

Celotex
Monthly Report – September 2014

Section 1: Health, Safety & Environment (POB)

	TF1	TF2	TF3	TF4	TF5	SMAT	SUSA
Month	0	0	2	3	16	45	3
R/A 12 months	2.8	5.6	69	247	345	368(YTD) vs 430	

Incident Details

- Operator on Hipchen line got speck of wet chemical in eye when pulling tails – eye protection to be worn
- Operator on Hipchen line bruised knee when taking boards off line – no change

1.1 Health & Safety (General)

- EHS Day preparations completed with agreed shortened programme
- SBS actions all completed
- Risk assessment programme proceeding..
- Tanker driver passports/inductions started in September.
- Phase 3 PED/SEG plan developed and drivers/loaders have identified SSOW for loading.
- Input provided to new Project Engineer Director on contractor control, safety expectations on site and approved contractors
- Last scheduled Behavioural Safety workshop completed.

1.2 Environment and Occupational Health

- Another environmental noise nuisance complaint received regarding FLT horn noise and reversing beepers sounding
 - Response to BDC being formulated by POB
 - White noise beepers on FLTs being actioned
 - Switch off of truck reversing beepers between 11pm and 7am being considered

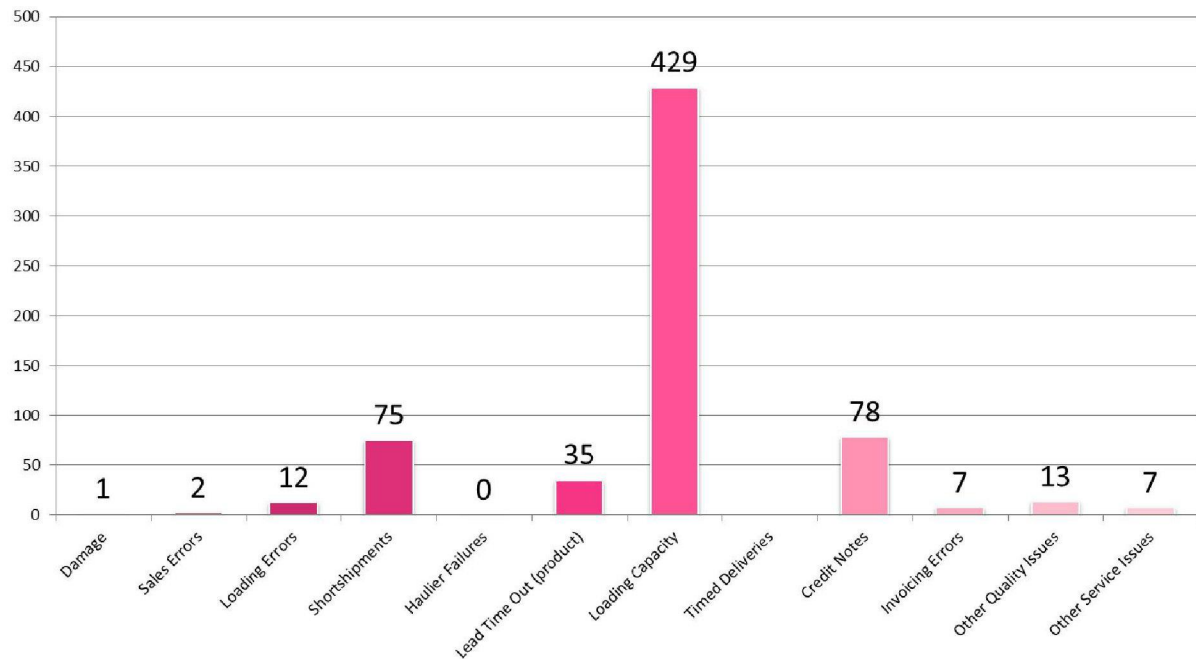
1.3 Key Actions for Coming Month

- Preparation for November 20 step audit
- Preparation for XL Gaps audit
- Action plan in place from PUWER Audit by end Nov.
- Risk Assessment prioritisation completed and action plan in place
- Pedestrian segregation for DC agreed, finalised and Cap1a raised
- Complete successful EHS Day

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Section 2: Customer Service Performance (LG)

2.1 CSI



- Comments on key trends
 - No change or improvement in lead times even with the additional loads – Demand seems to be getting stronger rather than dropping off
 - We continue to improve full lifts month on month – Stock loads now up to 73%
 - Again we see an improvement in short shipments – Stock availability much better

2.2 Key Actions for Coming Month

- Agree promotional activity template and set up on Oracle
- Implement territory changes with CSO's – Will be some change in internal contact for some of the larger distributors – To be communicated and handed over
- Continue to monitor progress in Scotland with the additional hauliers and delivering on time
- Start working on Customer Service Pillar as part of WCM – Jim Sisson on site to discuss

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Section 3: Financial Update (LC)

3.1 Financial Performance – September 14

	Mth Act.	Mth. Bud.	% Bud.	PY	%PY	YTD Act.	YTD Bud.	% Bud.	PY	% PY
Mth SALES	9,056	9,343	97%	8,236	110%	74,579	74,385	100%	66,672	112%
Mth OP	984	958	103%	558	176%	6,102	5,549	110%	3,884	155%

Operating profit for September beat budget by £26k which is an increase of £426k on the same month last year.

The budgeted results were exceeded by a mixture of various positive and negative factors as detailed below:

3.2 Volumes, Mix and Sales Pricing

- **Volumes:**
 - Volumes in September were in line with budget and 1.5% favourable YTD.
 - The volumes produced in the month were 3% above the sales volumes.
- **Prices:**
 - The comparison of the average selling price against budget continues to be adversely affected by the lack of any general price increase (3% budgeted in April). ASP in September was 3.3% below the budgeted level and investigations are underway to identify the areas of reduction from previous months.
 - Year to date average selling prices are 1% below budget.

3.3 Costs, Margin, Fixed Costs

- FX exchange rates posted the largest positive variance so far this year (+£■■■■), driven by improved rates on the Euro and USD compared to budget.
- On-line rejects were adverse to plan by £■■■ in September over both lines and later rejects were £■■■
- Material usage was adverse in the month by £■■■ due to producing product on alternate machine to the norm and the adverse effect of training.
- Overspends on labour continued to adversely affected the result and Opex variances totalled £■■■
- Engineering costs continue to run over budget with the costs of maintenance materials being £■■■ over budget in the month and £■■■k YTD.
- The continuation of the use of unbudgeted outside storage gave us a £■■■ adverse variance in September which will continue for the rest of the year.
- It was encouraging to see a positive variance in respect of over absorption due to higher than budgeted activity of £■■■ and there is the potential for this area to continue to provide continued positive figures in the coming months.
- Overheads were £■■■ below budget.

3.4 Cash flow and balance sheet

- Operating cash flow was affected by an increase of £■■■ in inventory due mainly to an increase of raw materials in preparation for high expected volumes in the coming months.
- Debtors increased in value by £■■■ due to the increase of sales volume (+ 10%) from August's levels, but overdues remain tightly controlled.
- Creditors increased by a similar value to the increase in debtors which was predominantly due to increases in provisions for sales rebates.
- Overall working capital remains low at a net £■■■ equating to less than 1 day.

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3.6 Internal Control Issues

Finance:

- Balance sheet reconciliations still not fully done at the end of September as was hoped.
- Payroll approvals now reviewed and in place.
- First set of audit reports for key transactions produced in August – still to be reviewed.

Others:

- Stock cycle counts of board stock still not possible – full physical check scheduled for end of September showed minimal overall variances but higher movement between locations.
- Celotex risk analysis still to be done.
- IT user access rights not reviewed and some open access on sensitive areas – plan to review.
- Oracle does not support the new approval limits for purchase orders etc – to review possibility of getting limits into Oracle.
- Initial work done to bring Purchasing Department in line with Group control requirements.

3.7 Key Actions for Coming Months

- Finalise 2015 budget.
- Full review of all rebates and implementation of robust procedures to ensure accuracy of payments, credit notes and accruals.
- Development of new management accounts pack for 2015.
- Finalisation and communication of the re-allocation of tasks and responsibilities and reporting lines within Finance Dept.
- Full review of supplier payment terms.
- Continued review of working capital control and cash flow to minimise interest charges (currently £■■■■ per month cost).
- Complete implementation of the new web expenses system (Webex scheduled in for October for all users).

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Section 4: Sales Review (PR)

4.1 Market Conditions / Sales Review

- Market conditions continue to be strong this Month. Anticipated to continue likewise to year end.
- Sales have continued well in our top customers with all except [REDACTED] (98.4%) and [REDACTED] (16.7%) well ahead of last year.
- Both regions have posted above budget revenue performance with the South just outstripping the North by 107.2% v 104.7%.

4.2 Distributor / Merchant Update

- The [REDACTED] performance drop is focussed in the North and as a result of lost share to [REDACTED] in the North and Scotland. Their Northern division was 85.5% of last year and the South 113%.
- In contrast [REDACTED] are strongly coming back in the NE and Scotland (249.3%) and only their Midlands region has shown a performance behind YTD (106% v 110.8%).
- The [REDACTED] performance is slightly behind the YTD performance at 121.7% against 124.7%. It is being pulled down primarily by the sales revenue of [REDACTED] in the North (97.5% against 2013)
- Tender completed for [REDACTED] 2015, we have offered a version 2 and are still awaiting feedback and next steps.
- [REDACTED] deal “tidying up” discussions are “still” continuing.

4.2 New Customer Acquisition Progress

- We have submitted a version 2 to [REDACTED] in both [REDACTED] and [REDACTED]. We have pitched at [REDACTED] respectively.

4.3 Competitor Activity / Pricing

- We have seen some evidence of competitive pricing from Kingspan for the first time in years.
- [REDACTED] are continuing to target [REDACTED]

4.4 VAP update

- VAP % (value), at 9.5%, has fallen well behind our YTD of 12.2%. I see this as reflective of having a focus on merely getting enough products out the door.
- Our VAP % is obviously affected by our availability of direct to site deliveries. This has been a big driver of our spec switching through distribution.

4.5 SPRINT Update

- Scheduling a meeting to finalise service details for next price list evolution in Jan.

4.6 Key Actions for Coming Month

- Budget finalisation and this will lead to a 2015 Sales Budget review. Key items completed are Bonus structure and structure.
- Recruitment on KAM and PSM (north).
- [REDACTED] and [REDACTED] Negotiations.
- [REDACTED] 2015 discussions with LG.
- [REDACTED] trip
- [REDACTED] Northern region event
- [REDACTED] Northern regional reviews
- RCI show
- [REDACTED] meeting
- [REDACTED] proposal

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Section 5: Marketing / Technical Review (PE – 5.1,5.2,5.3,5.5, 5.6 5.7 / RW – 5.4,5.7)

5.1 Progress by key segments – Housing / Architects / Main Contractors

- Housing project
 - Housing project underway with some face to face interviews booked for w.c 13th October. Work to be concluded very early Q1 2015
 - Project team has discussed opportunity for creating a clear culture towards Housing within the business. Actions drafted with some to be delivered by year end
 - NPD for Housing focuses on full-fill cavity. Debbie to progress communication of thermal junction drawings in her new Product Management role
 - Roundtable event through Building Magazine centred around Zero Carbon and Performance Gap. Due to be published 17th October.
 - [REDACTED] now trained on our IWI system for a 22 lambda bespoke solution and orders due to start in October
 - First order received from [REDACTED] for a 20mm board for a Housing refurb scheme in Holland

5.2 Differentiation Progress

- RS5000 launch – market feedback remains positive and over £50k orders received to date. NHBC remains an obstacle with the most likely route to now engage with a fire expert/engineer on a project by project basis. This route currently being taken by Keepmoat for an 11,000m² job
- PE to present at Saint-Gobain CFO event. Digital Marketing is the theme of the presentation
- Attendance at this month's RCI showing showcasing Insulation Britain
- Roundtable event at Innovation Centre to support Insulating Britain campaign
- Evolution of Salesforce system to support project and specification opportunities.

5.3 Envelope to Application Progress

- Junction details project to be managed by Debbie
- NPD continues on specific applications namely full-fill and flat roofing
- Video production for two applications currently being planned at PPL. These will focus on pitched roof and cavity wall with the objective to grow the number of application focused videos. IWI video now at over 50,000 views on YouTube

5.4 Future Proofing Actions

- A+ recertification process to be completed by Q4
- PE attended BIM Habitat meeting with follow up meetings now internally and also with Cadline on how we can develop our BIM offer to include internal integration (CTC, sales etc)

Advocacy

Saint-Gobain

- Will attend all 3 political party conferences to get a better understanding of the likely policy to be proposed on the built environment
- Had a meeting with the Policy Director of the CBI
- Attended the scoping workshop for the proposal to set up an Existing Buildings Hub
- Through Jade's secondment to the CPA have produced a Political and Regulatory risk study which will be published in a report in November. A quote from Craig has been submitted.

Sustainability

Nothing to report

Robust Argumentations

Fire

- Information from the BRUFMA Technical Committee meeting on BS8414 parts 1 and 2
- They are up for revision. Ivor Meredith (Kingspan) mentioned that there is a move to try to get references to BR135 taken out of the standard. This would mean that there were no performance criteria to the test.
- He also said that they would like to change the test so that data can still be taken even if the combustible cladding is causing flames to go out of the top of the rig. At the moment the BRE stop the test and class it as a fail.

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Moisture

- Further update on this due at the next CPA technical committee meeting on 16th October

Air tightness

- The Habitat test project at Salford House will include Celotex friction fitted in the floor and look to test the effect on air-tightness with and without the use of the Isover Vario membrane

Proven performance

- BRUFMA members have been asked to come up with roof build ups for possible testing at the BBA to replicate the Warm Roof Test but prove that PIR board can be fitted in a way where the effects of wind washing on performance are minimal
- From tour of the test facilities at the BBA it is clear that full fill mineral fibre is being tested in the large scale hot box in a brick/block construction. This suggests that full fill mineral fibre manufacturers are keen to prove that they perform well in real life. This is perhaps a test we should consider on our full-fill solution.

5.5 NPD Update

- RS5000 – As above. Kingspan also rumoured to have passed the Part 2 test but appear to be underwriting projects themselves to secure orders
- Full-fill cavity – First test needs to be repeated as one of the two walls shows higher levels of moisture ingress than the BBA were happy to sign off on. Every likelihood that this was due to poor workmanship. Decision now to proceed next test with the CG rebated edge offer and then retest Isover composite early New Year.
- Flat roofing – Jim Oliver to now project lead on this. Main actions around rebranding which due to re-entering the market many names and ideas are already in place within either flat roofing or insulation/construction market. 1st run of trial product for customer presentation and site trials to be run in the next week. Discussions around launch stocks and SKUs taking place this week
- FR lambda – Business case validated and new numbers set which work on a 25% increase on 2015 budget. Contracts for BBA certification received and need reviewing. Voluntary CE marking route through Europe progressing and is now submitted but no information received back. Next Honeywell meeting 17th October
- EW1 – Test 1 performed better but still not a pass. Suggest we kill this project from a UK perspective
- BG Plasterboard –Chased but no update
- IW5000 & IW4000 projects. Lack of funding is now leading to [REDACTED] and [REDACTED] not buying more materials. Latest Green Deal investment announced could assist. A few more installers are being trained namely [REDACTED] who are looking to buy a bespoke 22 lambda board once BBA certificate published (inside next two weeks). On-going orders and projects very up and down and linked to government activity
- NPD YTD sales (Nett). Up to end of September
 - IW5000 – Approx. £ [REDACTED]
 - GD5000 – Approx. £ [REDACTED]
 - GS5000 – Approx. £ [REDACTED]
 - RS5000 – Approx. £ [REDACTED]

5.6 VAP sales

- YTD 12.4% at gross sales and 8.8% at 25mm
- Whilst FR showed a sales improvement in the month, all main VAPs were below their 25mm volume budget

5.7 Key Actions for Coming Month

- Inductions for Dan Steed – new MCE
- RCI show in late October
- Finalise brand identity for new flat roof range
- Meet with Honeywell to progress lambda 20 options
- New rig built at Vinci for rebated edge full-fill CG testing
- Trials to be completed on new flat roof offer with product to be sent to key customers and also plans for site tests
- Endorsed brand agreement
- Begin to shape internal communications strategy and function. External resource to assist with delivery of this

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5.7 Key Actions for Coming Month (RW)

- Continued training and support for Rob Firman as he goes on the phones for the first time as the CTC returns to a team of 6 people
- Begin recruitment of another Technical Service Officer
- Carry out technical training of Jon Roper during month as resource allows
- Prepare presentations for RCI show later in the month
- Chair CPA Technical Committee Meeting

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Section 6: Operational Excellence (POB)

6.1 Operational Performance

Steady improvement in operational variances in the month

- Material Usage £■■■■ adverse in the month
 - Main drivers
 - Slow running of Hennecke line due to nozzle life and trials to get to root cause on this
 - Later Rejects were only £■■■■ in the month (0.15% of production)
 - Main issue was delamination
 - Engineering £■■■■ adverse in month
 - All in maintenance materials
 - Continued overspend on agency and overtime to underpin volumes

6.2 Capex & Major Projects Update

- Capex schedule increased to £■■■■ for year only 505% spent so far.
- Significant capexes before year end are
 - Bulk tanks – approval received
 - Trailer park
 - Major roof repairs
 - Inverter and PLC's
 - Dust Plant refurbishment
 - Next phase of pedestrian segregation

6.3 WCM Update

- AM Step3 on Collator continues to be maintained
- MJ Saw – AM Step 2 passed
- MJ Saw – PM Step 1 passed
- Collator – PM Step 2 passed
- EWO and 5 "whys" rolled out to operators
- I parker to move to WCM Facilitator role
- Best practice visit to East Leake on 15th September completed

6.4 Progress in the Month

- £■■■■ improvement in material usage variance on record volumes
- Major improvement in later rejects in month @ ■■■■% of production
- 22.5% increase in volume produced month on month
- Big improvement in housekeeping which is ongoing with further 5S and Kaizen events planned for October and until year end
- First ■■■■ deliveries arranged

6.5 Key Actions for Coming Month

- Completion of all training and recruitment to schedule
- Resolution of Hennecke nozzle longevity root cause
- Engineering Stores progress
- Continued progress with AM/PM projects
- Complete bearer trials
- Implementation of Winter contingency plans
- Completion of first 100 day plan
- Prepare for consultation with engineers on shift structures for full third shift

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Section 7: Supply Chain (SA)

7.1 Warehouse / Logistics Performance

- Transport cost: █████p/m²
- Volume dispatched : █████Mm² (+3.4% vs Aug based on same number of days)
- OTIF: 96.39% (incl. loading error, short shipment, sales error, haulier failures)
- Hauliers failures: 2 orders (0.08%)
- Loading errors: 12 (0.48% of orders)

7.2 Stock Accuracy / Availability

- No regular stock counts for stock accuracy. To be implemented as part of a project.

7.3 Purchasing Activity

- MDI: € █████/t (-3.4% vs Q2, -5.4% vs RF1).
- Polyols: € █████/t, (+5.3% vs Q2, +2.0% vs RF1).
- Facers: \$ █████/m², (-1.2% vs Aug due to mix)
- Glass: \$ █████m², (-3.5% vs Aug due to partial move to winter product, +10% vs RF1)
- Purchasing saving (as per Finance calculation): £ █████k for Sept, £ █████YTD

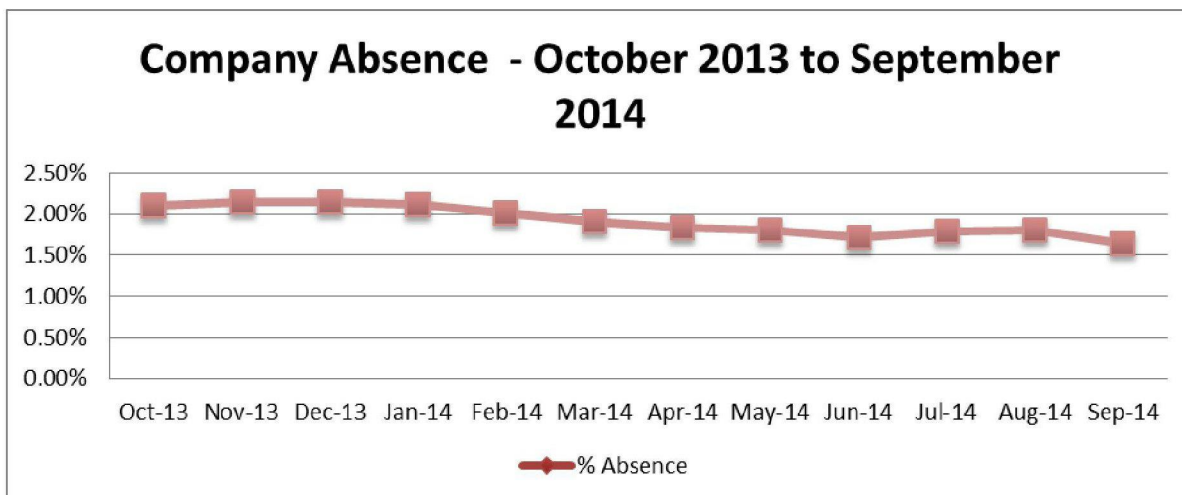
7.4 Key Actions for Coming Month

- Purchasing:
 - Negotiations for metal hedging for facers
 - Implementation of new strategy for the department
 - Presentation of recommendation of SASP on MDI
 - Visit of FR facer supplier to ensure consistency of supply and minimise supply chain risk
 - Follow-up on Intertek audit with Chinese supplier
 - Meeting with various Purchasing directors in Paris to present plans for Celotex Purchasing department
- Transport / Warehousing
 - Project on "Improvement of inventory traceability" started (team: Alex Silva, George Wymer, Simon Alengrin): need to rearrange project following Derrick Cooper's departure. Resources are very tight.
 - Continue the development of trailer loading software
 - Final tweaks on Production planning software are being made
 - Price negotiations with Bartrums and Magnus: drafting of contract with Bartrums under way
 - Finalise Plans for new stock layout in the DC

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Section 8: People

8.1 Absence Reporting



Lost time due to sickness absence consistently below 2% since March 2014 and currently stands at 1.63%.

2 long term sickness absence during the month; [REDACTED] and [REDACTED] neither work related.

8.2 Training Update

- Leadership Group Training – Margaret Burnside to brief Leadership Group on ILM Level 5 Leadership & Management qualification - delayed until December
- Sales Team Training – proposals being considered for Q4 2014/Q1 2015
- Team Leader Training – following Leadership Group modules from 2013 and proving a great success; for 2015 considering ILM Level 3 qualification in Team Leading or First Line Management programme [accredited via Saint-Gobain Training]

8.3 Headcount Review – Incl. Vacancy / Recruitment Update

- Total staff as at 30.9.14 was 201 with 9 new staff and 3 leavers during September 2014.

Current Vacancies

1. Marketing Communications Executive – Dan Steed joined 29.9.14
2. Technical Services Officer – offer being made
3. Area Sales Manager, London & Surrey – recruitment underway following resignation of Kevin Holden
4. Business Development Manager, House building – Richard John joins from Weber 13.10.14
5. Project Specification Manager, North – offer made to Tony Dooley was declined and external recruitment underway
6. Key Account Manager – 2nd interviews underway
7. Operators – 4 additional Operators required
8. Team Leader, A Shift – Ian Girling joined 15.9.14
9. Chemical Controller, Days – John Richter joined 6.10.14
10. Project Engineering Manager – recruitment underway
11. QC Manager – recruitment underway
12. 2 x Process Engineers – On hold

8.4 Key Actions for Coming Month

- Drug Testing Proposal agreement on way forward
- Agree Leadership Group and Sales Team Training Programmes for 2014/15
- Explore Event
- Policy update

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