial risks, including the effects of changes in credit, currency and interest rates. As a result, the company has in place a risk management program that monitors these financial risks, in order to limit their adverse effects on the financial performance of the company.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board of directors. The policies set by the board are implemented by the company's finance department.

---

## MASCO UK WINDOW GROUP LIMITED

---

### FINANCIAL KEY PERFORMANCE INDICATORS

The company sales were flat compared to 2016 and showed a 2% reduction compared to the growth base line rate seen in the prior year. Market conditions as mentioned previously continued to be difficult and the directors believe that the market for the core PVC product continues to decline.

Gross profit for the year declined by 18% and £6.1m despite the flat sales. With this being primarily driven by increases in commodity cost in our extrusion business where we saw a 6% increase in material costs. Due to the competitive market condition not all of this increase was recoverable in higher selling prices. In addition to the commodity prices effecting extrusion we also saw an increase of 11% in material cost at our Door manufacturing unit which was driven by both increased input cost and a number of exceptional items due to business relocation and discontinuation of certain product lines.

The company moved from an operating profit to an operating loss for the year a decline of 149% a decrease of £8.6m over prior year with £6.1m driven by the reduction in gross profit mentioned above and a further £0.7m being driven by an increase in bad debt charges linked to a major customer going into administration. Additional cost for opening more trade depots also contributed to the reduction in operating profit.

The key financial indicators during the year are as follows:

	2017 £000	2016 £000	Change %
Turnover	125,961	125,823	0.01%
Gross profit	26,996	33,155	(18%)
Operating (Loss) / profit	(2,849)	5,743	(149%)
Return on capital employed	(2%)	10%	12 % points

### OTHER KEY PERFORMANCE INDICATORS

Each division within the company also monitors a number of non-financial KPIs that are relevant to the division, for example: delivery performance measured by ROTIF (right on time in full), working capital days, variable CPU (cost per unit) and many other KPIs pertinent to each area of the company's operations.

This report was approved by the board on 5 July 2018 and signed on its behalf.



K Ellis  
Director

---

## MASCO UK WINDOW GROUP LIMITED

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

---

The directors present their report and the audited financial statements for the year ended 31 December 2017.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As permitted by the Articles of Association, the directors have the benefit of 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 remains in force.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £2,552 thousand (2016 - profit £4,860 thousand).

During 2017 no dividends were paid (2016 - £3,000 thousand).

#### DIRECTORS

The directors who served during the year were:

W Devine (resigned 28 March 2018)  
K Gorton (resigned 28 March 2018)

#### POLITICAL CONTRIBUTIONS

No donations were made to any political party registered in the UK under the Political Parties, Elections and Referendum Act 2000.

---

## MASCO UK WINDOW GROUP LIMITED

---

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### FINANCIAL RISK MANAGEMENT

The operations of the company expose the business to a variety of financial risks, including the effects of changes in credit, liquidity and interest rates. As a result, the company has in place a risk management program that monitors these financial risks, in order to limit their adverse effects on the financial performance of the company.

The company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

#### Competition

The company operates in a highly competitive environment particularly around price and product availability. This results not only in downward pressure on our margins but also in the risk that we will not meet our customers' expectations. In order to mitigate this risk our sales team monitor market prices on an ongoing basis. Furthermore, we undertake routine 'voice of the customer' research to understand our customers' expectations and whether their needs are being met.

#### Price risk

The company is exposed to some commodity price risk as a result of its operations, with fixed price contracts in place for the purchase of some key raw materials. Given the size of the company's operations, the costs of further managing exposure to commodity price risk are deemed to exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

#### Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on a periodic basis.

#### Liquidity risk

The company participates in a Masco UK group cash pooling arrangement, which is used to maintain the appropriate liquidity that the company requires for its day to day operations.

#### Interest rate risk

The company has interest bearing assets and liabilities, which include cash balances which earn interest at floating bank rates. The interest rate risk is controlled through the group pooling arrangement described under the Liquidity risk section above.

#### FUTURE DEVELOPMENTS

Crucial for the strategic direction of the company, future investments will be based on a product specialist business model. There will be brand and product development focusing on key product ranges and routes to market. This will be coupled with ongoing talent investments and, if appropriate, ceasing certain activities that distract from the strategic focus or dilute profitability of the business.

---

## MASCO UK WINDOW GROUP LIMITED

---

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### RESEARCH AND DEVELOPMENT ACTIVITIES

The company continues to invest in the research and development of new products. This amounted to £87 thousand in 2017 (2016: £64 thousand) (Note 4). The directors regard the investment in research and development as integral to the continuing success of the company and ensuring that the company provides customers and consumers with high quality products.

#### EMPLOYEE INVOLVEMENT

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and all employees are aware of the financial and economic performance of their business units and the company as a whole. Communication with all employees continues through a monthly 'Clearview' newsletter and regular briefing sessions. On an annual basis the company conducts an engagement survey the results of which are analysed and communicated to all employees, together with bi-annual senior managers' meetings.

#### DISABLED EMPLOYEES

The company is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no application receives less favourable treatment on the grounds of age, race, nationality, religion, political beliefs, disability, sex or marital status.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person without a disability.

#### 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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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's auditors are aware of that information.

#### POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

#### INDEPENDENT AUDITORS

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



---

MASCO UK WINDOW GROUP LIMITED

---

DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

This report was approved by the board on 5 July 2018 and signed on its behalf.



K Ellis  
Director

---

## MASCO UK WINDOW GROUP LIMITED

---

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASCO UK WINDOW GROUP LIMITED

---

## Report on the audit of the financial statements

---

### Opinion

In our opinion, Masco UK Window Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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 statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the 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 company 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 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 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 company's ability to continue as a going concern.

### 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

---

## MASCO UK WINDOW GROUP LIMITED

---

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASCO UK WINDOW GROUP LIMITED (CONTINUED)

---

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 2017 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 company and its 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 3, 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 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 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](http://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.

---

MASCO UK WINDOW GROUP LIMITED

---

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASCO UK WINDOW GROUP LIMITED  
(CONTINUED)

---

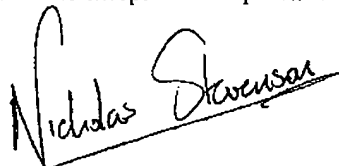
## Other required reporting

### 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Nicholas Stevenson (Senior Statutory Auditor)  
for and on behalf of PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants and Statutory Auditors  
Herald Way  
East Midlands  
5 July 2018

---

**MASCO UK WINDOW GROUP LIMITED**

---

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

	Note	2017 £000	2016 £000
Turnover	3	125,961	125,823
Cost of sales		(98,965)	(92,668)
<b>Gross profit</b>		<u>26,996</u>	<u>33,155</u>
Distribution costs		(17,722)	(16,868)
Administrative expenses		(12,119)	(10,539)
Other operating charges		(4)	(5)
<b>Operating (loss)/profit</b>	4	<u>(2,849)</u>	<u>5,743</u>
Interest receivable and similar income	8	-	24
Interest payable and similar expenses	9	(29)	(25)
<b>(Loss)/profit before taxation</b>		<u>(2,878)</u>	<u>5,742</u>
Tax on (loss)/profit	10	326	(882)
<b>(Loss)/profit for the financial year</b>		<u><u>(2,552)</u></u>	<u><u>4,860</u></u>

The notes on pages 14 to 39 form part of these financial statements.

---

**MASCO UK WINDOW GROUP LIMITED**

---

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit for the financial year	<b>(2,552)</b>	<b>4,860</b>
Other comprehensive income	-	-
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive (expense)/income for the year</b>	<b>(2,552)</b>	<b>4,860</b>

The notes on pages 14 to 39 form part of these financial statements.

**MASCO UK WINDOW GROUP LIMITED**  
**REGISTERED NUMBER: 02609772**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Intangible assets	12	10,427	12,976
Tangible assets	13	20,041	20,034
Investments	14	3,130	3,131
		<u>33,598</u>	<u>36,141</u>
<b>Current assets</b>			
Stocks	15	8,770	8,862
Debtors: amounts falling due within one year	16	73,817	69,934
Cash at bank and in hand	17	924	333
		<u>83,511</u>	<u>79,129</u>
Creditors: amounts falling due within one year	18	(61,585)	(57,073)
<b>Net current assets</b>		<u>21,926</u>	<u>22,056</u>
<b>Total assets less current liabilities</b>		<u>55,524</u>	<u>58,197</u>
Creditors: amounts falling due after more than one year	19	(266)	(269)
<b>Provisions for liabilities</b>			
Other provisions	21	(1,304)	(1,422)
		<u>(1,304)</u>	<u>(1,422)</u>
<b>Net assets</b>		<u>53,954</u>	<u>56,506</u>
<b>Capital and reserves</b>			
Called up share capital	23	1,100	1,100
Share premium account	24	37,179	37,179
Capital redemption reserve	24	4	4
Profit and loss account	24	15,671	18,223
<b>Total Equity</b>		<u>53,954</u>	<u>56,506</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 July 2018.

  
**K Ellis**  
 Director

The notes on pages 14 to 39 form part of these financial statements.

MASCO UK WINDOW GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 January 2016	1,100	37,179	4	16,363	54,646
Comprehensive income for the year					
Profit for the financial year	-	-	-	4,860	4,860
Dividends: Equity capital	-	-	-	(3,000)	(3,000)
Total transactions with owners	-	-	-	(3,000)	(3,000)
At 31 December 2016 and 1 January 2017	1,100	37,179	4	18,223	56,506
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(2,552)	(2,552)
Total transactions with owners	-	-	-	-	-
At 31 December 2017	1,100	37,179	4	15,671	53,954



---

## MASCO UK WINDOW GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with UK Accounting standards including the Financial Reporting Standard 102 ('FRS 102'); the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is 1 Park Row, Leeds, West Yorkshire. LS1 5AB.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied consistently in both years, unless otherwise stated.

##### 1.2 FRS 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

the requirements of Section 3 Financial statement presentation paragraph 3.17(d);

- the requirements of Section 3 Financial statement presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of cash flows; and
- the requirements of Section 11 Basic financial instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv) and 11.48(b) providing disclosures equivalent to those required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.

This information is included in the consolidated financial statement of Masco Corporation as at December 31, 2017 and these financial statements may be obtained from The Secretary, Masco Corporation, 17450 College Parkway, Livonia, Michigan 48152, United States of America.

##### 1.3 Going concern

The company's business activities, together with factors likely to affect future performance, are set out in the Business review section of the Strategic report.

The company participates in the group's centralised treasury arrangements and shares banking arrangements with its parent and fellow subsidiaries. The directors having made enquiries of and assessed the responses of the directors of the company's parent (Masco Corporation Limited), have no reason to believe that a material uncertainty exists that may cast significant doubt in the ability of Masco Corporation Limited and its subsidiaries to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of this assessment of the company's financial position and of the enquiries made of the directors of Masco Corporation Limited, the company's directors have a reasonable expectation that the company will be able to continue as a going concern for the foreseeable future.

As a consequence, the going concern basis of accounting has been adopted in preparing these annual financial statements.

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.4 Turnover**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover 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**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company 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 Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

---

## MASCO UK WINDOW GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.5 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 its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to the initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis which is reflected within 'administrative expenses' in the Income statement over its useful economic life of between 5 and 10 years.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

###### **Software**

Software is initially recognised at cost. After recognition, under the cost model, software is measured at cost less any accumulated amortisation and any accumulated impairment losses. An impairment of software would have been deemed to have happened if the value in use was less than the carrying value. This may occur if software was known to be obsolete or to be replaced in the short term.

As required by FRS 102, computer software is disclosed within the other intangibles category. Software is amortised on a straight line basis which is reflected within 'administrative expenses' in the Income statement over its useful economic life, of between 3 and 6 years.

###### **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. Intangible assets are amortised on a straight line basis which is reflected within 'administrative expenses' in the Income statement over its useful economic life.

All intangible assets are considered to have a finite useful life. If a reasonable estimate of the useful life cannot be made, the useful life shall not exceed 10 years.

##### 1.6 Tangible assets

Tangible 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 company adds to the carrying amount of an item of tangible 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 company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income statement 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 economic lives, using the straight-line method. Depreciation is not charged on assets under construction. The estimated useful economic lives range as follows:

---

## MASCO UK WINDOW GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.6 Tangible assets (continued)

The estimated useful lives range as follows:

Freehold property	- 8 - 40 years
Long term leasehold property	- Shorter of Lease Term and 15 years
Plant, machinery, tools, fixtures and fittings	- 3 - 10 years
Office and computer equipment	- 3 - 10 years
Assets in the course of construction	- Not depreciated until brought into use

The assets' residual values, useful economic 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 proceeds with the carrying amount and are recognised within 'other operating income' and 'other operating expenses', respectively, in the Income Statement.

##### 1.7 Operating leases: the Company as lessee

Rentals under operating leases are charged to the Income statement on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### 1.8 Valuation of investments

Fixed asset investments, comprising investments in subsidiary companies, are stated at cost less any provisions for impairment. An impairment assessment is made annually to determine the carrying value of each investment. The impairment is calculated by comparing the investment's carrying value to the recoverable amount as required by FRS 102 paragraph 9.26(c) and paragraphs 11.27 to 11.32.

If the recoverable amount is significantly higher than the carrying value and there has been an historic impairment of the individual investment, the company will reverse impairments to the point where the carrying value is the same as the recoverable amount.

##### 1.9 Stocks

Stocks 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 reporting date, stocks 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 in profit or loss for the period.

---

## MASCO UK WINDOW GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.10 Cash at bank and in hand

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.

##### 1.11 Financial instruments

The company only enters into basic financial instrument 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 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.

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 Income statement.

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 company would receive for the asset if it were sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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 assets and settle the liability simultaneously.

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.12 Foreign currency translation**

**Functional and presentation currency**

The Company's functional currency is Pounds Sterling.

**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 Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the Income statement within 'administrative expenses'.

**1.13 Finance costs**

Finance costs are charged to the Income Statement 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.

**1.14 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at the annual general meeting.

---

## MASCO UK WINDOW GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.15 Share based payments

###### Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using a Black-Scholes option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled.

- the product of the fair value of the award and the portion of the vesting period earned based upon an assumption of continued service; and
- the product of the intrinsic value of dividends declared by Masco Corporation converted into Pounds Sterling at the relevant spot rates when the dividends were declared and the amount of unvested awards.

During the vesting period, a liability is recognised representing:

From the end of the vesting period until settlement, the liability represents the full fair value of the award at the balance sheet date. Changes in the carrying amount of the liability are recognised in the income statement for the period.

##### 1.16 Pensions

###### Defined contribution pension plan

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

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in 'other creditors' as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

##### 1.17 Interest income

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

##### 1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the company 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 Income Statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

---

## MASCO UK WINDOW GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, 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 tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Statement of financial position date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not yet reversed by the Statement of financial position 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 value 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 Statement of financial position date.

##### 1.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised in the development phase of a project if, and only if, certain specific criteria are met in order to demonstrate the assets will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives which range from 3 to 6 years.

If it is not possible to distinguish between the research and development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

##### 1.21 Warranty costs

Provision is made for estimated costs likely to be incurred under warranties offered by the company that cover all products sold. Provision for warranty costs is made by the directors based on historical sales data together with the impact of any known warranty matters. Provisions are made for the cost of replacing parts and labour likely to be required.



---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.22 Dilapidation costs**

Dilapidation costs estimated to be incurred when the company vacates leased properties and decommissions other leased assets are provided for as at the Statement of financial position date.

The dilapidation provision is expected to be utilised over the next 9 years.

**1.23 Consolidation**

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is an indirect subsidiary of Masco S.C.S., an intermediate parent company incorporated in Luxembourg, which prepares consolidated financial statements that are publicly available in that country.

**1.24 Borrowing costs**

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

**1.25 Group relief**

Group relief is surrendered to/received from other group companies for no consideration.

In specific circumstances, individual group companies may reach agreement between themselves to surrender and/or receive group relief for consideration. Such agreements usually run for 5 years before being subject for review.

Should group relief be surrendered to/received from other group companies for consideration, the consideration paid will reflect, at a minimum, the corporation tax amounts surrendered and/or received. These amounts are reported as expenses or benefits within the tax on profit/(loss) on ordinary activities within the Income statement.

On a discretionary basis, group companies may agree to compensate for amounts in excess of the corporation tax amounts surrendered and/or received. In this instance, the excess over the corporation tax amount is shown as a separate movement within the Retained earnings on the Statement of financial position.

---

## MASCO UK WINDOW GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

---

2.

#### JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of financial position date and amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the company's key sources of estimation uncertainty:

#### Share-based payments

The company accounts for cash-settled share-based payments in accordance with FRS 102. The cost of cash-settled transactions is measured at fair value using a Black-Scholes option pricing model. Fair value is established based on currency, share price and historically observed fluctuations, risk free interest rate, dividend amounts, exchange rates and risk factors. Judgements are based on best estimate predictions of these variables and are reviewed and updated on a regular basis.

#### Goodwill and intangible assets

The directors derive a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which goodwill is attributed, and any legal, regulatory or contractual provisions that can limit useful economic life.

#### Warranty provisions

The warranty provision is estimated by the directors using historical data on previous claims and then extrapolated forward and adjusted for sales volume changes, inflation and other known factors such as product modifications introduced to reduce warranty failure or suppliers' contributions to cover warranty costs. The fair value of the provision is calculated using a discounted cash flow model and is sensitive to the discount rate used.

#### Stock provisions

The company extrudes uPVC profile, manufactures and sells double glazed windows, doors and related products subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

#### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of fixed assets, and note 1 for the useful economic lives for each class of assets.

---

MASCO UK WINDOW GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

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

Impairment of Debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment of debt.

3. TURNOVER

The company's activities consist of the manufacture and sale of uPVC profile, windows, conservatories and related products with turnover and profit on ordinary activities for the year arising entirely from the company's principal activity.

In the opinion of the directors the company operates only one category of business.

All turnover arose within the United Kingdom.

4. OPERATING (LOSS) / PROFIT

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

	2017 £000	2016 £000
Research & development charged as an expense	87	64
Cost of stock recognised in cost of sales	55,644	51,345
Impairment of debtors	1,301	169
Depreciation of tangible fixed assets	2,666	2,780
Amortisation of intangible assets, including goodwill	2,549	2,489
Profit on sale of fixed assets	3	(59)
Impairment of inventory	310	6
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	115	115
Exchange differences	35	69
Operating lease rentals	2,866	2,660
Defined contribution pension cost	387	409

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**5. AUDITORS' REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	115	115
	<u>115</u>	<u>115</u>
Auditors' remuneration - non-audit - taxation services	<u>9</u>	<u>16</u>

**6. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	34,878	33,443
Social security costs	3,203	3,130
Cost of defined contribution scheme	387	409
	<u>38,468</u>	<u>36,982</u>

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Production	937	1,068
Selling and distribution	303	279
Administration	127	91
	<u>1,367</u>	<u>1,438</u>

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**7. DIRECTORS' REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>448</b>	<b>546</b>
Directors gains on long term incentive schemes	<b>338</b>	<b>857</b>
Company contributions to defined contribution pension schemes	<b>34</b>	<b>37</b>
	<b>820</b>	<b>1,440</b>

During the year retirement benefits were accruing to 2 directors (2016 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £657 thousand (2016 - £811 thousand).

The value of the company's contributions paid to a defined contribution pension plan in respect of the highest paid director amounted to £24 thousand (2016 - £24 thousand).

During the year NIL directors were granted shares under the long term incentive schemes (2016 - Nil).

During the year 1 director exercised stock appreciation rights (2016 - 1).

During the year NIL directors received any benefit through a defined benefit pension scheme (2016 - Nil).

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<b>-</b>	<b>24</b>
	<b>-</b>	<b>24</b>

**9. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Interest payable to group companies	<b>2</b>	<b>1</b>
Other interest payable	<b>27</b>	<b>24</b>
	<b>29</b>	<b>25</b>

---

MASCO UK WINDOW GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

10. TAX ON (LOSS) / PROFIT

	2017 £000	2016 £000
<b>CORPORATION TAX</b>		
Current tax on (loss)/profit for the year	-	573
	<u>-</u>	<u>573</u>
<b>TOTAL CURRENT TAX</b>	<u>-</u>	<u>573</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	(366)	295
Changes to tax rates	-	108
Adjustments in respect to previous periods	40	(94)
<b>TOTAL DEFERRED TAX</b>	<u>(326)</u>	<u>309</u>
<b>TAXATION ON (LOSS)/PROFIT</b>	<u>(326)</u>	<u>882</u>

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**10. TAX ON (LOSS) / PROFIT (CONTINUED)**

**FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit on before taxation	(2,878)	5,742
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	(554)	1,148
<b>EFFECTS OF:</b>		
Non-tax deductible amortisation of goodwill and impairment	278	207
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(2)	(29)
Capital allowances for year in excess of depreciation	492	(184)
Origination & reversal of timing differences	(366)	295
Adjustments in respect to previous periods	40	(94)
Changes to tax rates	-	108
Cash-settled share-based incentive schemes	(79)	(163)
Group relief claimed at nil consideration	(135)	(406)
<b>TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR</b>	<b>(326)</b>	<b>882</b>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 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.

**11. DIVIDENDS**

	2017 £000	2016 £000
Dividend paid to Masco Corporation Limited of NIL per share (2016: 273p)	-	3,000
	-	3,000

MASCO UK WINDOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

12. INTANGIBLE ASSETS

	Other intangible assets £000	Software £000	Goodwill £000	Total £000
<b>COST</b>				
At 1 January 2017	5,650	1,416	14,317	21,383
At 31 December 2017	5,650	1,416	14,317	21,383
<b>ACCUMULATED AMORTISATION</b>				
At 1 January 2017	985	1,062	6,360	8,407
Charge for the year	622	168	1,759	2,549
At 31 December 2017	1,607	1,230	8,119	10,956
<b>NET BOOK VALUE</b>				
At 31 December 2017	4,043	186	6,198	10,427
At 31 December 2016	4,665	354	7,957	12,976

Goodwill represents the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is amortised over 5 to 10 years, which is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets. Where negative goodwill has arisen it was credited to the Income statement over a period of 2 years.

Other Intangibles include purchased trademarks, patents and domain names and are being amortised between 3 and 10 years. Software is amortised over its estimated useful life, of between 3 and 6 years, on a straight line basis.



---

MASCO UK WINDOW GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

13. TANGIBLE ASSETS

	Freehold property £000	Long term leasehold property £000	Plant and machinery £000	Office & Computer equipment £000	Assets under construction £000	Total £000
<b>COST OR VALUATION</b>						
At 1 January 2017	15,026	1,077	22,165	1,134	1,667	41,069
Additions	200	65	1,069	11	1,371	2,716
Disposals	-	(99)	(505)	(7)	(18)	(629)
Transfers between classes	152	273	1,778	90	(2,293)	-
At 31 December 2017	15,378	1,316	24,507	1,228	727	43,156
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2017	3,660	584	15,781	1,010	-	21,035
Charge for the year on owned assets	427	127	2,032	80	-	2,666
Disposals	-	(75)	(507)	(4)	-	(586)
At 31 December 2017	4,087	636	17,306	1,086	-	23,115
<b>NET BOOK VALUE</b>						
At 31 December 2017	11,291	680	7,201	142	727	20,041
At 31 December 2016	11,366	493	6,384	124	1,667	20,034

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**14. INVESTMENTS**

	Investments in subsidiary companies £000	Other fixed asset investments £000	Total £000
<b>COST OR VALUATION</b>			
At 1 January 2017	3,217	38	3,255
At 31 December 2017	3,217	38	3,255
<b>PROVISION FOR IMPAIRMENT</b>			
At 1 January 2017	114	10	124
Charge for the year	-	1	1
At 31 December 2017	114	11	125
<b>NET BOOK VALUE</b>			
At 31 December 2017	3,103	27	3,130
At 31 December 2016	3,103	28	3,131

**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Phoenix Door Panels Limited	Ordinary	100 %	Non-trading

The directors consider the value of the investment to be supported by their underlying net assets.

The subsidiary undertaking is a dormant company incorporated in the UK and has the same registered address as the company.

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**15. STOCKS**

	2017 £000	2016 £000
Raw materials and consumables	4,528	4,834
Work in progress	255	411
Finished goods and goods for resale	3,987	3,617
	<u>8,770</u>	<u>8,862</u>

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

Stocks are stated after provisions for impairment £870 thousand (2016: (603 thousand)).

**16. DEBTORS**

	2017 £000	2016 £000
Trade debtors	23,896	19,400
Amounts owed by group undertakings	45,508	45,992
Other debtors	105	98
Deferred taxation	1,867	1,541
Prepayments and accrued income	2,441	2,903
	<u>73,817</u>	<u>69,934</u>

Amounts owed by group undertakings include £45,508 thousand (2016 - £45,992 thousand) owed by the immediate parent company.

Interest is charged on some intercompany balances based on the LIBOR rate plus 0.75% (2016 - 0.75%) and LIBOR plus 1.35% (2016 - 1.35%).

All balances are unsecured and with repayable on demand or within one year.

**17. CASH AT BANK AND IN HAND**

	2017 £000	2016 £000
Cash at bank and in hand	924	333
	<u>924</u>	<u>333</u>

---

MASCO UK WINDOW GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

18. CREDITORS: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	14,680	12,512
Amounts owed to group undertakings	40,431	38,226
Corporation tax	-	632
Other taxation and social security	3,832	2,802
Other creditors	206	544
Accruals and deferred income	2,436	2,357
	<u>61,585</u>	<u>57,073</u>

Amounts owed to group undertakings are unsecured and, with the exception of cash pool balances, are none interest bearing and repayable either on demand or within one year. Cash pool balances are interest bearing at 1% above the relevant base rate, depending on the denomination of the amounts outstanding.

Included within other creditors is an amount of £114 thousand (2016 - £66 thousand) in respect of contributions payable to the defined contribution pension scheme.

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

	2017 £000	2016 £000
Accruals and deferred income	266	269
	<u>266</u>	<u>269</u>

---

MASCO UK WINDOW GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

20. DEFERRED TAXATION

The movement on the deferred tax balance is as follows:

	2017 £000	2016 £000
At beginning of year	1,541	1,850
Credited/(Charged) to the Income statement	326	(309)
<b>AT END OF YEAR</b>	<b>1,867</b>	<b>1,541</b>

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	1,728	1,315
Short term timing differences	139	226
	<b>1,867</b>	<b>1,541</b>

There are no unused tax losses at the Statement of financial position date.

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**21. OTHER PROVISIONS**

	Lease dilapidation £000	Warranty £000	Vehicles Dilapidation Provision £000	Total £000
At 1 January 2017	881	370	171	1,422
Charged to profit or loss	93	97	42	232
Utilised in year	(248)	(102)	-	(350)
<b>AT 31 DECEMBER 2017</b>	<b>726</b>	<b>365</b>	<b>213</b>	<b>1,304</b>

**Warranty**

The warranty provision is to cover the costs of future claims under warranties offered by the company that generally cover the products for a period of five years in domestic use and one year in commercial use. The warranty provision expected to be utilised within one year totals £105 thousand (2016 - £87 thousand).

**Lease dilapidation / Vehicle dilapidation**

The dilapidation provision is to cover future costs when the company vacates leased properties and decommissions other leased assets. The provisions are expected to be utilised in the period to 2026.

**22. FINANCIAL INSTRUMENTS**

Financial assets held at amortised cost total £71,948 thousand (2016: £68,392 thousand).

Financial liabilities held at amortised cost total £63,155 thousand (2016: 58,764 thousand).

**23. CALLED UP SHARE CAPITAL**

	2017 £000	2016 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
1,100,000 (2016: 1,100,000) Ordinary Shares shares of £1 each	1,100	1,100

There is a single class of share. There are no restrictions on distributions of dividends and the repayment of capital.

---

MASCO UK WINDOW GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

24. RESERVES

**Share premium account**

This reserve records the amount above nominal value received for shares sold, less transaction costs.

**Retained earnings**

This reserve records the cumulative profit or loss recorded through the Income statement or other comprehensive income less any dividends declared and paid to shareholders since inception of the company.

**Capital redemption reserve**

The capital redemption reserve records the non-distributable reserve and represents paid up capital of the company.

25. SHARE BASED PAYMENTS

**Stock appreciation rights**

Stock appreciation rights (SARs) are notional stock awards granted to directors and selected employees which vest annually from the grant date over a 5 year period, are conditional on continued service and whose settlement value is linked to the value of Masco Corporation shares (listed on the New York Stock Exchange) at each settlement date.

SARs are settled at the recipient's discretion over a period of up to 10 years from the grant date. The exercise price is equal to the share price of Masco Corporation on the date that the awards have been granted.

The expense recognised for SARs during the year to 31 December 2017 is £148 thousand (2016 - £17 thousand). This was in its entirety cash-settled share-based.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, SARs during the year.

	2017 WAEP £	2017 No.	2016 WAEP £	2016 No.
Outstanding as at 1 January	14.48	125,753	12.44	205,581
Granted during the year	-	-	-	-
Transferred during the year	-	-	-	-
Exercised during the year	18.40	(48,126)	13.38	(79,828)
Expired during the year	-	-	-	-
<b>Outstanding as at 31 December</b>	<b>11.37</b>	<b>77,627</b>	<b>14.48</b>	<b>125,753</b>
<b>Exercisable as at 31 December</b>	<b>11.37</b>	<b>77,627</b>	<b>14.48</b>	<b>125,753</b>

---

MASCO UK WINDOW GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

---

SHARE BASED PAYMENTS (continued)

Phantom Stock Awards

Phantom stock awards are notional stock awards granted to directors and selected employees which vest annually from the grant date over a 5 year period, are conditional on continued service and whose settlement value is linked to the value of Masco Corporation shares (listed on the New York Stock Exchange) at each settlement date.

Phantom stock awards are settled in full immediately on vesting and have a nil exercise price. Notional dividends accrue on the unvested portion of Phantom stock awards and are paid by the company on each annual vesting date.

The expense recognised for Phantom stock awards during the year to 31 December 2017 is £350 thousand (2016 - £384 thousand). This was in its entirety a cash-settled share-based payment scheme.

The following table illustrates the movements in the number of Phantom stock awards, granted with a nil exercise price, outstanding are as follows:

	2017 No.	2016 No.
Outstanding as at 1 January	47,044	53,848
Granted during the year	630	5,330
Transferred during the year	-	6,438
Exercised during the year	(13,378)	(18,572)
Expired during the year	(14,797)	0
Outstanding as at 31 December	19,499	47,044
Exercisable as at 31 December	7,171	13,938

Phantom stock awards and SARs

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services is recognised over the expected vesting period. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in the Income statement.

The carrying amount of the liability relating to the cash-settled share-based awards as at 31 December 2017 is £598 thousand (2016 - £1,211 thousand).



---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**26. PENSION COMMITMENTS**

The company contributes to a defined contribution pension plan and also contributes to a number of personal pension plans held by senior management. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge in the year represents contributions payable by the company to the funds and amounted to £387 thousand (2016 - £409 thousand). Contributions totaling £114 thousand (2016 - £66 thousand) were payable to the funds at the Statement of financial position date and are included in other creditors.

**27. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2016 the company had future minimum lease payments under non-cancelable operating leases as follows:

	2017 £000	2016 £000
Expiry date:		
Within 1 year	3,435	2,144
Between 2 and 5 years	1,946	4,063
After more than 5 years	3,270	2,410

The company has no other off balance sheet arrangements.

Capital commitments as at 31 December were £8,651 thousand (2016: £8,617 thousand).

**28. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption conferred by FRS 102 33.1A not to disclose transactions with companies wholly owned within the Masco Corporation group.

During the year Wayne Devine made purchases of £20 thousand (2016: £18 thousand), of which a balance of £1 thousand (2016: £13 thousand) remained outstanding at the year end. This balance has since been paid in full.

---

**MASCO UK WINDOW GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Masco Corporation Limited, a company incorporated in the United Kingdom.

The parent undertaking of the smallest group that prepares group financial statements is Masco Europe S.C.S., a company incorporated in Luxembourg. Copies of the consolidated financial statements may be obtained from the Secretary at Masco Europe S.C.S., JOE Business Center, Entree B, Rue Strachen, 6933 Mensdorf, Luxembourg.

The ultimate parent undertaking and controlling party is Masco Corporation, a company incorporated in the United States of America, which heads the largest group to consolidate these financial statements. Copies of the consolidated financial statements can be obtained from the Secretary at Masco Corporation, 17450 College Parkway, Livonia, Michigan 48152, United States of America (or via its website at [www.masco.com](http://www.masco.com)).