

ANNUAL REPORT
AND ACCOUNTS 2023

*creating sustainable
building solutions*



eurowcell

welcome



We have a clear strategy to drive organic growth and improved operating margins.”

Darren Waters
Chief Executive



2023 HIGHLIGHTS

Revenue

£364.5m

▼ 4.4%
(2022: £381.2m)

Profit Before Tax

£11.7m

▼ £14.5m
(2022: £26.2m)

Gross Margin

47.7%

▼ 70bps
(2022: 48.4%)

Adjusted Operating Profit²

£18.4m

▼ 41%
(2022: £31.3m)

Basic Earnings
Per Share

8.6p

▼ 11.0p
(2022: 19.6p)

Adjusted Profit
Before Tax²

£15.2m

▼ £13.5m
(2022: £28.7m)

Adjusted Basic
Earnings Per Share²

11.0p

▼ 10.4p
(2022: 21.4p)

Pre-IFRS 16
Net Cash

£0.4m

▲ £14.8m
(2022: Net Debt £14.4m)

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Net Debt

£58.2m

📈 £19.9m

(2022: £78.1m)

- 1 All figures, including comparatives, exclude discontinued operations.
- 2 Adjusted measures are stated before non-underlying items and the related tax effect (see page 62). We use alternative performance measures to assess business performance and they are provided here in addition to statutory measures to help describe the underlying results of the Group.

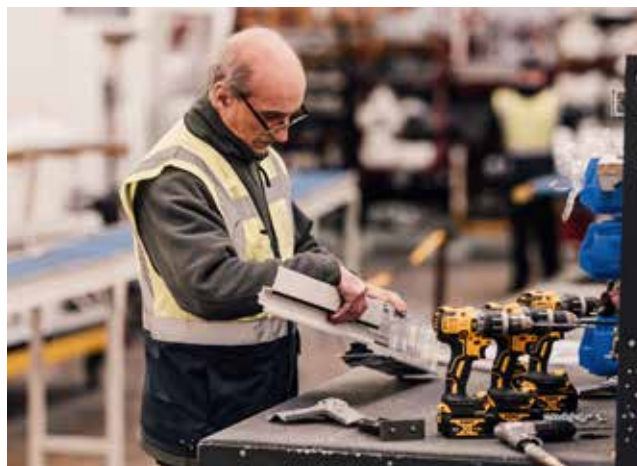


➔ View the latest results online at investors.eurocell.co.uk

OUR BUSINESS AT A GLANCE

We are the market-leading UK manufacturer, distributor and recycler of innovative window, door and roofline PVC products.

Through our vertically integrated business model and differentiated customer proposition for fabricators, installers, small and independent builders and housebuilders, we offer:



Manufacturing expertise

We manufacture rigid and foam PVC products in our well invested, centrally located facilities. Our manufacturing process uses raw materials including PVC resin and recycled material produced at our own plants.

In addition, we have specialist manufacturing sites for secondary operations, including foiling, conservatory roofs, composite/PVC entrance doors and injection moulding products, along with a dedicated technical centre, focused on product development and innovation.



Recycling

We are the leading UK-based recycler of PVC windows with two recycling facilities located in Selby and Ilkeston, from which recycled material is used to generate brand new extruded plastic products.

We recycle factory offcuts ('post-industrial waste') and old windows that have been replaced with new ('post-consumer waste') into reusable raw materials for our manufacturing process, putting recycling at the heart of our operation.

32%

Proportion of recycled material used in extrusion



Nationwide distribution

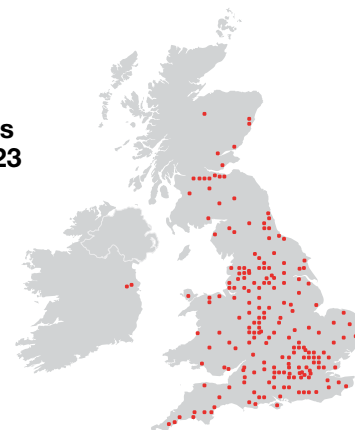
We distribute our manufactured foam products and entrance doors, along with a range of third-party products, via our nationwide network of 214 branches. In addition, we sell windows made by our fabricator partners using our manufactured profile.

Our sales and distribution strategy is implemented through our cross-functional sales and business development teams, which target the key decision makers in the supply chain, including fabricators, installers, developers, architects, local authorities and planning departments.

Our distribution activity is supported by our state-of-the-art central warehouse, with cantilever racking and mobile platform picking, and a fleet of c.250 road vans.

214

Number of branches at 31 December 2023



Market-leading products

We operate our business through two divisions that reflect the principal routes to market for our products.

Profiles Division

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

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

There are broadly four types of fabricator:

- **Trade frame** – supply finished products to tradesmen or small retail outlets
- **New build** – supply and install the products they make for housebuilders
- **Commercial** – supply and install products used in applications such as office spaces and education facilities
- **Retail** – make products for sale via their own retail operation, which may be a large national business, or a small company servicing the local community. We are not particularly exposed to retail fabricators.

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

Foam PVC products are used for roofline and are supplied to customers through our nationwide branch network in the Building Plastics division (see overleaf). All of our manufacturing margin is recorded within the Profiles division, which therefore also benefits from expansion of the branch network.

The Profiles division also includes:

- **Vista Doors** – manufacturer of composite and PVC entrance doors



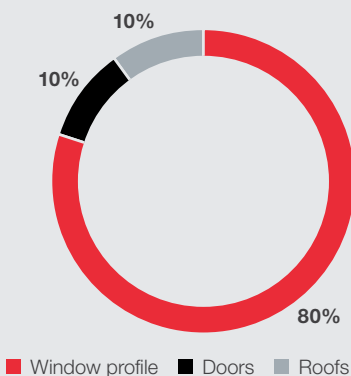
- **S&S Plastics** – manufacturer of plastic injection moulded products/services



- **Eurocell Recycle (Midlands and North)** – recycler of PVC windows.



Profiles division – product mix (%)



Product range



Window and Door Profile



Composite Doors



Cavity Closers



Conservatory Roofs



Patio Doors



Bi-fold Doors

Building Plastics Division (Branch Network)

Our Branch Network distributes a range of Eurocell manufactured and branded foam PVC roofline products and Vista doors, alongside third-party manufactured ancillary products. These include sealants, tools and rainwater products, as well as windows made by our fabrications partners using our manufactured profile products.

Distribution is through our national network of 214 branches to installers, small and independent builders, housebuilders and nationwide maintenance companies. The branches also sell roofline products to independent wholesalers.

Manufactured products



Roofline & Trims



Fascias & Soffits

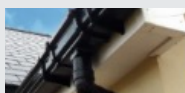


Fencing



Cladding

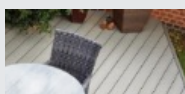
Traded goods



Rainwater & Drainage

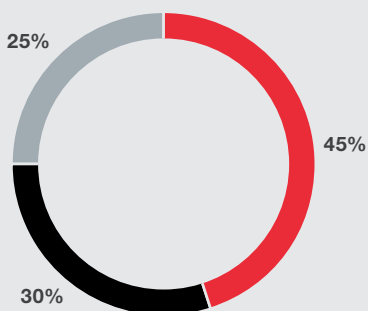


Sealants & Cleaners



Composite Decking

Branch Network division – product mix (%)



- Manufactured products
- Traded goods
- Made-to-order

Made-to-order



Windows



Conservatories



Conservatory Roofs



Composite Doors



Garden Rooms



Extensions



The last twelve months have seen major changes and significant challenges for the Group and in our markets. The progress we made during 2023 is testament to the commitment, hard work and dedication of our teams in every part of the Company, so I start this year's report by offering, on behalf of shareholders and of the Board, my sincere thanks to them all."

Derek Mapp
Chair



Financial and operating performance

Against a difficult backdrop, including a weak repair, maintenance and improvement (RMI) market and a severe decline in new build housing, we delivered some resilience in the Group's sales performance. Revenues for the year were £364.5 million, down 4% against a strong 2022 comparative period.

Adjusted profit before tax from continuing operations was down 47% at £15.2 million (2022: £28.7 million), reflecting the impact of lower volumes and margin pressure.

In response, the business took decisive action on costs, including a restructuring programme completed in Q2, and continued to focus on efficient working capital management, to drive a good cash flow performance and maintain a strong balance sheet and liquidity.

Reported profit before tax, also on a continuing basis, was down 55% at £11.7 million (2022: £26.2 million), reflecting the cost of the Q2 restructuring programme, which will also benefit our financial results in 2024.

Net cash generated from operations was £52.8 million, up 50% on 2022, including an inflow from working capital of £13.4 million. As a result, net cash at 31 December 2023 on a pre-IFRS 16 basis stood at £0.4 million (31 December 2022: net debt of £14.4 million).

Earnings per share and dividends

Adjusted basic earnings per share for the year were 11.0 pence (2022: 21.4 pence). Reported basic earnings per share were 8.6 pence (2022: 19.6 pence).

We paid an interim dividend of 2.0 pence per share in October 2023. The Board proposes a final dividend of 3.5 pence per share which results in total dividends for the year of 5.5 pence per share (2022: 10.7 pence per share).

Capital allocation

The Board is focused on enhancing shareholder returns and recognises the importance of our ordinary dividend. We will periodically consider supplementary distributions, whilst always seeking to maintain a strong financial position.

Taking into account expected organic investment requirements and our successful cash flow management in 2023, we launched a £5 million share buyback programme in January 2024.



Following the Board's decision that employee incentivisations by equity should be through shares acquired rather than issued, the first 642,000 shares repurchased under the buyback programme will be held in treasury and used to satisfy employee share options over the next two years. All other shares repurchased will be cancelled.

As of 15 March 2024, we had purchased 2.0 million shares at a cash cost of £2.5 million under the programme.

Strategy

Following the arrival of Darren Waters as Chief Executive, the Board conducted a review of the Group's strategy, including the optimisation and expansion of the Branch Network, an enhanced customer proposition and simplified business structures.

With this review now complete, we have reset our ambition for the business and identified a clear strategy for organic growth and improved operating margins, which has the potential to create significant shareholder value.

The headlines from our work on strategy are summarised in the Chief Executive's Report on pages 14 to 17, with the full detail set out in the Strategic Report on pages 18 to 29.

Board changes and governance

Following our AGM in May, Darren Waters assumed the position of Chief Executive and Mark Kelly retired. In addition, Martyn Coffey stood down from the Board and Will Truman was appointed as an independent Non-executive Director and member of the Audit and Risk, Nomination and ESG and Social Values Committees. We were also pleased to announce the appointment of Angela Rushforth as an independent Non-executive Director and member of the Nomination and ESG and Social Values Committees in January 2024.

Looking ahead, after nine years of service, Frank Nelson intends to step down from the Board at the 2024 AGM and I would like to thank him for his significant contribution to the Group. Alison Littlely will be appointed Senior Independent Non-executive Director when Frank leaves.

Whilst this has been a period of significant change for the Board, our new appointments bring extensive experience and knowledge of the UK building materials and fenestration sectors, as well as valuable commercial insight, and I am very pleased that we have been able to attract such high-calibre individuals into the Company.

In accordance with the UK Corporate Governance Code ("the Code"), an external evaluation of the Board's performance was conducted towards the end of 2023. The review concluded that the composition of the Board, and its committees, provides an appropriate balance of skills, experience, independence and knowledge to allow the Board to discharge its responsibilities effectively. Full details of the review are set out on page 81.

Finally, I can confirm that we aim to comply with the Code and that, as a Board, we are committed to the highest standards of corporate governance and ensuring effective communication with shareholders.

Derek Mapp
Chair

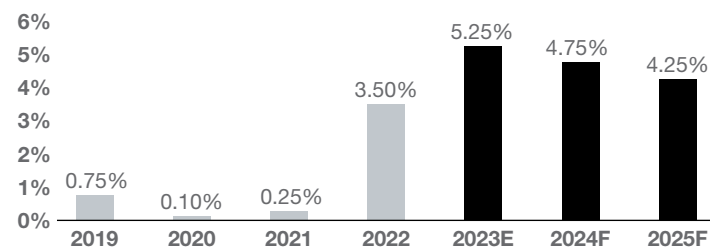
Well-positioned for when markets *recover*

Whilst current market conditions are challenging, we believe we have good potential to outperform market forecasts over the medium term, capitalising on our strong market position and clear new strategy to drive organic growth through the transformation of the Branch Network and other commercial initiatives.

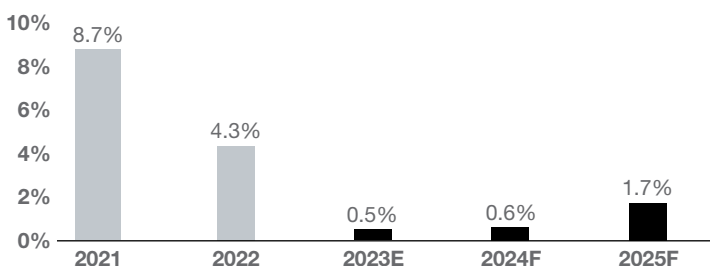
UK economic forecasts

GDP and interest rate trends are expected to be slightly positive over the next two years.

Bank of England base rates (at 31 December)¹

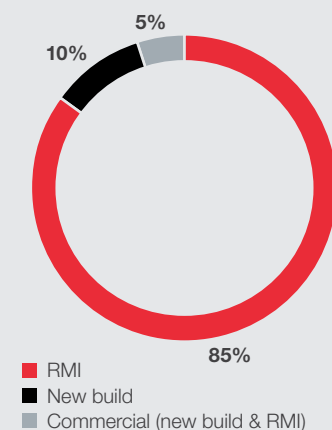


GDP growth¹



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

Eurocell market by revenue %



CPA Construction Industry Forecasts (2023-25)

The market growth estimates of the Construction Products Association ('CPA'), provide informative baseline indicators of the markets we operate in. The data and graphs on the following pages summarise the CPA forecasts published in January 2024 for our key markets, together with a summary of the current drivers in these markets and our response.

¹ Source: CPA Construction Industry Forecasts (central scenario – published January 2024).

Private RMI

c.85%

Proportion of Eurocell revenue

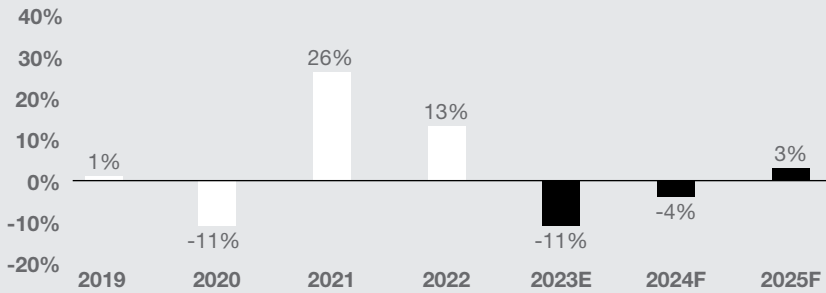
CPA market growth projections and their rationale

Private housing RMI output is now forecast to fall by 4% in 2024 after the double-digit fall last year. This is a revision downwards as some of the anticipated fall in property transactions, which leads to lower RMI activity within 6-9 months, is expected to now feed through in H1 2024. In 2025, with lower interest rates, stronger economic growth and a growing housing market, growth of 3% is expected.

Market drivers

- Improve vs move**
 Property prices, housing supply and moving costs affect whether homeowners improve their homes rather than move. The UK's ageing housing stock should also drive RMI demand
- Disposable income**
 Inflation, real wage growth and mortgage interest rates affect disposable income for repairs and maintenance
- Consumer confidence**
 Macroeconomic factors, including unemployment levels, influence consumers' appetite for large discretionary spend

Private RMI growth¹



Focus on the home

Although moderated from post-pandemic highs, the focus on improving living spaces, and developing home offices, drives demand for conservatories, garden rooms and simple extensions

Ageing population

The desire for maintenance-free properties, coupled with tradesman availability, influences the demand for uPVC, rather than wood, products.

Our response

- Optimise our branch network through a programme of estate transformation, including new branches and relocations, supported by enhanced site-selection methodology
- Develop our customer offering for the Branch Network, including increased sales of windows and doors

- Become the homeowner's choice for extended living spaces through products such as garden rooms, extensions and roof lanterns, supported by our Select installer scheme
- Leverage our new website, plus increased investment in digital technology to drive incremental e-commerce sales, generate homeowner leads, attract new trade accounts and drive traffic to our branch network
- Protect our Profiles trade fabricator business and maintain our value-added service propositions that support our customers
- Customer-centric approach to new product development
- Build a reputation within the industry that creates loyal trade fabricator partner advocates.

New Build

c.10%

Proportion of Eurocell revenue

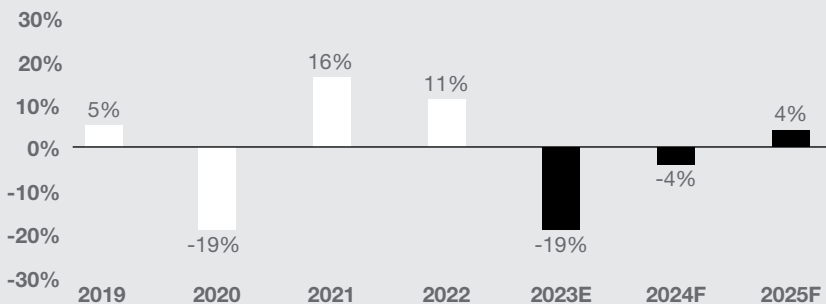
CPA market growth projections and their rationale

The forecast for private housing in 2024 has been revised downwards slightly as house builders adjust to the short-term decline in housing demand that appears to have now hit its nadir. After a recovery in mortgage approvals, property transactions and house price growth during 2025, both starts and completions are likely to recover but the rate of recovery will heavily depend on not only mortgage rates but also policymaker stimulus.

Market drivers

- Housing supply**
 Structural deficit in new house building, compared to government targets
- Government incentives**
 Ongoing shortage of housing may attract government intervention or incentives, especially with a UK general election due in 2024

New Build growth¹



Housebuilders' plots

Housebuilders have a strong pipeline of plot builds but uncertainty exists regarding starts/completions/targets

Homeowner demand

Although suppressed by increased mortgage rates, rising rental costs and the enduring desire to own your own home drive home ownership

Buyer incentives

'Share ownership' schemes, although subject to eligibility, and 'Right to Buy' schemes in the public sector, make home ownership more affordable and accessible.

Our response

- Protect our Profiles new build fabricator business and maintain the value-added service propositions that support our customers
- Leverage our strong proposition with national housebuilders in the regional new build market
- Provide a fit-for-purpose solution to address the Future Homes Standard regulations
- Continue proactive engagement with our customer base regarding sustainable product development
- Provide a sector-leading technical support service
- Leverage our ESG credentials, including our market-leading recycling operations.

CHIEF EXECUTIVE'S Q&A

Q&A

with **Darren Waters,**
Chief Executive



Darren Waters joined Eurocell as Chief Executive designate in April 2023 and was appointed Chief Executive on 11 May 2023, following Mark Kelly's retirement at the 2023 AGM. He was formerly Chief Operating Officer for Ibstock plc and has extensive experience and knowledge of the building products and fenestration sectors in the UK.

In this Q&A, we ask Darren to share what it was that attracted him to Eurocell, what his initial observations have been and how he sees the future for Eurocell.

Q What attracted you to the role of Eurocell CEO?

A Eurocell is a business that I knew well from my time as CEO of Tyman UK & Ireland. From the outside looking in, it felt like a business with a strong foundation, based on a market-leading position in PVC door and window profiles, plus an established national network of trade counters. From an ESG perspective, I also admired what it was doing on recycling. What struck me though was the potential to take the business to the next level, and I felt that I could really draw on my recent experience with Ibstock and Tyman to make that happen. The opportunity to work with our Chairman, Derek Mapp, given his reputation and track record, was also compelling.

Taking us to the

next

Q You joined Eurocell in April 2023. What are your first observations, and is it what you expected?

A Derek gave me a good overview of the business before I joined so there weren't many surprises. The business had been through quite a lot of change, with the warehouse move and cyber-attack. When I arrived, I knew we were facing headwinds due to the depressed housing market and also grappling with rising input costs, but it was also clear that the business had underestimated the scale of the market downturn. We therefore had to act quickly to reduce the cost base, eliminating around a hundred roles at the half year.

On a more positive note, I've inherited a strong team with some great people, who are very engaged with the business and hungry for change. We've got a lot of work to do to develop a more cohesive culture, but we are moving at pace on that.

Q What changes, if any, have you made to the business so far?

A Safety is now the first agenda item in every leadership meeting and has had more airtime, so it's been pleasing to see a 50% improvement in our performance.

Our Commercial MD is now 100% focused on the Branch Network, with fabricator sales now reporting to me. I felt we needed to give more attention to the branches, because there is so much opportunity to go after.

We have been improving our door and window proposition through the branches, because I felt that we weren't punching our weight in these core big ticket product categories. The work we have done since is very exciting, and now one of the key building blocks in our new strategy.

I also kicked off a review of our strategy, as we didn't have an overarching plan that set out where we were going, or how we were going to get there. The early feedback I got from investors was that they didn't really understand our strategy either. By November, we had put the finishing touches on a high-quality piece of work, that clearly articulates our future vision for the business, and sets out the initiatives that will drive the business forward. The feedback from our key stakeholders so far has been positive, so we've now got to get on and deliver it!

We can't do that without our fantastic employees, so we've recently welcomed a new People Director into the business, who has some great experience with the likes of Halfords, Costa and Pets at Home, and is a great addition to our Executive team.

Q You have set out a new purpose and values. What can you tell us about those?

A Everyone knows that purpose-driven organisations perform better. A great purpose should act as a 'call to arms' and energise employees. To put it bluntly, our former purpose did not set the pulse racing, but its replacement is bold and inspiring. Given that culture is an untapped opportunity, we've also created a new set of values that define our personality and set the tone for the organisation. I'm really pleased with the outcome of this work, as the language we have used (e.g. Gritty, Decent) will really resonate with our employees. Having landed these, we are now starting to cascade them throughout the organisation, alongside our new strategy. I know from experience that it takes a long time to embed new ways of working, but changing the culture will really help us to mobilise and sustain our ambitious strategic agenda.

Q You have now completed a review of your strategy. What are the headlines from that?

A The headlines are that we believe we have a clear growth strategy, built around four pillars: Customer Growth, Business Effectiveness, People First and ESG Leadership. Through this, we have a pathway to building a £500m revenue business generating a 10% operating margin within the next five years. It's an ambitious vision, but when you aggregate the growth opportunities, applying a degree of sensitivity, it is an achievable target.

level

CHIEF EXECUTIVE'S Q&A CONTINUED

Q Tell us about these strategic pillars, starting with Customer Growth?

A Customer growth is predicated on us becoming the trade customer's preferred choice, in all markets and segments where we operate. The largest element of this is our Branch Network, where we are aiming to sell more doors, windows, and conservatory roofs to become the number one destination for professional tradespeople.

After a two-year hiatus, we are planning to open more branches from H2 onwards and we see an opportunity to add 30 new sites over the next three to four years.

We then have our extended living spaces range (garden rooms and extensions), where we are gaining a strong reputation for the quality of product and professional installation service. All of this is underpinned by our investment in digital, to raise awareness of our products and home improvement solutions, to acquire new customers.

Q What kind of initiatives will underpin Business Effectiveness?

A We want to make Eurocell a lean and efficient business, so we are upgrading our business systems to streamline processes and make us easier to do business with. By selling more doors and windows, we will utilise spare capacity that we have in our composite door business and rigid extrusion manufacturing operations, thereby making us more efficient.

We are also embedding a continuous improvement ('CI') philosophy, which is already highlighting significant opportunities, particularly in our manufacturing and recycling operations.

Q Can you expand on what People First means?

A People First is all about making Eurocell a great place to work, through a relentless focus on health and safety, an enhanced employee value proposition, improved levels of employee engagement and effective talent management. Many of our people really love their jobs, but we want them to love Eurocell too. We have pockets of excellence, but we are just not consistent across all our sites. I'm passionate about this initiative, as I've seen the impact of getting this right and I know how it can positively affect performance.

Q ESG Leadership is not straight forward for a business that uses PVC – what are you planning here?

A Eurocell is already a leader in PVCu recycling, which is preventing thousands of windows being sent to landfill. But that's just one aspect of ESG and, looking ahead, we aim to excel in all areas. We are now working with a specialist ESG consultancy to develop our Net Zero strategy and improve the way we capture and record data, through our own business and the rest of our supply chain.

Q What are the biggest risks and challenges you face to deliver the strategy successfully?

A One of the biggest challenges we face is bandwidth, as there is a lot to do, plus there are a lot of interdependencies between the various elements of our strategy. As an example, we cannot deliver on the potential upside in the branches without upgrading our trading system. Furthermore, to grow our extended living spaces range, we must execute on our digital strategy. We also have some gaps in capability that we are addressing, but not at additional cost.





Q Looking shorter term, how do you assess your core markets today?

A It's very hard to predict given the instability caused by events in the Middle East, but our forecast assumes flat vs H2 2023. Private housing (10% of revenues) is starting to pick up a little, after the drop in interest rates, but remains well down on the levels we saw in 2022. RMI (85% of revenues) has been more resilient but is still challenging. We are therefore not anticipating any improvement in the market this year, but if inflation continues its downward trend and interest rates drop further, then H2 could turn out to be a little better, which would be a bonus.

Q What are you going to focus on this year?

A Our focus for this year is all about accelerating the branch network transformation (including the new trading system), embedding the new culture, delivering on our CI projects and raising our game on ESG. There is an expectation that the market in 2025 will be much better, and we want to be ready to take advantage of that.

Q Any final thoughts?

A Towards the end of 2023, I really felt that we were beginning to build momentum on several fronts, which we've carried into the new year. We are also starting to see more consistency in our performance, which is generating belief in our ability to deliver an improvement in the quality of our earnings over the medium term, something that we are committed to achieving. If we maintain this trajectory, then we will be well placed to benefit from an uptick in the market, when that comes.

I am loving the job, relishing the opportunities that we are uncovering, and confident that we can make Eurocell a great business.

➤ Read about our new strategy on **pages 18 to 29**

CHIEF EXECUTIVE'S REPORT

Introduction

With demand softening towards the end of 2022, we completed a restructuring programme in Q4 of that year and entered 2023 prepared for tougher markets.

However, conditions in the first half of 2023 were more challenging than we had anticipated, with repair, maintenance and improvement ('RMI') activity impacted by low consumer confidence and higher costs of living. In addition, a steep decline in new build activity followed successive interest rate rises and falling house prices, with housebuilders reducing build rates in anticipation of falling sales. Thereafter, these trends continued for the remainder of 2023, with some further modest weakening in our key markets in H2.

Input cost inflation also continued through the first half, particularly for labour, electricity and recycling feedstock prices, which we offset with selling price increases where possible. As expected, we experienced some easing of input cost pricing in H2.

In response to lower sales volumes, we took further decisive action on costs, with a second restructuring programme implemented in Q2 2023. We also continued to focus on efficient cash and working capital management to drive a good cash flow performance for the year.

As reported in September, we have been reviewing our strategy. Through this work, we have identified a route to organic growth and a healthy improvement in operating margins over a five-year period. The headlines are summarised as follows, with full details set out in the Strategic Report on pages 18 to 29.

Financial results

Against the challenging market backdrop, we have delivered some resilience in the Group's sales performance. Revenues for the year were £364.5 million, down 4% on 2022, with volumes 6% lower against a strong 2022 comparative period.

As expected, adjusted profit before tax from continuing operations was £15.2 million, down £13.5 million on 2022, with the reduction driven by lower sales volumes, input cost inflation and margin pressure in the branches, partially offset by selling price increases, operational improvements and cost reduction.

Reported profit before tax was £11.7 million (2022: £26.2 million), after non-underlying costs totalling £3.5 million (2022: £2.5 million), reflecting the impact of a restructuring programme and cloud-based computing expenses.

Reflecting our focus on cash management, we delivered improved net cash generated from operations of £52.8 million, up 50% on 2022, including an inflow from working capital of £13.4 million, compared to an outflow of £13.1 million in the previous year.

Detailed information on our Group financial performance is set out in the Chief Financial Officer's Report. A summary of divisional financial performance is included below.

Operational performance

Production

Overall Equipment Effectiveness ('OEE', a measure which takes into account machine availability, performance and yield) was 78% in 2023, a significant improvement on the 71% reported for 2022, and ahead of our target of 75%, reflecting the benefit of improving manufacturing efficiencies and a tighter conformance to production planning. As a result, having built inventories to mitigate the impact of supply chain disruption in 2021/22, we delivered a reduction of c.£13 million in 2023, including the benefit of lower input costs.

Recycling

We are the leading UK-based recycler of PVC windows, now saving the equivalent of c.3 million window frames from landfill each year. We have made further progress in 2023, with usage increasing to 32% of materials consumed in production, compared to 29% in 2022, driving lower carbon emissions and cost savings compared to the use of virgin material.

A weaker RMI market and fewer window replacements restricted feedstock availability for our recycling business, resulting in a significant increase in purchase prices (21%) compared to 2022. However, the impact was most significant in the first half of the year and we are making good progress securing additional sources of feedstock, which, alongside reduced demand and lower virgin resin prices, saw prices beginning to ease in H2.

Furthermore, we are finding more ways of using all the waste product generated by our plants and expect to progressively reduce waste sent to landfill.

Health and safety

The safety and well-being of our employees, contractors and branch customers is our number one priority, and we have delivered a significantly improved safety performance in 2023. Our Lost Time Injury Frequency Rate¹ ('LTIFR') was 5.7 in 2023, compared to 10.0 in 2022. Our RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) performance remains better than the industry average. There were no major injuries and 11 minor accidents recorded under RIDDOR in the year (2022: no major injuries and 23 minor injuries).

Health and safety is now the first agenda item for key internal meetings. We have enhanced the reporting of near misses and unsafe acts and conditions, as part of a proactive approach to risk management, with the aim of reducing the likelihood of future workplace injuries. This, when combined with the effective and timely implementation of corrective and preventive action, supports our positive and improving safety culture.

¹ Injuries per 1 million hours worked.

Divisional performance – Profiles

Profiles	2023 £m	2022 £m	Change %
Third-party revenue	154.9	161.7	(4)%
Inter-segmental revenue	64.9	72.3	(10)%
Total revenue	219.8	234.0	(6)%
Adjusted¹ operating profit	11.9	20.2	(41)%
Operating profit	10.1	19.3	(48)%

¹ Adjusted performance measures are stated before non-underlying items.

Profiles third-party revenue for the year was £154.9 million, 4% lower than 2022, with reduced RMI activity and a significantly weaker new build market partially offset by market share gains, leaving volumes 7% below 2022.

Cost of living pressures, successive interest rate increases and falling house prices have all had a significant adverse impact on demand for our products.

However, we have continued to acquire new fabricator accounts, supported by a reduction in UK capacity following the closure of the Duraflex extrusion business in September. In addition, some of our existing fabricators have benefited from an increase in volume following the administration of Safestyle in October.

Profiles adjusted operating profit for 2023 of £11.9 million was 41% below the previous year (2022: £20.2 million), reflecting lower sales volumes and input cost inflation (particularly labour, recycling feedstock and electricity), partially offset by selling price increases, operational improvements and cost reduction.

Reported operating profit is stated after non-underlying restructuring costs totalling £1.8 million (2022: £0.9 million).

Further information on non-underlying items is included in the Chief Financial Officer's Report. A summary of our strategy for Profiles is set out overleaf.

Divisional performance – Building Plastics (Branch Network)

Building Plastics	2023 £m	2022 £m	Change %
Third-party revenue	209.6	219.5	(4)%
Inter-segmental revenue	0.4	0.3	33%
Total revenue	210.0	219.8	(4)%
Adjusted¹ operating profit	8.9	12.2	(27)%
Operating profit	8.2	10.9	(25)%

¹ Adjusted performance measures are stated before non-underlying items.

Third-party revenues in the Branch Network were £209.6 million, 4% lower than 2022, with volume down 5%.

RMI volumes in the branches were subdued throughout the year, as homeowners have pulled back on discretionary expenditure, most likely in response to higher costs of living and interest rates.

However, we still see reasonable volumes of high-value project work (such as our roof lanterns, conservatory roofs, windows and bi-fold doors) and sales in our outdoor living range (fencing, decking and garden rooms) of £11.6 million remain broadly consistent with 2022.

Branch Network adjusted operating profit for 2023 was £8.9 million, 27% below the previous year (2022: £12.2 million), reflecting lower sales volumes and pressure on margins as a result of increased competition for limited demand, partially offset by selling price increases and cost reduction.

Reported operating profit is stated after non-underlying restructuring costs totalling £0.7 million (2022: £1.3 million).

Further information on non-underlying items is included in the Chief Financial Officer's Report. A summary of our strategy for the Branch Network is set out overleaf.

Strategy

We began a review of our strategy in the summer. The review is now complete, with the headlines summarised below and full detail set out in the Strategic Report on pages 18 to 29.

By way of context, since Eurocell listed on the London Stock Exchange in 2015, sales have more than doubled, through a mixture of branch expansion, market share gains and acquisitions. We have also significantly increased our use of recycled PVC in primary manufacturing operations.

Whilst the business has done well growing the top line, operating margins fell steadily down to 8% in 2022. This has been driven by operational issues, now fixed with investment, and our ability to recover the full margin impact of input cost increases with selling prices. Margins were lower again in 2023, driven by higher input costs and the operational gearing impact of declining volumes.

With this strategic review, we are resetting the ambition for the business. Our new strategy identifies a pathway to building a £500m revenue business, generating a 10% operating margin over a five-year period. This is an ambitious vision, but we believe it is an achievable target.

Our strategy is built around four strategic pillars: Customer Growth, Business Effectiveness, People First and ESG Leadership. The following paragraphs describe these pillars and the initiatives which support them.

Customer Growth

Our aim is to become the trade customer's preferred choice, in all markets and segments where we operate. We believe the biggest opportunity for growth will come from expansion of the branch network, including the sale of windows and doors, plus our extended living spaces range of garden rooms and extensions. This is all underpinned by an increased investment in digital, to raise awareness of our products and home improvement solutions and thereby acquire new customers.

Branch Network

We have concluded that the optimum branch network size is up to c.250 branches. Therefore, after a two-year break, we are planning to recommence opening new branches from Spring 2024 and expect to add c.30 new branches over the next three to four years. We will supplement this with a number of branch relocations, to optimise our existing footprint.

We are aiming to sell more doors, windows and conservatory roofs through the branches. Following an improvement in our window and door proposition, we ran a trial across six branches in Q4 and the results exceeded our expectations. We plan to add a further 24 branches progressively into the trial in 2024, and if successful, we will complete the roll-out across the remaining network through 2025.

Extended living spaces

Extended living spaces comprises garden rooms and extensions. With our strong customer proposition, experienced sales professionals and efficient end-to-end processes, we believe there is a good opportunity to gain market share and drive growth through this product range.

For example, since launching our garden room range three years ago, we have steadily built a strong market presence, competing well with the established market participants.

With our extensions range, we are using modern methods of construction that piece together in an innovative kit form, thereby creating a cost-effective, energy-efficient building solution for homeowners who are looking to convert and extend their properties, with installation times of weeks not months.

Profiles

In Profiles, following a period of strong growth, we believe we are now the leading supplier of rigid PVC profile to the UK market. With markets currently weak, we believe targeting further significant share gains would lead to price erosion, which would have a detrimental effect on our business.

Our strategy for Profiles is therefore to protect our existing business and maintain our value-added service propositions that support our customers. We will continue to leverage our leading position with housebuilders and commercial developers to ensure we maintain specifications to support a robust pipeline of work for our fabricator customers. We are recognised across the industry as the leading technical systems house, and we will continue to leverage this advantage too.

The planned growth in window sales through our branch network provides incremental growth opportunities for our fabricator partners, and we are proactively working with them to secure additional capacity.

Business Effectiveness

Our objective is to make Eurocell a lean and efficient business, therefore we are upgrading our business systems and streamlining processes to increase efficiencies and improve the customer experience.

As previously announced, we are in the process of replacing our Enterprise Resource Planning ('ERP') system. The first stage of this process is to implement a new trade counter system in the branch network. Having now selected a new system, we plan to transition at the beginning of 2025. This will transform the way we interact and transact with our customers in the branches.

The second stage is to select and implement an ERP system to support all other functions of the business, including manufacturing, recycling, warehousing, distribution and finance. For ERP, we expect to select a system later in 2024, with transition to be completed around mid-2026.

We are also embedding a continuous improvement philosophy, which is already highlighting significant opportunities for efficiencies, particularly in our manufacturing and recycling operations.

Our initiative to sell more doors and windows through our branches will utilise spare capacity that we have in our rigid extrusion manufacturing operations and composite door business, thereby making us more efficient.



People First

The objective of our People First strategic pillar is to make Eurocell a great place to work, through a relentless focus on health and safety, an enhanced employee value proposition, improved levels of engagement and effective talent management.

For health and safety, we are focused on improving relevant leadership skills and providing appropriate safety education. In terms of our employee value proposition, we are developing a wellbeing framework, recognition schemes and better induction and onboarding programmes. Key priorities for employee engagement include a new internal communications framework, colleague forums and stepping up community and charity work. Finally, effective talent management includes talent development, succession planning and an increasing use of apprenticeships.

ESG Leadership

We want to earn a reputation for being a truly responsible company. Eurocell is already a leader in PVC recycling, which is preventing millions of windows being sent to landfill. But that is just one aspect of ESG and, looking ahead, we aim to excel in all areas.

We are now working with CEN-ESG, a specialist ESG consultancy, to support the development of our ESG strategy and improve our ESG data and disclosures. The results of our work so far are set out in full in the Sustainability Report on pages 32 to 49 and in our Task Force on Climate-related Financial Disclosures ('TCFD') Report on pages 50 to 61. It includes:

- A materiality assessment, which helped us determine the most important sustainability topics to the business. With this analysis we have surveyed a selection of employees, suppliers, customers, banks and shareholders
- A baseline carbon footprint for the business (Scope 1, 2 and 3), identifying key decarbonisation levers.

We have used the outputs from this work to define ESG objectives and targets and develop a sustainability strategy, supported by appropriate governance and internal controls. Looking forward, a key focus for our work in 2024 will be to determine a path to reach Net Zero by our target date of 2045, albeit this will be heavily dependent on reduced emissions in our raw material supply chain.

Summary and outlook

The trends reported at our half year results in September continued for the remainder of 2023, with some further modest weakening in our key markets. Against this challenging backdrop, we are pleased to report profits for the year in line with expectations and strong cash flow generation.

We took early and decisive action on costs in response to lower volumes and have continued to focus on efficient working capital management, driving a good cash flow performance. Whilst the near-term outlook for our markets remains challenging, these actions leave us well placed to benefit from a market recovery when it comes.

Our review of strategy is now complete and I am very pleased with the outcome. Looking ahead, we have identified a clear pathway to building a £500m revenue business, generating a 10% operating margin over a five-year period, built around four pillars; Customer Growth, Business Effectiveness, People First and ESG Leadership. This is an ambitious vision, but when we aggregate the growth opportunities, and apply a degree of sensitivity, we believe it is an achievable target, with the potential to create significant shareholder value.

Darren Waters
Chief Executive

OUR STRATEGY



Delivering
Value

Introduction

Following the arrival of Darren Waters as Chief Executive in the Spring of 2023, we commenced a review of our strategy.

By way of context, Eurocell was listed on the UK stock exchange in March 2015, when annual revenues were £176 million. Since then, sales have more than doubled, through a mixture of branch expansion, market share gains and acquisitions. We have also significantly increased our use of recycled PVC in primary manufacturing operations.

- Number of branches increased from 141 in 2015 to 214 in 2023
- New customer accounts in the Profiles division have supported strong market share gains
- Acquisitions include: S&S Plastics (2015, a specialist injection moulder), Vista Panels (2016, a composite doors and panel door manufacturer), and Ecoplas (2018, now Eurocell Recycle North, a PVC window recycler)

- Use of recycled PVC in manufacturing increased from 9% in 2015 to 32% in 2023
- In 2021, the business relocated its main warehousing operation and Head Office to a new facility near Alfreton.

Whilst the business has done well growing the top line, the quality of earnings has declined, with operating margins falling from 12% in 2015 to 8% in 2022. This has been driven by operational issues, now fixed with investment, and our ability to recover the full margin impact of input cost increases with selling prices. Margins were lower again in 2023, driven by the operational gearing impact of declining volumes.

Our ambition

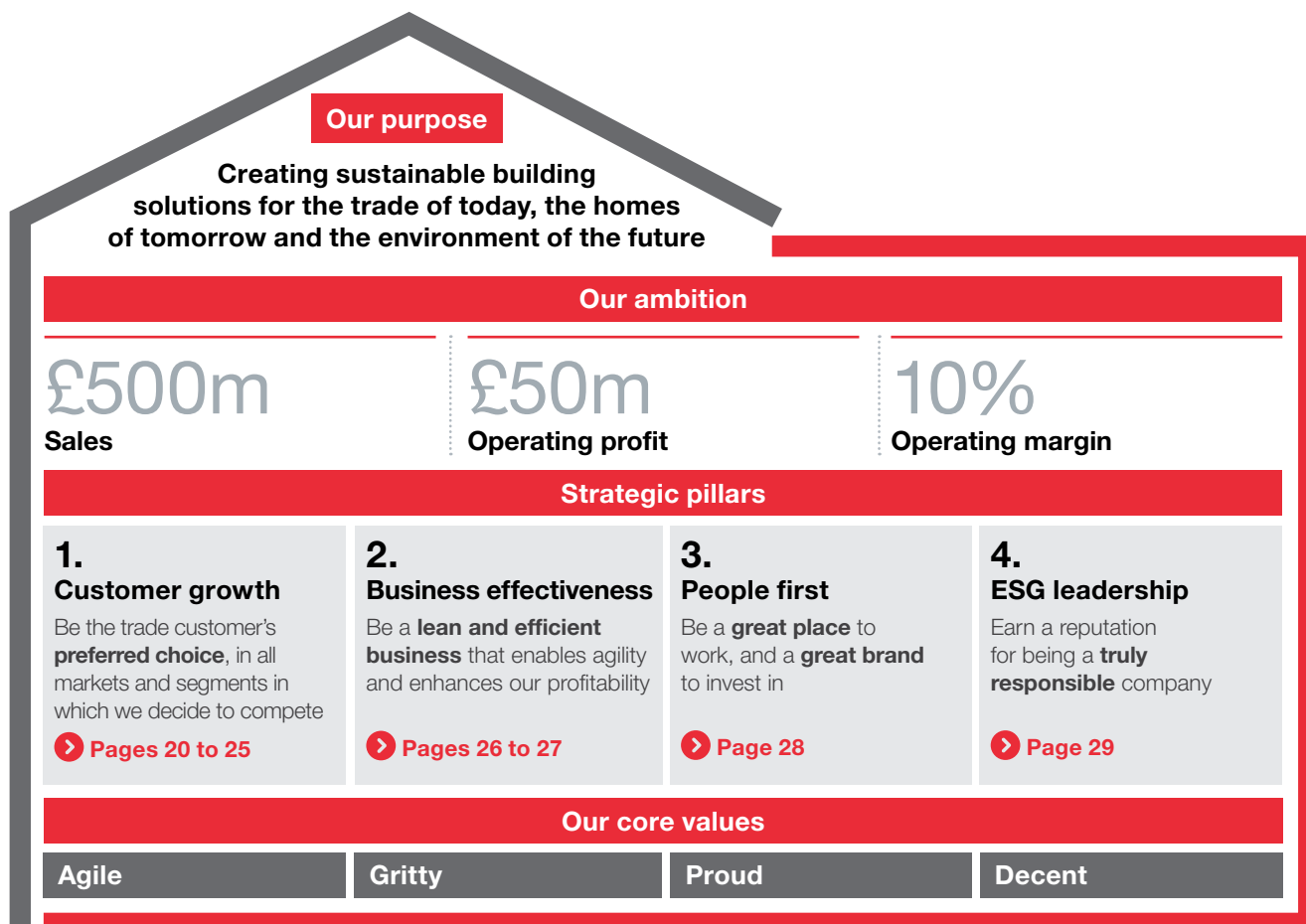
With this strategic review, we are resetting the ambition for the business, via:

- The delivery of significant organic growth through the transformation of the branch network and other commercial initiatives
- Continual operational improvements and footprint consolidation
- Simplification and digitalisation of business processes
- The creation of a strong, cohesive culture, where people are our priority.

Our new strategy identifies a pathway to building a £500m revenue business, generating a 10% operating margin over a five-year period. This is an ambitious vision, but when we aggregate the growth opportunities, and apply a degree of sensitivity, we believe it is an achievable target, with the potential to create significant shareholder value.

An operating margin of 10% is broadly equivalent to the margin of 12% achieved at the time of our IPO, when factoring in subsequent mix changes, including the faster growth of the branch network (which sells bought-in goods as well as our own manufactured products) and some of the natural dilution from higher raw material costs.

Our new purpose and core values underpin our strategy, which is built around four strategic pillars: Customer Growth, Business Effectiveness, People First and ESG Leadership. The following paragraphs describe what we mean by these pillars and the initiatives which support them.



1 Customer growth

Customer growth is predicated on us becoming the trade customer's preferred choice in all markets and segments where we operate.

We believe the biggest opportunity for growth will come from expansion of the branch network, including sales of windows and doors, plus our extended living spaces range of garden rooms and extensions.

Branch Network – new branches and existing estate

We have concluded that the optimum branch network is up to c.250 sites. This work included consideration of existing branch/competitor locations, customer demographics and recruitment challenges, to identify areas of low coverage with good potential. Therefore, after a two-year break, we are planning to recommence opening new branches from Spring 2024, with c.30 new sites over the next three to four years. This programme includes strengthening our coverage in Greater London on a cost-effective basis.

The new branches we open will be a blend of formats, to support our current and future branch proposition. It will include a good proportion of larger format stores (c.5,000 sq ft), to accommodate our new door and window proposition and extended living space range (see overleaf). As a result, we expect to have at least 25 large format branches in three to four years time, providing coverage within 40 minutes' drive time from the main UK conurbations, for customers and installers who want to visit a branch to view big ticket items.





At maturity, we would expect 30 new branches to deliver sales of around £30 million at an operating profit margin in line with our target.

In terms of the existing estate, we expect to complete a number of branch relocations (when leases come up for renewal) to optimise our existing footprint and ensure that we are located in the most appropriate places. This work has already started with new sites in Sheffield and Wembley. We will also continue our branch welfare improvement programme, to make sure our sites are great places to work for our colleagues and great places to visit for our customers.

Looking at branch operations, we intend to create centres of excellence throughout the network, to support the induction of new colleagues and drive all branches towards operational excellence. We plan to have at least one centre of excellence per region in place by the end of 2024.

Our People First strategic pillar is all about making Eurocell a great place to work and this is covered in detail in the relevant sections which follow. For the Branch Network, this includes development of an industry-leading reward scheme, embedding an enhanced induction programme, plus improved leadership development and training.

We are also working on a medium-term organisational-design project, which includes a plan to enhance the role and responsibilities of our branch managers, thereby increasing their autonomy and accountability for decision making and branch performance.

Branch Network – windows and doors

We currently sell an estimated 1,000 window frames per week through the branch network, which delivered revenues of c.£24 million in 2023.

Our research indicates there is a significant opportunity to sell more of these big ticket items in our branches, so we have been working to improve our door and window proposition. Our target customers are mostly professional window installers, although we estimate that around a quarter of the sales will come from builders and DIYers. We ran a trial across six branches in Q4 2023, and the results exceeded our expectations. We plan to add a further 24 branches progressively into the trial in 2024, which will take us close to the capacity of our existing fabricator supply chain.

The size of our branches dictates our capacity to drive increased window and door sales, which we estimate averages around 30 frames per week. If we fill 50% of the available capacity in our branch network over a five-year period, this would equate to incremental annual sales of around £35 million, at operating margins in line with our target.

Success is dependent on establishing a supply chain for the whole network and that is a key focus for 2024. With this resolved, our intent will be a roll-out into the remaining network through 2025. We are already in discussions with a number of our key fabricators to partner with us on this project. They stand to benefit from a large uplift in incremental sales, utilising spare capacity, thereby making them more efficient.

Training our branch and central processing teams in the various aspects of this project and the successful implementation of our new branch trading system (see Business Effectiveness) are also key to the success of this initiative.

OUR STRATEGY CONTINUED

Extended living spaces

Garden rooms and extensions

We classify extended living spaces as garden rooms and extensions.

Since launching our garden room range three years ago, we have steadily built a strong market presence, completing around 800 builds and competing well with the established market participants. Garden room sales in 2023 were c.£4 million. Our business model is based on an exceptional customer journey, with clear communication throughout, and a close working relationship with our fabrication partners, as a significant proportion of our own manufactured products are used on every building.

With our strong customer proposition, experienced sales professionals and efficient end-to-end process, we believe there is a good opportunity to gain market share and deliver incremental annual garden room sales of around £20 million in a five-year period.

The extensions market is vast; we estimate it to be c.£6 billion per annum. Extensions are often complex projects, typically involving builders and architects, with extended build times and disruption for the homeowner. We believe there is a gap in this market to provide an alternative solution for consumers, utilising the technology and skills from our existing fabricator and installer base, alongside our own technical expertise and customer journey management.

With our extensions range, we are using modern methods of construction (e.g. structural insulated panels) that piece together in an innovative kit form, thereby creating a cost-effective, energy-efficient building solution for homeowners who are looking to convert and extend their properties, with installation times of weeks not months. Based on a very encouraging launch for these products in 2023, we estimate annual sales could reach around £10 million within a five-year period.

Similar to windows and doors, we believe sales of garden rooms and extensions will generate operating profit margins in line with our target, after taking account of additional branch overheads, central processing team costs and marketing-related spend required to support these initiatives.

Our Garden Room Range Proposition

Kyube



Horizontal Coastline



Vertical Cladding

Kyube Korner



Horizontal Coastline



Vertical Cladding

Kyube Deluxe



Side Pergola/
Decking Option



High End Model

Our Extensions Range Proposition



Conservatory
Conversion



New Build
Warm Rooms



Single Storey Extensions

Roof lantern range

Our lantern range is key to the success of our extended living spaces proposition. For example, a large proportion of the extensions market utilises flat roofs with lanterns. There is also an opportunity to support the top-end garden room models we intend to launch in 2024. We introduced our Luma flat roof lantern successfully in 2023 and have plans to launch a new aluminium lantern in 2024. This new roof incorporates innovative design features that make it easier and quicker to install.

Select installer scheme

Our Select installer scheme drives customer demand for our product range through a national network of skilled installers who become advocates for Eurocell. Because our business is substantially trade focused, Select is our route to pull through consumer demand and is therefore also integral to the success of our entry into new markets such as garden rooms and extensions, as well as our plans to sell more windows and doors through the Branch Network.

New website – digital growth

Following the launch of our new website in 2023, we now have a stable future-proofed platform to build a competitive advantage in the online space. The website incorporates an integrated product information management system and an e-commerce platform. It is our brand shop window and has the potential to drive strong incremental growth at good margins.

The product information management system provides the capability to ensure we present our products, their features and benefits as comprehensively as possible.

The e-commerce platform drives an improved customer experience, including an intuitive account registration process and a mobile platform, as well as automated and personalised product recommendations.

To exploit the benefits of the new website, we have an ambitious digital strategy, to grow e-commerce sales, drive homeowner leads to buy big ticket items such as garden rooms, extensions, conservatories, windows and doors, and attract new trade accounts to our branches. This includes strengthening our web search strategy and extending key word targeting to drive more relevant traffic to our website. We will increase our pay-per-click (PPC) investment and leverage AI automation to increase contact and prospect targeting with product recommendations.

Our intent is to build homeowner brand awareness and become known for our extended living spaces range, where we currently pay more for leads as we compete for in-market customers. We plan to position Eurocell as the place to come for these products, such that customers consider us more during their research phase and come to us directly when they are ready to buy.

Profiles – protect and maintain existing business

Following a period of strong growth and market share gains, we believe we are now the leading supplier of rigid PVC profiles to the UK market.

The demand created by our specification and marketing teams has supported growth for our existing fabricator customers. We have also created a compelling case for trade fabricators to switch to Eurocell, including a strong product range, continued product development and increasing opportunities to supply our branches. Expanding our share of the new build market has also been a key driver of historic growth, driven by sales of cavity closers, where we are the clear market leader. We have strong relationships with large and medium-sized housebuilders, maintained by our specification and technical teams. Finally, our significant investment since 2018 in new manufacturing, recycling and warehousing capacity to drive improving and reliable service has proved attractive to existing and prospective fabricator accounts.

With markets currently weak, we believe targeting further significant share gains could lead to price erosion, which would have a detrimental effect on our business.

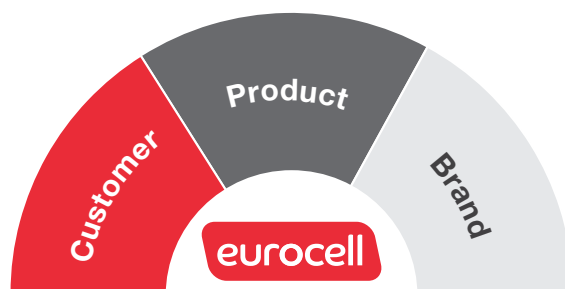
Our strategy for Profiles is, therefore, to protect our existing business and maintain our value-added service propositions that support our customers. We will continue to facilitate relationships between our direct partners (e.g. fabricators) and indirect partners (e.g. glass, hardware, machinery, software providers), and leverage our leading position with housebuilders and commercial developers, thus ensuring we maintain specifications to support a robust pipeline of work for our fabricator customers. We are recognised across the industry as the leading technical systems house, and we will continue to leverage this advantage.

OUR STRATEGY CONTINUED

Sector-led approach

We have a sector-led approach, with initiatives focused primarily on the trade and new build sectors, which together represent c.90% of Profiles sales (c.55% for trade and c.35% for new build). We also operate in the commercial sector, which represents 10% of Profiles sales.

Our overall strategic objectives by sector are summarised as follows:



Our ambition

“To become the number 1 sustainable choice for fabricators across the UK”

Profiles sales

Trade/Retail
55% of Sales

New Build
35% of Sales

Commercial
10% of Sales

Sector-led approach

“Be recognised as the number 1 choice for the Trade/Retail fabricator”

“Maintain our number 1 position in the New Build market”

“Establish ourselves as a credible solution for the Commercial market”

2024 Priorities

Protect

Maintain

Grow

Technical expertise

In each sector, we look at strategy through three filters: customer, product and brand.

Trade sector

Our customer, product and brand priorities for the trade sector are as follows:

Customer priorities

- Developing strategic fabricator partners to support windows through branches initiative
- Investing added value services for customers
- Ensuring small fabricators that cease manufacturing use Eurocell trade fabricators for supply.

Product priorities

- Leading a customer-centric approach to new product development that considers homeowner aesthetics and security
- Increasing the volume of recycled material used in our products.

Brand priorities

- Building a reputation within the industry that creates loyal trade partner advocates
- Reliability of operation underpins our approach.

New build sector

Building regulations for windows are becoming increasingly complex and our technical teams are working with our larger new build customers, enabling them to conform to the new standards, including development of new product applications to meet changing requirements. In addition, with a focus on sustainability, we believe our use of recycled material will become increasingly attractive to housebuilders. Our customer, product and brand priorities for the new build sector are as follows:

Customer priorities

- Leveraging our proposition within the regional new build market
- Connecting all aspects of the industry around legislative and regulatory changes
- Identifying future new build fabricator partners.

Product priorities

- Providing a fit-for-purpose solution for Future Homes
- Proactively engaging with our customer base for product development, including sustainable product solutions
- Providing a world-class technical support service.

Brand priorities

- Repositioning ourselves as the leading brand for both national and regional housebuilders
- Leading the sustainability agenda
- Being the knowledge-based experts for regulation, legislation and compliance.

With the consultation paper on the Future Homes and Building Standard now published, we are proactively working with housebuilders to develop solutions, which include our Modus triple glazed window.

c.90%

of Profiles sales represented by the trade/retail and new build sectors

c.10%

of Profiles sales represented by the commercial sector

Other commercial initiatives

Aluminium

The number of aluminium fabricators increased by more than 10% between 2014 and 2023, whereas the number of PVC fabricators fell by more than 20% over the same period (Source: AMA Research), indicating a growing trend towards aluminium fabrication for windows and doors.

Our StudioGlide residential door product is currently our only aluminium offering, with annual sales of c.£1.0m per annum. Whilst the use of aluminium within our existing fabricator base is limited, we believe there is an opportunity to grow our footprint in the aluminium market.

In the short term, we intend to fulfil demand through partnerships with existing Eurocell fabricators to offer a limited aluminium window and door range. In the longer term, we have the option to expand our range by partnering with an aluminium systems house to offer a full suite of products.

New product development

Our most recent product innovations have been covered earlier in this Strategic Report, including garden rooms, extensions and roof lanterns.

Looking ahead we will continue to seek opportunities to improve and augment our product portfolio.

We are committed to maintaining market leadership by offering the very latest in product improvement, both through development of existing products and the introduction of new ones. We work closely with our customers and technical advisers on development to maintain our product pipeline.

We believe opportunities will be provided by the continually evolving building standards and regulations, which are becoming more complex, and some of which, such as the Future Homes Standard, remain subject to clarification. These changes play well to Eurocell's technical expertise and we are working with the housebuilders and our customers to design fit-for-purpose solutions.

We are also focused on process innovation within our manufacturing facilities. Areas such as automated packaging and digital inkjet printing in place of foiling for profiles have the potential to reduce cost significantly.

Other initiatives

Other commercial initiatives which form part of our five-year plan include building on recent success to increase market share in new build for our composite doors business and bringing in-house the manufacture of certain injection moulding products we currently purchase from third parties.

2 Business effectiveness

Our second strategic pillar reflects our ambition to make Eurocell a lean and efficient company. As previously reported, we are upgrading our business systems and streamlining processes, thereby making us easier to do business with.

We are also embedding a continuous improvement philosophy, which is already highlighting significant opportunities, particularly in our manufacturing and recycling operations.

System replacement

Our systems should be an enabler to our strategic ambition, and improve the supplier, customer and employee experience.

Following a full review in 2022, we concluded that the age profile of our principal operating system had become a limiting factor in the development of our business. This conclusion recognised that our current SAP system was implemented in 2004, when the Group was primarily a manufacturer of PVC profiles, with no recycling operation and only a small Branch Network.

In 2023, we started a project to upgrade or replace SAP. The key components of our proposed new architecture are:

- A front-end trading system to support the branch network
- A back-end ERP System to support all other functions of the business, including manufacturing, recycling, warehousing, distribution and finance.



As described in the following paragraphs, we expect the new systems will drive major improvements in our customers' experience and significantly increase the efficiency of our operations. In total, we anticipate implementation to be a two-to-three-year process, and we estimate the total costs of the project will be in the region of £8-10 million.

Trading system

Following a comprehensive process, which concluded towards the end of 2023, we selected Intact IQ to provide a new customer-centric trading solution for the branch network. This system will provide:

- Customer quotation management, including pipeline visibility, version control and order conversion
- Simplification of transactions and processes for branch colleagues, including exception visibility, electronic point-of-sale functionality, cash drawer controls and handheld apps for stock and picking transactions
- Delivery management and transport planning, including customer notification
- Customer loyalty programmes and rebate options
- Instant information to aid decision making, including performance metrics and mobile availability for field sales personnel.

We are now planning the implementation of the trading system, which will take place during 2024, and we expect to go live in the first half of 2025.

ERP system

Our objective with a new ERP platform is to streamline operations and improve efficiency, through the automation and integration of business processes and reduction in manual data entry. We expect our new system to come with built-in data analytics and reporting tools to support analysis of historical data, prediction of trends, and the ability to make data-driven decisions for continuous improvement.

As well as delivering the core activities described above (i.e. manufacturing, recycling etc.), we intend to select a solution which will support the integration of various other functions which operate on standalone systems today, including customer relationship management, quality, plant maintenance and asset management.

For ERP, our objectives for 2024 are to select a system and commence the implementation process later in H2, with go-live around mid-2026.

Project risk management

We recognise that projects of this scale typically carry significant risk. With that in mind, we have established a Board-led, cross-functional steering group to provide oversight of the process and an escalation point to address issues and concerns.

Our IT Director is highly experienced, with several system implementations delivered, including a multi-year, multi-company rollout across another building materials plc. We expect to implement an out-of-the-box solution to remove complexity from the project.

We have enjoyed early and extensive engagement with business functional areas through requirements workshops, demos and vendor briefings, and will continue to benefit from third party expert support and guidance throughout all aspects of the project. Finally, in building our implementation team, we plan to utilise specialist third party resource.

As a result, we are confident that we will have the people and processes in place throughout the project to ensure that risk is appropriately managed.

Continuous improvement

As noted above, we are embedding a continuous improvement philosophy, particularly within our manufacturing, recycling and warehousing operations, where we delivered significant cost savings through operational efficiencies in 2023.

In our 2022/23 restructuring programmes, we identified savings from the consolidation of our extrusion activities from three sites onto two, and we believe there are further opportunities to reduce cost.

We are also now successfully using artificial intelligence to optimise our inventory levels, which has supported a reduction of c.£19 million over the last 18 months (this includes the benefit of lower input costs). We see scope to further deploy this technology in other areas of the business and support our ongoing work on inventory reduction, through tighter control of safety stocks and closer matching of the manufacturing plan to anticipated sales.

Looking forward, our most important continuous improvement activities will be focused on:

- Process innovation in manufacturing and recycling
- Material efficiency and yield improvements
- Scrap reduction and lower cost of poor quality
- Rapid tooling change-over
- Lost time analysis, including reducing unplanned stoppages, performance losses and labour shortages.

In addition, building on the successful execution of our customer growth initiatives, such as selling more doors and windows, we will utilise spare operating capacity that we have in our rigid extrusion manufacturing operations and composite door business, thereby making the business more efficient.

Finally, we are reviewing our organisational design across the whole business, to ensure that we have the right structures to deliver our strategic initiatives in the most efficient way possible. This may lead to further cost savings in due course.

3 People first

The objective of our strategic pillar is to make Eurocell a great place to work, through a relentless focus on health and safety, an enhanced employee value proposition, improved levels of engagement and effective talent management.



Full details for each of our strategy and these areas of focus are set out the People First section of the Sustainability Report which follows on pages 38 to 41.

OUR AMBITION	<p>“Our ambition is to have talented, engaged and motivated colleagues who work passionately to achieve clear business and personal goals” Eurocell will be a great place to work, where our culture make colleagues feel...</p>			
	<p>“I feel part of the Eurocell team and I’m passionate about my role within this team”</p>	<p>“I know what’s going on... I feel connected to the wider business – I’m a valued as a team member”</p>	<p>“I know how to contribute to the success of my business”</p>	<p>“I know how I can progress within Eurocell, I’m clear about my development”</p>
OUR STRATEGY	HEALTH AND SAFETY	ENGAGEMENT	EMPLOYEE VALUE PROPOSITION	GROWING TALENT
KEY PRIORITIES	<p>Develop health and safety leadership skills Develop health and safety education</p>	<p>Internal communications framework Colleague forum Community and charity engagement</p>	<p>Wellbeing framework Recognition scheme Induction and onboarding programme</p>	<p>Talent management and succession planning Talent development Maximising use of apprenticeships</p>
SUCCESS MEASURES	IFR/LTIR/Severity Rate/ RIDDOR Rate	Attrition and Retention %	% of Internal Promotions	Apprenticeships Participation/Use of Levy Culture Survey Feedback

4 ESG Leadership

We want to earn a reputation for being a truly responsible company. Eurocell is already a leader in PVC recycling, which is preventing millions of windows being sent to landfill. But that's just one aspect of ESG and, looking ahead, we aim to excel in all areas.

We are now working with CEN-ESG, a specialist ESG consultancy, to support the development of our ESG strategy and improve our ESG data and disclosures.

Full details of our strategy and the results of our work so far with CEN-ESG are set out in the Sustainability Report which follows on pages 32 to 49 and in our Task Force on Climate-related Financial Disclosures (TCFD) Report on pages 50 to 61.



SOCIAL VALUES AND ESG COMMITTEE REPORT

Dear Shareholder,
I am pleased to report to you on the main activities of the Committee and how it has performed its duties during 2023.



As a result, the Committee has the following objectives to:

- Emphasise the importance of environmental measures, sustainability goals and performance, at all levels of the business
- Provide best practice on the structure, policies and regulations that impact the business
- Increase the understanding and awareness of corporate governance and social aspects that impact the business and industry
- Monitor and develop all aspects of employee welfare throughout the business
- Implement and promote common and workable standards of corporate governance for the business
- Provide advice on ESG matters to management and the Board
- Review and approve/recommend the Group's ESG initiatives, objectives, strategies and targets
- Advise on the reporting and disclosures on ESG matters in compliance with laws and regulations.

Social Values and ESG Committee members

The Committee includes Non-executive Directors, Executive Directors and members of the senior management team. During 2023, the Committee comprised:

Chair:

Alison Littlely

Committee members:

Non-executive Directors:

Kate Allum
 Iraj Amiri
 Will Truman (from 15 May 2023)

Executive Directors:

Darren Waters
 Michael Scott

Senior management team:

Colin Hales (Chief Operating Officer)
 Jon Lawrence (Head of Safety, Health and Environment)
 Bruce Stephen (HR Director, to 31 December 2023)

Subsequently, Cat Hambleton-Gray (People Director) joined the Committee on 2 January 2024 and Angela Rushforth (Non-executive Director) joined on 1 February 2024.

All members of the Committee served throughout the year, unless otherwise stated.

Only members of the Committee have the right to attend Committee meetings, but the other members of the Board and, when appropriate, other members of the senior management team, are also invited to attend Committee meetings.

Committee composition



Kate Allum



Iraj Amiri



Will Truman



Angela Rushforth¹



Darren Waters



Michael Scott



Colin Hales



Cat Hambleton-Gray²



Jon Lawrence

This is a new Committee, formed at the end of 2022. Its purpose is to provide formal and transparent oversight of the Group's Environmental, Social and Governance ('ESG') programme and value-led agenda. This includes, but is not limited to, sustainability, employee welfare and responsible business practices, as well as the Company's contribution to the societies in which it operates.

Role and responsibilities:

The principal duties of the Committee are to:

- Drive the social value and responsible business agenda on behalf of the Company
- Ensure that the Company conducts its business in a commercially responsible way to achieve maximum positive impact on the people, communities and the environment in which it works
- Monitor progress against key performance indicators and external ESG index results
- Benefit the customers, staff and shareholders of the Eurocell Group.

¹ Appointed 1 February 2024.

² Appointed 2 January 2024.

Summary of activities during the year

A significant amount of work has been done on ESG, which was brought together in a first formal meeting of the Committee in October, with attendance shown on page 82.

Initially, the Committee focused on collating, assessing and prioritising the various ESG-related workstreams and initiatives, which were already progressing within the business, in order to develop a baseline understanding of the status quo.

Thereafter, our first major goal was to establish a clear ambition for ESG in the Group, which we agreed is to:

- Be the leader in sustainability in the fenestration sector
- Create a great place to work
- Operate with the highest standards of governance.

The Committee recognises the challenges of developing and delivering an effective and transparent ESG strategy for a business of our size, consistent with our ambition and strategic intent. Consequently, an ESG Leadership pillar forms an integral part of the new strategy, recently approved by the Board.

As a result, the Committee recommended to management the benefits of third-party expertise to provide specialist advice and support in this area. Therefore, after benchmarking with four other providers, the Committee approved a two-year agreement with CEN-ESG, specialists in corporate sustainability and ESG-related areas, with the scope of services including:

- Determination of the material sustainability topics to the business, definition of ESG objectives and the development of a sustainability strategy, along with the embedding of ESG governance and internal controls
- Development of a full baseline carbon footprint for the business (Scope 1, 2 and 3), identifying key decarbonisation levers and setting net zero targets

- Management of external ESG reporting, including the Sustainability section of the Annual Report, focusing on data collection and updated TCFD disclosures
- Ad hoc ESG support, when required.

Full details of our work to date with CEN-ESG and the development of our ESG strategy and related matters are set out in the Sustainability Report on pages 32 to 49 and the Task Force on Climate-related Financial Disclosures Report on pages 50 to 61.

Finally, I would like to thank my fellow Committee members who served during the year for their valuable contribution and support.

Alison Littley Chair of the Social Values and ESG Committee

19 March 2024

Non-financial and Sustainability Information Statement

The Group has complied with the requirements of sections 414CA and 414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report.

The following table summarises where you can find further information on each of the key areas of disclosure required by section 414CA and 414CB of the Companies Act. The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amend these sections of the Companies Act 2006, placing requirements on the Group to incorporate climate disclosures in the annual report. We believe these have been addressed within this year's climate-related disclosures on pages 50 to 61 and as such we have referenced the location of these within our statement on TCFD on page 51.

	Relevant Group Policies and Guidance	Relevant Principal Risks	Relevant Information from our annual report
Environmental matters	<ul style="list-style-type: none"> • Safety, Health and Environment Policy • Sustainable Procurement Policy • Corporate Social Responsibility Policy. 	<ul style="list-style-type: none"> • Sustainability and climate change. 	<ul style="list-style-type: none"> • Environmental Leadership: pages 42 to 45 • Sustainable Products: pages 46 to 47.
Employees	<ul style="list-style-type: none"> • Employee Handbook • Managing Performance Policy • Equality, Diversity & Inclusion Policy. 	<ul style="list-style-type: none"> • Health and safety. 	<ul style="list-style-type: none"> • Health and Safety: pages 36 to 37 • People First: pages 38 to 41.
Social matters	<ul style="list-style-type: none"> • Corporate Social Responsibility Policy • Privacy policy • Anti-Bullying, Harassment & Victimisation Policy • Whistleblowing Policy • Safety, Health and Environment Policy • Recruitment Policy • Various Information Security Policies • Sustainable Procurement Policy. 	<ul style="list-style-type: none"> • Cyber security • Managing change. 	<ul style="list-style-type: none"> • Ethics and Compliance: pages 48 to 49.
Human rights	<ul style="list-style-type: none"> • Anti-Slavery and Human Trafficking Policy • Whistleblowing Policy • Modern Slavery Statement. 		<ul style="list-style-type: none"> • Ethics and Compliance: pages 48 to 49.
Anti-bribery and corruption	<ul style="list-style-type: none"> • Anti-bribery policy. 		<ul style="list-style-type: none"> • Ethics and Compliance: pages 48 to 49.

SUSTAINABILITY REPORT

ESG

Leadership

Why sustainability matters

Eurocell is committed to operating a sustainable business and earning a reputation for being a truly responsible company. We also aim to lead the fenestration sector in sustainability. We are focused on reducing our carbon footprint, valuing and supporting the wellbeing of our people, and improving the environment in which we operate.

Our Group's purpose is to create sustainable building solutions for the trade of today, the homes of tomorrow and the environment of the future. Circular economy principles lie at the heart of our strategy, as we recycle old PVC window profiles into new products. In addition, we aim to reduce our environmental impact via energy saving initiatives and waste management schemes. We also generate savings for our customers through products that limit heat loss and lower energy bills. We endeavour to provide an excellent, safe workplace for our colleagues and ensure they feel supported and valued. We are also committed to playing an active role in our communities and being a good neighbour.

In developing our sustainability strategy, we have recognised that our customers, staff, other stakeholders and the communities in which we work, are placing increasing importance on environmental, social and governance (ESG) issues.

In 2024, we will improve our data collection to help us set challenging targets for the business as we develop a pathway to Net Zero. We will focus specifically on developing our climate transition plan and on carbon emission reduction targets. We will also aim to make a positive impact and difference to our customers, employees and communities.

The leader in sustainability in the fenestration sector



- Maximise recycled content in manufactured products
- Ethically source raw materials and products
- Progressively reduce carbon footprint on a path to Net Zero by 2045
- Be a responsible neighbour, wherever we operate
- Minimise waste and usage of plastic packaging.

A great place to work



- Driven by our purpose, we will live and breathe our values without compromise
- Employee safety and welfare is always front of mind
- A diverse business, where people can be their true authentic selves
- Excel at developing people, by nurturing talent and always seeking to promote from within
- Fair in the way that we reward and manage our people.

With the highest standards of governance



- Integrity is the cornerstone of our business
- Fully transparent in the way that we operate and report
- Receptive and responsive to challenge and scrutiny by key stakeholders
- Constantly evaluating and mitigating risks to protect the business
- Always with one eye on the future, so that we comply with new legislation and deploy best practice.

Achievements since our last Annual Report include:

- **Developing our ESG Strategy and KPIs.** We have consulted with our stakeholders to better understand our ESG risks and opportunities, through an externally conducted materiality assessment. The results of this assessment are enabling us to work towards setting new, ambitious KPIs and targets to monitor our progress and to focus our sustainability strategy
- **Measuring our Scope 1, 2 and 3 emissions.** In addition to our Scope 1 and 2 emissions, we have now developed our end-to-end carbon footprint methodology, which includes for the first time a full Scope 3 analysis for 2022 and 2023
- **Setting a Net Zero target.** We have set a target of achieving Net Zero by 2045. We will sign a commitment letter to join the Science Based Targets initiative (SBTi) indicating that we will work to set a science-based emission reduction target aligned with the SBTi's target-setting criteria in 2024
- **Increasing the percentage of recycled PVC in our products.** In 2023 we achieved 32% and have now set an ambitious new target to increase this to 40% by 2030. This is a significant opportunity as we work towards our Net Zero target
- **Continuing to invest in carbon reduction initiatives to minimise our environmental impact.** We have continued to reduce our Scope 1 and 2 emissions. Mobile plant at our main distribution centre has now transitioned from gas to 100% electric. In addition, the vast majority of our electricity usage is now on renewable contracts
- **Embedding our ESG strategy across Eurocell.** The work of our Social Values and ESG Committee has commenced. The Committee will meet a minimum of three times per annum, helping to drive the social value and responsible business agenda on behalf of the Company
- **Recruiting a new People Director, who is developing our People First Strategy.** The key priorities of this work are focused on health and safety, enhancing our employee value proposition, improved levels of engagement and effective talent development
- **Improving our reporting of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).** This work builds on our disclosures from 2022 and expands on our risks and opportunities identified.

Looking forward, our priorities are to:

- Embed our ESG strategy across the organisation, monitor our ESG KPIs and develop our ESG targets as we progress
- File our Net Zero targets with SBTi and develop our Net Zero transition plan aligned to the Transition Plan Taskforce (TPT) draft standards. We will also continue to deliver on the underpinning initiatives that drive carbon reduction across our business
- Focus on sustainability as part of our new product development programmes, looking to increase the development of low carbon products to meet consumer demands
- Deliver the programme of initiatives we are undertaking across our business to support staff and their communities
- Roll out a new wellbeing strategy for all employees.

Materiality assessment Our process



In 2023 we engaged with key stakeholders, including investors, our lenders, customers, suppliers and employees and completed our first double materiality assessment. This identifies the most significant sustainability issues to our stakeholders which have strategic relevance to the Company.

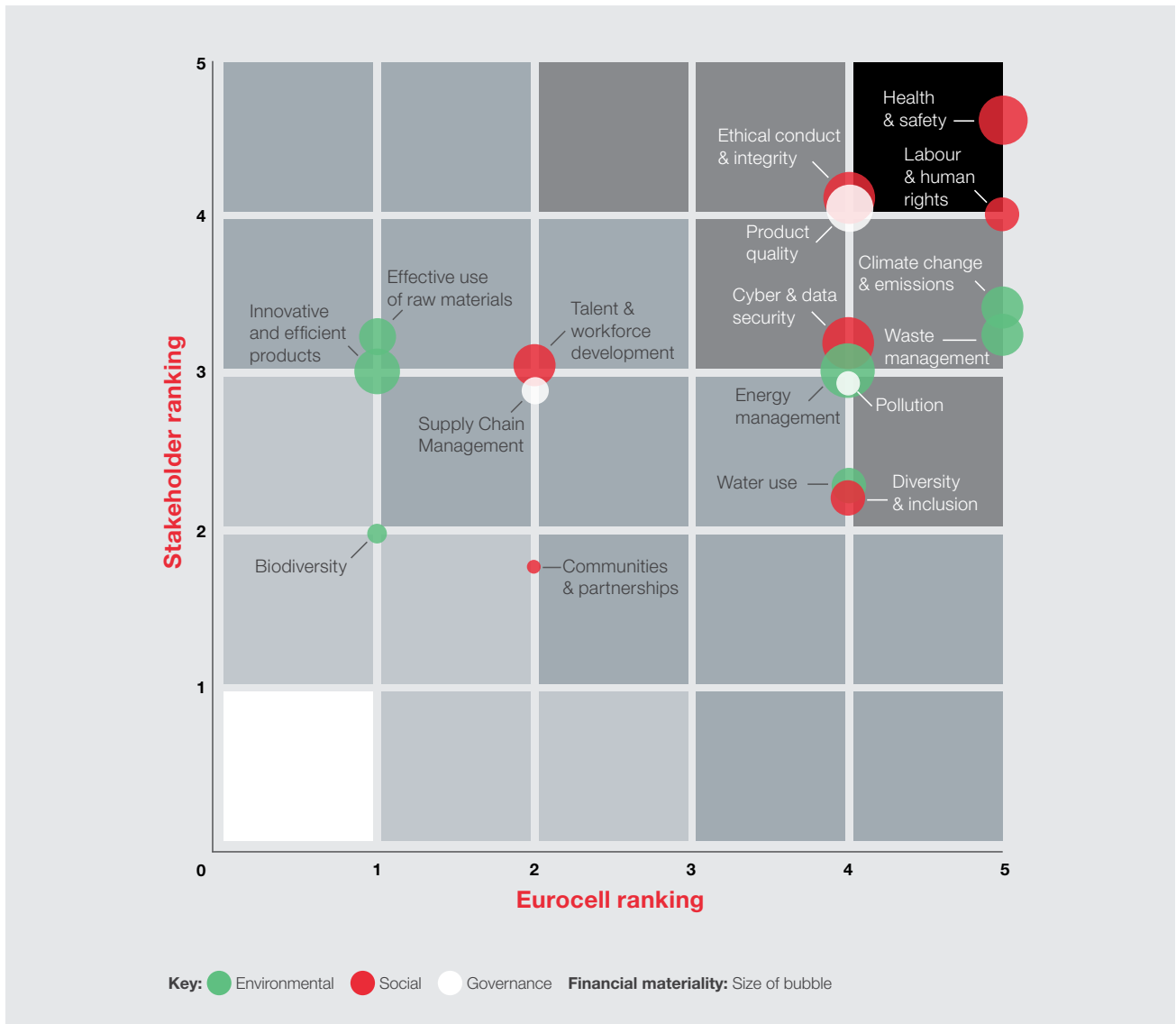
Materiality results

Our analysis identified 17 of the most material topics to our stakeholders. Whilst all the topics are important, we have prioritised them by the impact they have on the business and the level of influence they have on our stakeholders. The most material issues for Eurocell are in the top right of the materiality matrix chart overleaf. We concluded the five most important issues were:

- Health and safety: ensuring workforce wellness and safety
- Labour and human rights: ensuring fair working practices for our employees including human rights
- Climate change and emissions: minimising our carbon emissions and our contribution to climate change
- Waste management: waste generated by our operations needs to be dealt with responsibly, including hazardous waste
- Product quality: selling products that are safe to use and of high quality.

All of these areas are under active management and monitoring. We will use the results of the materiality assessment to further refine our ESG strategy in 2024 and help develop KPIs and targets where appropriate.

Materiality matrix



Sustainable business goals

We have a suite of ESG KPIs and targets which we continue to measure and track our progress against. We have also assessed which of the 17 United Nations Sustainable Development Goals (SDGs) these KPIs link with.















Central to our environmental targets, which cover both the circular economy and emissions and energy management, is reducing the carbon footprint of the business and our products. Our unique recycling operation and focus on increasing our use of recycled PVC compound in the manufacture of co-extruded rigid profiles has been, and will continue to be, at the heart of carbon reduction for Eurocell.

Our social objectives are broad and cover areas such as health and safety, diversity and education.

Most of these targets were set in 2021. As noted across, we have committed to a Net Zero target for 2045 and during 2024 will be developing a pathway, aligned to the SBTi framework for our operational emissions, to support us in achieving that aim.

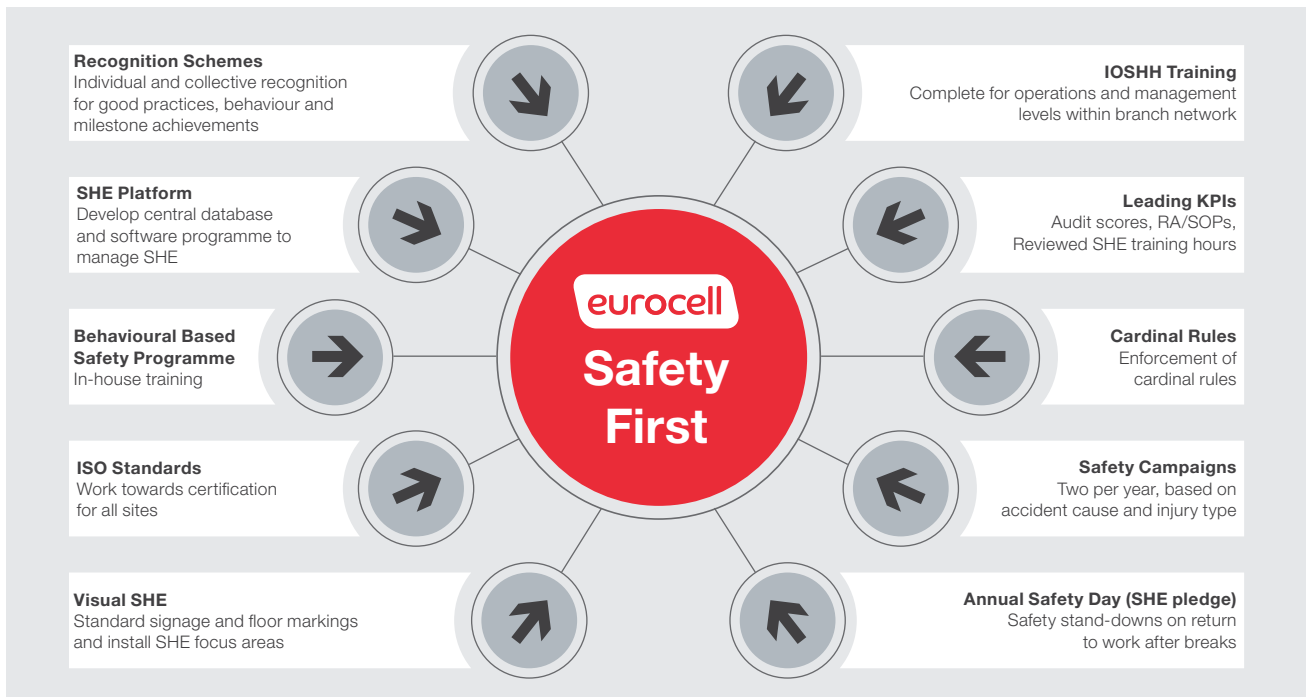
The pathway will provide ambitious near-term targets, including updated objectives for some of the environmental KPIs in the table opposite in line with our overall Net Zero goal. We will submit our targets to the SBTi for verification in 2024 and publish a Transition Plan once our targets have been approved. Our social targets will also be updated as part of our ESG leadership strategy work.

KPIs and targets

KPI		2023	2022	Target	Link to UN SDGs
Environmental – Circular economy and waste management					
Waste to landfill	% landfill	9%	12%	No more than 5% waste to landfill by 2025 and 1% by 2030	
Waste recycled	% recycled	76%	82%	Increase of 2% per annum in waste recycled (to 88% by 2025), then increase of 1% per annum thereafter (to 93% by 2030) vs 2020 baseline	
Recycled material used in production	% used	32%	29%	40% by 2030	
CO ₂ saved by recycling operation	Tonnes saved	47kt	47kt	Year-on-year increase	
Recycled material yield	% generated	63%	59%	72% by 2030	
Environmental – Emissions, energy management and pollution					
Scope 1, 2 and 3 emissions (Market based)	Absolute Scope 1, 2 and 3 emissions (Market based)	188,199 tCO₂e	210,704 tCO ₂ e	Net zero by 2045	
Renewable electricity	% renewable electricity used	94% total electricity	72% total electricity	More than 90% by 2025	 
Social					
Health & Safety	Lost-time injury rate	5.7 per 1m hours	10.0 per 1m hours	4.9 per 1m hours by 2025	
Employee engagement and recruitment	Labour turnover	27%	32%	Year-on-year reduction	  
Employee satisfaction	Annual survey response rate and overall satisfaction level	73% and 75%	69% and 77%	Year-on-year increase	
Diversity	Female employees	16.3%	15.3%	Year-on-year increase	
Remuneration	National Living Wage (NLW)	All employees at or above NLW	All employees at or above NLW	All employees above NLW by 2023	
Education	Apprenticeships/ Kickstarters	61	69	20% increase on 2020 base of 32 by 2025	

Note: KPI performance data for 2022 and 2023 included in the table above is based on management estimates.

Health and safety



Health and safety was identified as Eurocell’s most material issue by our stakeholders and the health, safety and wellbeing of our employees is our number one priority. We have a groupwide Safety, Health and Environmental (SHE) Policy, which is available on our website and which is reviewed and updated regularly. We firmly believe that effective health and safety management is critical to the delivery of good business performance. We work constantly with our employees to identify improvement opportunities and eliminate unsafe acts.

SHE strategy

In 2023 our SHE strategy included the rollout of 13 initiatives, with the most significant highlighted in Safety First as follows. We will continue this work in 2024, with several additional initiatives centred around changing behaviours. We believe that our SHE strategy helped drive a significant improvement in safety performance in 2023.

An example of one of these initiatives from 2023 is the implementation of our Cardinal Rules. Each rule revolves around a different topic which, if not complied with, could place our people at risk of serious injury, such as fire safety. Our workforce are trained on our expectations through a series of Toolbox Talks, and their understanding is checked through a multiple choice test. Those who do not meet the minimum threshold are required to retake the session. Following successful deployment of the Cardinal Rules in 2023, our focus for 2024 is on their enforcement and refresher training.

Safety first

Our Chief Executive, Darren Waters, has overall responsibility for health and safety. Oversight is provided through our Chief Operating Officer, who is informed on performance and initiatives by our Head of SHE and supported by senior management from different areas of the business.

Following improvements made in 2023, we believe we now have a culture of continual improvement in safety standards.

We are committed to ensuring that all of our employees and contractors are aware of hazards in the workplace, the risks they present, and have the necessary tools to manage them. Throughout the year, we rolled out a number of initiatives, including the following:

- IOSH and NEBOSH training – over 300 employees attended the IOSH Working Safety and IOSH Managing Safety courses, which were delivered in partnership with our insurance brokers and insurer. This greatly improved safety awareness and knowledge and ensured that employees understood their roles and responsibilities

- Volunteer Safety Reps within Operations and SHE Champions for the offices were appointed and trained to function as a conduit between employees and the management team to drive continual improvement in safety standards
- Revised health surveillance programmes were introduced throughout Operations and the Branch Network to ensure employees' ongoing fitness to undertake their work safely and in good health
- Our Cardinal Rules (critical to life safety) were trained out, displayed throughout the sites and their compliance monitored
- Standard operating procedures and risk assessments were reviewed to ensure their adequacy and relevant Cardinal Rules incorporated within them
- Regular observation walks and visible-felt leadership tours took place to engage with employees and monitor safety compliance and standards.

We are confident that our 2024 Safety Strategy will continue to deliver improved safety performance and will again focus on changing behaviours and improving our safety culture.

We have a dedicated capital expenditure plan to support improvements in our safety performance. In 2024 this includes the introduction of an electronic near-miss reporting system to improve our understanding of where incidents are happening.

Certification to ISO 45001 was maintained for our four main manufacturing sites in Alfreton and Liverpool (representing 50% of our operational facilities), with only minor non-conformances and opportunities for improvement identified. ISO 45001 gap analysis was conducted at three of our other operational facilities, which all achieved compliance scores ranging from 83% to 85%.

We aim to achieve certification to the standard across all eight Eurocell operational facilities by the end of 2025.

There were several visits by the Health and Safety Executive during the year to our recycling facilities, resulting in two Improvement Notices regarding dust and machine guarding. The latter was addressed immediately, and significant investment has since been made to improve dust control and management to the satisfaction of the HSE.

Safety targets

As an overall ambition, we are targeting the elimination of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) injuries by the end of 2027. To assist with tracking our progress we have set interim targets, and for 2024 we are aiming to achieve a 15% improvement in our injury frequency rate (IFR), lost time injury frequency rate (LTIFR), severity rate and RIDDOR rate compared to 2023.

Safety performance

During 2023, supported by the rollout of our SHE strategy, we delivered a significant improvement in safety performance, reducing our LTIFR by 43% compared to 2022 and our RIDDOR rate by 52%.

The IFR increased during 2023 by 21%. However, this was as a direct result of increased employee awareness of the need to report even the most minor injuries, reflecting the investment we made in training our colleagues to IOSH and NEBOSH standards. We have further improved the reporting of near misses and unsafe acts and conditions and monitor their reporting and closure very closely. In 2024 we will also focus on leading performance indicators.

	2023	2022	2021	2020	2019
Lost time injuries	27	48	36	24	36
Lost time injury frequency rate (LTIFR) ¹	5.7	10.0	7.6	7.4	8.9
RIDDOR	11	23	28	19	17
Near misses	146	102	29	n/a	n/a
Number of employee fatalities	–	–	–	–	–
Number of contractor fatalities	–	–	–	–	–
Number of cases of silicosis	–	–	–	–	–
Number of staff trained on health and safety standards	322	–	–	–	–
Number of health and safety training hours	3,456	–	–	–	–

¹ Injuries per 1 million hours worked.

Case study

IOSH training



During the year, we were pleased to partner with our insurance broker, Gallaghers, to deliver IOSH Managing Safely training to 127 managers, and Working Safely training to 195 operatives.



Gallagher partnered with Eurocell to deliver IOSH Working Safely and Managing Safety courses to over 300 employees. This training significantly improved their safety knowledge, including awareness of the risks faced at work, how to identify hazards and how to take the correct action to avoid potential injuries and make the working environment safer.”



Subsequently, we have seen a reduction in workplace injury insurance claims. Eurocell’s insurers were pleased to see the raised safety profile, increased awareness and reduced claims, and were happy to contribute towards the cost of this training.”

People *first*

Our strategy and business model are underpinned by the commitment and efforts of all our employees. It is our ambition to have talented, engaged and motivated colleagues who work passionately to achieve clear business and personal goals. The objective of our People First strategic pillar is to ensure Eurocell is a great place to work, through a focus on health and safety (covered in the previous section), improved levels of engagement, an enhanced employee value proposition, and effective talent development.

Engagement

We recognise the impact we have on our employees, communities and beyond, and are committed to ensuring that we engage appropriately with all our key stakeholders.

Employee engagement

Engaging all our employees and galvanising their efforts in line with our purpose and values will set us on a successful path to achieving all our business objectives. We engage with employees through a variety of methods, to ensure all have the opportunity to be heard.

Board engagement

We continue to run colleague focus groups, led by our designated Non-executive Director Alison Littlely, to ensure employees' views are heard and understood by the Board. These sessions have received a very positive response.

Pulse survey

In 2023 we conducted our third annual Pulse survey to provide employees with the opportunity to tell us how they feel and take a temperature test on overall employee satisfaction. Key questions remained unchanged from the 2022 survey, to provide a good basis for comparison, although items specifically relating to health and safety were added, reflecting our increasing focus in this area.

KPI	2023	2022	Change
Response rate	73%	69%	4ppts
Employee satisfaction	75%	77%	-2ppts

We are encouraged by the increased response rate, but we recognise there is further room for improvement.

Although there has been a decline in the overall employee satisfaction rate, the feedback we received has been used to develop our People First strategy and build actions plans. Satisfaction relating to health and safety was strong, whereas topics relating to job security, mental health and wellbeing received weaker scores by comparison. Our response and plans are described further in the paragraphs which follow.

We intend to perform a more in-depth culture survey once our new purpose, values and strategy are embedded in the business.

OUR AMBITION	<p>“Our ambition is to have talented, engaged and motivated colleagues who work passionately to achieve clear business and personal goals” Eurocell will be a great place to work, where our culture make colleagues feel...</p>			
	<p>“I feel part of the Eurocell team and I'm passionate about my role within this team”</p>	<p>“I know what's going on... I feel connected to the wider business – I'm a valued as a team member”</p>	<p>“I know how to contribute to the success of my business”</p>	<p>“I know how I can progress within Eurocell, I'm clear about my development”</p>
OUR STRATEGY	HEALTH AND SAFETY	ENGAGEMENT	EMPLOYEE VALUE PROPOSITION	GROWING TALENT
KEY PRIORITIES	<p>Develop health and safety leadership skills Develop health and safety education</p>	<p>Internal communications framework Colleague forum Community and charity engagement</p>	<p>Wellbeing framework Recognition scheme Induction and onboarding programme</p>	<p>Talent management and succession planning Talent development Maximising use of apprenticeships</p>
SUCCESS MEASURES	IFR/LTIR/Severity Rate/ RIDDOR Rate	Attrition and Retention %	% of Internal Promotions	Apprenticeships Participation/Use of Levy Culture Survey Feedback

Internal communications framework

EPIC (Eurocell People in Communication) is our internal communications platform, which engages and informs colleagues on topics such as business performance, new initiatives and people successes. It takes the form of monthly e-newsletters, which include a CEO vlog, and a triannual printed magazine.

We recently completed the appointment of an Internal Communications Manager (a new position). As a result, in 2024 we expect to make further progress with our plans to develop an internal communications framework, improve our cascading of important company information and measure colleague engagement.

Colleague engagement forum

In 2024, we intend to launch an employee engagement forum, to drive colleague engagement through two-way communication channels. The forum will provide a platform for representatives from across the Group to meet quarterly with senior leaders, receive company updates and share questions, feedback and ideas from the wider workforce. We expect that the forum will develop trust with management teams and facilitate the creation of action plans for issues and improvements.

Community partnerships

We are increasingly aware of the benefits of connecting with local communities within the areas we work, for example, from a networking, social impact and good neighbour perspective.

In 2023, our charitable efforts focused on Maggie's, which provides emotional support and care for cancer patients and their families. They are a fantastic charity, with centres in 24 locations across the UK.

We raised £22,500 for Maggie's in 2023, through several events including car boot sales, bungee jumps, bike rides and family hikes. We also hosted a supplier and customer golf event, and a 'GO Orange' day across our business in October. We intend on keeping the positive momentum into 2024, and reflecting our own 50-year anniversary, have a target to raise £50,000.



Employee value proposition

Our employee value proposition captures the various topics which together aim to ensure our employees feel valued and supported as members of the Eurocell team. Importantly, this includes reward and recognition and our wellbeing framework.

Fair working practices

We are committed to providing a fair working environment for all our employees, including a fair salary, terms and conditions of employment and statutory benefits. Our policy is to comply, at the very least, with minimum wage legislation for all employees and we seek to be as competitive as possible with all our roles.

Employee turnover

We are pleased to report that our labour turnover decreased from 32% in 2022 to 27% in 2023, although it remains above our 2020 baseline of 21%. We believe that the biggest drivers of turnover have been complex systems and processes, facilities that require improvement, the need for more training and competitive pay. We are addressing these concerns, including a significant investment now in progress to upgrade and simplify our systems, ongoing improvements in site welfare facilities and increased training budgets. We have also benchmarked our pay and reward in key areas of the business and made changes accordingly. As a result, we expect to make further progress in 2024.

Reward and recognition

Each year we ensure that all employees are paid at or above the National Living Wage (NLW), and can confirm that we remained in line with this ambition again in 2023.

Following a detailed review of the levels of pay and reward in our branch-based, manufacturing and warehousing teams, new and improved pay structures were launched in 2022, which have supported a reduction in labour turnover and improved retention since implementation.

Our total reward strategy ensures that all employees are eligible for a range of benefits and incentives that include a defined-contribution pension scheme, life insurance, Save As You Earn ('Sharesave') schemes, and access to a range of savings and special offers through our Eurxtras platform.

Eurxtras is a savings portal, which also provides employees with information on health and wellbeing, and a platform for managers and employees to recognise the good work of their colleagues.

On recognition, we are introducing a quarterly reward scheme, based on nominations from colleagues, to highlight fantastic efforts from our people which contribute to the values and strategy of the business, with their stories shared in company-wide communications.

SUSTAINABILITY REPORT CONTINUED

Wellbeing framework

We provide tools to help our colleagues reduce stress and we are committed to supporting their wellbeing. All employees can access support and advice through our Employee Assistance Programme, promoted through EpiC and other employee communications.

In 2023, we improved our occupational health provision with targeted health surveillance and launched our Health Shield cash plan for all employees, which supports colleagues with everyday health concerns, providing easy and accessible help in areas such as GP appointments. It also provides access to mental health and wellbeing support.

However, we have more to do in this area and are currently working on a plan to offer in 2024 a wellbeing platform that can provide individual assessments and action plans.

Diversity and inclusion

The overriding policy in any new appointments we make continues to be one of selecting candidates with an appropriate mix of skills, capabilities and market knowledge, to ensure the continued success of the business. However, we recognise fully the benefits of encouraging diversity and inclusivity across the business and believe that progress in these areas will contribute strongly to our continued success.

We have recently reviewed and updated our Equality, Diversity & Inclusion Policy and our Anti-Bullying, Harassment & Victimisation Policy, as we aim to continually improve our processes.

We are committed to providing a working environment that embraces opportunities for everyone. We treat all employees and job applicants equally, without bias or discrimination. Our recruitment policy ensures that full and fair consideration is given to all applicants based purely on their aptitude and that all appointments are made based on merit and measured against specific objective criteria, including the skills and experience needed for the position. We seek to ensure that discriminatory practices are removed from all of our employment decisions, and from working conditions.

We are committed to non-discriminatory practices against candidates and employees alike on the basis of any characteristic, including gender, race or ethnic origin, age, religion, sexual orientation, pregnancy or maternity, gender identity, disability, marriage or civil partnership, social background, nationality, and political opinion.

We continue to promote flexible solutions tailored to, and supportive of, individual needs. Our internal processes support all employees who may require help and support, including employees who are disabled or become disabled during their employment, to fulfil their day-to-day work activities through our occupational health provision. We provide tailored support for specific groups and individuals throughout our business, including the provision of free English and maths tuition for non-English speakers.

Whilst we operate in an industry in which, historically, women have been underrepresented, we are very committed to increasing the participation of women throughout the Group. Our historic target has been to deliver year-on-year increases in the proportion of female employees in the Group. This was achieved in 2023, with female employees increasing to 16% (2022: 15%). See below for development of future targets for diversity in 2024.

All Board and senior management appointments are made on merit, in line with the approach adopted throughout the Group's workforce. However, the Board also recognises and embraces the benefits of diversity and, in particular, the value that different perspectives and experience bring to the quality of debate and decision making. The Board is committed to consider diversity, including gender, as a key element in senior appointments and at Board level.

Gender diversity statistics

2023 gender analysis	Male No.	%	Female No.	%	Total No.
Directors	6	75%	2	25%	8
Executive Committee	3	75%	1	25%	4
Other senior management	37	69%	17	31%	54
Senior management	46	70%	20	30%	66
Other employees	1,712	84%	323	16%	2,035
Total	1,758	84%	343	16%	2,101

2022 gender analysis	Male No.	%	Female No.	%	Total No.
Directors	6	75%	2	25%	8
Executive Committee	5	83%	1	17%	6
Other senior management	27	69%	12	31%	39
Senior management	38	72%	15	28%	53
Other employees	1,868	85%	329	15%	2,197
Total	1,906	85%	344	15%	2,250

Note: both years exclude Security Hardware which was sold on 2 December 2022.

The relatively small size of the Board and the pre-existing Directors' service contracts have inevitably limited the pace of change. Nevertheless, as set out in the Nomination Committee Report on page 89, over the last 18 months we have made significant progress towards compliance with the Financial Conduct Authority's board diversity targets and now expect to be substantially compliant following our 2024 AGM.

In addition, following changes in 2024, female membership of the Executive Committee has now increased to 33%.

More generally, following implementation of our new HR information system in 2023 (see below), we intend to report ethnicity data. However, we acknowledge that our people have no legal obligation to provide this information and therefore our reporting will be limited to those employees who do.

Looking forward, as part of our People First strategic pillar, we are reviewing our opportunities with a view to setting appropriately challenging diversity and inclusion targets for the future and will report our conclusions in 2024.

Growing talent **New HR information system**

The core modules of our new HR information system (People XD) went live in 2023, with further modules to follow in 2024. The new system is fully integrated and covers payroll, people administration, learning management, onboarding, talent management, recruitment and time and attendance. It also provides a platform to set objectives and complete regular performance reviews.

Looking forward, once embedded, the system will allow us to better track and report our people-related metrics, including training data, and therefore support the key activities that will drive our People First strategic pillar.

Resourcing and recruitment

We are now sourcing talent using the new HR information system, which provides a digital platform to help attract, select, and recruit the best people for our vacant roles, delivering reduced time-to-hire and recruitment cost savings.

Induction and retention

Our People XD system also provides a platform to give new starters a more effective and engaging onboarding experience. We implemented several initiatives in 2023 to help new colleagues feel connected to Eurocell as they begin their career with us. These include enhanced welcome packs, eLearning compliance and mandatory training pathways, a Eurocell Handbook, all supported by follow-up calls from our onboarding and training teams. We have also continued to embed our Network Essentials guide and Branch Network SharePoint site to help new colleagues understand how we work within our branches and trade with our customers.

Employee development

Our Managing Performance policy outlines our intent for all employees to have development objectives which are regularly discussed and formally assessed in mid-year and end-of-year reviews. We are developing a simple, holistic one-to-one Performance, Personal Development and Talent Review (PDTR) process, supported by our new HR information system.

We are committed to providing training to help with the development of our colleagues. Through the PDTR process, training, learning and development will be prioritised and succession planning will be routinely considered.

More recently, we have focused on developing our colleagues' managerial skills. Our Manager's Toolkit is available to all managers across the business and provides a one-stop shop of information to help them complete everyday people management activities. During 2023, 99 of our managers took part in training workshops covering the following themes:

- Managing investigations
- Coaching for one-to-ones
- Managing absence
- Managing underperformance
- Coaching through observation and feedback
- Time management
- Effective meetings
- Effective presentations.

Leadership development

We have widened the participation in our third-party facilitated Leadership Development Programme, following its success in the Branch Network over the last two years.

Other development programmes **Grow programme for first-line leaders/team leaders**

We introduced the Grow Programme for team leaders in 2022, with a total of 31 colleagues now enrolled, from manufacturing, secondary operations and warehousing. It is a 12-24 month programme built around the Chartered Management Institute (CMI) and Institute of Apprenticeships Level 3 Standard, leading to a recognised management qualification.

Aspire2b supply chain warehouse operative programme

The Aspire2b programme also commenced towards the end of 2022 and provides structured training in a variety of warehouse activities, as well as a refresher on English and maths and results in a Level 2 qualification.

Apprenticeships

We continue to make use of the apprenticeship levy through developing our in-house capabilities in disciplines such as accounting, engineering and supply chain operations.

Environmental Leadership

Managing environmental performance

We are committed to conducting our business in a safe and responsible manner, including protecting and minimising the impact of our operations on the environment.

We recognise that our operations result in emissions and waste and, as such, we have a designated Safety, Health & Environment (SHE) policy, which covers all sites, outlining key environmental measures as follows:

- Prevent pollution and protect the environment by minimising waste and emissions and finding ways to reuse, reclaim and recycle materials and use sustainably sourced materials where possible
- Investigate environmental incidents to extract key learnings and prevent recurrence
- Ensure senior management regularly reviews performance against agreed targets

- Promote environmental awareness amongst all of our employees and provide the necessary training and information to safeguard our employees and minimise the impact of our activities on the environment
- Commit to control, recover, and reuse PVC waste where possible
- Conduct our operations in compliance with all relevant environmental legislation linked to our business
- Maintain emergency procedures in areas where significant health, safety or environmental hazards may exist
- Assess our environmental objectives, policies and procedures regularly to ensure that we are meeting the required standards and continually improving.

The environmental management systems implemented at our two main extrusion plants, secondary operations (foiling) facility, door manufacturing facility and northern recycling plant are all accredited to ISO 14001:2015, which represents 63% of our operations sites. All accreditations were successfully maintained in 2023. No environmental fines or penalties have been recorded in 2023 or 2022.

Energy and greenhouse gas emissions

Central to our sustainability strategy is reducing the carbon footprint of our business and the impact our operations have on climate change. This includes reducing energy consumption and greenhouse gas emissions across all of our operations and minimising waste.

We have made good progress in recent years. The natural replacement cycle of our extrusion fleet leads to the substitution of old machines with newer lines that are more efficient and use less energy. Other examples of more recent initiatives include projects which have reduced idle, standby and shutdown times and improved temperature optimisation on our extrusion lines and chillers.

In addition, incandescent and fluorescent lighting has been swapped to LEDs at most of our operational sites and new, more efficient, air conditioning units have been installed across most of our estate, driving significant energy savings.

Energy consumption and emissions data

In addition to our Scope 1 and 2 emissions, we have now developed our end-to-end carbon footprint methodology, which includes for the first time a full Scope 3 analysis for 2022 and 2023 as set out in the table.

Scope	2023 ktCO ₂ e	2022 ktCO ₂ e	Movement	
			ktCO ₂ e	%
Scope 1	9.6	10.3	(0.7)	(7)%
Scope 2 (Location based)	11.0	10.5	0.5	5%
Scope 2 (Market based)	1.3	5.6	(4.3)	(77)%
Scope 1 and 2 (Location based)	20.6	20.8	(0.2)	(1)%
Scope 1 and 2 (Market based)	10.9	15.9	(5.0)	(31)%
Scope 3	177.3	194.9	(17.6)	(9)%
Purchased Goods and Services	152.5	163.9	(11.4)	(7)%
Capital Goods	2.2	3.6	(1.4)	(37)%
Fuel and Energy related activities	3.2	4.9	(1.7)	(34)%
Upstream Transportation	8.2	10.5	(2.3)	(21)%
Waste	0.3	0.4	(0.1)	(6)%

Scope	2023 ktCO ₂ e	2022 ktCO ₂ e	Movement	
			ktCO ₂ e	%
Business Travel	0.8	0.9	(0.1)	(8)%
Employee Commuting	1.8	1.9	(0.1)	(7)%
Upstream Leased Assets			Not Applicable	
Downstream Transportation	–	–	(–)	(67)%
Processing of Sold Products	5.4	5.8	(0.4)	(7)%
Use of Sold Products			Not Applicable	
End of Life Treatment	2.9	3.0	(0.1)	(5)%
Downstream Leased Assets			Not Applicable	
Franchises			Not Applicable	
Investments			Not Applicable	
Total Scope 1, 2 and 3 (Location based)	197.9	215.7	(17.8)	(8)%
Total Scope 1, 2 and 3 (Market based)	188.2	210.8	(22.6)	(11)%
Intensity ratio (tCO ₂ e per £m of revenue) – Location based	543	566	(23)	(4)%
Intensity ratio (tCO ₂ e per £m of revenue) – Market based	516	553	(37)	(7)%

Energy	FY23 MWh	FY22 MWh	Movement	
			MWh	%
Total non-renewable fuels consumption	38,418	40,877	(2,459)	(6)%
Total renewable fuels consumption	–	–	–	0%
Total renewable electricity consumption	49,756	39,230	10,526	27%
Total non-renewable electricity consumption	3,430	15,228	(11,798)	(77)%
Total renewable energy consumption	49,756	39,230	10,526	27%
Total non-renewable energy consumption	41,848	56,105	(14,257)	(25)%
Total energy consumption	91,604	95,335	(3,731)	(4)%

Notes to table:

- We operate only within the United Kingdom and so values are for UK operations only
- 2022 has been re-stated to reflect the change in the reporting period.

Notes to calculations:

- Emissions and energy data presented for 2022 and 2023 is based on management estimates
- To calculate our emissions and energy usage data, we have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). The Greenhouse Gas Protocol standard covers the accounting and reporting of seven greenhouse gases covered by the Kyoto Protocol. We are reporting our Scope 3 emissions for the first time this year, with guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required
- We have reported on all of the material emission sources from within the operational boundaries of the Group, as required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and under the UK's Streamlined Energy and Carbon Reporting ('SECR') requirements
- The Group has defined its organisational boundary using an operational control approach. Our reporting of Scope 1 and 2 emissions and energy data covers 100% of our global operations. Furthermore, our reporting of Scope 3 emissions covers 100% of our upstream and downstream value chain
- The emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 (the Department for Environment, Food and Rural Affairs ('DEFRA') factors) have been used for all Scope 1 and 2 categories and the majority of Scope 3 categories. For spend-based calculations, the UK Environmentally-Extended Input-Output (EeIO) model factors were used. For weight-based calculations, Ecolnvent and Idemat factors were used
- In line with the Greenhouse Gas Protocol, we continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data. As a result, we have restated 2022 emissions data to reflect a change in the reporting period from 1 October to 30 September to 1 January to 31 December to align to Eurocell's financial reporting period.



Energy consumption and emissions performance

Our Scope 1 emissions reduced by 7% in 2023 to 9.6 ktCO₂e, primarily reflecting lower levels of sales and production, and therefore distribution and transport activity in the business in 2023 compared to 2022. However, despite lower electricity consumption, location-based Scope 2 emissions increased by 5% to 11.0 ktCO₂e, driven by an increase in the year-on-year emissions factor for UK electricity. Together therefore, Scope 1 and 2 emissions of 20.6 ktCO₂e were down 1% compared to 2022.

Market-based Scope 1 and 2 emissions of 10.9 ktCO₂e were down 31% compared to 2022, which reflects an increase in our purchases of renewable electricity from 72% in 2022 to 94% in 2023.

We have calculated our Scope 3 emissions for 2023 to be 177.3 ktCO₂e, compared to 194.9 ktCO₂e in 2022, a decrease of 9%. This mainly reflects lower emissions from purchased goods and services, down 11.4 ktCO₂e, or 7%.

More than 80% of our Scope 3 emissions are from purchased goods and services, including virgin PVC resin. This reduction is also driven by lower levels of production in our primary extrusion operations in 2023 compared to 2022.

Reflecting these factors, total location-based emissions (Scope 1, 2 and 3) of 197.9 ktCO₂e were down 8% compared to 2022, with the corresponding emissions intensity ratio of 543 tCO₂e per £1m sales down 4%. Market-based emissions of 188.2 ktCO₂e were down 11% compared to 2022, with the corresponding emissions intensity ratio of 516 tCO₂e per £1m sales down 7%.

Total energy consumption in 2023 of 91,604 MWh was down 4% compared to 2022, with renewable consumption up 27% and non-renewable down 25%. On a net basis, this primarily reflects lower production volumes in 2023 compared to 2022.

Energy consumption and emissions targets

As set out in the TCFD Report on pages 50 to 61, we have committed to a Net Zero target for 2045 and during 2024 will be developing a pathway, aligned to the SBTi framework for our operational emissions, to support us in achieving that aim. The pathway will provide ambitious near-term targets, including updated objectives for energy use and emissions in line with our overall Net Zero goal. We will submit our targets to the SBTi for verification in 2024 and publish a Transition Plan once our targets have been approved.

Key components of our transition plan will be moving away from fossil fuel usage and sourcing/generating renewable energy. In the near term, our key initiatives designed to reduce emissions include:

- Increase our purchases of renewable electricity (94% in 2023)
- Complete the project to install solar panels at our main extrusion plant, which will produce an estimated 0.8 MWh of renewable energy per annum
- Continue to upgrade our material handling fleet to electric alternatives
- Explore the option of switching company vehicles to electric and continue to install charging points at our branches and operational facilities
- Investigate non-diesel options for our light commercial fleet and engage with our third-party logistics provider to examine ways to reduce the environmental impact of our distribution operation
- Training operational staff in methods to improve operational efficiency and reduce emissions
- Ongoing replacement of PVC extruder fleet with modern, more efficient plant and equipment.

In addition, we are working with suppliers to better understand and improve Scope 3 emissions. Critical to our Net Zero transition plan will be finding viable alternatives to allow a reduction in the use of virgin PVC resin. This will most likely come from increasing the use of recycled PVC in our primary manufacturing operations, plus finding another viable low carbon alternative e.g. bio-attributable PVC resin.

Water consumption

Our main use of water is in the cooling process for extrusion, but it is also used to wash scrap PVC and remove impurities in our recycling operations and for employee welfare.

We have a closed loop water recycling system in extrusion, where the water is filtered, purified, and neutralised to maintain its quality. Water supply bills are scrutinised for abnormalities that would indicate a leak, following which the water provider would be contacted for repair.

The system significantly reduces the environmental impact of our processes, by conserving local water resources and reducing the amount of contaminated or unfiltered water entering back into the local environment. Minimising consumption and therefore reducing disposal costs also has a financial benefit to our business.

We use only potable water, supplied directly by the water provider, which is suitable for drinking. We do not abstract any ground or surface water. None of our sites are located in high flood-risk areas and all sites are provided with adequate welfare facilities, in accordance with governing legislation.

Our Chief Operating Officer has overall responsibility and oversight of the SHE policy, which encompasses water-related matters. The management team of each operational site has direct responsibility for ensuring our SHE policy is followed.

Water usage was identified as a key issue for our stakeholders in our ESG materiality assessment. Over the last few years, we have strengthened our material recovery, including improved water circularity. We will continue the work to improve our water usage data collection and thereafter to define targets to increase water efficiency in our operations. This is dependent on investment and process changes to improve our existing closed-water loop cooling systems.

Waste management

Our business and operations result in waste and we are committed to controlling, recovering and reusing waste wherever possible. Our Executive Committee has overall responsibility and oversight for waste management. We promote the efficient use of resources and materials that are used in our facilities to help reduce waste. We have a sustainable procurement policy and we actively seek to source sustainable products from suppliers that are made from recycled material where possible.

Total waste (kt)	2023	2022
To landfill	2.3	2.9
Recycled	19.3	20.0
Diverted from landfill	3.7	1.4
Total	25.3	24.3

During 2023, we continued our work towards a zero to landfill aspiration. In 2023 76% of our waste was recycled (2022: 82%), the fall in waste recycled reflects a change in process from our main third-party supplier part way through the year, which we will review in 2024. We have a target to increase waste recycled by 2% per annum by 2025 vs our 2020 baseline (resulting in 88% by 2025), and 1% per annum thereafter (resulting in 93% by 2030). We have also committed to a maximum of 5% of waste to landfill by 2025 and 1% by 2030.

To support delivery of these targets, we have a new waste management plan for 2024, focused on improving the processing of by-products from our recycling process (metal, rubber, wood). At third-party sites, which act as collection and delivery hubs for old windows which have been replaced, we are implementing processes that allow for cleaner waste streams. We will also continue to develop partnerships with waste services providers, to optimise end-to-end material recovery.

Packaging accounts for c.5% of the waste we generate. We aim to reduce this by using thinner materials and packaging with more recycled content both for our own products and in the delivery of raw material to our sites.

Hazardous materials

We do not use significant amounts of hazardous materials. In our extrusion business, we do not use phthalates, cadmium or lead-based stabilisers. In our recycling operation we monitor the cadmium and lead contamination levels within feedstock, to ensure compliance with governing legislation.

Very small quantities of other hazardous materials are currently used as additives within our product mix, but these are rendered non-bioavailable when encapsulated by the polymer structure. In addition, we have a specific requirement within our new product introduction process to reduce any use of hazardous materials. For example, we are investigating replacing the solvent-based glue used in our foiling process with a water-based alternative.



Sustainable products

Innovative low carbon products

We are committed to minimising the environmental impact of our products throughout their lifecycle. Our use of recycled PVC provides low embodied carbon products for customers and prevents PVC waste from going to landfill. We also focus on developing thermally efficient products that help our customers minimise heat loss.

Recycling operation

We are proud to be the leading UK-based recycler of PVC windows. Our extensive recycling capacity sits at the heart of our operations, our sustainability strategy, and will be critical to our Net Zero ambitions.

Our recycling operations convert customer factory offcuts (post-industrial waste) and old windows that have been replaced (post-consumer waste) to brand new extruded products. Our advanced co-extrusion process delivers recycled material to the profile core, with external surfaces protected using virgin PVC compound, providing a high-quality, resilient finish. The key benefits of our recycling operation are set out below.

Commercial

We can leverage the sustainability aspects of our recycling operation with our customer base, consumers, and other stakeholders. Many of our customers, including large developers and house builders, are increasingly looking for sustainable, low carbon products that can support their own net zero ambitions. For example, most of the large house builders aiming to achieve 'zero carbon homes' classify products within the houses they sell as 'sustainable' if they help customers save energy whilst running their homes and/or because they are made with lower carbon processes or raw materials. This labelling could be a key competitive advantage for Eurocell.

Economic

Recycling also increases our profits, because the cost of recycled compound is typically lower through the cycle than the price of virgin material, and it reduces our exposure to volatile commodity prices.

Carbon savings

An independent study by the University of Manchester found that displacing one tonne of virgin PVC with one tonne of recycled window PVC results in a reduction of approximately 1.7 tonnes of CO₂ emissions. This calculation compares the full life cycle carbon emissions associated with the production of virgin PVC with emissions from the window recycling process. As a result, our recycling operation saves substantial amounts of carbon compared to the use of virgin PVC, and we therefore consider our products produced with recycled content to be low carbon.

In 2023, our two sites recycled 38.7k tonnes (equivalent to more than three million window frames) of post-consumer waste, which would have otherwise been sent to landfill, and 8.1k tonnes of post-industrial waste. Together, the two sites used this waste to produce 27.7k tonnes of recycled material. As much of the remaining by-product is scrap metal, which is sold to metal recyclers, with very little sent to landfill.

Of the recycled material produced, 17.5k tonnes was used alongside virgin resin in the manufacture of many of our rigid PVC profiles. The remaining 10.2k tonnes of recycled material produced is used either in products which are manufactured from 100% recycled material, including thermal inserts and cavity closer systems (which are almost exclusively derived from post-industrial waste), or sold to a range of trade extruders. Recycled PVC represented 32% of total raw material consumption in 2023, up from 29% in 2022.

We therefore estimate that, in total, our recycling operation saved approximately 47k tonnes of carbon in 2023 compared to the use of virgin PVC.

We have now set ourselves a more ambitious target to reach 40% recycled content across our product range by 2030. Achieving this target will be a critical component of our Net Zero transition plan, but also dependent on several factors, some of which may remain beyond our control. These include:

- **Supply of recycled feedstock** – we estimate that we currently take approximately one-third of the total recycled PVC available in the UK market. In order to reach our recycled content target of 40%, we will need to increase significantly our feedstock supply at acceptable purchase prices. This will require that we maintain and develop strong relationships with existing and potential new suppliers. Improving the yield at our recycling plants will also help increase supply of material for use in our manufacturing operations
- **Legislative limitations** – other than the current requirement for any rigid PVC profile that is externally exposed to have a virgin PVC exterior, recycled content of our products is not restricted by regulations. We will need to monitor any future changes in legislation and understand the potential impact on our targets (although we are not currently aware of any such planned changes)
- **Operational capacity** – increased recycled content requires further investment in co-extrusion capacity and tooling, although this is included in our ongoing investment plans
- **Technological limitations** – it is not currently commercially viable to use large quantities of recycled PVC in foam profile products, which represented 31% (by weight) of our extrusion output in 2023.

Thermally efficient products

Our window and door-related products are designed to deliver enhanced thermal efficiency via low thermal conductivity. This is measured through U-values, which determine how much heat is lost through the fabric of the building (surface heat loss through walls, ceilings, floors, windows and doors). The lower the U-value the more thermally efficient the product.

All of our mainstream PVC fenestration products currently have U-values which meet the expected Future Homes Standard level of 1.2 W/m²K. In many cases, our products perform even better than this, which can allow house builders more flexibility in their choice of material elsewhere in their builds. Our PVC profiles also deliver better U-values relative to alternatives such as wood and aluminium.

End of life

It is our aim to continue to recycle as much PVC as possible, moving where possible towards closed-loop recycling, whereby windows and other PVC profiles are continually recycled into new products. Our PVC profiles can be recycled up to ten times and have a life span of around 100 years.

Responsible sourcing

Our main raw materials are sourced from manufacturers across the UK, Europe and the US, and traded goods are directly sourced in the UK from suppliers manufacturing around the world. We have a loyal supplier base, of which a significant majority have been suppliers to Eurocell for many years. We are committed to the continuous development of supplier relationships that support our ethical and sustainability expectations, and deliver a responsible value chain.

To support this we have established supplier pre-appointment checks. All supply and tender agreements include the following statement:

“The supplier advocates the principles of Corporate Social Responsibility and requires a serious approach to sustainability (including economic, social and environmental considerations) issues from its value chain and partners.”

In addition, all our suppliers are required to confirm their commitment to:

- Protecting the environment as it relates to these activities at a global and local level, including aspects such as energy, water and resource use, and emissions of greenhouse gases and other pollutants

- Respect for fundamental human rights, including safe working conditions, fair compensation at least in line with minimum wage, and fair working hours
- Enforce ethical and legal trading rules with regards to anti-bribery and corruption
- A system of internal and external reporting which matches espoused values
- A proactive approach to the innovation of sustainable practices and products
- Recognition that all businesses have a responsibility to be a good neighbour and accept their active role within the communities in which they operate
- An ethical approach to managing and maintaining all purchasing activities.

We subsequently review our suppliers periodically to assess ongoing compliance with these commitments. We also ensure that all relevant raw material suppliers are compliant with current regulatory and industrial standards and that they meet our quality and environmental standards. Failure to comply will result in the termination of the business relationship.

We are also committed to paying our suppliers on time in accordance with agreed terms of business.

Our Head of Procurement is tasked with overseeing and managing supplier relationships and a value chain that delivers shared value, in an ethical and sustainable manner.

Product quality and safety

Achieving the highest standards of product and service quality and safety is essential to our continuing success.

Our quality aim is simple: to totally satisfy our customers. Our vision for quality is to create an operation in which we get things right first time, every time.

In terms of product safety, we focus on providing products that comply with all relevant housing and building safety standards, with fire safety being the largest consideration. All our products are tested to ensure that they meet safety requirements, and information about safe use and disposal of our products is provided through warning labels, manuals and other documentation where appropriate.

We work continually to improve our performance and ensure compliance with ISO9001 and the other quality standards to which we are accredited.

Case study

Modus windows and Luma rooflights



Our Modus windows include a triple-seal option to achieve strong thermal, air tightness and noise reduction performance. Its unique 75mm six-chamber profile system delivers optimum energy efficiency performance and is capable of achieving a U-value as low as 0.8 W/m²K from a standard system using standard triple-glazed units.

Our new LUMA flat rooflight is available in both double and triple glazed options, offering excellent thermal efficiency and sound reduction. Double glazed units achieve a centre pane U-value of 1.3 W/m²K and triple glazed units achieve 0.9 W/m²K.

We operate clearly defined systems and procedures and work closely with our customers to address concerns and resolve complaints. We also provide the necessary training and support to our colleagues so they are able to play their part in delivering high standards of product and service quality.

Ethics and compliance

Modern slavery

We have zero-tolerance for any form of modern slavery or human trafficking, and are absolutely committed to preventing modern slavery and human trafficking in our business activities and supply chains. We support the aims of the UK's Modern Slavery Act and publish our Anti-Slavery and Human Trafficking Statement, which is approved by the Board annually, on our website at investors.eurocell.co.uk.

As described above, we also conduct an ongoing reviews of our suppliers to identify any potential risks. In addition, our employee induction process includes mandatory training on our Modern Slavery and Human Trafficking policy.

Whistleblowing

We are committed to the highest standards of openness, honesty, integrity and accountability. The Group has a Whistleblowing policy, and we take active steps to raise employees' awareness of our whistleblowing platform.

This policy makes all employees aware that they should report any serious concerns or suspicions about any wrongdoing or malpractice on the part of any employee of the Group, without fear of criticism, discrimination or reprisal, as well as the procedure for raising such concerns. Examples include fraud, breakdown in internal controls, misleading customers, bribery, modern slavery, dishonesty, corruption and breaches of data protection or health and safety. All whistleblowers are protected under the Public Interest Disclosure Act.

Our independent whistleblowing hotline, which supports confidential and anonymous reporting, is available to all employees, 24/7, 365 days a year. Each case is investigated confidentially by the business with appropriate response measures taken. Whistleblowing cases are reported to the Audit and Risk Committee and ultimately to the Board.

In 2023 there were no reports received through the whistleblowing process (2022:0, 2021:5), and therefore no significant trends were identified.

Anti-bribery and corruption (ABC)

We are committed to acting fairly and with integrity, and take a zero tolerance approach to bribery, corruption or any other unethical or illegal business practices. Applying to all employees and suppliers, we explicitly prohibit any form of bribery or corruption, including:

- Money laundering
- Facilitation payments, which are typically unofficial payments made to secure or expedite a routine government action by a government official
- Kickbacks
- Political contributions
- Sponsorships.

In addition, we are committed to minimising any conflicts of interest, whereby an individual's personal interests may compromise their judgement in the workplace, that may arise.

We will take disciplinary and/or legal action as appropriate in all cases of actual or attempted fraud across all operations. We will not obstruct any formal investigations or legal proceedings relating to any incident of corruption at Eurocell.

All staff complete training on our Anti-Bribery Policy as part of their induction, and are subsequently required to complete refresher training each year. In 2023, there were no incidents of employees being disciplined or dismissed due to non-compliance with our Anti-Bribery Policy (2022:0, 2021:0).

The Audit and Risk Committee, ultimately reporting to the Board, is responsible for reviewing the policies and procedures in place to prevent bribery, and for ensuring compliance across the Group. The Committee is satisfied that the Group's procedures with respect to these matters are adequate.

Human rights

We do not consider human rights issues to be a material risk for the Group due to the existing regulatory frameworks in the UK, within which our operations are confined. We do, however, acknowledge there is greater risk in our supply chain, and are therefore committed to conducting due diligence across our supply chain, in line with the Modern Slavery Act as described above. In addition, employees and other relevant internal and external stakeholders can report any concerns relating to human rights across Eurocell's direct operations or supply chain through our confidential Whistleblowing channel. No violations on human rights have been reported in 2023 or in the previous two years.

Information systems and technology (IS&T)

At Eurocell we respect the privacy of employees, customers, suppliers and all other parties with which we interact. We seek to minimise the amount of personal data we collect, and to ensure the robust and sufficiently segregated storage of any data that is held.

Information security and cyber threats are increasing risks. In 2022 we experienced a cyber incident which caused disruption to our operations and compromised the security of some employee personal data. Cyber security continues to receive considerable management attention, as well as focus from the Audit and Risk Committee and the Board. This is also reflected in the results of our ESG materiality assessment, which placed cyber and data security amongst the most material issues facing the business.



Since the incident in 2022, we have:

- Rolled out an extensive programme of mandatory cyber security training to all colleagues in a series of monthly short videos and quizzes covering a range of security threats and ways to mitigate the risks
- Strengthened our cyber risk detection tools, including vulnerability analysis penetration testing
- Strengthened our incident response measures through implementing managed detection and response (MDR), security instant event monitoring (SIEM), privileged access management (PAM) and firewall hardening
- Reviewed the performance of our business continuity plans and made appropriate adjustments in response to the incident to identify gaps and areas for improvement.

Tax transparency

We recognise the responsibility we have to our stakeholders and communities to set the highest standards of corporate conduct, and paying the right amount of tax in the right place is fundamental to this. Across our entire operations, we are committed to compliance with tax law and practice, and are committed to compliance with the spirit as well as the letter of the law.

We commit to not use jurisdictions considered to be tax havens for the purpose of avoiding tax, nor will we seek to take advantage of the secrecy afforded to transactions recorded in these jurisdictions. We prohibit the avoidance of tax through transfer pricing, and do not exploit any such mechanisms.

Our Tax Strategy is reviewed, discussed and approved by the Board annually. The Audit Committee periodically reviews the Group's tax affairs and risks.

We have held the Fair Tax Mark accreditation since 2019. Fair Tax Mark is an independent certification, which recognises organisations that demonstrate they are paying the right amount of corporation tax in the right place, at the right time.

As we are entirely based in the UK, we do not reside in any countries considered partially compliant or non-compliant according to the OECD tax transparency report and/or blacklisted or grey listed by EU in February 2023.

Task Force on Climate-related Financial Disclosures

We are committed to retaining our status as sustainability leader in the fenestration sector. Our unique recycling operation and focus on increasing the use of recycled PVC compound in the manufacture of co-extruded rigid profiles is at the heart of our climate strategy.

This year we have significantly enhanced our management of climate change through developing our ESG governance structures and expanding our ESG strategy. We have for the first time reported our full carbon footprint (including Scope 3 emissions using the GHG protocol) for 2022 and 2023. We have committed to a Net Zero target for 2045 and during 2024 will be developing a pathway, aligned to the Science Based Targets initiative (SBTi) framework for our operational emissions, to support us in achieving that aim. The pathway will provide ambitious near-term targets, including updated objectives for some of our ESG KPIs (e.g. greenhouse gas emissions and energy use) in line with our overall Net Zero goal.

However, to reach Net Zero, we continue to be dependent on viable low carbon alternatives to virgin PVC.

We will submit our targets to the SBTi for verification in 2024. We will also further enhance our KPIs, environmental data collection and reporting, enabling us to publish a Transition Plan once our targets have been approved.

We recognise that climate change poses significant risks and opportunities to our business and stakeholders. Our TCFD report demonstrates we incorporate climate-related risks and opportunities into the Group's risk management, strategic planning and decision-making processes, aligned to our Net Zero ambition.

This year we have enhanced the analysis of transition risks, and for our physical risks we have performed a detailed bottom-up site analysis using a geospatial climate hazard mapping tool. We expect to enhance our analysis with quantification of risks and opportunities in 2024, after the publication of our Transition plan.

The directors consider that the climate-related risks and opportunities of the company are integrated with those of Eurocell group, and that any climate-related impact on the company itself would originate in the operating businesses of the group. The assessment of the impact of climate change on the value of the Group is carried out at least annually, or when a triggering event occurs, and no impairment charge has resulted to date. The interests of the company's stakeholders within and outside the group are also considered as part of this assessment, when appropriate. The Board has noted the requirement for mandatory climate-related disclosures arising from the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as well as FCA Listing Rule 9.8.6R(8). Below we have set out our climate-related financial disclosures, cross references in the table opposite, fully consistent and compliant with all of the 11 TCFD recommendations and recommended disclosures as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures', 2017, with additional guidance from 'Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures', 2021.

Following third party and internal analyses of the Group's climate-related risks and opportunities, which are detailed in the Strategy section of this TCFD Report, our current view is that significant financial planning or budgetary change as a result of climate change is not likely to be required.

Detail on the 11 recommended disclosures can be found on the following pages:

Recommendation	Recommended disclosures	Reference	CA 414CB ¹
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities	Page 51	CA s414CB(a)
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 52	CA s414CB(a)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Pages 54 to 60	CA s414CB(d)
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Pages 54 to 60	CA s414CB(e)
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 54 to 60	CA s414CB(f)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 53	CA s414CB(b)
	b) Describe the organisation's processes for managing climate related risks	Page 53	CA s414CB(b)
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 53	CA s414CB(c)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	Pages 60 to 61	CA s414CB(h)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 42 to 43	–
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 61	CA s414CB(g)

¹ Companies Act 2006, s414CB(2a)-(2h).

Governance

Board oversight of climate-related risks and opportunities

At Eurocell, the Board reviews and is ultimately accountable for all ESG matters, including climate-related issues and progress against climate related targets. Board expertise on climate change, and ESG more broadly, is provided by Alison Littlely (Non-executive Director), Chair of the Social Values and ESG Committee. The Committee was set up in late 2022 to provide formal and transparent oversight of the Group's ESG programme, specifically including climate change and responsibility for ensuring progress against climate-related targets.

The Committee includes four independent Non-executive Directors, including Alison Littlely (Chair). The Chief Executive, Chief Financial Officer, Chief Operating Officer, Head of Safety, Health and Environment and our new People Director, are also members. It meets three times per annum.

Alison Littlely updates the Board on the activities of the Committee at Board meetings which typically follow within one day of the Committee meeting.

The Committee accesses specialist advice on carbon footprinting and other ESG matters which enables the sharing of best practice and ideas across the Group. During 2023, the Committee oversaw the appointment of external sustainability consultants to support the development of our climate change strategy. In 2024, the Committee will oversee the introduction of a training schedule for Board members on climate-related issues.

Climate change will see further focus in 2024, as our Net Zero targets are established and pathways are identified. The Board, through the Social Values and ESG Committee, will oversee this process and subsequently monitor, and be accountable for, progress against the targets.

The Committee will in turn receive regular updates from Executive Committee members on the performance and progress against climate-related objectives.

The Board is also responsible for risk management, supported by the Audit and Risk Committee and informed by the Executive Management. The Board defines risk appetite and monitors the management of significant risks, now including climate-related risks and opportunities. Climate-related risks are included in the Group risk register, which is reviewed and subsequently presented to the Audit and Risk Committee by Executive Management biannually. Responsibility for each risk on the Group risk register is allocated to a member of Executive management, with responsibility for sustainability and climate change risk allocated to Darren Waters, our Chief Executive.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

Management's role in assessing and managing climate-related risks and opportunities

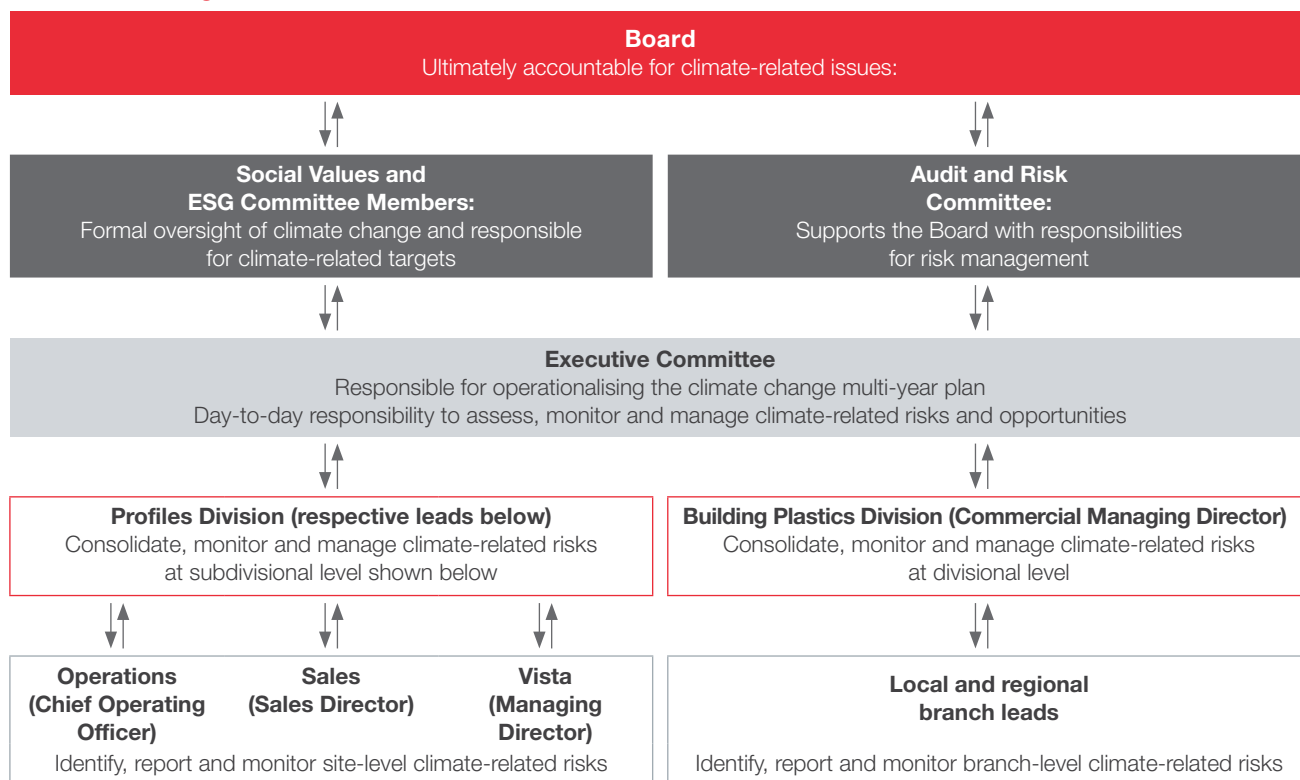
The Executive Committee, led by our Chief Executive, is responsible for the implementation of our climate change strategy. This includes management of our carbon emissions and improving the climate credentials of our products, particularly with our focus on the use of recycled material in manufacturing processes. Additionally, initiatives such as R&D and efficiency improvements are closely monitored.

Our Chief Operating Officer is primarily responsible for the delivery of our climate change objectives and now reports progress to the Social Values and ESG Committee.

Once our targets have been approved by the SBTi, our intention is that the Executive Committee will cascade the Net Zero transition plans to each division, thus ensuring that there is accountability throughout the organisation. The Committee will review the carbon reduction plans to deliver revised emissions targets in each business unit and monitor progress against key milestones.

The Executive Committee has day-to-day responsibility for identifying, assessing, monitoring and managing risks. The Committee meets monthly, with risk management now introduced as a standing agenda item to facilitate the discussion and management of any emerging and increasing risks, including climate-related risks (both physical risks at site level, and transitional risks). Our Chief Operating Officer, as well as the commercial leaders in each division, now consider any climate-related risks within their respective business units through their discussions with site managers and local and regional branch managers. As noted above, the Executive Committee consolidates these discussions with a full risk register review every six months, with the results reported to the Audit and Risk Committee.

Climate-related governance framework



Risk management

Our processes to identify, assess and monitor climate-related risks

Climate change and associated regulatory response risks are now included as part of our overall risk management framework and are considered as part of our Group risk management processes. Our risk assessment considers existing and emerging risks and all risk categories outlined in the TCFD recommendations in relation to our operations. Climate-related risk identification is performed both bottom-up, through a detailed assessment at operational site level, as well as top-down, through an assessment of strategic and market risks.

Site-level environmental risks, including climate-related risks, are identified as part of our operational risk assessments. Our Head of Estates & Facilities Management is responsible for identifying and assessing the environmental risks of existing and potential sites. Any risks identified will be escalated to the relevant Executive Committee member, who consolidates risks within their own area of responsibility and reports to the monthly Executive Committee meeting. In most cases, the relevant Executive Committee member is either the Commercial Managing Director (for the branch network) or the Chief Operating Officer (for all other sites).

Identifying and assessing environmental risks at our branch sites is largely via environmental surveys. Our branches are typically leased on individual ten-year contracts, with five-year break clauses that can be exercised if a risk becomes unacceptable.

Environmental risks at our operational sites are managed through the local business continuity plans, held by our operational managers for extrusion, warehousing and secondary operations sites respectively. The business continuity plans are tested periodically and updated for any identified improvements. This year, we have enhanced our site-level assessment of physical climate-related risks using a physical risk analysis software tool, which has provided greater depth to our risk analysis.

Sustainability and Climate Change is deemed a principal risk for the Group and is therefore included on the strategic risk register.

Climate-related risks are assessed and prioritised in a similar way to all other risks on the Group's strategic risk register. Risks are assessed on a five-point scale for both the probability and impact of the risk occurring, providing an overall risk rating calculated by multiplying the probability by the impact.

The probability ranges from A (Almost Certain) to E (Rare), whilst we assess the impact on a scale of 1 (Very High) to 5 (Very Low). The impact rating is financial, measured in absolute terms or as a percentage of EBITDA per annum. However, for certain risks, the impact rating may also reflect the impact on the Group's reputation or on the environment, or whether the effect is localised or widespread. The resulting overall risk rating categories are: Negligible, Low, Medium, High or Critical.

It is important to note that our climate risks are currently assessed on a gross basis. However, once we have had our Net Zero targets approved and finalised for our transition plan, we expect to quantify our risks and mitigations to reflect their expected net impact on the business.

Risks on our strategic risk register are generally assessed on a three-year business planning cycle. Recognising the longer time horizon of many climate-related risks, however, the following timescales are applied:

Scale	Criteria
Short term	1 year (aligned to budgeting cycle)
Medium term	5 years (aligned to strategic planning cycle)
Long term	Over 5 years (aligned to our Net Zero target, the useful life of our facilities and encompassing long-term policy and industry trends)

This year, with the help of external sustainability consultants, we have conducted a comprehensive assessment of climate-related risks and opportunities across the Group, through a combination of interviews with key stakeholders, including several internal functions, and desktop research including analysis of industry trends and peers. The identification and assessment of climate-related risks and opportunities will be reviewed each year in preparation for our TCFD reporting requirements.

Managing and integrating climate into wider risk management

As described above, risk management, including climate change, is now a standing agenda for the monthly meetings of the Executive Committee. This includes consideration of divisional level risks and the status of ongoing mitigating actions, as well as a review of any emerging or increasing risks. Every six months, each division will conduct a review of its risks with the Group Risk Management team in advance of the Executive Committee's in-depth risk register review.

The Audit and Risk Committee assists the Board in assessing and monitoring risk management across the Group. As a result, the relative materiality and the prioritisation of climate-related risks is considered alongside other Group risks within the existing Group risk management framework.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

Strategy

Our approach to climate scenario analysis

In 2023, we undertook a substantial qualitative analysis of the resilience of our business model and strategy under the guidance of an independent third-party consultant, CEN-ESG. Physical risks were analysed using four scenarios from the Intergovernmental Panel on Climate Change ('IPCC') embedded in the Munich Re software platform used to analyse physical risks of climate change:

- **RCP 2.6¹**: a climate-positive pathway, likely to keep global temperature rise below 2°C by 2100. CO₂ emissions start declining by 2020 and get to zero by 2100
- **RCP 4.5**: an intermediate and probably baseline scenario more likely than not to result in global temperature rise between 2°C and 3°C by 2100 with a mean sea level rise 35% higher than that of RCP 2.6. Many plant and animal species will be unable to adapt to the effects of RCP 4.5 and higher RCPs. Emissions peak around 2040, then decline
- **RCP 7.0**: a baseline outcome rather than a mitigation target and represents the medium-to-high end of the range of future emissions and warming resulting from no additional climate policy

- **RCP 8.5**: a bad case scenario where global temperatures rise between 4.1 and 4.8°C by 2100. This scenario is included for its extreme impacts on physical climate risks as the global response to mitigating climate change is limited.

For the transition risks and opportunities, we have used the following climate-related scenarios from the International Energy Agency, which are far more descriptive and useful for modelling more positive climate outcomes. The scenarios have been considered at a high level, whereby transition risks are generally greater (more likely and with greater impacts) in the lower carbon scenario compared to the higher carbon scenario.

- **Net Zero 2050 (NZE)²**: an ambitious scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO₂ emissions by 2050. This meets the TCFD requirement of using a 'below 2°C' scenario and is included as it informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi), which validates corporate net zero targets and ambition

- **Stated Policies Scenario (STEPS)²**: a scenario which represents the roll forward of already announced policy measures. This scenario outlines a combination of physical and transitions risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today's policy settings.

Climate-related risks and opportunities

Seven climate-related risks and five climate-related opportunities that could have a material impact on the Group have been identified. These are discussed in greater detail below. Currently, the magnitude of our identified risks and opportunities are assessed on a gross basis; however, mitigation strategies are also identified. A more detailed analysis and quantification will be undertaken once our Net Zero target has been approved and our transition plan has been published, for inclusion in subsequent TCFD reports.

Key risks

Six transitional and one physical climate-related risks have been identified.

Operational exposure to carbon pricing mechanisms		TCFD Category: Transition (Policy and Legal)
<p><i>Own operations</i></p> <p><i>Higher costs associated with energy</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: High</i></p> <p><i>Scope 1 and 2 emissions</i></p>	<p>Risk</p> <p>Increased operational costs as a result of exposure to carbon pricing mechanisms.</p> <p>Description</p> <p>The implementation of operational carbon pricing is one of the levers used by regulators to achieve decarbonisation of energy and industrial production, either through higher energy costs or direct carbon taxes applied to our gas and electricity used (Scope 1 and 2 emissions). We expect significant but gradual price increases in the medium term, with greater forecast price rises in the NZE Scenario.</p> <p>Mitigation</p> <p>The impact of the risk is expected to be moderated through our efforts to reduce Scope 1 and 2 emissions to minimal levels, as part of our 2045 Net Zero target. Key near-term actions consist of improvements in the energy efficiency of the extrusion lines, recycling and other manufacturing processes, such as the use of more efficient heat pumps, sub metering and closer monitoring of downtimes. These measures will contribute to the reduction of energy consumption and Scope 1 and 2 emissions.</p>	

1 IPCC (2014), Climate Change 2014: AR 5 Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

2 IEA (2022), Global Energy and Climate Model, IEA, Paris [iea.blob.core.windows.net/assets/3a51c827-2b4a-4251-87da-7f28d9c9549b/GlobalEnergyandClimateModel2022Documentation.pdf](https://www.iea.blob.core.windows.net/assets/3a51c827-2b4a-4251-87da-7f28d9c9549b/GlobalEnergyandClimateModel2022Documentation.pdf).

Carbon pricing in the value chain		TCFD Category: Transition (Policy and Legal)
<p><i>Upstream</i></p> <p><i>Increased cost of purchased goods and inbound transportation</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: Critical</i></p> <p><i>Scope 3 emissions (Category 1)</i></p>	<p>Risk</p> <p>Increased costs throughout the supply chain due to carbon pricing pressure.</p> <p>Description</p> <p>Our ability to continue to reduce emissions, in line with our 2045 Net Zero target, will be influenced by some factors beyond our control, such as the decarbonisation of electricity grids, increased costs of raw materials as suppliers meet decarbonisation targets, and the development of zero emissions transportation. Investment in lower carbon processing, equipment and facilities impacts the cost of raw materials. New, lower emission processing methods and alternatives to oil derived hydrocarbon feedstock, such as new products like bio-attributable PVC resin, are still being developed for commercial use. The development of a low embodied carbon alternative to virgin resin at a commercial price is the most significant of these supply chain risks, and could lead to increased costs for Eurocell. The fossil fuel industry is exposed to global regulatory and policy decisions in the drive to reduce emissions, and these changing policies may also impact the reliability of our supply chain and the price of our key raw materials.</p> <p>Mitigation</p> <p>We engage closely with our major suppliers of virgin PVC to avoid unplanned fluctuations in price and supply. Where possible, our supply contracts are longer term to increase visibility. We closely monitor the availability, pricing, quality and carbon footprint of products that produce PVC from alternatives to fossil fuels, such as bio-based raw materials. We have an ongoing R&D programme to investigate lower carbon supply chain options, working closely with our key suppliers to identify opportunities.</p>	

Failure to achieve our recycling targets		TCFD Category: Transition (Market, Reputation)
<p><i>Own operations and upstream</i></p> <p><i>Higher costs, lower revenue</i></p> <p><i>Long term</i></p> <p><i>Gross risk rating: Critical</i></p> <p><i>Scope 3 emissions; % of recycled PVC used in production</i></p>	<p>Risk</p> <p>Failure to reduce carbon emissions through inability to increase the proportion of recycled PVC used in production up to our target level.</p> <p>Description</p> <p>The percentage of recycled PVC used in our production process has increased steadily in recent years up to 32% in 2023. Our new target is to increase this to 40% by 2030. The biggest risk to achieving our target is a failure to source sufficient feedstock at acceptable prices. We also require building standards and regulations to continue to support the use of recycled PVC.</p> <p>Mitigation</p> <p>Our supply chain includes the collection and processing of post-consumer (waste windows) and post-industrial (factory offcuts) scrap PVC. We estimate we currently collect approximately one-third of the relevant PVC (post-consumer and industrial) waste available in the UK, and achieve a 63% yield on production in our recycling plants.</p> <p>To source sufficient material, we will engage with existing and potential new suppliers, housing associations and fabricators to maintain and increase our supply of waste PVC, using longer-term contracts with larger suppliers where possible. We will continue to invest in research and development and tooling to increase the yield in our recycling plants. We will also engage with governmental and industry bodies to shape product and building standards to support increased use of recycled PVC in our products.</p>	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

Key risks continued

Cost of capital and investor interest linked to sustainability criteria		TCFD Category: Transition (Market, Reputation)
<p><i>Own operations</i></p> <p><i>Higher cost of capital</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: Medium</i></p> <p><i>Scope 1, 2 and 3 emissions; UK interest rates</i></p>	<p>Risk</p> <p>Increased cost of capital and/or decreased access to funding through failure to meet performance and disclosure requirements.</p> <p>Description</p> <p>Increased investor and lender expectations in relation to sustainability performance and disclosure, with providers of capital (investors and banks) incorporating sustainability into their assessments, creates risks on the availability and cost of capital. With an existing revolving credit facility of £75m extending to 2027, the funding risk is minimal in the short term. However, over the medium term, investors and banks are expected to be more stringent and withdraw funding or apply punitive charges if ongoing targets on emission reduction are not aligned to their own Net Zero targets.</p> <p>Mitigation</p> <p>We remain in continued dialogue with lenders, rating agencies, investors and sustainability experts to ensure our climate change disclosure is in line with the latest regulatory requirements. We have completed a materiality assessment to ensure we focus on priority ESG topics. We are measuring Scope 3 emissions and will in 2024 publish an SBTi-aligned Net Zero target, which will help to mitigate this risk.</p>	

Customer and consumer pressure		TCFD Category: Transition (Market, Reputation)
<p><i>Downstream</i></p> <p><i>Lost revenue</i></p> <p><i>Long term</i></p> <p><i>Gross risk rating: High</i></p> <p><i>Scope 3 emissions; thermal efficiency of products (U-value)</i></p>	<p>Risk</p> <p>Loss of customers and revenue through failure to meet customer standards and consumer preferences.</p> <p>Description</p> <p>Driven by industry standards and government regulation, large house builders require suppliers to be at the forefront of embodied carbon reduction and in the reduction of energy when their products are in use. If we do not meet the disclosure or regulatory requirements (typically disclosure of our own Net Zero plan and embodied carbon in the products we supply), we could over time lose customers and market share. In addition, consumer awareness of their own carbon footprint is continuing to increase and a growing desire for sustainable living is resulting in changes to demand patterns, with an increased preference for lower embedded carbon products. There is a medium-term risk that some product lines will no longer be of interest to customers aligning with Net Zero.</p> <p>Mitigation</p> <p>We engage with customers to ensure new products are designed to meet their changing requirements, and that our targets are aligned with theirs and meet internal and external environmental requirements. For example, we focus on energy efficient windows and improved insulation to enable housebuilders to achieve desired EPC ratings on their builds and meet the technical specifications they require for zero carbon homes. Our disclosure of Scope 3 emissions now enables us to calculate the embodied carbon in PVC profile.</p>	

Existing and emerging government standards and regulation		TCFD Category Transition (Policy and Legal)
<p><i>Own operations</i></p> <p><i>Higher costs/disruption of production</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: Medium</i></p> <p><i>R&D expenditure to meet regulatory standards</i></p>	<p>Risk</p> <p>Increased costs of production and associated R&D to ensure products meet increasing government standards. Possible disruption to production as standards are implemented.</p> <p>Description</p> <p>The Group may be adversely affected by changes in government and other regulations (including changes to building regulations) relating to the manufacture and use of materials and resources; particularly energy use in homes and carbon commitments, as well as the use of plastics and polymers in our manufacturing process. This includes the risk that the government could limit the use of compounds which contain lead (in line with EU REACH regulation), which could restrict the use of recycled materials. The Future Homes Standard (FHS) regulation requires a 75-80% reduction in carbon emissions from new homes by 2025. These specifications must be adhered to when constructing, extending or renovating UK homes. The FHS introduces new standards for ventilation, minimum energy efficiency performance targets for buildings, airtightness requirements and improved minimum insulation standards. If Eurocell products do not align to these new standards, we will lose market share and suffer reputational damage.</p> <p>Mitigation</p> <p>We engage and consult regularly with regulators and participate in the Future Homes Hub to support the Future Homes Delivery Plan – a sector-wide plan to embed key environmental issues into housebuilding. We engage with customers and suppliers to meet future regulations. We have established an R&D programme and several of our products already meet these regulations. We are working on our Net Zero target and transition plan to prepare our business for regulatory changes.</p>	

Flood risk		TCFD Category: Physical (Chronic) – material under the RCP 8.5 scenario
<p><i>Own operations</i></p> <p><i>Higher costs/disruption of production</i></p> <p><i>Short, medium and long term</i></p> <p><i>Gross risk rating: Negligible</i></p> <p><i>Number of flooding incidents; costs of flood incidents</i></p>	<p>Risk</p> <p>Cost of damages, lost revenue (loss of sales and disruption to operations), and increased insurance premiums resulting from increasing flood events across operational and branch sites.</p> <p>Description</p> <p>Changing weather patterns and an increase in the number and severity of extreme weather events have caused issues relating to flooding across the United Kingdom. The Munich Re Location Risk Intelligence Tool was used to assess physical climate risk and we considered a cross section of branches and all the manufacturing and recycling plants. Of the 29 sites assessed, no material flood risks were identified. However, given the diverse location of the branches, the short lease terms (five to ten years) and the current flooding issues in the UK, we consider flood risk to be the most significant (though low) physical risk to the Group.</p> <p>Mitigation</p> <p>All divisions have business continuity and recovery plans which monitor risks to staff and premises from metrological events. Additionally, all sites have flood damage insurance cover with limits that reflect the magnitude of risk. The diversified locations, as well as flood risk assessment prior to lease contracts being signed, mean it is unlikely that more than several sites would flood at any given time, and hence the financial impact would be minimal.</p>	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

Key opportunities

Five opportunities have been identified that could have an impact on our business, either through enhanced revenues or decreased costs and emissions. These opportunities will be an important contributor to the development of our Net Zero target and transition plan.

Increased recycling, process innovation and material efficiency		TCFD Category: Resource Efficiency
<p><i>Own operations/ downstream</i></p> <p><i>Decreased costs</i></p> <p><i>Medium/long term</i></p> <p><i>Rating: Medium</i></p> <p><i>Scope 3 emissions; revenues from energy efficient products</i></p>	<p>Opportunity Cost and emissions reductions through increased recycling, and production and material efficiency.</p> <p>Description The use of recycled PVC pellets typically has an embodied carbon footprint c.50% lower than virgin PVC pellets. The cost of producing recycled material is usually lower than the purchase cost of virgin material. Therefore, products manufactured through efficient processes with increased recycled material content can significantly lower our cost of production and reduce carbon emissions, and will be an important part of our transition to Net Zero.</p> <p>Strategy to realise opportunity In 2023 we used 32% recycled material in the manufacture of our products. We have a target to increase this to 40% by 2030 and will make plans to develop the feedstock supply chain to support this. The replacement cycle for our extrusion fleet allows us to capture production efficiency gains through use of the latest technology (we use an innovative dual material extrusion process to ensure fast, efficient use of PVC waste in manufacturing). We continue to invest to improve the efficiency of our existing extrusion and recycling plants and increase their production yield.</p>	

Product design – resource and thermal efficient products		TCFD Category: Product and services, Market
<p><i>Own operations/ downstream</i></p> <p><i>Increased sales</i></p> <p><i>Medium term</i></p> <p><i>Rating: Medium</i></p> <p><i>Scope 3 emissions; revenues from energy efficient products</i></p>	<p>Opportunity A growing market for thermally efficient products leading to increased revenue.</p> <p>Description Products which are thermally efficient will reduce consumer energy use, as well as help housebuilders achieve zero carbon homes and meet the Future Homes Standard (FHS). Consumer awareness of home improvement as a means of reducing heating bills is driving demand for earlier replacement of old windows and other products such as conservatory roofs. Innovative product design is key to continued revenue growth and also helps to maintain competitive positioning. We focus on improving airtightness, insulation and energy efficiency and expect the demand for these products to increase with the adoption of the FHS in 2025.</p> <p>Strategy to realise opportunity To maximise this opportunity, we will target R&D and marketing spend on low carbon products and collaborate with key customers to develop and sell best-in-class, resource and thermally efficient products. We have a dedicated technical centre focused on product enhancement and development of innovative new products is a key objective. For example, the Modus triple glazed window has a U value of 0.8 W/m² K (compared to the 2025 FHS requirement of 1.2 W/m² K), significantly reducing heat loss in houses due to its superior insulation. It also includes more than 50% recycled PVC. In addition, our flat rooflight (Luma) was launched in 2022, with strong thermal insulation characteristics. We expect products such as these to grow strongly as consumers and housebuilders focus on zero carbon homes.</p>	

Water and waste savings		TCFD Category: Resource Efficiency
<p><i>Own operations</i></p> <p><i>Decreased costs</i></p> <p><i>Medium term</i></p> <p><i>Rating: Low</i></p> <p><i>Water and waste costs per annum; Scope 1 and 2 emissions</i></p>	<p>Opportunity Operational cost savings through water and waste reduction.</p> <p>Water savings Description Various opportunities and initiatives exist to reduce water usage across the Group. Our main use of water is in the extrusion cooling process and in washing of scrap PVC to remove impurities before recycling.</p> <p>Strategy to realise opportunity Various initiatives are underway aimed at reusing factory water, including improvements to our closed loop recycling system, where the water is filtered, purified and neutralised to maintain its quality. This system significantly reduces the environmental impact of extrusion processes, by conserving water resources and reducing levels of contaminated water released into the environment, and also minimises consumption and disposal costs.</p> <p>Waste savings Description We aim to reduce and recycle general waste products and packaging wherever possible. Packaging accounts for c.5% of waste generated by Eurocell and there is potential to reduce it. There is also an opportunity to improve the processing of by-products from our recycling process (metal, rubber, wood) to enable greater recycling. We have a target to increase waste recycled by 2% per annum from our 2020 base level (resulting in 88% by 2025), and 1% per annum thereafter (resulting in 93% by 2030). In 2023, 76% of our waste was recycled (2022: 82%) We have also committed to a maximum of 5% of waste to landfill by 2025 and 1% by 2030.</p> <p>Strategy to realise opportunity To support achieving these targets we have a new waste management improvement plan for 2024. At third party sites, which act as a collection and delivery hub for post-consumer waste windows, we are implementing processes that allow for cleaner waste streams. We will continue to develop partnerships with waste services providers, to optimise end-to-end material recovery. We aim to reduce the environmental impact of our packaging through lowering the amount of packaging used, including thinner packaging, using packaging with more recycled content and eliminating packaging made from single use plastics.</p>	

Decreasing the amount of energy used and increasing the amount of renewable energy used		TCFD Category: Energy Source
<p><i>Own operations</i></p> <p><i>Reducing emissions</i></p> <p><i>Medium term</i></p> <p><i>Rating: Low</i></p> <p><i>Energy consumption; Scope 1 and 2 emissions</i></p>	<p>Opportunity Operational cost savings through reduced energy consumption and reduced emissions through using more renewable energy.</p> <p>Decreasing the amount of energy used Description The Group's near-term decarbonisation profile includes opportunities for energy efficiency and electricity savings. With our extrusion, foiling and recycling plants all currently running on electricity, our electricity consumption accounts for most of our energy use.</p> <p>Strategy to realise opportunity We continue to drive operational efficiencies, including reducing idle time and optimising temperatures on extrusion lines and chillers. We have also reviewed the usage of compressed air and smart energy metering, leading to actionable outcomes to reduce electricity usage. In addition, we are researching potential methods to reduce the energy intensive foiling process e.g. using a form of 3D digital printing. Although this requires additional capex, it does not use heat, and has the potential to significantly reduce emissions over the medium term. We have also appointed site champions, to drive reduced energy consumption at a local level.</p> <p>Increasing the amount of renewable energy used Description There is also an opportunity to further reduce emissions by transitioning to renewable energy contracts and reduce reliance on the grid through in-house renewable generation.</p> <p>Strategy to realise opportunity In 2023, 94% of the Group's electricity was purchased on renewable contracts. We are installing solar panels at one of our manufacturing plants to provide our own on-site renewable energy capacity.</p>	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

Key opportunities continued

Transportation		TCFD Category: Resource Efficiency
<p><i>Own operations/ upstream/downstream</i></p> <p><i>Decreased costs</i></p> <p><i>Long term</i></p> <p><i>Rating: Low</i></p> <p><i>Scope 1 and 3 emissions (Upstream and Downstream Transportation and Distribution)</i></p>	<p>Opportunity Cost savings, decreased carbon emissions and decreased exposure to carbon prices through decarbonisation of fleet vehicles.</p> <p>Description Decarbonisation of our third-party distribution fleet and company vehicles is a significant opportunity to reduce emissions. This may require additional capex over the medium term to transition and upgrade these vehicles. Additionally, further technological development is required for zero emissions heavy goods vehicles to become viable, e.g. either via electric vehicles or the potential use of hydrogen as an alternative fuel source.</p> <p>Strategy to realise opportunity Company vehicles In 2024 we will continue to upgrade our warehouse material handling plant with electric alternatives, as existing plant lease agreements expire. In addition, we expect to instal a telemetric system in our branch network vehicles to improve the efficiency of route planning and load maximisation, thereby reducing associated emissions. We will continue to explore options to progressively convert other company vehicles to electric.</p> <p>Third-party distribution We will work with our third-party logistic supplier to use software to improve route efficiency. We will also engage with them to better understand the potential for decarbonisation of our commercial distribution fleet. Whilst this would further reduce our Scope 3 upstream and downstream transportation and distribution emissions, the bulk of this reduction would likely only take place in the medium term.</p>	

Our view currently is that significant financial planning or budgetary change as a result of climate change is not likely to be required. However, the transition to Net Zero will be incorporated into the Group's strategic planning with respect to operational and capital costs in 2024 and we will update our assessment once this work is done. We will also continue to develop our analysis as new data becomes available, both internally and externally, and we will continue to monitor our climate exposures and action plans through the Group's risk management framework.

Metrics and targets

During 2023, we conducted a full carbon footprinting exercise for 2022 and 2023 with the help of external sustainability consultants. This has allowed us to report our emissions in line with our financial year end and has expanded our Scope 3 reporting against all applicable categories.

We now report our full carbon footprint covering Scope 1, 2 and 3 greenhouse gas emissions. However, this work is based on a number of management estimates and we expect more variation in the coming years as we continue to refine our methodology.

Most of our emissions are represented by Scope 3 (94% of our market-based footprint for 2023). Of these 2023 Scope 3 emissions, 86% are from purchased goods and services, including virgin PVC resin, and 5% are from upstream transportations.

Additional environmental metrics we monitor include recycled materials used in production and emissions saved as a result, emissions intensity, energy and renewable energy use, and waste generation, as reported on page 35. Against our identified risks, we monitor each of the following metrics:

Risk	Metrics
Operational exposure to carbon pricing mechanisms	<ul style="list-style-type: none"> • Scope 1 and 2 emissions.
Carbon pricing in the value chain	<ul style="list-style-type: none"> • Scope 3 emissions (Category 1 – Purchased Goods & Services).
Failure to achieve our recycling targets	<ul style="list-style-type: none"> • % recycled PVC used in production • Scope 3 emissions (Category 1 – Purchased Goods & Services).
Cost of capital and investor interest linked to sustainability criteria	<ul style="list-style-type: none"> • Scope 1, 2 and 3 emissions • UK interest rates.
Customer and consumer pressure	<ul style="list-style-type: none"> • Scope 3 emissions • Thermal efficiency of products (U-value).
Existing and emerging government standards and regulation	<ul style="list-style-type: none"> • R&D expenditure to meet regulatory standards.
Flood risk	<ul style="list-style-type: none"> • Number of flooding incidents • Costs associated with flooding incidents.
Opportunity	Metrics
Process innovation and material efficiency	<ul style="list-style-type: none"> • Scope 3 emissions • Revenue from energy efficient products.
Product design – resource and thermal efficient products	<ul style="list-style-type: none"> • Scope 3 emissions • Revenue from energy efficient products.
Water and waste savings	<ul style="list-style-type: none"> • Annual water costs • Annual waste costs • Scope 1 and 2 emissions.
Decreasing the amount of energy used	<ul style="list-style-type: none"> • Total energy consumption • Scope 1 and 2 emissions.
Transportation	<ul style="list-style-type: none"> • Scope 1 emissions • Scope 3 emissions (Category 4 – Upstream Transportation & Distribution & Category 9 – Downstream Transportation & Distribution).

Climate-related targets

We are committed to being a responsible business and working to minimise our contribution to climate change. Over 2023 we have continued working towards reducing our Scope 1 and 2 greenhouse gas emissions, and currently source a high proportion of our electricity through renewable contracts (94% in 2023). By continuing to source renewable electricity, through the ongoing replacement cycle of our PVC extruder fleet and upgrading our mobile equipment to electric power, we are reducing our greenhouse gas emissions.

We also focus on increasing the proportion of recycled material used in our production processes. In 2023 this was up to 32% and we now have a target to increase to 40% by 2030, in order to reduce our Scope 3 emissions and save costs.

Having conducted a full carbon footprint for 2022 and 2023, we now have committed to achieve Net Zero on our emissions by 2045. We will work in 2024 to submit our targets to the SBTi, including updated objectives for some of our ESG KPIs such as greenhouse gas emissions and energy use intensity ratios, which will ensure we are aligned with the UK Government's Net Zero Strategy. Once approved, we will develop and publish a Net Zero Transition Plan outlining how the targets will be met, and any critical factors we are dependent on to achieve this, such as commercial low carbon alternatives to virgin PVC resin and new technologies.

Our current and future emissions and energy reduction targets have been adopted as the most relevant to our climate-related risk, particularly relating to carbon pricing risks, and in order to directly manage our contribution to global climate change. Progress against these targets will be monitored through our annual carbon footprint results and will be collated and presented to the Board through the governance structures described earlier in this TCFD report.

CHIEF FINANCIAL OFFICER'S REPORT

Group	2023 £m	2022 £m
Revenue	364.5	381.2
Gross profit	173.8	184.5
Gross margin %	47.7%	48.4%
Overheads	(131.1)	(130.4)
Other income ³	0.4	1.1
Adjusted² EBITDA	43.1	55.2
Depreciation and amortisation	(24.7)	(23.9)
Adjusted² operating profit	18.4	31.3
Finance costs	(3.2)	(2.6)
Adjusted² profit before tax	15.2	28.7
Taxation	(2.9)	(4.7)
Adjusted² profit after tax	12.3	24.0
Adjusted² basic EPS (pence)	11.0	21.4
Non-underlying overheads	(3.5)	(2.2)
Non-underlying finance costs	—	(0.3)
Tax on non-underlying items	0.8	0.5
Reported operating profit	14.9	29.1
Reported profit before tax	11.7	26.2
Reported profit after tax	9.6	22.0
Loss after tax from discontinued operations	—	(2.3)
Profit for the year	9.6	19.7
Reported basic earnings per share (pence)	8.6	19.6

1 Results are stated on a continuing basis i.e. before discontinued operations (see below).

2 See alternative performance measures.

3 Other income is amounts received under the Group's cyber insurance policy, net of excess paid, in respect of business interruption to the Group's continuing trading activities as a result of a cyber incident in July and August 2022.

Introduction

Market conditions deteriorated progressively through the first half of the year, driven by ongoing cost inflation, successive base rate increases and falling real wages, all of which put unprecedented pressure on household budgets, resulting in lower levels of activity in the private housing RMI market and reduced demand for new build housing. These trends continued in the second half of the year, with some further weakening in our key markets. However, we also experienced some easing in input cost pricing in H2.

As expected, profits were down compared to 2022, reflecting lower sales volumes, input cost inflation and margin pressure in the branches, partially offset by selling price increases, operational improvements and cost reduction.

In response to lower sales volumes, we acted quickly to reduce our cost base, securing savings of £7 million for the year. We also continued to focus on efficient inventory management to drive good cash flow performance.

We believe that these actions leave us well placed to progress the strategic initiatives described in the Chief Executive's Report, as well as benefit from a market recovery when it comes.

Revenue

Revenue for 2023 was £364.5 million, 4% lower than 2022 (£381.2 million), with volumes down 6% against a strong 2022 comparative period, reflecting weak market conditions.

Gross margin

Gross margin for the year was 47.7%, down from 48.4% in 2022. Input cost inflation continued in the first half of 2023, particularly for labour, recycling feedstock and electricity (where we operate a rolling 12-month forward hedging policy, so were paying rates locked in during H1 2022, when wholesale energy prices peaked). We offset these higher costs with selling price increases where possible. We also experienced some progressive easing of input cost pricing throughout the second half of the year and continued to deliver operational improvements. As a result, gross margin increased to 49.5% in H2, compared to 46.0% for H1.

Distribution costs and administrative expenses (overheads) and other income

Underlying overheads were together £131.1 million, up 1% on 2022 (£130.4 million). We experienced general overhead and wage inflation in 2023, but this was also recovered via selling prices increases where possible, and further mitigated by operational improvements and our cost reduction initiatives.

We completed a restructuring programme in Q4 2022, which reduced operating costs by £5 million per annum from the start of 2023. With end markets continuing to weaken in the first half of 2023, and given the more challenging outlook for the remainder of the year, we completed a further headcount reduction in June, which reduced operating costs by c.£2 million in H2 and by c.£4 million per annum thereafter. Costs associated with this restructuring have been presented as non-underlying items (see overleaf).

Other income is amounts received under our cyber insurance policy in compensation for business interruption (lost sales) suffered due to the cyber incident in July and August 2022.

Depreciation and amortisation

Depreciation and amortisation was £24.7 million compared to £23.9 million in 2022.

Alternative performance measures

Alternative performance measures are used alongside statutory measures to facilitate a better understanding of financial performance and comparison with prior periods, and in order to provide audited financial information against which the Group's bank covenants, which are all measured on a pre-IFRS 16 basis, can be assessed.

Adjusted EBITDA, adjusted operating profit and adjusted profit before tax all exclude non-underlying items. Adjusted profit after tax and adjusted earnings per share exclude non-underlying items and the related tax effect.

Pre-IFRS 16 EBITDA is stated inclusive of operating lease rentals under IAS 17 Leases. Pre-IFRS 16 net debt is defined as total borrowings and lease liabilities less cash and cash equivalents, excluding the impact of IFRS 16 Leases.

We classify some material items of income and expense as non-underlying when the nature of the circumstances merit separate presentation. Alongside statutory measures, this facilitates a better understanding of financial performance and comparison with prior periods.



Despite a difficult trading year, net cash generated from operating activities was £52.8 million (2022: £35.1 million), reflecting our focus on efficient working capital management.”



Michael Scott
Chief Financial Officer

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Non-underlying items

Non-underlying items for 2023 of £3.5 million included restructuring costs of £2.7 million, comprising redundancy payments and related employee benefit termination costs. Also included are £0.8 million of cloud computing costs incurred on strategic IT projects involving 'Software as a Service' arrangements, which are expensed as incurred rather than being capitalised as intangible assets. Such items are considered to be non-underlying in nature because they relate to multi-year programmes to deliver strategic IT implementations which are material in size, with overall spend estimated to be in the region of £8-10 million over the next three years. Our strategic IT projects comprise a new customer-facing website, an employee management system and, most significantly, the replacement of our Enterprise Resource Planning ('ERP') system. We expect these projects will drive major improvements in our customers' experience and significantly increase the efficiency of our operations.

Non-underlying items of £2.5 million in 2022 include restructuring costs of £2.2 million (redundancy payments of £1.6 million and tangible and right-of-use asset impairment charges of £0.6 million) and £0.3 million of costs relating to the refinancing of the Group's £75 million Revolving Credit Facility.

Finance costs and taxation

Underlying finance costs for 2023 were £3.2 million, compared to £2.6 million in 2022. Total finance costs in 2022 of £2.9 million included £0.3 million of unamortised borrowing costs expensed to the Consolidated Income Statement following the refinancing of the Group's Revolving Credit Facility, which was classified as a non-underlying item.

The underlying tax charge for 2023 was £2.9 million (2022: £4.7 million). The total tax charge for 2023 was £2.1 million (2022: £4.2 million). The effective tax rate on underlying profit before tax for 2023 of 18.8% is lower than the standard rate of corporation tax of 23.5% due to Patent Box relief.

We were pleased to retain the Fair Tax Mark accreditation in 2023, reflecting our commitment to paying the right amount of tax at the right time.

Profit before tax and earnings per share

Adjusted profit before tax for the year was £15.2 million compared to £28.7 million in 2022, down £13.5 million, reflecting lower sales volumes, input cost inflation and margin pressure in the branches, partially offset by selling price increases, operational improvements and cost reduction.

Reported profit before tax in 2023 was £11.7 million (2022: £26.2 million), reflecting the above, and £3.5 million of non-underlying items (2022: £2.5 million).

Adjusted basic earnings per share for the year were 11.0 pence (2022: 21.4 pence). Adjusted diluted earnings per share for the year were 11.0 pence (2022: 21.3 pence). Total basic and diluted earnings per share were both 8.6 pence (2022: 19.6 pence and 19.5 pence respectively).

Dividends and share buyback programme

We paid an interim dividend of 2.0 pence per share in October 2023 (£2.2 million). The Board proposes a final dividend of 3.5 pence per share which results in total dividends for the year of 5.5 pence per share, or £6.0 million, down 49% (2022: 10.7 pence or £12.0 million). The dividend will be paid on 22 May 2024 to Shareholders registered at the close of business on 26 April 2024. The ex-dividend date will be 25 April 2024.

The retained earnings of Eurocell plc as at 31 December 2023 were £25.0 million (2022: £31.4 million). The Company takes steps to ensure distributable reserves are maintained at an appropriate level through intra-Group dividend flows.

The Board is focused on enhancing shareholder returns and recognises the importance of our ordinary dividend. We will also periodically consider supplementary distributions, whilst always seeking to maintain a strong financial position. Taking into account expected organic investment requirements and our successful cash flow management in 2023 (see below), we launched a £5 million share buyback programme in January 2024. As of 15 March 2024, we had purchased 2.0 million shares at a cash cost of £2.5 million under the programme.

Capital expenditure

Capital expenditure for 2023 was £8.9 million (2022: £12.3 million). 2023 includes £1.5 million for site refurbishments and improved staff welfare facilities across the branch network. Other capital expenditure in the period is largely maintenance capex.

Cash flow

Net cash generated from operating activities was £52.8 million (2022: £35.1 million), reflecting our focus on efficient working capital management. This includes a net inflow from working capital for 2023 of £13.4 million, comprised of a decrease in inventories (£13.2 million), and decreases in trade and other receivables (£6.0 million) and trade and other payables (£5.8 million). This compares to a net outflow from working capital of £13.1 million in 2022, which included a significant inflationary component (c.£8 million).

The significant reduction in inventories arose as a result of an optimisation programme, commenced in H2 2022, and includes c.£5 million as a result of lower raw material prices. The decreases in receivables and payables since December 2022 are primarily a result of lower sales and production volumes.

Other items include payments for capital investments of £9.1 million (2022: £12.4 million), including payments to capital creditors of £0.2 million, net proceeds from the disposal in December 2022 of Security Hardware of £0.8 million and financing costs paid of £1.4 million (2022: £1.2 million). Tax paid in the year was £1.4 million (2022: £3.6 million). Dividends paid in the year were £10.3 million (2022: £11.1 million).

The principal elements of lease payments of £13.8 million (2022: £13.3 million) are presented within cash flows arising from financing activities. The finance elements of lease payments were £1.8 million (2022: £1.4 million).

Net cash/debt

Net cash on a pre-IFRS 16 basis at 31 December 2023 was £0.4 million (31 December 2022: net debt of £14.4 million).

Lease liabilities decreased by £5.1 million. Reported net debt at 31 December 2023 was £58.2 million (31 December 2022: £78.1 million).

	2023 £m	2022 £m	Change £m
Cash	0.4	5.1	(4.7)
Deferred consideration	—	0.8	(0.8)
Borrowings	—	(20.3)	20.3
Net cash/ (debt) (pre-IFRS 16)	0.4	(14.4)	14.8
Lease liabilities	(58.6)	(63.7)	5.1
Net debt (reported)	(58.2)	(78.1)	19.9

Bank facility

In May, we completed a one-year extension to our £75 million unsecured, sustainable Revolving Credit Facility, which now matures in 2027. The facility is provided by Barclays, NatWest and Bank of Ireland, and is competitively priced with the key terms remaining unchanged. In terms of sustainability, modest adjustments to the margin are applied based on our achievement against annual targets for usage of recycled material in our products, waste recycled and carbon emissions. We operate comfortably within the terms of the facility and in compliance with our financial covenants, which are measured on a pre-IFRS 16 basis.

Michael Scott
Chief Financial Officer



RISK MANAGEMENT

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

Approach to risk management

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

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

Risk management process

The risk management process, alongside effective internal controls, provides assurance to the Board that risks are being appropriately identified and managed.

How we manage risk

Risk is managed across the Group in the following ways:

- The Board meets annually to review strategy and set the risk appetite
- Risks faced by the Group are identified during the formulation of the annual business planning and budgeting process, which sets objectives and agrees initiatives to achieve the Group's goals, taking account of the risk appetite set by the Board

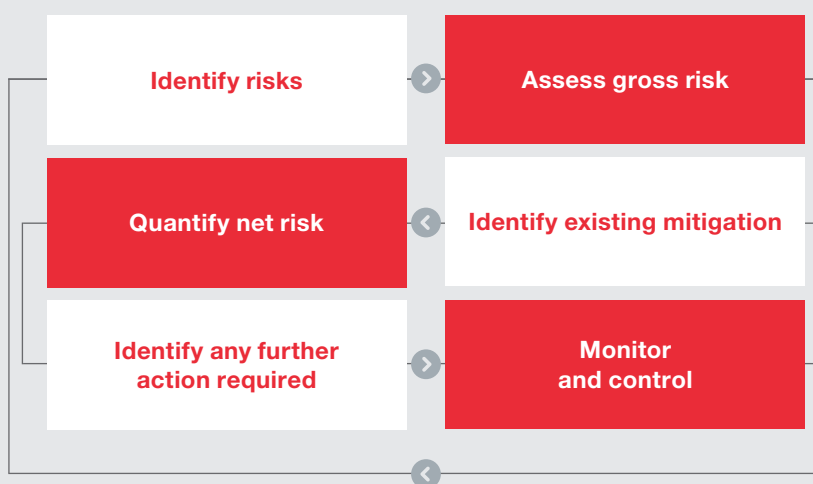
- Senior management and risk owners consider the root cause of each risk and assess the impact and likelihood of it materialising. The analysis is documented in a risk register, which identifies the level of severity, probability, ownership, and mitigation measures, as well as any further actions (and timescale for completion) for each significant risk
- The Group's Executive Committee is also the Risk Management Committee. This Committee meets on a regular basis (usually monthly). The status of the most significant risks and mitigations are reviewed at each meeting, with other risks reviewed at least annually
- The Executive Directors also meet with senior managers on a regular basis throughout the year. This allows the Executive Directors to ensure that they maintain visibility over the material aspects of strategic, financial and other risks
- The Group's Audit and Risk Committee assists the Board in assessing and monitoring risk management across the Group. The role of the Committee includes ensuring the timely identification and robust management of inherent and emerging risks, by reviewing the suitability and effectiveness of risk management processes and controls. The Committee also reviews the risk register to ensure net risk and proposed further actions are consistent with the risk appetite set by the Board.

Internal control

The Group has a robust process of financial planning and monitoring, which incorporates Board approval of operating and capital expenditure budgets. Performance against the budget is subsequently monitored and reported to the Board monthly. The Board also monitors overall performance against operating, safety and other targets set at the start of the year.

Performance is reported formally to shareholders through the publication of results both annually and half-yearly. Operational management regularly reports on performance to the Executive Directors.

Day-to-day operations are supported by a clear schedule of authority limits that define processes and procedures for approving material decisions. This ensures that projects and transactions are approved at the appropriate level of management, with the largest and most complex projects being approved by the Board. The schedule of authority limits is reviewed on a regular basis so that it matches the needs of the business.

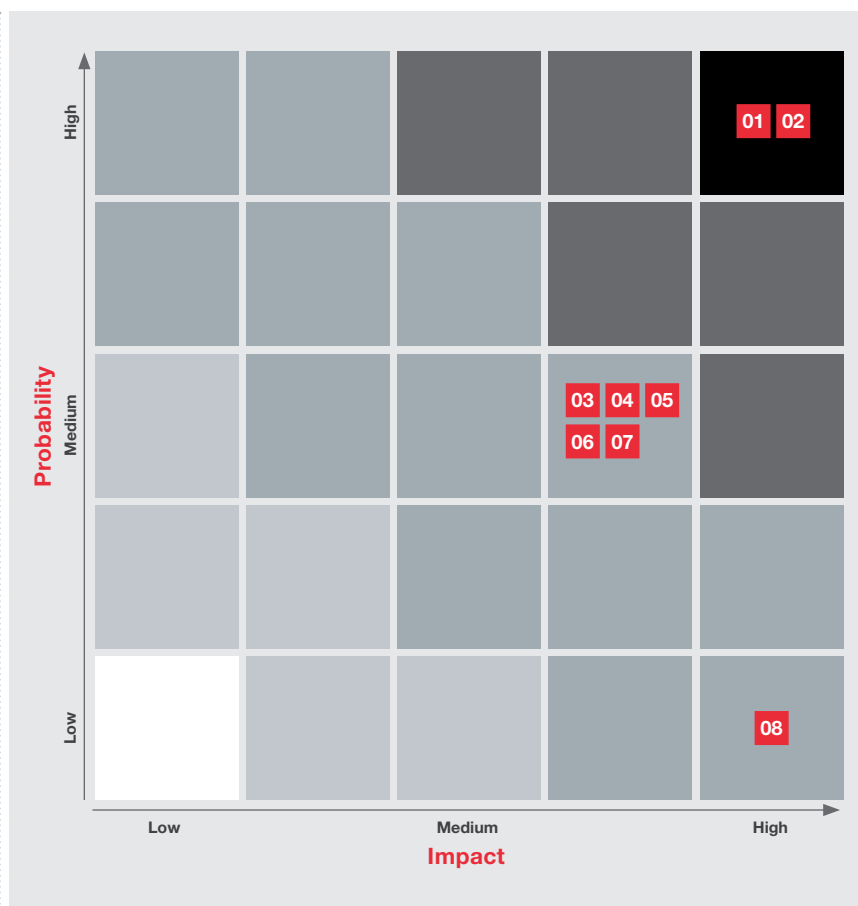


The Group also has processes in place for ensuring business continuity and emergency planning.

In order to further enhance the internal control and risk management processes, KPMG provides an outsourced internal audit service to the Group. KPMG work closely with the Risk Management Committee in delivering the Group's internal audit programme. Other third party experts are also engaged to provide internal audit reviews where appropriate e.g. cyber security.

Strategic risk register

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



Principal risks

- 01 Macroeconomic and market conditions
- 02 Cyber security
- 03 Health & Safety
- 04 Supply chain risk
- 05 Sustainability and climate change
- 06 Managing change
- 07 ERP systems implementation
- 08 Operational and regulatory compliance risk

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is subject to a wide variety of risks and it is not practical to list out all risks that the Board is actively managing here. Principal risks are those risks which are identified as having a potentially material impact on the Group's operations, achievement of its strategic objectives, or viability to continue as a going concern. The actions taken to mitigate these risks cannot provide absolute assurance that they will not materialise, but will either mitigate the impact or reduce the likelihood to a level aligned to the Board's risk appetite. See details below for each of the principal risks, a description of the risk and how it may impact the Group, as well as the mitigations currently in place and any movement in the risk in the year.

Macroeconomic and market conditions

Movement:  Strategic priorities: 

Our products are used in the residential and commercial building and construction markets, both within the RMI sector, for new residential housing developments and for new construction projects.

Our private RMI business is strongly correlated to the level of household disposable incomes. Our new build business is particularly influenced by the level of activity in the house building industry. Government economic and social policy can also have a significant impact on our business.

A weakening in macro or market conditions could have a significant impact on the short-term financial performance of the business. The UK has been impacted by persistent inflation, driven by significant increases in the cost of essentials such as gas and electricity and food. The UK base interest rate increased significantly throughout 2023, rising from 3.5% to 5.25%. Rates are expected to begin to fall from the middle of 2024 but are likely to stabilise at a level higher than those experienced in the preceding decade. The CPA now forecasts the private housing RMI and new build markets to both contract by 4% in 2024, after declines of 11% and 19% respectively in 2023, before beginning to recover in 2025.

Specific market conditions can also impact upon the demand of our products, for example a competitor seeking additional market share through short-term price reductions.

Mitigation

- Notwithstanding macro conditions, we expect our new strategy and self-help initiatives to support sales and profit growth and drive good cash conversion
- Initiatives include the optimisation and expansion of the branch network, an enhanced customer proposition and simplified business structures
- We operate comfortably within the terms of our bank facility and related financial covenants.

Cyber security

Movement:  Strategic priorities:    

A breach of IT security (externally or internally) could result in an inability to operate systems effectively (e.g. viruses) or the release of inappropriate information (e.g. hackers). Sophisticated phishing attacks are increasing in both frequency and complexity.


A breach of cyber security could have a significant impact on the reputation of the business as well as the resulting fines impacting the financial performance.

The Group experienced a cyber incident in July 2022, causing significant disruption to our operations. The Group has subsequently strengthened further its cyber defences, but this remains a fast-evolving threat and continues to receive considerable management attention.

Mitigation

- Ongoing investment in cyber risk detection and prevention tools, accelerated significantly since the cyber incident in July 2022
- These measures include managed detection and response ('MDR'), security instant event monitoring ('SIEM'), privileged access management ('PAM') and firewall hardening
- Physical security of servers at third-party off-site data centre, with full disaster recovery capability
- Password and safe-use policies in place, internet usage monitored and anti-malware used
- External cyber review and internal audit reviews conducted periodically, resulting in significant enhancements in defences
- Cyber awareness/IT security campaign active for all employees
- Financial crime protection and cyber liability insurance in place.

Movement key:  Increase  No change  Decrease

Strategic priorities key:  Customer growth  Business effectiveness  People first  ESG leadership

Health & Safety

Movement:  **Strategic priorities:**   

The Group's production, manufacturing and distribution operations are carried out under potentially hazardous conditions. It is essential that safe environments are created and maintained for all employees and other stakeholders that access our facilities, and that the Group complies with all relevant laws and regulations.

A deterioration in our health and safety performance statistics, including increased or more serious injuries, or a breach of health and safety regulations could lead to significant financial and reputational damage to the business.

Mitigation

- Procedures and policies in place to support compliance with all relevant regulations
- Regular communication and training on policy compliance
- Monitoring procedures in place, including near miss and potential hazard reporting for health & safety matters
- A three-year health and safety strategy was launched in 2022, with implementation progressing well and an improvement in performance delivered in 2023
- Internal and third-party site audits to assess compliance with our policies.

Supply chain risk

Movement:  **Strategic priorities:**   

Our manufacturing and recycling operations rely on the supply of several core raw materials, and our branch network relies on the supply of third-party products.

In terms of supply, there are only a limited number of PVC resin and certain other raw material suppliers, impacting both the supply and price of these materials. Further, we have a limited capacity to store such materials at our sites. Failure to procure raw materials on a timely basis could impact on our ability to manufacture products and meet customer demand.

On pricing, several raw materials are priced in US Dollars and Euros, and therefore although we pay in Sterling, we are impacted by international currency markets.

Availability of recycling feedstock is limited, and dependent upon the level of RMI activity in the UK. The level of RMI activity can therefore significantly impact both the price and availability of recycling feedstock.

Finally, many of our key raw materials and third-party products are transported to the UK from the EU, and, to a lesser extent, the US and the Far East, therefore the capacity of global shipping can also impact both the availability and price of key materials.

Increasing costs could have a negative impact on the financial performance of the business. An inability to source the required materials could also impact financially, as well as upon the reputation of the business if we are unable to meet future demand.

Mitigation

- Initiatives to improve supply chain resilience, including sourcing alternative/more local sources of key raw materials and third-party products
- Procurement strategy in place to secure new supply lines for recycling feedstock (i.e. post-consumer and post-industrial waste)
- Where possible we agree fixed price contracts with key suppliers to mitigate the risk of input cost increases
- Although we do not hedge currency, where possible we agree pricing in GBP to mitigate exchange rate volatility
- All new suppliers are now required to complete a cyber risk questionnaire, and regular reviews are conducted to test the financial stability of key suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Sustainability and climate change

Movement: 

Strategic priorities: 

Demonstrating improving business sustainability is becoming increasingly important to all stakeholders.

Failure to improve in all material aspects of ESG (environmental, social, governance) could lead to regulatory and other challenges e.g. employee recruitment and retention.


If we do not deliver on our environmental targets and establish a credible pathway to carbon neutrality and net zero, investors and lenders may show a preference to allocate capital to businesses with better understood climate impacts and a clear plan to improve.

There are physical risks associated with climate change. The Group operates from over 200 locations, and with a changing climate there is an elevated risk that elements of our operations could be impacted by fire, flooding or other environmental issues.

Mitigation

- Strong underlying position on sustainability underpinned by window recycling operation, which drives significant carbon savings compared to the use of virgin PVC resin
- We conduct regular environmental risk assessments at existing and potential sites. Risks are managed through local business continuity plans. In 2023 we enhanced our risk assessments using a physical risk analysis software tool, providing a greater depth of information for each site
- The Group established a new ESG and Social Values Board Committee towards the end of 2022
- In 2023 we appointed CEN-ESG, a specialist ESG consultancy, to support the development of our ESG strategy and improve our ESG data and disclosures. This work includes the following:
 - Materiality assessment completed in 2023 to help us determine the most important sustainability topics to the business
With this analysis we surveyed a selection of employees, suppliers, customers, banks and shareholders
 - Development of a baseline carbon footprint for the business (Scope 1, 2 and 3), identifying key decarbonisation levers
 - Using the above outputs to define ESG objectives and develop a sustainability strategy, supported by appropriate governance and internal controls
 - This includes an ambition to achieve Net Zero on our emissions by 2045 (which is highly dependent on reducing emissions in the PVC resin supply chain). We will now work to submit our targets to the Science Based Targets initiative in 2024, which will ensure we are aligned with the UK Government's Net Zero Strategy. Once approved, we will develop and publish a Net Zero Transition Plan outlining how the targets will be met.

Movement key:  Increase  No change  Decrease

Strategic priorities key:  Customer growth  Business effectiveness  People first  ESG leadership

Managing change

Movement: 

Strategic priorities:



The Group has been through a period of significant organisational change over the past 18 months. At Board level, this includes the appointment of a new Chairman and five new Non-executive Directors, largely to replace retiring non-executives. In addition, Darren Waters joined the business as Chief Executive, following the retirement of Mark Kelly in May 2023.

Following Darren's appointment, the Board conducted a review of the Group's strategy, including the optimisation and expansion of the branch network, an enhanced customer proposition and simplified business structures. With this review now complete, we have reset our ambition for the business and identified a clear strategy for organic growth and improved operating margins, which has the potential to create significant shareholder value.

Furthermore, as detailed below, we have embarked upon a significant and complex multi-year project to replace our Enterprise Resource Planning ('ERP') system.

Embracing and effectively managing change is fundamental to the Group's future success. There is a risk that the pace and extent of change puts the resources and bandwidth of the organisation under strain, leading either to a failure to effectively deliver the new strategy or implement the new ERP system, which could have significant financial and operational implications.

Component risks include the ability to attract, retain and recruit the right calibre of senior managers with the required skills and experience, in particular the technical ability to execute a complex IT implementation, and the risk that our various stakeholders do not respond positively to our new strategy.

Mitigation

- The Group has an experienced Board with significant, relevant experience in delivering effective change programmes
- We are in the process of communicating our new strategy to all stakeholders so that they each understand the part they can play in delivering our ambition
- We have an experienced Director of IT and an effective internal team in place with good experience of complex IT implementations
- We have strong relationships with our major customers and suppliers
- The 'People First' strategic pillar was launched with the aim of making Eurocell a great place to work, through a focus on health and safety, an enhanced employee value proposition, improved levels of engagement and effective talent management
- Developing a successful track record and clear strategic direction provides an attractive backdrop to joining the senior team at Eurocell
- We have market rate compensation for all personnel including equity-based long-term incentive plans in place for the senior team.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Movement key:  Increase  No change  Decrease

Strategic priorities key:  Customer growth  Business effectiveness  People first  ESG leadership

ERP systems implementation

Movement:  **Strategic priorities:**  

The Group relies on its SAP Enterprise Resource Planning ('ERP') system for all aspects of its operations.

However, we have concluded that the age profile of our SAP system has become a limiting factor in the development of the business. In addition, the current system becomes unsupported in 2027.

We have therefore begun a major project to upgrade or replace SAP, the major components of which are:

- A front-end trading system to support the branch network
- A back-end ERP System to support all other functions of the business, including manufacturing, recycling, warehousing, distribution and finance.

In total, we anticipate implementation to be a two-to-three-year process, and we estimate the total costs of the project will be in the region of £8-10 million.

Implementation of the new trading system for the branch network (Intact IQ) is already underway, with transition expected early in 2025. We expect to select an ERP system in H1 2024, with transition by mid-2026.

The successful implementation of the new system is critical to the long-term prospects of the business. We expect the new systems will drive major improvements in our customers' experience and significantly increase the efficiency of our operations. However, it is likely to be a complex process, which will absorb significant time and resource.

Mitigation

- Experienced Director of IT and internal team in place with good experience of complex IT implementations
- Significant incremental resource now assigned to the project, with further recruitment planned for the ERP implementation
- Third party expert consulting firm in place to oversee and advise on the project
- Board-led Steering Group in place to monitor progress
- Intact IQ is our selected partner for the new branch trading system. Intact has a strong reputation within our sector, with a specialism in delivering electronic point-of-sale solutions to multi-site building product distributors
- Two leading ERP system providers are being assessed against key requirements for the business.

Operational and regulatory compliance risk

Movement:  **Strategic priorities:**   

The business is dependent on the continued and uninterrupted performance of our production facilities.

Each of the facilities is subject to operating risks, such as: industrial accidents (including fire); extended power outages; lack of access to power; withdrawal of permits and licences (e.g. the regulated operation of the recycling facility); breakdowns in machinery; equipment or information systems; prolonged maintenance activity; strikes or other extended workforce absences; natural disasters; and other unforeseen events.

We may be adversely affected by the crystallisation of unexpected corporate or regulatory risks, for example future REACH (registration, evaluation, authorisation and restriction of chemicals).

Failure to comply with relevant laws and regulations could result in significant fines and reputational damage, whereas inability to manufacture or deliver goods would have a significant financial and reputational impact.

Mitigation

- Regular planned maintenance to reduce the risk of plant failure, including maintenance capital investment of >£5 million per annum across the Group
- Business continuity plans in place for all major sites and the branch network, which are tested periodically
- Procedures and policies in place to support compliance with all relevant regulations
- Regular communication and training on policy compliance.

VIABILITY STATEMENT

As required by section 4 of the UK Corporate Governance Code, the Directors have taken into account forecasts to assess the future funding requirements of the Group, and compared them with the level of committed available borrowing facilities.

A period of three years has been adopted as this is the time frame used by the Board as our strategic and planning horizon. The assessment of viability has been made with reference to the Group's current position and long-term future prospects, our strategy, management of principal risks, and also the Board's assessment of the outlook in the marketplace, all of which are covered in detail within the Strategic Report.

The Board considers its strategy and risks on strategy away-days, and revisits these annually when considering the next year's budget. The three-year plan considers revenue and earnings growth and how this impacts on cash flows and key ratios. Operational plans and financing options are considered as part of this process.

In preparing the plan, we adopt a prudent forecast in respect of organic sales growth, but assume other initiatives, in line with the published strategy.

The plan is stress tested by applying the following severe but plausible downside scenarios:

Scenario 1
Macroeconomic conditions or a period of operational disruption due to external factors, such as a cyber incident, or internal factors such as disruption due to the implementation of a new ERP system, lead to a decline in sales

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

Scenario 2
Commodity prices and/or exchange rates or raw material shortages lead to a significant and sustained increase in resin prices that cannot be mitigated through selling price increases

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

Scenario 3
Scenario 1 and 2 combined

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

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

The Group has a £75 million Revolving Credit Facility. Monthly cash flow projections show significant headroom throughout the period to December 2026. The facility includes standard covenants for leverage and interest cover, which are measured twice per annum at June and December. The projections also show good headroom on the covenants at each measurement date to December 2026.

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

Going concern

The Directors have reviewed the Company's and the Group's forecast and projections, which demonstrate that the Company and the Group will have sufficient headroom on our bank facilities for the foreseeable future, for the avoidance of doubt being a period of more than 12 months from the date of signing this Strategic Report, and that the likelihood of breaching the related covenants in this period is remote. See page 134 for further details.

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

This Strategic Report was approved by the Board on 19 March 2024 and signed on its behalf by:

Darren Waters
Chief Executive

Michael Scott
Chief Financial Officer

BOARD OF DIRECTORS



Derek Mapp
Non-executive
Chair

N

Date of appointment:

16 May 2022
(Chair from 1 July 2022)

Experience:

Derek is an experienced chair and has a wealth of commercial and operational knowledge.

Previously, he was Chair of Informa plc from March 2008 until his retirement in June 2021 and was also Chair of Huntsworth plc from December 2014 to March 2019. Prior to that, Derek was Chief Executive Officer of Tom Cobleigh plc, Executive Chair of Leapfrog Day Nurseries Limited, Chair of East Midlands Development Agency and Sport England and also served on a number of Government agencies and boards.

External appointments:

- Chair of Mitie Group plc (FTSE 250)
- Director of several private companies which relate to his other business interests.



Darren Waters
Chief Executive

S

Date of appointment:

11 April 2023 (Chief Executive from 11 May 2023)

Experience:

Darren joined the Group in April 2023 as Chief Executive Designate and was appointed as Chief Executive on 11 May 2023.

He was formerly Chief Operating Officer for Ibstock plc and has extensive experience and knowledge of the building products and fenestration sectors in the UK. Prior to this, Darren was the Chief Executive for Tyman plc (UK and Ireland) for 9 years and previously held senior management roles at Kenda Capital BV, Anglo American plc and RMC Group plc.

External appointments:

- None.



Michael Scott
Chief Financial Officer

S

Date of appointment:

1 September 2016

Experience:

Michael joined the Group as Chief Financial Officer in September 2016.

He previously worked for Drax Group plc, where he held senior financial positions including Group Financial Controller and Head of Corporate Finance & Investor Relations. Prior to Drax, Michael worked for MT International and Arthur Andersen. He is a member of the Institute of Chartered Accountants in England and Wales.

External appointments:

- None.



Frank Nelson
Senior Independent
Non-executive Director

A N R

Date of appointment:

4 February 2015

Experience:

Frank is a qualified accountant with over 30 years' experience in the housebuilding, infrastructure and energy sectors.

He was previously a Non-Executive Director for HICL Infrastructure plc, McCarthy & Stone plc and Telford Homes Plc. Prior to this, Frank was Finance Director for Galliford Try plc for 12 years and Finance Director for Try Group plc. He is a fellow of the Chartered Institute of Management Accountants.

External appointments:

- Chair of Van Elle Holdings plc (FTSE AIM)
- Chair of DSM SFG Group Holdings Ltd (Private Equity).

Committee key:

- A** Member of the Audit and Risk Committee
- R** Member of the Remuneration Committee
- N** Member of the Nomination Committee
- S** Member of the Social Values and ESG Committee
- Denotes Committee Chair



Kate Allum
Independent
Non-executive
Director

A N S

Date of appointment:
1 July 2022

Experience:

Kate has extensive experience at board level, holding a variety of senior executive and non-executive roles in the commercial sector in a wide variety of companies, cultures and countries.

Previously, she was Chair of Anpario plc and a Non-executive Director of Cranswick plc, SIG plc, Stock Spirits Group plc and Origin Enterprises plc and was Chief Executive Officer of First Milk Limited and CeDo Limited, and the Head of European supply chain at McDonalds.

External appointments:

- Non-executive Director of Co-op Group (Private co-operative)
- Chair of the Court at the University of the West of Scotland (Private)
- Non-executive Director of Edward Billington and Son Ltd (Private).



Alison Littley
Independent
Non-executive
Director

A N R S

Date of appointment:
1 July 2022

Experience:

Alison has substantial experience within international blue-chip organisations, including multinational manufacturing, supply chain operations and marketing services.

Previously, she was a Non-executive Director of musicMagpie plc, Headlam Group plc and James Hardie Industries plc and held a variety of senior management positions at Diageo plc and Mars Inc, and was Chief Executive Officer of Buying Solutions, an agency to HM Treasury.

External appointments:

- Non-executive Director of Xaar plc (FTSE All-Share)
- Non-executive Director of Norcros plc (FTSE All-Share).



Iraj Amiri
Independent
Non-executive
Director

A N R S

Date of appointment:
7 November 2022

Experience:

Iraj was a partner with Deloitte for 20 years, leading its national internal audit group and serving clients in the financial, retail and public sectors, and was a recognised global expert and authority on internal audit and assurance functions. During this time, he was also Global Head of Internal Audit for Schroders plc, on a secondment basis, for over 10 years.

Previously, Iraj was a member of the FCA's Regulatory Decisions Committee and a trustee of the National Employment Savings Trust (NEST). He is a fellow of the Institute of Chartered Accountants in England and Wales.

External appointments:

- Non-executive Director of Coventry Building Society (Private)
- Non-executive Director of Development Bank of Wales plc (Government-owned)
- Non-executive Director of Aon UK Ltd (Private).



Will Truman
Independent
Non-executive
Director

A N S

Date of appointment:
11 May 2023

Experience:

Will is commercially focused and results-driven with significant Board experience, in both management and advisory capacities, and brings expertise in stakeholder management and M&A activities.

He held a Non-executive advisory role at Imagesound Ltd up to December 2023, having previously been Chief Executive Officer for c.9 years up to April 2023, and after having served as Chief Financial Officer for c.7 years prior to that. Previously, Will was an Associate Director within Transaction Services at KPMG LLP and is a Fellow of the Institute of Chartered Accountants in England and Wales.

External appointments:

- Non-executive Director of Figura Analytics Ltd (Private).



Angela Rushforth
Independent
Non-executive
Director

N R S

Date of appointment:
1 February 2024

Experience:

Angela is a seasoned business leader in the building materials sector, with significant branch network experience and insights from both multi-site retail and merchandising.

She has held senior roles across the various parts of the Travis Perkins group since 2015 and has been a member of its leadership team since 2020. Prior to her current role at Toolstation (see below), Angela was Managing Director of BSS. Before joining Travis Perkins, she was Managing Director of Ridgeons Group, one of the UK's largest independent builders' merchants.

External appointments:

- Managing Director of Toolstation Ltd (Private).

EXECUTIVE COMMITTEE

Executive Committee

(in addition to Darren Waters and Michael Scott)



Beth Boulton
Marketing Director

Beth joined Eurocell in November 2021. She previously worked for Magnet Kitchens where she was Head of Marketing and Digital. Prior to that role, Beth was Marketing Director at Utopia Bathrooms and has also held positions at Topps Tiles and Jewson.



Colin Hales
Chief Operating Officer

Colin joined Eurocell in May 2022. He previously worked for Envases where he was Managing Director and has extensive experience across multi-site operations where he has led and managed functions incorporating manufacturing, distribution and supply chain planning. Previously, Colin held roles at Kingspan Insulation Boards and also at Kongsberg Automotive where, most recently, he was Vice President of Business Area Interior Systems.



Catherine (Cat) Hambleton-Gray
People Director

Cat joined Eurocell in January 2024. She is a highly experienced HR practitioner, having previously been HR Director at Home Instead, a national specialist provider of home help. Prior to that, she held senior leadership roles with Halfords, Pets at Home, Medivet and Costa Coffee.



Andy McDonnell
Commercial Managing Director

Andy joined Eurocell in May 2018, initially as Managing Director for the Building Plastics division, and more recently has stepped up to the role of Commercial Managing Director, with responsibility for the majority of commercial activities in both our major divisions. He previously held senior leadership positions in retail and trade at B&Q, TradePoint and Oak Furniture Land.



Mike McKay
Group IT Director

Mike joined Eurocell in March 2020. He previously worked for Polypipe Group (now Genuit Group) where he was Group Information Services Director for 15 years. Immediately prior to this, Mike was Head of Information Services for William Grant & Sons and he has also held positions with Ascent Technology and APV Baker.

LETTER FROM THE CHAIR

**Dear Shareholder,
At Eurocell, we recognise the importance
of effective corporate governance
in delivering long-term success and
sustainability for the Group.**



**“
On behalf of the
Board, I am pleased
to introduce
Eurocell’s Corporate
Governance Report
for the year.”**

This report sets out the corporate governance framework and explains how it underpins and supports the Executive Committee and senior management in delivering the Group’s strategy.

2023 has continued to be a period of transition for the Board, as we welcomed Darren Waters as Chief Executive in April, along with Will Truman and Angela Rushforth as new Non-executive Directors in May 2023 and February 2024 respectively, biographies for whom can be found on pages 74 and 75.

We have a culture of open communication and mutual trust, and these principles, which are essential to good governance, have underpinned our Board discussions.

In the face of significant macroeconomic and market challenges, the Board has continued to provide oversight of, and support for, the Executive Committee.

With the on-going impact of significant cost inflation, an uncertain macroeconomic outlook and weaker markets, this has included early and decisive action on costs in response to lower volumes, and a focus on cash and working capital management, which have positioned the business well for when markets recover.

Following Darren’s arrival, we have taken the opportunity to review the Group’s strategy, including the optimisation and expansion of the branch network, an enhanced customer proposition and simplified business structures. Through this work, which was completed in Q4, we have identified new opportunities for growth and efficiencies, which we believe will, over the medium-term, drive sustainable growth in shareholder value. Further details of the new strategy, which includes our purpose and values, are set out on pages 18 to 29.

Environmental, Social and Governance (‘ESG’) considerations are an increasing focus for our stakeholders. The recently established Social Values and ESG Committee began its work in 2023, with a focus on sustainability, employee welfare and responsible business practices, as well as our contribution to the societies we operate in. Towards the end of the year, we appointed ‘CEN-ESG’ to support the development of our ESG strategy, including a path to net zero, as well as enhance our ESG reporting and disclosures. Details of our work in this area are set out in the Sustainability Report on pages 32 to 49.

I am very grateful for the continued strong shareholder support that we receive, which enables us to build a platform for long-term sustainable growth, and I hope to see that continuing into the future.

Throughout the year, we have continued to apply the principles and provisions of the UK Corporate Governance Code (the ‘Code’), under which this report has been prepared, and the following reports provide details of the Board’s activities during the year, including how it, and its Committees, have discharged their governance duties.

Derek Mapp
Chair

19 March 2024

LETTER FROM THE CHAIR CONTINUED

Role of the Board

The Board currently comprises a Non-executive Chair, six Non-executive Directors and two Executive Directors, who are equally and collectively responsible for the proper stewardship and leadership of the Company. Their biographical details are set out on pages 74 and 75.

In accordance with the Code, at least half the Board, excluding the Chair, should be Non-executive Directors, who are determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, this judgement. The Company regards Frank Nelson, Kate Allum, Alison Littley, Iraj Amiri, Will Truman and Angela Rushforth as 'independent' Non-executive Directors within the meaning of the Code and therefore is considered to be compliant in this area.

The Board also considers diversity and inclusion throughout the Group and details of the extent to which the Board has met the FCA's targets, in this regard, are set out on page 89.

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

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

Subject to those matters reserved for its decision, the Board has delegated to its Audit and Risk, Nomination, Remuneration and Social Values and ESG Committees certain authorities. There are written terms of reference for each of these Committees which are available on the Group's corporate website at www.investors.eurocell.co.uk. Separate reports for each Committee are included in this Annual Report on pages 30 to 31 and pages 87 to 115.

Details of how opportunities and risks to the future success of the business have been considered and addressed can be found in the Strategic Report on pages 8 to 9, 50 to 61 and 66 to 72. Details of the sustainability of our business model can be found in the Strategic Report on pages 32 to 49. Our governance framework underpins the delivery of strategy and can be found on page 79. An overview of the Group's strategy can be found in the Strategic Report on pages 18 to 29.

The Directors are ultimately responsible for preparing the annual report and accounts and the Board confirms it considers them, taken as a whole, to be fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.



CORPORATE GOVERNANCE STATEMENT

Governance Framework

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

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

All the Directors have the right to have their opposition to, or concerns over, the operations of the Board and/or the management of the Company, noted in the minutes.

During the year, no such opposition or concerns were noted.

The Chair and the Non-executive Directors met during the year without the Executive Directors present.

Role of the Chair

The Board has concluded that the Chair has met the independence criteria of the Code on appointment.

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

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

Role of the Chief Executive

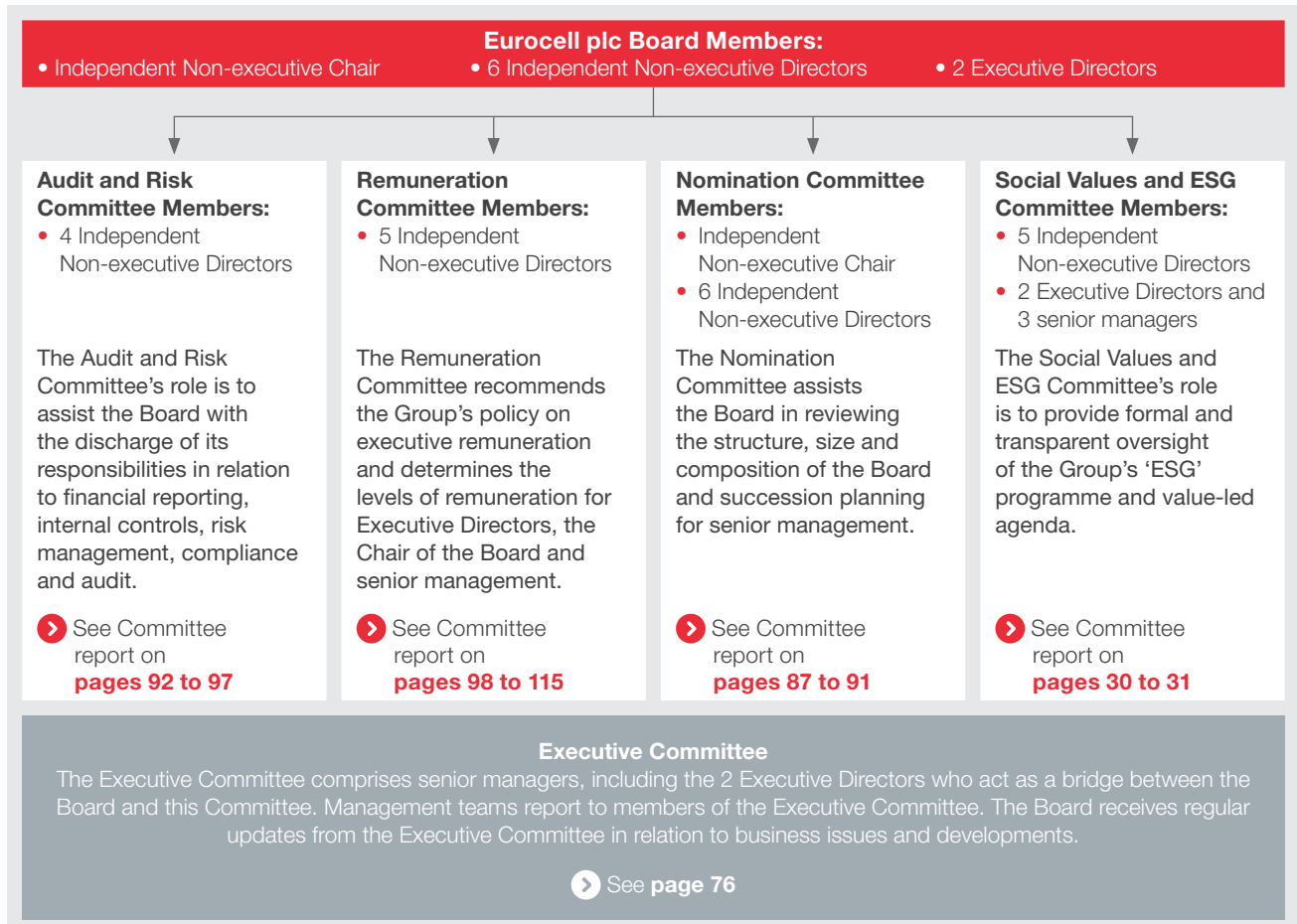
The Chief Executive has principal responsibility for all operational activities and the day-to-day management of the business, in accordance with the strategies and policies approved by the Board. The Chief Executive also has responsibility for communicating to the Group's employees the expectations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

Role of the Senior Independent Director and Non-executive Directors

The Senior Independent Director has an important role on the Board, providing a sounding board for the Chair, leading on corporate governance issues and serving as an intermediary for the other Directors. He is available to shareholders if they have concerns which contact through the normal channels of the Chair, Chief Executive or other Executive Directors has failed to resolve, or for which such contact is not appropriate.

Frank Nelson has served as Senior Independent Non-executive Director throughout the year.

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



CORPORATE GOVERNANCE STATEMENT CONTINUED

Board composition, commitment and election of Directors

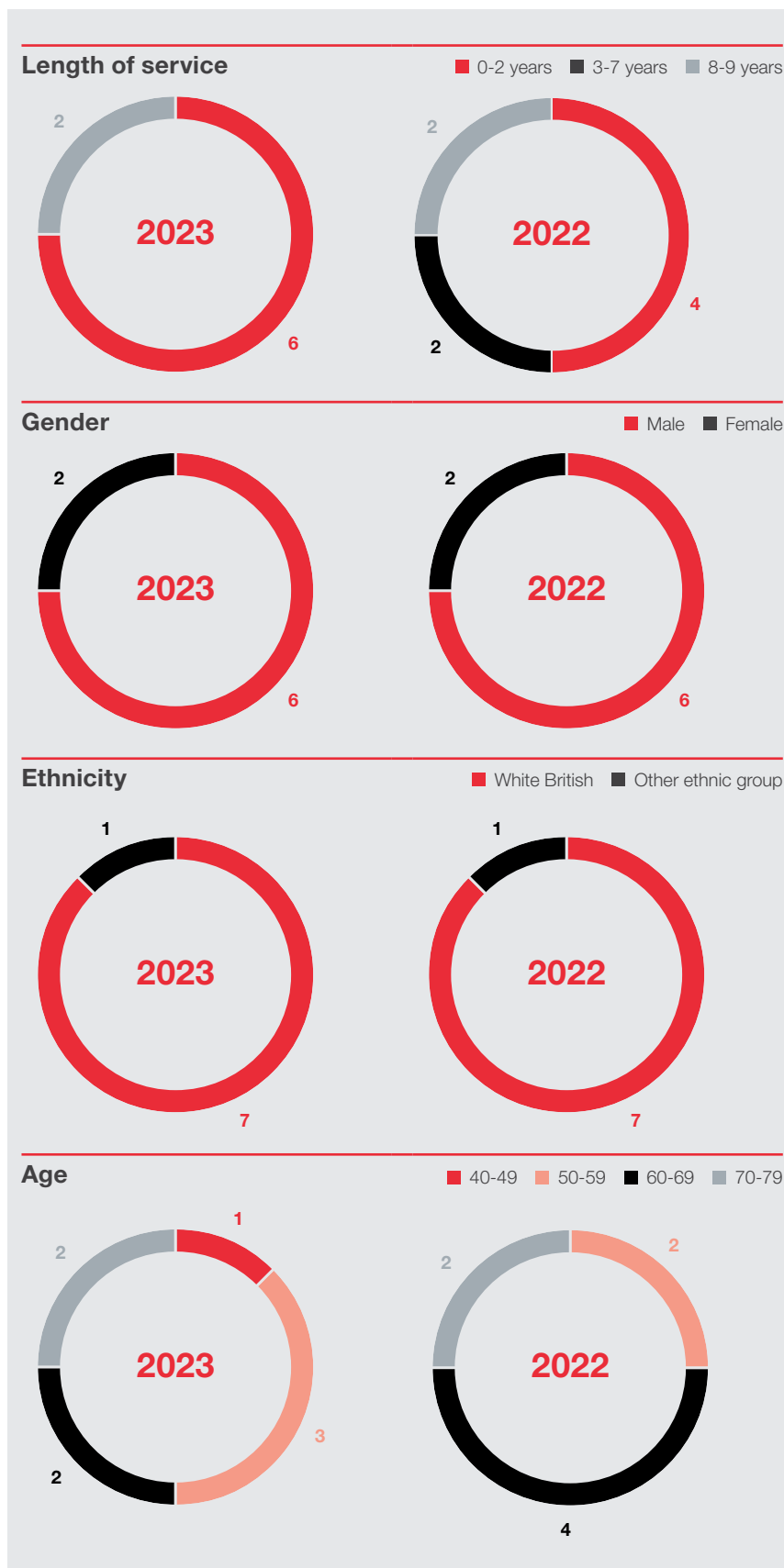
The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. Prior to appointment, Board members, in particular the Chair and the Non-executive Directors, disclose their other commitments and agree to allocate sufficient time to the Company to discharge their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

The Executive Directors may accept an outside appointment provided that such appointment does not in any way prejudice their ability to perform their duties as Executive Directors of the Company. Darren Waters and Michael Scott do not currently hold any outside appointments.

The Non-executive Directors' appointment letters anticipate a minimum time commitment of 20 days per annum, recognising that there is always the possibility of an additional time commitment and ad hoc matters arising from time to time, particularly when the Company is undergoing a period of increased activity. The average time commitment inevitably increases where a Non-executive Director assumes additional responsibilities such as being appointed to a Board Committee.

All new Non-executive Directors undergo an induction programme and as such spend considerably more than the minimum commitment during the course of a year. All Non-executive Directors are required to inform the Chair before accepting another position in order to ensure the Director has sufficient time to fulfil their duties. The current Board commitments of all Directors are shown on pages 74 and 75 and their terms of appointment are reported on page 105.

Summaries of the Board members' length of service, ethnicity, gender and age (at 31 December each year) is set out in the charts below:



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

At the upcoming AGM, all the current Directors intend to offer themselves for election/re-election, with the exception of Frank Nelson who will step-down after nine years of service, in accordance with the Code. Following the conclusion of the Board evaluation process, the Board considers all the Directors to be effective, committed to their roles and to have sufficient time available to perform their duties.

The Board has a process in place to assess the current and future skills and experience needed by the Non-executive Directors against a matrix of requirements, through which it has determined that the Non-executive Directors are independent and that the Board, as a whole, has appropriate and complementary skills and experience.

Board evaluation and effectiveness

In accordance with the Code, a formal evaluation of the Board's performance, along with its committees, Chair and individual Directors was conducted during the year, with the results presented and discussed at the March 2024 Board meeting.

The external evaluation was performed by Emma Haddleton, of Haddleton Knight, who had no connection with the Company or any individual Director.

In addition to observing the December 2023 Board and Committee meetings, individual interviews were conducted with each Board member and the Group Company Secretary, all of whom fully engaged with the process and provided their qualitative feedback. The anonymity of respondents was ensured to promote an open and frank exchange of views.

The timing and methodology of the Board evaluation was primarily influenced by the continued changes to the Board during the year. During 2023, Iraj Amiri succeeded Frank Nelson as Chair of the Audit and Risk Committee, and Will Truman was appointed as a Non-executive Director, who represents the Board on the steering group in place to advise on new systems implementation.

In addition, towards the end of the year, a search for a further Non-executive Director was commenced, to bring expertise to support the strategy of refocussing growth ambitions to the branch estate, which resulted in Angela Rushforth being appointed in February 2024.

The executive management team also experienced significant change in the year with Darren Waters taking over the role of Chief Executive in May 2023 and the more recent appointment of Cat Hambleton-Gray as the new People Officer in January 2024.

Furthermore, in November 2023, the Board undertook a thorough review of the Group's strategy, led by the executive management team, at which opportunities for growth in turnover, margin and profit were reviewed, along with the effective management of cash flow, as key parts of the overall strategy. This strategy was a core point of reflection during the evaluation process as all Board members, within this context, identified how they could contribute to achieving this plan.

The evaluation identified several areas of strength and some areas for enhancement and, overall, concluded that:

- The Board operates in an effective and professional manner and has developed considerably over the last 12-18 months
- Governance processes are transparent and well run
- Risks are openly discussed with greater focus on health and safety
- There is scope, and a desire, from the Board to develop further.

In addition, the evaluation highlighted:

- Given the significant change in members over the last 18 months, the Board was continuing to gain familiarity with each other, which was seen as work in progress with still more to achieve, and had not yet settled into being a team of players that all apply their individual skills fully
- The Board had successfully transitioned to more strategic, and proportionately less operational, updates at meetings and this would continue to improve the quality of the Board's debate. Focus on cash management and overseeing the investment in support systems and other capital requirements was now a focus for the Board

- ESG, culture and people engagement had been given increased board focus in 2023, including the creation of a new Social Values and ESG Committee. Directors' engagement with the workforce had continued with organised briefings that encouraged constructive feedback, for which all Non-executive Directors were scheduled to participate in 2024
- Greater Board visibility and interaction with the leadership team was to be encouraged and developed further.

Taking all the above into account, the Board is satisfied that the current composition of the Board, and its committees, provides an appropriate balance of skills, experience, independence and knowledge to allow the Board and its Committees to discharge their duties and responsibilities effectively and in line with the Code.

Conflicts of interest

The duties to avoid potential conflicts and to disclose such situations for authorisation by the Board are the personal responsibility of each Director. All Directors are required to ensure that they keep these duties under review and to inform the Group Company Secretary of any change in their respective positions.

The Company's conflict of interest procedures are reflected in its Articles of Association ('Articles'). In line with the Companies Act 2006, the Articles allow the Directors to authorise conflicts and potential conflicts of interest, where appropriate. The decision to authorise a conflict can only be made by non-conflicted Directors.

The Board, and its Committees, considers conflicts or potential conflicts at each meeting and, where such instances are identified, takes appropriate action, usually by excluding the conflicted party from any related discussions/decisions.

The Articles require the Company to indemnify its officers, including officers of wholly-owned subsidiaries, against liabilities arising from the conduct of the Group's business, to the extent permitted by law. The Group carries Directors' and Officers' liability insurance.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Number of meetings attended/eligible to attend	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Social Values and ESG Committee
Derek Mapp	6/6	—	—	2/2	—
Frank Nelson	6/6	4/4	3/3	2/2	—
Martyn Coffey (stepped-down 11 May 2023)	1/1	—	1/1	1/1	—
Kate Allum	6/6	—	3/3	2/2	1/1
Alison Littley	6/6	4/4	2/2	2/2	1/1
Iraj Amiri	6/6	4/4	2/2	2/2	1/1
Will Truman (appointed 11 May 2023)	5/5	2/2	—	1/1	1/1
Mark Kelly (retired 11 May 2023)	1/1	—	—	—	—
Darren Waters (appointed 11 April 2023)	5/5	—	—	—	1/1
Michael Scott	6/6	—	—	—	1/1

Board meetings and attendance

There were six full Board meetings held during 2023, four meetings of the Audit and Risk Committee, three meetings of the Remuneration Committee, two meetings of the Nomination Committee and one meeting of the Social Values and ESG Committee. All of these meetings were held in-person and were attended in full.

In addition, three virtual Board update meetings were held during 2023, in order to keep the Board fully updated on financial and operational matters. There was full attendance for all of these update meetings, with the exception of one director at one virtual meeting (due to a pre-existing engagement), which helped maintain a high level of Board awareness and support good governance.

Irrespective of their Committee membership, all members of the Board, including the Chair of the Board, Chief Executive and Chief Financial Officer, are invited to attend all Committee meetings, but are never involved in discussions and decisions regarding their own remuneration or appointment/replacement. In addition, the Audit and Risk Committee also meets with the external auditors without any Executive Directors being present.

The Group Company Secretary is also Secretary to the Audit and Risk, Remuneration, Nomination and Social Values and ESG Committees, and attends all meetings for this purpose.

Board packs are distributed in the week prior to each meeting to provide sufficient time for Directors to review their papers in advance. If Directors are unable to attend a Board meeting for any reason, they nonetheless receive the relevant papers and are consulted prior to the meeting and their views are made known to the other Directors.

The Group Company Secretary

All the Directors have access to the advice and services of the Group Company Secretary. The Group Company Secretary has responsibility for ensuring that all Board procedures are followed and for advising the Board, through the Chair, on all governance matters. The Group Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation, and Directors' duties and obligations. The appointment and removal of the Group Company Secretary is one of the matters reserved for the Board.

Paul Walker has served as Group Company Secretary throughout the year.

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

Board induction, development and support

Following appointment, a new Director undergoes an induction programme, which includes a teach-in from Executive Committee members on key aspects of the business, including the background to our industry and markets, as well as the Company's strategy, commercial approach, manufacturing and logistics operations, administrative functions and culture.

Summary of induction programme:

Understand the business

- Meet, on a one-to-one basis, the Chair, Executive Directors and other Non-executive Directors
- Receive teach-in presentations from all key functions within the Group, including Commercial, Operations, Human Resources, Finance, Marketing and IT
- Meet with external stakeholders where appropriate e.g. customers, suppliers, advisers, and in some cases, major shareholders
- Review previous Board and Committee papers, Committee terms of reference, investor presentations and staff survey results.

Meet our colleagues

- Meet with the Executive Committee and senior management teams
- Visit all major operational sites, including factories, the main warehouse, a selection of branches and the main offices, including an opportunity to meet with colleagues from these areas.

Individual development and training needs are identified through the Board evaluation process and through individual reviews between the Directors and the Chair.

Risk management and internal control

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

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

The Strategic Report comments in detail (pages 68 to 72) on the nature of the principal risks and uncertainties facing the Group; in particular those that would threaten our business model, future performance, solvency or liquidity and the measures in place to mitigate them. In conducting its review, the Board has included a robust assessment of these risks and the effectiveness of mitigating controls.

The Audit and Risk Committee Report on pages 92 to 97 describes the internal control system and how it is managed and monitored. As described in last year's report, the cyber incident in 2022 was not the result of a breakdown in internal controls. Our investments over the last several years in cyber security played a major role in identifying the incident, enabling core systems to be restored quickly and mitigating the overall impact on the Group. Throughout 2023, we have continued to invest in enhancing our cyber security to provide further resilience in this area.

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

Stakeholder engagement and Section 172(1) statement

Engagement with our shareholders and wider stakeholder groups plays a vital role across the Group, including at Board level. One of the primary areas of focus for the Board at any time is the impact its decisions or actions may have on key stakeholder groups represented within the Board's duty under s172 of the Companies Act 2006.

The Board is mindful of the levels of engagement with key stakeholder groups and how their respective views may be incorporated into relevant decision making. Board discussions therefore seek to appropriately consider the impact of its decisions and views of key stakeholder groups thereon, whilst always ensuring the need to promote the success of the Company for the benefit of its members as a whole.

In doing so, s172 requires the Directors to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the Company.

The Board considers information from across the organisation to help understand the impact of its operations and decisions, and the interests and views of our key stakeholders. This includes reviews of strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance.

This information is provided to the Board, and its Committees, through reports sent in advance of each meeting, and through in-person presentations, where appropriate. As a result of these activities, the Board has developed a good understanding of the interests and views of all stakeholders, and other relevant factors, which enables the Directors to comply with the requirements of section 172 of the Companies Act 2006.

The table overleaf sets out the Board's approach to stakeholder engagement, why stakeholders matter and some key decisions made during 2023. The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Eurocell Group dictate that stakeholder engagement often takes place at an operational level.

To give greater understanding to this, we have provided clear cross-referencing to where more detailed information can be found in this Annual Report and Financial Statements.

Customers

Why they matter

The Board recognises the dependence of our growth plans on building strong and lasting relationships with our customers. Inter alia, this requires that we continuously improve product ranges, quality, availability and service to become the supplier of choice.

How we engage

Regular contact takes place between senior management and key customers, with our sales teams ensuring we engage properly across the full range of customers.

Customer reviews discuss our operational performance, including service levels and other relevant matters.

We perform customer insight surveys on a regular basis to assess satisfaction and understand 'Net Promoter Scores'.

In addition, quarterly forums are held with customer groups to discuss product design and innovation.

Regular monitoring of social media platforms for relevant comments/issues, coupled with Trustpilot customer reviews/ratings and direct comments received from customers visiting our branches, provide valuable customer insight.

How the Board complements engagement efforts

Throughout 2023, the Board received regular updates on our performance against customer and service-related KPIs, compared to historical and industry/sector benchmarks.

How their interests were considered during 2023

In completing the strategic review in Q4, the Board approved the introduction of 'Customer Growth' and Business Effectiveness' strategic pillars, which include continued progression of initiatives to enhance our customers' experience.

During 2023, a new website and e-commerce platform, was launched, with the aim of significantly improving the customer journey.

Further to this, the Board has approved expenditure to enhance our digital marketing to strengthen our online presence and therefore engage more effectively with both new and existing customers.

In addition, the Board has approved investment in supply agreements with new and existing fabricator customers. In exchange for exclusive supply arrangements, these investments support the commercial and operational development of our fabricators and their growth.

With the Board's oversight, our technical teams continue to work with our larger customers to enable them to conform to changing building regulations, including development of new product applications.

➤ For more details see Chief Executive's Report on pages 14 to 17

Shareholders

Why they matter

The Board recognises the importance of engaging with all shareholders and prioritises effective dialogue to ensure that we capture and embrace feedback relating to areas of interest and of concern, and to ensure that our obligations are met.

How we engage

The Group runs a comprehensive investor relations programme that results in regular dialogue with the investment community.

This includes formal presentations made to institutional shareholders and analysts, following the announcement of the Group's half-year and full-year results, covering a range of key topics affecting the Group's strategy, financial and operating performance. Ad hoc meetings are also held following trading updates and otherwise throughout the year.

The Chair, the Senior Independent Director and the other Directors are available to engage in dialogue with major shareholders as appropriate.

Shareholders have the opportunity to meet members of the Board and the senior management team at the Annual General Meeting and to ask any questions they may have.

How the Board complements engagement efforts

During 2023, the Chair met with some of our largest shareholders without the Executive Directors being present.

The Board also received regular updates on shareholder engagement and investor feedback, analyst reports and share price developments from the Chief Financial Officer.

How their interests were considered during 2023

Investor relations is covered at all Board meetings and updates.

The Board completed a review of the strategy in Q4, including the optimisation and expansion of the branch network, an enhanced customer proposition and simplified business structures. Through this work we identified new opportunities for growth and efficiencies, with initiatives grouped under four strategic pillars: Customer Growth, Business Effectiveness, People First and ESG Leadership.

We believe our strategy will, over the medium-term, drive sustainable growth in shareholder value.

In addition, recognising the macroeconomic and market challenges in 2023, the Board took the following actions to position the business well for when markets recover:

- Cost management – approved further defensive measures in Q2, including a cost saving programme and restructuring
- Cash management – efficient working capital utilisation, including stock reduction, to drive strong cash flow performance
- Share buybacks via our EBT, to satisfy employee awards and prevent shareholder dilution.

➤ For more details see Chief Financial Officer's Report **on pages 62 to 65**

Employees

Why they matter

The Board understands that our colleagues underpin the performance and success of our business and, therefore, the importance of providing a safe working environment that promotes inclusion and diversity, as well as ensuring they have the opportunity to realise their potential and progress in their careers.

How we engage

The Group conducts periodic staff surveys. In 2023 this included the annual 'Pulse' survey, combined with subsequent listening groups, to source the views of colleagues directly on several important topics and develop appropriate action plans. All results are analysed, shared with colleagues and used to drive appropriate change and improvement.

During 2023, we launched the EPIC staff magazine ('Eurocell People in Communication') which covers all aspects and activities of the Group on a regular basis, with an emphasis on colleague engagement and information-sharing.

Regular team-briefings on operational and financial performance, coupled with the publishing of internal bulletins ('In the Know'), help to keep our colleagues well informed.

Management regularly 'walk the floor' to understand first-hand the experiences of our colleagues and also undertake visits to operating sites and branches to ensure all parts of the Group are understood and taken into account in formulating plans.

All whistleblowing reports and grievances are investigated and appropriate changes implemented to help prevent recurrence.

How the Board complements engagement efforts

During 2023, the Board received updates on the progress of our colleague engagement initiatives and, in particular, considered the results of the staff surveys and the proposed action plan to address matters arising.

Board members were also able to share their own experiences and ideas to address the retention and recruitment challenges that continued through the year.

The Chief Executive provided regular updates to the Board on health and safety matters and the steps taken to ensure appropriate safety and wellbeing arrangements were in place.

How their interests were considered during 2023

In completing the strategic review in Q4, the Board approved management's proposals to update to the Group's purpose and values, and introduce a 'People First' strategic pillar based on:

- Health and safety
- Employee value proposition
- Colleague engagement
- Growing talent.

In addition, the Board approved the continued investment in a staff welfare refurbishment programme, to improve facilities in branches, factories and warehouses.

These actions support our ambition to have talented, engaged and motivated colleagues who work passionately to achieve clear business and personal goals.

➤ For more details see People First **on pages 38 to 41**

Suppliers

Why they matter

The Board appreciates that to operate effectively we must ensure secure supplies of good quality sustainable materials at a fair price from suppliers with high ethical standards, and monitor supplier performance against appropriate metrics.

How we engage

Our objective is to build and maintain strong and lasting working relationships with our supplier base.

Regular review meetings are held between senior management and key suppliers to discuss relevant topics, such as pricing, supply continuity and service levels.

Formal tender processes are undertaken for large and/or high value supplies, which helps develop relationships and creates a better understanding for all parties of the key issues involved.

How the Board complements engagement efforts

During 2023, cost inflation continued to be discussed at all Board meetings and updates. Board members have shared their ideas and experiences on supplier relationships and engagement, in the light of current risks and challenges.

How their interests were considered during 2023

The Board continued to work with and advise management on their approach, including:

- To accept supplier cost increases, where appropriate, to provide security of supply, particularly with regards to recycling feedstock
- To pass a fair proportion of such increases on to our own customers through selling price increases and potentially reversible surcharges.

➤ For more details see Sustainable Products **on pages 46 to 47**

Communities and environment

Why they matter

The Board understands the role all organisations have to play in protecting the environment and in mitigating the impact of climate change.

The Board also recognises the need to support the local communities in which our larger facilities are located.

How we engage

We believe sustainability sits right at the heart of our business.

We are the leading UK-based recycler of PVC windows, through our two recycling sites in Selby and Ilkeston, which drive a very large carbon saving compared to the use of virgin materials.

Our major sites engage with and support their local communities on an ongoing basis. We seek to recruit locally, retain a skilled local workforce, build relationships with local community organisations and support charitable initiatives where possible.

How the Board complements engagement efforts

The Board is actively engaged with the development and implementation of the Group's ESG strategy and, in late 2022, approved the formation of a 'Social values and ESG' committee.

Through this Committee, the Board receives updates on sustainability issues, including the performance of the two recycling sites.

How their interests were considered during 2023

In completing the strategic review in Q4, the Board approved the introduction of an 'ESG Leadership' strategic pillar. Towards the end of the year, we appointed CEN-ESG to support the development of our ESG strategy, including a path to net zero, as well as enhance our ESG reporting and disclosures.

With the Board's oversight, work in this area has to date focused on four key themes as follows:

- Carbon, energy and water – defining our pathway to carbon neutrality and net zero
- Waste minimisation and circularity – further strengthening materials recovery and process optimisation
- People and places – becoming a regional employer of choice and stepping up community engagement
- Governance – reporting progress against published ESG targets and aligning with sustainability indices.

During 2023, we selected Maggies as our corporate charity, through various initiatives and events, we have made donations of £22,500.

In addition, the Board approved an extension to the existing £75 million sustainable Revolving Credit Facility which contains annual recycling, emissions and waste reduction targets.

➤ For more details see Environmental Leadership **on pages 42 to 45**

Government and regulatory/ industry bodies

Why they matter

The Board recognises the critical importance of ensuring the highest standards of corporate governance, including compliance with the rules for listed companies and other relevant regulations (e.g. health & safety, taxation), which together give us our licence to operate.

How we engage

The Company applies the principles and provisions of the UK Corporate Governance Code and operates structures and policies to ensure ongoing compliance.

We also operate clear and effective policies to help prevent wrongdoing, including whistleblowing, bribery and corruption, fraud, financial crime and modern slavery, with training provided where appropriate.

Regular meetings are held with tax advisers to discuss tax compliance, HMRC correspondence and other relevant issues pertinent to the Group's finances and tax position.

The Company is a member of both the Windows and Recycling groups of the British Plastics Federation and the British Fenestration Rating Council, which provide a forum to understand changes in relevant legislation and building standards.

How the Board complements engagement efforts

The Audit and Risk Committee receives regular reports on governance, regulatory and compliance matters from management and from external and internal auditors. The internal audit programme is designed to provide assurance in this area.

In addition, the Board receives updates on matters such as developments in building regulations and our associated new product development initiatives.

How their interests were considered during 2023

The Board supported management's ongoing initiative to engage and collaborate with industry bodies, house builders, energy consultants and glass/hardware manufacturers to develop new products to meet the Government's 'Future Homes Standard' for the new build sector.

➤ For more details see Ethics and Compliance **on pages 48 to 49**

Engagement with the workforce

As described in Stakeholder engagement on pages 83 to 85, we recognise that our colleagues underpin the performance and success of our business and active engagement has never been more important in the current social, economic and political environment.

The Group organises a number of colleague engagement initiatives to complement the existing team briefings, continuous improvement workshops and health and safety forums currently in place, including:

- The newly launched EPiC staff magazine ('Eurocell People in Communication') which regularly covers all aspects and activities of the Group with an emphasis on colleague engagement and information-sharing
- Regular colleague focus groups with the designated Non-executive Director, Alison Littley, to ensure workforce views are heard by the Board
- Departmental listening groups to allow colleagues to give direct feedback from which appropriate action plans can be formulated
- Group-wide 'Pulse' staff surveys, to provide invaluable insight into how our colleagues feel
- Review of retention and recruitment challenges, to identify areas for improvement and ensure we remain competitive in the labour market
- Enhancement of the induction process for new colleagues, to help address short-term staff turnover
- More flexible approaches to working, including hybrid working where appropriate
- Enhancement of colleague facilities and rest-room arrangements, as part of overall staff welfare improvements
- Continued opportunity for all colleagues to become shareholders via the Save As You Earn scheme, to share in the Group's success.

In addition, the Board assesses and monitors culture through:

- Reviews of staff survey results and response rates
- Reviews of staff turnover rates
- Reviews of health and safety data, including near misses
- Reviews of employee whistleblowing cases
- Interaction with senior management and workforce
- Observation of attitudes towards regulators such as HMRC and HSE, as well as internal and external auditors.

Executive remuneration has been, and continues to be, aligned with the wider company pay policy through the implementation of consistent annual salary reviews, annual bonus target-setting and benefit entitlement. As a result, it has not been considered necessary to engage with employees on this matter.

The Board is satisfied the above practices and behaviours throughout the Group are developing well to support improved employee engagement. In addition, as set out in 'People First' on pages 38 to 41, we have a number of in-progress and planned initiatives to improve our employee value proposition and retention rates, and drive down labour turnover.

Statement of compliance with the Code

This Corporate Governance Statement, together with the Nomination Committee Report, the Audit and Risk Committee Report and the Remuneration Committee Report, provide a description of how the principles and provisions of the Code have been applied during 2023.

It is the Board's view that, during 2023, Eurocell plc was in compliance with the relevant provisions set out in the Code in all material respects except for Provision 38 for the period up to Mark Kelly's retirement on 11 May 2023.

Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. For the period from 1 January 2023 up to his retirement at the AGM on 11 May 2023, Mark Kelly's pension contribution rates did not match the wider workforce during that period.

However, from 11 May 2023 onwards, all pension contributions for the Executive Directors were in line with those available to the workforce and therefore were compliant with the Code and in line with the Investment Association's guidance.

Further details regarding the Executive Directors' pension contributions are set out on page 108 of the Directors' Remuneration Report.

This statement complies with sub-sections 2.1, 2.2(1), 2.3(1), 2.5, 2.7 and 2.10 of Rule 7 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority. The information required to be disclosed by sub-section 2.60 of Rule 7 is shown on pages 116 to 119.

Annual General Meeting

Our AGM will be held at our Head Office (see Company Information on page 177 for details) on 16 May 2024.

The notice of our AGM, together with the Directors' voting recommendations on the resolutions to be proposed, is included on a separate circular to shareholders and will be dispatched at least 21 clear days before the meeting.

The notice will be available to view at investors.eurocell.co.uk.

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

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

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

Derek Mapp Chair

19 March 2024

NOMINATION COMMITTEE REPORT

**Dear Shareholder,
I am pleased to report to you on the main activities of the Committee and how it has performed its duties during 2023.**



Committee composition



Will Truman



Alison Littlely



Frank Nelson



Kate Allum



Iraj Amiri



Angela Rushforth*

* Appointed on 1 February 2024.

2023 has continued to be a period of transition for the Board and senior management. The changes in leadership are described in this report, and I am pleased that we have been able to attract such high calibre individuals into the Company.

A key responsibility of the Committee is to ensure orderly Board succession and this has remained the Committee's main focus during 2023.

Following a successful search process in 2022, Darren Waters joined the Board as Chief Executive Designate in April 2023 and subsequently took over as Chief Executive in May 2023, following Mark Kelly's retirement at the 2023 AGM. Martyn Coffey also stepped-down from the Board at the 2023 AGM.

On the recommendation of the Committee, Will Truman was appointed as a new independent Non-executive Director immediately following the AGM and brings strong commercial expertise, as well as a wealth of experience in stakeholder management and M&A.

The Committee also continues to consider succession planning for the Board in the medium-term and, mindful that Frank Nelson intends to step-down from the Board at the 2024 AGM after nine years of service, Alison Littlely will take over the role of Senior Independent Non-executive Director at that date. Furthermore, the search process for a replacement Board member commenced in 2023, with diversity and ethnicity considerations noted as important priorities. As a result, and on the recommendation of the Committee, Angela Rushforth was appointed as a new independent Non-executive Director in February 2024 and brings significant branch network experience and insights from both multi-site retail and merchandising.

In addition, the Committee has continued to oversee the ongoing development and evolution of the Executive Committee. Bruce Stephen (Group Human Resources Director) left the business at the end of 2023 and goes with our best wishes. Catherine (Cat) Hambleton-Gray joined as People Director in January 2024 and is a highly experienced HR practitioner, having previously held senior leadership roles with (inter alia) Halfords and Costa Coffee.

Finally, I would like to thank my fellow Board and Committee members who have served throughout the year, for their valuable contribution and support.

Derek Mapp

Chair of the Nomination Committee

19 March 2024



I am pleased that we have been able to attract such high calibre individuals into the Company.”

NOMINATION COMMITTEE REPORT CONTINUED

Role and responsibilities:

The principal duties of the Nomination Committee are to:

- Regularly review the structure, size and composition of the Board (including its skills, knowledge, experience, length of service and diversity) and make recommendations to the Board with regard to any changes
- Identify and nominate, for approval by the Board, candidates to fill Board vacancies
- Review the time commitments required from Non-executive Directors, along with the number of external directorships held, to ensure all duties are being fulfilled
- Maintain an effective succession plan for the Board and senior management considering the challenges and opportunities facing the Company, along with the skills and expertise needed in the future, while promoting diversity of ethnicity, gender, background and skills.

Summary of activities during the year

The Nomination Committee met two times during the year and attendance at the meetings is shown on page 82.

The main activities of the Committee included:

- The introduction of Darren Waters as Chief Executive Designate and subsequently as Chief Executive, ensuring a smooth handover of responsibilities
- The search, selection and recruitment of Will Truman and Angela Rushforth as Non-executive Directors, taking account of the required skill sets and experience for the Board's composition
- Continued succession planning for the Board, given Frank Nelson's intention to step-down at the 2024 AGM (in accordance with the Code)
- Overseeing the ongoing development of the Executive Committee and recruitment of Cat Hambleton-Gray as People Director
- Considering the results of the external evaluation of the Committee's effectiveness (see page 81 for further details)
- A review of Directors' time commitments and independence
- Consideration of the re-election of Directors at the Annual General Meeting
- Approving updates to the Committee's terms of reference.

Nomination Committee members

During 2023, the Nomination Committee comprised:

Chair:

Derek Mapp

Committee members:

Frank Nelson
Martyn Coffey (to 11 May 2023)
Kate Allum
Alison Littley
Iraj Amiri
Will Truman (from 15 May 2023)

All members of the Committee served throughout the year, unless otherwise stated.

The Code recommends that a majority of the Nomination Committee be Non-executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Board considers that the Company complies with the Code in this respect.

Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others, including the Group Human Resources Director and external advisers, to attend all or part of any meeting if it thinks it is appropriate, necessary, or pursuant to the terms of any agreement with shareholders.

The Nomination Committee will meet as often as it deems necessary but, in accordance with its terms of reference, at least twice a year.

Diversity and inclusion

All Board and senior management appointments are made on merit, in line with the approach adopted throughout the Group's workforce. The Board recognises and embraces the benefits of diversity and, in particular, the value that different perspectives and experience bring to the quality of debate and decision making.

The Board recognises the Group operates in a historically male-dominated industry but is committed to consider diversity as a key element in senior appointments. The table below summarises the progress made, and that we expect to make in the near future, against each of the FCA's board diversity targets:

FCA target		At 31 December 2023	At the date of approval of this report	At the conclusion of the forthcoming 2024 AGM
% of women on the Board	At least 40%	25% ¹	33% ¹	38% ¹
Number of senior Board positions ³ held by women	At least 1	— ¹	— ¹	1 ²
Number of Board members from an ethnic minority background	At least 1	1 ²	1 ²	1 ²

1 FCA target not met.

2 FCA target met.

3 Senior board positions are Chair, Chief Executive, Senior Independent Director or Chief Financial Officer.

At 31 December 2023, being the chosen reference date, the Group met one of the three FCA diversity targets. Following the appointment of Angela Rushforth, on 1 February 2024, the proportion of women on the Board increased from 25% to 33%. At the conclusion of the 2024 AGM in May 2024, following Frank Nelson's retirement and Alison Littlely becoming Senior Independent Non-executive Director, the Group will have met two of the targets and will be very close to meeting the remaining other one.

The relatively small size of the Board and the pre-existing Directors' service contracts have inevitably limited the pace of change but, nevertheless, as vacancies arise, the Board will continue to move towards the FCA's targets wherever possible.

However, the overriding policy in any new appointments will continue to be one of selecting candidates with an appropriate mix of skills, capabilities and market knowledge, to ensure the continued success of the business.

NOMINATION COMMITTEE REPORT CONTINUED

Details of the Board and Executive Committee's gender/ethnicity is as follows:

Gender representation					
At the date of approval of this report	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	% of executive management
Men	6	67%	4	3	60%
Women	3	33%	—	2	40%
Total	9	100%	4	5	100%
At 31 December 2023	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	% of executive management
Men	6	75%	4	3	75%
Women	2	25%	—	1	25%
Total	8	100%	4	4	100%
At 31 December 2022	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	% of executive management
Men	6	75%	4	5	83%
Women	2	25%	—	1	17%
Total	8	100%	4	6	100%
Ethnicity representation					
At the date of approval of this report	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	% of executive management
White British or other White (including minority-white groups)	8	89%	4	5	100%
Other ethnic group, including Arab	1	11%	—	—	—
Total	9	100%	4	5	100%
At 31 December 2023	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	% of executive management
White British or other White (including minority-white groups)	7	88%	4	4	100%
Other ethnic group, including Arab	1	12%	—	—	—
Total	8	100%	4	4	100%
At 31 December 2022	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	% of executive management
White British or other White (including minority-white groups)	7	88%	4	6	100%
Other ethnic group, including Arab	1	12%	—	—	—
Total	8	100%	4	6	100%

The above data was collected on the basis of self-reporting by the individuals concerned who were asked to select their gender/ethnicity from a list of options derived from the FCA's template.

During the year, Paul Walker stepped down from the Executive Committee in order to focus on his Group company secretarial and other responsibilities and Bruce Stephen (Group Human Resources Director) left the business at the end of 2023. Cat Hambleton-Gray joined as People Director and member of the Executive Committee in January 2024 and Angela Rushforth was appointed to the Board as a Non-executive Director in February 2024.

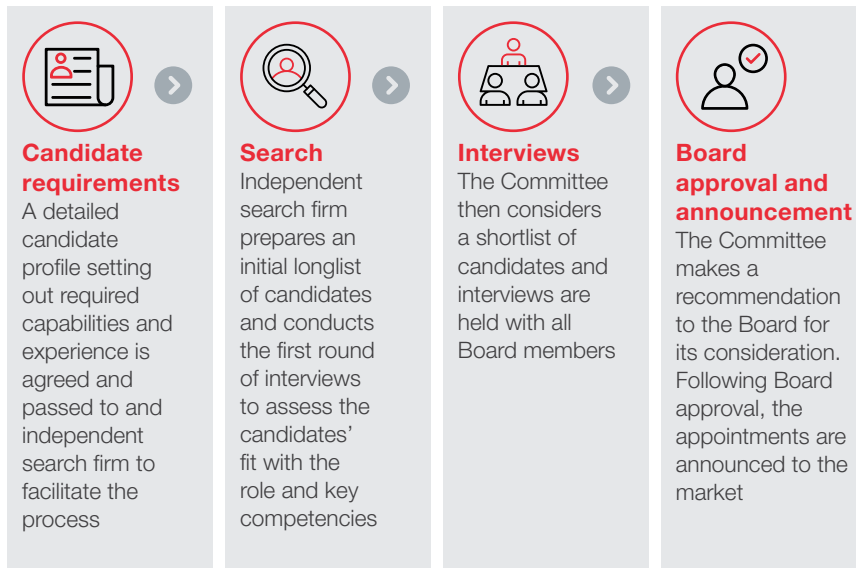
The gender balance of those in the senior management and their direct reports is included within the Sustainability Report on page 40.

Succession planning

In 2023, the Committee continued its proactive work on succession planning for the Board and senior management.

As part of this process, a detailed review of the composition, skills and experience of the Board, and each of its Committees, has been undertaken to develop desired role profiles and identify the preferred attributes to be sought in future appointments.

All appointments to the Board are subject to a formal, rigorous and transparent appointment process, and are made based on merit and objective criteria. The process for these appointments is typically as follows:



As part of the development of the Executive Committee, the Nomination Committee has continued to consider succession planning for senior management, in order to maintain an appropriate balance of skills, experience and diversity within the Company in line with our strategy. This ongoing planning process includes an analysis of any succession gaps or risks identified and includes contingency plans for the sudden or unexpected departure of Executive Directors or other senior managers.

The benefits of this proactive approach are illustrated by the ongoing evolution of the Executive Committee, ensuring the Company is well placed, with the best people and the right balance of skills to secure future success. During 2023, the successful recruitment of Cat Hambleton-Gray as People Director supports our People First strategic pillar and reflects our commitment to gender diversity wherever possible.

In summary, we are confident that the Board has a good understanding of succession planning across the Group and the range of measures being used to continue to develop and recruit talented senior employees.

Derek Mapp

Chair of the Nomination Committee

19 March 2024

AUDIT AND RISK COMMITTEE REPORT

**Dear Shareholder,
I am pleased to report to you on the
Audit and Risk Committee's objectives,
responsibilities and activities during 2023,
being my first report since taking over as
Committee chair in May 2023.**



Committee composition



Frank Nelson Alison Littlely Will Truman

The Committee recognises the important work being undertaken by the Financial Reporting Council (FRC) on UK audit and corporate governance reform. With this in mind, a major part of the Committee's work in 2023 has been to review the Group's approach to risk management and internal controls, and to develop recommendations to further improve their effectiveness. Implementation of these changes has begun and will continue into 2024, as the regulations develop.

In terms of risk management, following the cyber attack we experienced in 2022, cyber security has remained a very high priority for the Group. The Committee has provided close oversight and monitoring for the programme of IT infrastructure and training improvements, which have been progressed to enhance resilience and security. This has been supplemented by an externally-facilitated cyber security audit by Mazars LLP, the conclusions from which have provided further assurance to the Committee that all reasonable steps are being undertaken to mitigate the risks in this area, and an action plan for further improvements in 2024.

In addition to the cyber audit, the Internal Audit programme for 2023 included a review of six further business areas, details of which are included on page 96. These reviews did not highlight any high-risk issues and demonstrated solid foundations upon which further developments and improvements can be based.

In reviewing the 2023 Annual Report, in addition to considering the key areas of accounting estimates and judgements noted on page 94, the Committee reviewed the classification as a non-underlying item of certain cloud-based computing and restructuring costs incurred in the year, and concluded that it was appropriate.

Collectively, this work has provided the necessary assurance to the Committee that internal controls and governance are both adequate and working effectively. A summary of our activities, including the key accounting estimates and judgements made, is set out in this report.

Finally, I would like to thank my fellow Committee members, and both the internal and external auditors, for their valuable contribution and support during year.

Iraj Amiri
**Chair of the Audit and
Risk Committee**

19 March 2024



A major part of the Committee's work has been to review the Group's approach to risk management and internal controls, and to develop recommendations to further improve their effectiveness."

Role and responsibilities:

The key responsibilities of the Committee are to:

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

- Considered reports by management related to the effectiveness of the Group's systems of risk management and internal control
- Reviewed the Group's risk register, including principal and emerging risks
- Considered reports prepared by the Group's outsourced internal audit function
- Considered the results of the internal assessment of the Committee's effectiveness
- Approved updates to the Committee's terms of reference.

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

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

Following the 2023 year end, at the March 2024 meeting, the Committee reviewed and recommended for approval by the Board, the financial results for the year ended 31 December 2023, including a review of the full-year external audit.

As part of that process, the members of the Committee reviewed the Annual Report, including the adequacy of the disclosure with respect to going concern and viability reporting. The Committee considered the appropriateness of preparing the accounts on a going concern basis, including consideration of forecast plans, and supporting assumptions, as well as sensitivity analysis and concluded that the Company's financial position was such that it continued to be appropriate for accounts to be prepared on a going concern basis.

This additional review by the Audit and Risk Committee, supplemented by advice received from external advisers during the drafting process, assisted the Board in determining that the report was fair, balanced and understandable at the time that it was approved.

Summary of activities during the year

The Audit and Risk Committee met formally four times during the year and attendance at the meetings is shown on page 82.

The areas of particular focus for the Committee in 2023, and up to the date of this Annual Report, were as follows:

- Continued oversight of the investments in, and improvements to, the Company's IT infrastructure to continually strengthen the cyber defences and further develop resilience and security (including consideration of the conclusions from the cyber audit – see below)
- Reviewed the overall approach of the risk management function and developed recommendations regarding the effectiveness, formalisation and documentation of both new and existing policies and processes
- Considered the appropriate accounting treatment, reporting and presentation of cloud-based computing costs in light of the material levels of expenditure planned for a new ERP system implementation
- Considered the appropriate accounting treatment, reporting and presentation of restructuring costs incurred in Q2
- Reviewed documentation prepared to support the viability statement and going concern assumption set out on page 73
- Reviewed the external auditors' plan for their audit for the year ended 31 December 2023
- Reviewed reports from the external auditors setting out their findings as a result of their audits for the years ended 31 December 2022 and 2023, as well as their review of the 2023 Half-Year Report
- Considered the impact of any new accounting standards and financial reporting requirements, including guidance issued by the Financial Reporting Council ('FRC')

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Audit and Risk Committee members

During 2023, the Audit and Risk Committee comprised:

Chair:

Iraj Amiri (Chair from 11 May 2023)

Committee members:

Frank Nelson (Chair to 11 May 2023)

Alison Littlely

Will Truman (from 15 May 2023)

All members of the Committee served throughout the year, unless otherwise stated.

The Governance Code recommends that all members of the Audit and Risk Committee are Non-executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that one such member has recent and relevant financial experience.

The Board considers that the Company complies with the requirements of the Governance Code in this respect and that, by virtue of their extensive experience, details of which are set out on pages 74 and 75, Iraj Amiri, a Fellow of the Institute of Chartered Accountants in England and Wales, Frank Nelson, a Fellow of the Chartered Institute of Management Accountants, and Will Truman, a Fellow of the Institute of Chartered Accountants in England and Wales, all have recent and relevant financial experience. Furthermore, all Committee members have extensive relevant commercial and operational experience, including in building/construction and industrial organisations, which both benefit the Committee and collectively illustrate its competence relevant to the sector in which the Group operates.

Only members of the Committee have the right to attend Committee meetings, but both the internal and external auditors were invited to attend all meetings during the year, as a matter of course. The Chair of the Board, the Chief Executive, the Chief Financial Officer and other members of the Board were also invited to attend all the Committee meetings during the year.

In addition, the external and internal auditors met regularly with the Committee without executive management being present and met separately with each of the Audit and Risk Committee Chair and the Chief Financial Officer.

The Audit and Risk Committee will meet as often as it deems necessary but, in accordance with its terms of reference, at least three times a year.

Key accounting estimates and judgements

As described above, the Committee reviewed the key estimates and judgements used in the preparation of the Group's 2023 Financial Statements (including a review of PricewaterhouseCoopers LLP's report and a discussion of their observations and findings in this area) as follows:

Area	Estimate/judgement	Management's approach	Committee's review
Inventory valuation	Absorption of labour and overhead costs into stock	Review of raw material price variances (vs historic standard cost) and overhead absorption included in stock valuation. Standard costs updated costs to reflect latest raw material and other input cost prices	Critically reviewed the carrying value of the Group's inventory, the approach taken by management and assessed the reasonableness of the underlying assumptions and financial forecasts used
	Provisions for slow-moving items and discontinued product lines	Assessment of the appropriate level of provisioning against obsolescence, undertaken in the context of current trading and the forecast for the next financial year and beyond	
Accounts receivable recoverability	Provisions for bad and doubtful debts	Application of IFRS 9's expected credit loss approach to the impairment of receivables (which requires the use of forward-looking statistical modelling to determine the appropriate level of provision), plus overlays to take into account other material factors affecting recoverability, including credit insurance	Critically evaluated the methodology with respect to setting provisions for potential bad and doubtful debts, including management's assessment of macro uncertainty, as well as the absolute level of provisions held ¹

¹ The Committee's review also considered the specific nature and characteristics of customers in the Group's two major divisions.

Risk management

The Group's risk management processes are set out in detail on pages 66 and 67.

In the light of the Financial Reporting Council's (FRC) work on UK audit and corporate governance reform, the Group has reviewed its approach to risk management and internal controls, and developed a plan to further improve their effectiveness.

Implementation of these changes has begun and will continue into 2024, as the regulations develop.

A formal Risk Appetite Statement has been developed and approved by the Board, with work on frameworks for risk management, assurance strategy, and policy management in progress, along with the implementation of enhanced risk assessment tools to support the risk management approach.

These tools include the preparation of a risk canvas, the completion of checklists from the FCA's Systems and Controls Sourcebook and Corporate Governance code, and a risk materiality assessment.

The Group's Risk Management Committee is chaired by the Chief Financial Officer. This Committee reviews significant risks and the status of related mitigating actions.

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

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

Internal controls

The Board is responsible for the overall system of internal controls for the Group and for reviewing its effectiveness. The Board receives assurance on internal control effectiveness at least annually, covering all key controls including financial, operational and compliance controls and risk management systems.

In particular, the Board discharges its duties in this area by:

- Holding regular Board meetings to consider the matters reserved for its consideration
- Receiving regular management reports which provide an assessment of key risks and mitigating actions
- Scheduling annual Board reviews of strategy including consideration of the material risks and uncertainties facing the business
- Ensuring there is a clear organisational structure with defined responsibilities and levels of authority which are regularly reviewed
- Scheduling regular Board reviews of performance against financial budgets and forecasts.

In reviewing the effectiveness of the system of internal controls, the Audit and Risk Committee:

- Reviews the risk register compiled and maintained by senior managers within the Group, at least bi-annually, receives reports on near misses, errors and inaccuracies
- Receives management assurance on the effectiveness of the systems of financial and accounting controls
- Regularly reviews the internal audits performed and the progress against previously raised recommendations.

The Group has several operating policies and controls in place covering a range of issues including financial reporting, capital expenditure, business continuity and information technology, including cyber security, and appropriate employee policies. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of financial statements.

In respect of the Group's financial reporting, the Finance function is responsible for preparing the Group financial statements using a well-established process and for ensuring that accounting policies are in accordance with International Financial Reporting Standards.

Consolidated accounts are prepared directly within the Group's SAP system. All business units report on SAP, with no adjustments processed outside of the system, other than the accounting entries to reflect IFRS 16 (Leases), which are produced by a specialist lease accounting software package. Full balance sheet reconciliations are prepared every month and independently reviewed by senior finance staff. The Chief Financial Officer reviews consolidated and business unit financial statements with the Chief Executive every month. All financial information published by the Group is subject to the approval of the Audit and Risk Committee.

Following the cyber incident in 2022, we have continued to invest in infrastructure to improve resilience and security in this area. The Group's IT team have remained vigilant to cyber risks and have rolled-out enhanced regular cyber training for all staff.

Other than as described above, there have been no changes in the Company's internal control systems during the financial year under review that have materially affected, or are reasonably likely to materially affect, the Company's control over financial reporting.

In addition, as noted above, management continue to consider the impacts of the various reforms and proposed developments for UK audit and corporate governance and have provided recommendations to the Committee on the potential changes required for compliance. The business is in a good position to meet the new requirements as and when they become applicable.

The Board, with advice from the Audit and Risk Committee, is satisfied that an effective system of internal controls and risk management is in place which enables the Company to identify, evaluate and manage key and emerging risks and which accords with the guidance published by the FRC.

These processes have been in place since the start of the financial year and up to the date of approval of the accounts. Further details of specific material risks and uncertainties facing the business can be found on pages 68 to 72.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Internal audit

KPMG LLP provide an outsourced Internal Audit function which complements the internal finance-based checks performed on the branch network operations.

The Committee, working in conjunction with KPMG LLP, approved a full programme for 2023 which was compiled based on the following specific categories:

- **Risk:** internal audit reviews specifically linked to Eurocell's key financial and operational risks

- **Routine:** internal audit reviews covering financial, regulatory, compliance and IT operations which require cyclical assurance coverage
- **Request:** internal audit reviews that have been specifically included at the request of either management or the Audit Committee.

A summary of the 2023 programme is as follows:

Internal audit programme	Summary of findings
Branch Audit Programme	<ul style="list-style-type: none"> • Good progress since last audit, including development of risk assessments to identify high risk sites, enhanced reviews of audit content/coverage, and the development of process documentation • Areas for improvement mainly around formalisation of the audit process, including branch selection methodology and documentation for recording audit results.
Supply Chain Ethics and Resilience	<ul style="list-style-type: none"> • Good practice via regular pricing reviews undertaken with key suppliers (top 80% spend) to ensure value for money amongst suppliers, particularly in markets where prices fluctuated regularly • Further formalisation required to ensure all main processes are defined and documented, to enhance clarity and accountability across the end-to-end supplier relationship management process.
Anti-bribery and corruption ('ABC')	<ul style="list-style-type: none"> • Low inherent risk of bribery and corruption, with business ethics related policies recently refreshed and dedicated training modules launched • Ongoing work to fully embed all ABC controls (via the new HR system) and formalise some processes.
General Ledger ('GL')	<ul style="list-style-type: none"> • Adequate control environment in place with set processes in place for managing GL activities • Some areas of improvement relating to the absence of an overarching GL policy and system limitations for approval of manual journals (although compensating preventative controls in place).
Follow up	<ul style="list-style-type: none"> • Management demonstrated commitment to tracking and implementing agreed internal audit actions, supported by documentary evidence to verify the completion status of the actions considered • 10 of the 13 medium/high rated actions were confirmed as implemented, with the remainder either superseded or risk-accepted. No action marked as implemented was found to be incomplete or in progress.
Cyber (performed by Mazars LLP)	<ul style="list-style-type: none"> • Key gaps have been mitigated by the significant investment in cyber projects across the estate to constantly monitor infrastructure and endpoints for potential threats • Areas for further improvement include: <ul style="list-style-type: none"> – Technical recommendations in relation to data loss prevention (DLP) and improving the effectiveness of detection capabilities – Technical recommendations relating to insecure protocols and misconfigured endpoints, which have already been resolved – Formalisation of the cyber risk management strategy and related documentation.

The Committee also formally reviews the Group's progress in implementing the improvement recommendations raised through the internal audit process in conjunction with the Executive Committee members, and overall progress remains satisfactory.

Whistleblowing, bribery and business ethics

The Group is committed to the highest standards of openness, honesty, integrity and accountability.

The Group maintains a suite of policies which support our commitment to strong business ethics and for which we take a strict approach to non-compliance.

This includes policies related to:

- Financial crime
- Conflicts of interest
- Gifts and hospitality
- Share dealing.

During the year, the Group refreshed and re-issued all business ethics related policies and developed a new business ethics training module for all staff to complete.

Management believe this refresh, coupled with our Whistleblowing Policy (see below), which was updated and relaunched in 2022, has been successful in improving staff awareness and understanding in this area.

The Whistleblowing policy makes employees aware that they should report any serious concerns or suspicions about any wrongdoing or malpractice on the part of any employee of the Group, without fear of criticism, discrimination or reprisal, as well as the procedure for raising such concerns.

During the year, there were no reports received through the whistleblowing process (2022: nil), and therefore no significant trends were identified.

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

In accordance with the obligations under the Reporting on Payment Practices and Performance Regulations 2017, the Company has submitted its bi-annual reports in line with the legislation during the year.

The Group's Modern Slavery Statement, which sets out details of the policies in relation to slavery and human trafficking, as well as its due diligence processes with its partners, has been published on the Group's website at www.eurocell.co.uk.

The Group has also updated its Tax Strategy Statement, again published on our website, in compliance with the Finance Act 2016, which sets out details of the Group's attitude to tax planning and tax risk. In addition, the Group continues to be certified as an accredited Fair Tax Mark business, recognising our responsibility to pay the right amount of tax, in the right place, at the right time.

External audit and auditors' independence

The Audit and Risk Committee has primary responsibility for making a recommendation to the Board on the appointment, reappointment, removal and remuneration of the external auditors. It keeps under review the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the auditors.

The external auditors are required periodically to assess whether, in their professional opinion, they are independent and those views are shared with the Audit and Risk Committee.

The Committee has authority to take independent advice as it deems appropriate in order to resolve issues on auditor independence. No such advice has been required to date. There are no contractual obligations in place that restrict the choice of statutory auditors.

The Group's current auditors, PricewaterhouseCoopers LLP were appointed at the Audit and Risk Committee meeting on 29 April 2015, following the Company's IPO in March 2015. As a result, PricewaterhouseCoopers LLP may remain as external auditors without re-tender for ten years from that date, until the completion of the 2024 annual audit. The Committee considers the need to tender the audit on an annual basis and a detailed review will be undertaken, in due course, in light of the approaching deadline noted above.

In accordance with best ethical standards, PricewaterhouseCoopers LLP has processes in place designed to maintain independence, including the rotation of the audit engagement partner at least every five years. As a result of these processes, the current audit engagement partner, Chris Hibbs, assumed full responsibility since the 2020 audit.

The Committee has also adopted policies to safeguard the independence of its external auditors which are underpinned by principles that ensure that the external auditors do not:

- Audit their own work
- Make management decisions for the Group
- Create a conflict of interest
- Find themselves in the role of advocate for the Group.

Any work awarded to the external auditors with a value of more than £5,000 in aggregate in any financial year, other than an audit, requires the specific approval of the Committee. Where the Committee perceives that the independence of the auditors could be compromised, the work will not be awarded to the auditors.

Details of amounts paid to PricewaterhouseCoopers LLP for audit and audit-related assurance services in 2023 are set out on page 144. The audit-related assurance services provided during the year were in relation to the Half-Year Report (£41,500) and the sustainability targets included in the Company's banking facility (£28,000).

Prior to recommending the appointment of PricewaterhouseCoopers LLP at the forthcoming AGM to the Board, the Committee reviewed the audit process, the performance of the auditors and their ongoing independence, taking into consideration:

- An assessment of the lead audit partner and the audit team, including their responses to questions from the Committee
- A review of the audit approach, scope, determination of significant risk areas and materiality
- The execution of the audit, including the increased use of technology, and the audit findings reported
- Input from, and interaction with, management and communication with, and support to, the Committee
- The quality of any recommendation points; and a review of independence, objectivity, scepticism and their ability to challenge.

Based on this review, the Committee concluded that the external audit process had been run efficiently and that PricewaterhouseCoopers LLP has been effective in their role as external auditors.

The Committee is satisfied that the independence of the external auditors is not impaired and the level of fees paid for non-audit services, details of which are set out in Note 5 to the Financial Statements, does not jeopardise their independence. In conclusion, the Committee has assessed the performance and independence of the external auditors and recommended to the Board the reappointment of PricewaterhouseCoopers LLP as auditors until the AGM in 2025.

Iraj Amiri Chair of the Audit and Risk Committee

19 March 2024

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,
I am pleased to introduce the Directors' Remuneration Report for 2023, being my first report since taking over as Committee chair in May 2023.



As a result, whilst we took early and decisive action on cost in response to lower volumes, sales and profits were well below the targets we set ourselves at the beginning of the year. However, the team's focus on efficient working capital management resulted in a strong cash flow performance, and we continue to maintain a strong balance sheet with good liquidity.

It is in this context that the Committee has assessed 2023 variable compensation outcomes, and approved new basic salary levels, awards and targets.

We were very appreciative of the strong level of support received from shareholders at the 2023 AGM, where the Annual Report on Remuneration was approved with 100% of votes in favour. As no changes are proposed to the existing policy, there will again only be one remuneration resolution tabled at the 2024 AGM i.e. the advisory shareholder vote on the Annual Report on Remuneration.

I would like to thank my fellow committee members for their valuable contributions during the year.

Committee composition



Frank Nelson



Alison Littley



Iraj Amiri



Angela Rushforth*

* Appointed on 1 February 2024.

As described elsewhere in this Annual Report, the business faced a very challenging market backdrop in 2023. Repair, maintenance and improvement (RMI) activity was adversely impacted by low consumer confidence and higher costs of living, and a steep decline in new build activity reflected successive interest rate rises and falling house prices.

Kate Allum
Chair of the Remuneration Committee

19 March 2024



Sales and profits were well below the targets we set ourselves at the beginning of the year. However, the team's focus on efficient working capital management resulted in a strong cash flow performance."

Role and responsibilities:

The Committee's principal responsibilities are to:

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

Summary of activities during the year

The Remuneration Committee met formally 3 times during the year and attendance at the meetings is shown on page 82.

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

- Agreeing the performance against the targets and pay-out for the 2022 annual bonus awards
- Agreeing Executive Director and senior management base salaries from 1 April 2023
- Setting the performance targets for the 2023 annual bonus
- Agreeing the award levels and appropriate targets for the 2023 Performance Share Plan ('PSP') awards
- Reviewing the pay and benefits structure of the wider workforce to ensure alignment with Executive Directors and senior management
- Reviewing the outcome of the gender pay reporting
- Overseeing the operation of the Group's Save as You Earn scheme
- Reviewing the Committee terms of reference.

In addition, the Committee met in March 2024 and agreed the performance against the targets and pay-out for the 2023 annual bonus awards.

Given the Annual Report on Remuneration at the 2023 AGM was approved with 100% of the votes in favour, and no changes have been made/proposed to the existing Remuneration Policy since its approval at the 2022 AGM, the Committee did not consider it necessary to consult with shareholders on remuneration matters during the year.

Outcome for 2023 Annual Bonus Plan

On a continuing basis, sales for the year were £364.5 million, down 4% compared to 2022, and adjusted profit before tax was down 47% at £15.2 million (2022: £28.7 million).

Adjusted cash generated from operations for the year was up 42% at £57.4 million compared with £40.3 million in 2022.

As a result of this performance, an overall pay-out of 30% of salary is being awarded to the Executive Directors in respect of 2023, further details of which can be found on page 109 of this report.

Vesting of PSP awards granted in 2021

On a continuing basis, adjusted basic earnings per share for the year was 11.0 pence (2022: 21.4 pence).

Return on capital employed (ROCE) at 31 December 2023 was 12.6%.

As a result of this performance, none of the PSP awards originally granted in 2021 are expected to vest in 2024, further details of which can be found on page 109 of this report.

As in previous years, annual PSP awards were made during the year, with targets based on earnings per share and return on capital employed, and further details can be found on page 110.

Implementation of the Remuneration Policy for 2024

The Remuneration Committee consider the Remuneration Policy has operated as intended in 2023 and therefore propose it should continue to operate in 2024, on a consistent basis, with no changes to the structure of the annual bonus and long-term incentives. Further details are included within Part B: The Annual Report on Remuneration on page 115.

The Committee will continue to ensure that salary levels are positioned to reflect performance, experience and responsibility and therefore may be increased at a rate above the rate of increase for the wider workforce, where it is considered appropriate.

The Committee believes its approach takes due account of market and best practice and, importantly, also reflects and supports Eurocell's strategy and promotes the Company's long-term success.

Remuneration Policy links to strategy

The Group's new strategy has four key pillars, as set out on pages 18 to 29, based on customer growth, business effectiveness, 'People first' and ESG leadership. These were established to deliver sustainable growth in shareholder value by increasing sales and profits at above market level growth rates through leadership in products, operations, sales, marketing and distribution, while also focussing on employee well-being and ESG considerations.

Reflecting the strategic emphasis on customer growth and business effectiveness to drive profitability, short-term performance is incentivised with an annual bonus scheme which is based on the key Company financial objectives of profit before tax and operating cash flow. Together, these performance conditions ensure that the Executive Directors are focused on driving increased profitable growth but not at the expense of its quality and sustainability.

The importance of health and safety in operations is also reflected by the associated underpin that can reduce the bonus pay-out, demonstrating the Group's commitment to employee wellbeing, as part of 'People First', and the need to ensure that growth and profitability are not achieved in a way that is detrimental to the employees nor in a way that promotes short-term, high-risk behaviour.

Long-term performance is incentivised with a performance share plan ('PSP'), which is based on the achievement of demanding earnings per share and return on capital employed targets. These performance conditions ensure that the Executive Directors are focused on driving increased profitable growth, as noted above, as well as ensuring that capital is appropriately invested to provide sustainable returns to shareholders over the longer-term.

DIRECTORS' REMUNERATION REPORT CONTINUED

Explanatory foreword

This report contains the material required to be set out as the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Notwithstanding the fact that:

- We will not be seeking shareholder approval for any changes to our Remuneration Policy at the 2024 AGM
- The relevant Regulations do not require us to reproduce our Remuneration Policy in this report.

The report is split into two parts as follows:

Part A: The Directors' Remuneration Policy – which sets out for ease of reference, a summary of our Directors' Remuneration Policy for which shareholder approval was given at the 2022 AGM. The full Directors' Remuneration Policy was disclosed in the 2021 Annual Report and is available on the Company's website.

Part B: The Annual Report on Remuneration – which sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2023 and how the policy will be operated for 2024, in respect of which we will be holding an advisory vote at the forthcoming AGM.

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

PART A: DIRECTORS' REMUNERATION POLICY

Policy scope

The Policy applies to the Chair of the Board, Executive Directors and Non-executive Directors.

Policy duration

The Directors' Remuneration Policy was put to a binding shareholder vote at the 2022 AGM and applies from the date of approval for a maximum of three years.

Executive Directors

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

Element and purpose	Policy and operation	Maximum	Performance measures
<p>Base salary</p> <p>This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.</p>	<p>Base salaries will be reviewed each year by the Committee.</p> <p>The Committee does not strictly follow data, but uses the median position (as against appropriate size and/or sector peers) as a reference point in considering, in its judgement, the appropriate level of salary having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities.</p> <p>Base salary is normally paid monthly in cash.</p>	<p>It is anticipated that salary increases will generally be in line with those awarded to salaried employees. However, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Company performance), the Committee may make larger salary increases to ensure they are market competitive. The rationale for any such increase will be disclosed in the relevant Annual Report on Remuneration.</p>	n/a
<p>Benefits</p> <p>To provide benefits valued by recipients.</p>	<p>The Executive Directors can receive a car allowance or Company car (and fuel), private family medical cover, permanent health insurance and life assurance.</p> <p>The Committee reserves discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.</p> <p>Where appropriate, the Company will meet certain costs relating to Executive Director relocations.</p>	<p>It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of £100,000 (plus a further 100% of base salary in the case of relocations).</p> <p>The Committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than the Committee considers appropriate in the circumstances.</p>	n/a
<p>Pension</p> <p>To provide retirement benefits.</p>	<p>Executive Directors can receive pension contributions to personal pension arrangements or, if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance can be paid as a cash supplement.</p>	<p>The maximum employer's contribution (or cash supplement) is 10% of base salary.</p> <p>The contribution levels for the Chief Executive and the Chief Financial Officer are aligned to the wider workforce, currently 5%.</p> <p>Pension contributions for new Executive Director appointments will also be aligned with the pension benefits available to the wider workforce.</p>	n/a

DIRECTORS' REMUNERATION REPORT CONTINUED

Element and purpose	Policy and operation	Maximum	Performance measures
<p>Annual Bonus Plan</p> <p>To motivate executives and incentivise delivery of performance over a one-year operating cycle, focusing on the short-to-medium-term elements of our strategic aims.</p>	<p>Annual Bonus Plan levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy.</p> <p>Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other significant events where the Committee considers it to be necessary in its opinion to make appropriate adjustments.</p> <p>Any annual bonus award above 75% of salary will be compulsorily deferred into Eurocell shares, under the Company's Deferred Share Plan ('DSP'), for three years from grant.</p> <p>The number of shares subject to vested DSP awards may be increased to reflect the value of dividends that would have been paid in respect of any ex-dividend dates falling between the grant of awards and the expiry of the vesting period.</p> <p>Malus and clawback provisions apply to the Annual Bonus Plan and DSP, as explained in more detail below.</p>	<p>The maximum level of Annual Bonus Plan outcomes is 100% of base salary per annum for the duration of this policy.</p>	<p>The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate.</p> <p>Attaining the threshold level of performance for any measure will not produce a pay-out of more than 20% of the maximum portion of overall annual bonus attributable to that measure.</p> <p>However, the Annual Bonus Plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement to adjust the outcome of the Annual Bonus Plan for any performance measure (from zero to any cap) should it consider that to be appropriate.</p>
<p>Long-term incentives</p> <p>To motivate and incentivise delivery of sustained performance over the long term, and to promote alignment with shareholders' interests, the Company operates PSP.</p>	<p>Awards under the PSP take the form of nil-cost options which vest to the extent performance conditions are satisfied over a period of at least three years.</p> <p>The number of shares subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any ex-dividend dates falling between the grant of awards and the expiry of the vesting period (or at the end of any holding period in respect of unexercised awards).</p> <p>A two-year post-vesting holding period applies to PSP awards granted to Executive Directors after the 2019 AGM.</p> <p>Malus and clawback provisions apply to PSP awards, as explained in more detail in the 2021 Annual Report.</p>	<p>The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year.</p> <p>The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits.</p>	<p>The Committee may set such performance conditions on PSP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual).</p> <p>Performance periods may be over such periods as the Committee selects at grant, which will not normally be less than (but may be longer than) three years.</p> <p>No more than 25% of awards vest for attaining the threshold level of performance conditions. The Committee also has standard power to apply its judgement to adjust the outcome of the PSP for any performance measure (from zero to any cap) should it consider that to be appropriate.</p>

Element and purpose	Policy and operation	Maximum	Performance measures
<p>Share ownership guidelines</p> <p>To further align the interests of Executive Directors with those of shareholders.</p>	<p>Executive Directors are required to retain at least 50% of the net of tax shares which vest under the PSP and DSP awards until the guideline (being 200% of base salary) is met. Any PSP performance vested shares subject to a holding period and any shares awarded in connection with annual bonus deferral will be credited for the purpose of the guidelines (discounted for anticipated tax liabilities).</p> <p>From the 2022 AGM, Executive Directors are required to maintain a shareholding in the Company for a one-year period after stepping down from that position, being 100% of salary or the Executive Directors' actual relevant shareholding at leaving this position, if lower.</p> <p>The Executive Directors' actual relevant shareholding will include shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) from awards granted after the date the Policy was adopted but excludes shares acquired through purchase and the release of shares under share incentive plans where the grant occurred prior to the adoption of the Policy.</p>	n/a	n/a
<p>All-employee share plans</p> <p>To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.</p>	<p>These are all-employee share plans established under HMRC tax-advantaged regimes and follow the usual form for such plans.</p> <p>Executive Directors will be able to participate in all-employee share plans on the same terms as other Group employees.</p>	The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time.	Consistent with normal practice, such awards will not be subject to performance conditions.
<p>Chair/ Non-executive Director fees</p> <p>To enable the Company to recruit and retain Chairs and Non-executive Directors of the highest calibre, at the appropriate cost.</p>	<p>The fees paid to the Chair and Non-executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity.</p> <p>The fees payable to the Non-executive Directors are determined by the Board, with the Chair's fees determined by the Remuneration Committee. Fees are paid monthly in cash.</p> <p>The Chair and Non-executive Directors will not participate in any cash or share incentive arrangements.</p> <p>The Company reserves the right to provide benefits (including travel and office support) to the Chair and Non-executive Directors where appropriate. Should any assessment to tax be made on such reimbursement, the Company reserves the ability to settle such liability on behalf of the Non-executive Director.</p>	<p>The aggregate fees (and any benefits) of the Chair and Non-executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association.</p> <p>If the Chair and/or Non-executive Directors devote special attention to the business of the Company, or otherwise perform services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, they may be paid such additional remuneration as the Directors or any Committee authorised by the Directors may determine.</p>	n/a

DIRECTORS' REMUNERATION REPORT CONTINUED

Other elements of our policy include:

Recruitment remuneration policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the general Policy for Executive Directors as set out above and structure a package in accordance with that policy. Any caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice.

The Annual Bonus Plan, DSP and PSP will operate (including the maximum award levels) as detailed in the general Policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy-out awards forfeited by the individual on leaving a previous employer.

For the avoidance of doubt, buy-out awards are not subject to a formal cap. Any recruitment-related awards which are not buy-outs will be subject to the limits for Annual Bonus Plan and PSP as stated in the general policy. Details of any recruitment-related awards will be appropriately disclosed.

For any buy-outs the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing Annual Bonus Plan, DSP or PSP. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing Annual Bonus Plan, DSP or PSP.

All buy-outs, whether under the Annual Bonus Plan, DSP, PSP or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek (where it is practicable to do so) to make buy-outs subject to what are, in its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases (such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited) and where the Committee considers it to be in the interests of shareholders.

A new Chair/Non-executive Director would be recruited on the terms explained above in respect of the main policy for such Directors.

Service contracts

Executive Directors

The Committee's policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination upon no more than twelve months' notice by either party. The service agreements of both Executive Directors comply with that policy. Contracts contain provisions allowing the Company to make payments in lieu of notice (albeit not including bonus or benefits) but do not contain change of control provisions.

The Committee reserves flexibility to alter these principles, if necessary, to secure the recruitment of an appropriate candidate including, if appropriate, a longer initial notice period (of up to two years) reducing over time.

The date of each current Executive Director's contract is:

Darren Waters	11 April 2023
Michael Scott	1 September 2016

Chair/Non-executive Directors

The Chair and each Non-executive Director is engaged for an initial period of three years. These appointments can be renewed following the initial three-year term. These engagements can be terminated by either party on twelve months' notice.

Neither the Chair nor any Non-executive Directors can participate in the Company's incentive plans, are not entitled to any pension benefits and are not entitled to any payment in compensation for early termination of their appointment beyond the twelve months' notice referred to above.

Name	Date of original appointment	Date of latest appointment	Term
Derek Mapp	16 May 2022	16 May 2022	3 years
Frank Nelson	4 February 2015	2 February 2024	c.3.5 months*
Kate Allum	1 July 2022	1 July 2022	3 years
Alison Littley	1 July 2022	1 July 2022	3 years
Iraj Amiri	7 November 2022	7 November 2022	3 years
Will Truman	11 May 2023	11 May 2023	3 years
Angela Rushforth	1 February 2024	1 February 2024	3 years

* Frank Nelson will step-down at the 2024 AGM on 16 May 2024 after nine years of service.

The Directors' service agreements and letters of appointment are available for shareholders to view from the Group Company Secretary on request.

Termination/change of control policy summary

It is appropriate for the Committee to consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the Annual Bonus Plan, DSP and PSP. The potential treatments on termination under these plans are summarised in the table below:

Incentives	If a leaver is deemed to be a 'good leaver'; for example, leaving through injury, ill-health, disability, retirement, redundancy, sale of business or otherwise at the discretion of the Committee	If a leaver is not a 'good leaver'	Change in control
Annual bonus	Committee has discretion to determine an annual bonus which may be limited to the period actually worked.	Annual bonus not generally paid.	Committee has discretion to determine annual bonus.
DSP	Awards normally vest either on cessation or the normal vesting date. The Committee can pro-rate awards if considered appropriate.	All awards will normally lapse.	Awards vest on a pro rata basis, unless the Committee determines not to pro-rate.
PSP	Will receive a pro-rated award subject to the application of the performance conditions at the end of the normal performance period. Committee retains standard discretions to either vary/disapply time pro-rating or to accelerate vesting to the earlier date of cessation (determining the performance conditions at that time).	All awards will normally lapse.	Will receive a pro-rated award subject to the application of the performance conditions at the date of the event, unless the Committee determines not to pro-rate.

On death, the Annual Bonus Plan, DSP and PSP awards typically vest in full (with pro-rating also potentially applying).

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

DIRECTORS' REMUNERATION REPORT CONTINUED

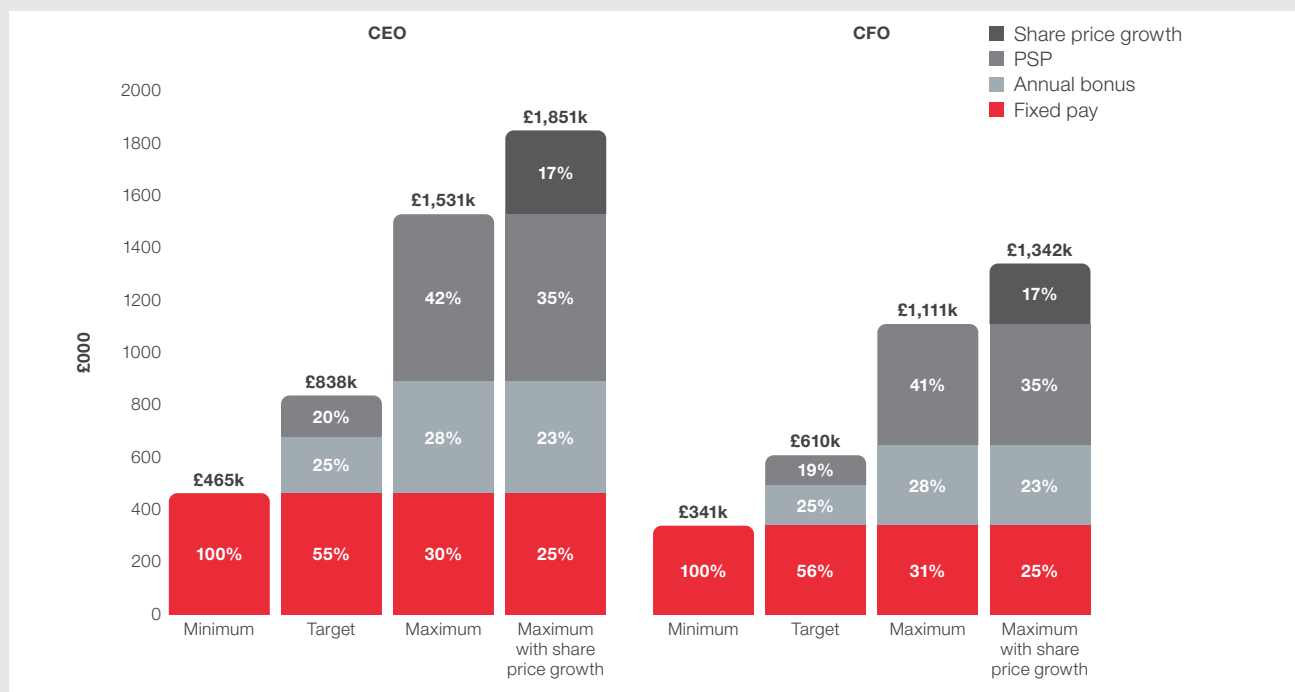
Other policy matters

The 2021 Annual Report also set out formal details of our approach to:

- Performance targets
- Malus and clawback
- Stating maximum amounts for the Remuneration Policy
- Travel and hospitality
- Differences between the policy on remuneration for Directors and remuneration of other employees
- Committee discretions
- External appointments
- Statement of consideration of employment conditions elsewhere in the Group
- Statement of consideration of shareholder views.

Illustrations of application of Remuneration Policy

The charts below aim to show how the Remuneration Policy for Executive Directors will be applied in 2024 using the assumptions in the table below.



Minimum

- Consists of base salary, benefits and pension
- Base salary is the salary to be paid with effect from 1 April 2024
- Estimated value of a full year's benefits, including car (and fuel) or car allowance, private family medical cover, permanent health insurance and travel insurance
- Pension measured as the cash allowance in lieu of Company contributions at 5% of salary.

	Base salary	Benefits	Pension	Total fixed
Darren Waters	£426,400	£17,075	£21,320	£464,795
Michael Scott	£308,082	£17,399	£15,404	£340,885

Target

- Annual bonus: consists of an assumed payment of 50% of maximum opportunity
- Long-term incentives: consists of the threshold level of vesting (25% vesting) under the PSP.

Maximum

Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: consists of maximum bonus of 100% of base salary
- Long-term incentives: consists of the maximum level of vesting under the PSP.

Maximum with share price growth

- As per the maximum but with a 50% share price growth assumption for the PSP awards.

PART B: THE ANNUAL REPORT ON REMUNERATION

The Committee (unaudited)

Remuneration Committee members

During 2023, the Remuneration Committee comprised:

Chair:

Kate Allum (from 11 May 2023)

Martyn Coffey (to 11 May 2023)

Committee members:

Frank Nelson

Alison Littley (from 15 May 2023)

Iraj Amiri (from 15 May 2023)

All members of the Committee served throughout the year, unless otherwise stated.

The Chief Executive and Chief Financial Officer are invited to attend meetings of the Committee, except when their own remuneration is being discussed, and other Executives and Non-executive Directors attend meetings as required.

The Committee has formal terms of reference which can be viewed on the Company's website at www.investors.eurocell.co.uk.

During the year, the Committee considered its obligations under the Code and concluded that:

- The Directors' Remuneration Policy supports the Company's strategy (including in the performance measures chosen)
- Remuneration for our Directors remains appropriate.

In addition, the Committee has ensured that the Directors' Remuneration Policy and practices are consistent with the six factors set out in Provision 40 of the Corporate Governance Code:

Clarity – Our Directors' Remuneration Policy is well understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during a consultation when changes are being proposed).

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our Directors' Remuneration Policy and practices are straightforward to communicate and operate.

Risk – Our Directors' Remuneration Policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both annual incentives and long-term incentives which employ a blend of targets, (ii) the significant role played by shares in our incentive plans (together with bonus deferral and shareholding guidelines) and (iii) malus/ clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to standard dilution limits. The use of shares within our incentive plans results in the actual pay received being highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by variable pay, together with the composition of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to the Company's culture through the use of metrics in both the annual bonus and PSP that measure how we perform against key aspects of our strategy, which has the objective of delivering sustainable growth in revenue, profit and cash flow.

FIT Remuneration Consultants LLP ('FIT'), signatories to the Remuneration Consultants Group's Code of Conduct, are appointed by the Committee and provide advice to the Committee on all matters relating to remuneration, including best practice. FIT have no connection with the Group or any individual Director and provided no other services to the Group and therefore the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2023 were £14,455 (excluding VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

DIRECTORS' REMUNERATION REPORT CONTINUED

Audited information

Single total figure table (audited)

The remuneration for the Chair, Executive and Non-executive Directors of the Company who performed qualifying services during the relevant financial year is detailed below. The Chair and Non-executive Directors received no remuneration other than their annual fee.

For the year ended 31 December 2023:

Name	Salary/fees £000	Taxable benefits ¹ £000	Pension £000	Total fixed remuneration £000	Bonus ² £000	Long-term incentives ³ £000	Total variable remuneration £000	Total remuneration £000
Darren Waters ⁴	296	12	15	323	89	—	89	412
Michael Scott	291	17	15	323	89	—	89	412
Mark Kelly ⁵	174	9	16	199	47	—	47	246
Derek Mapp	150	—	—	150	—	—	—	150
Frank Nelson ⁷	62	—	—	62	—	—	—	62
Kate Allum ⁸	56	—	—	56	—	—	—	56
Alison Littley	59	—	—	59	—	—	—	59
Iraj Amiri ¹⁰	56	—	—	56	—	—	—	56
Will Truman ¹¹	32	—	—	32	—	—	—	32
Martyn Coffey ¹²	21	—	—	21	—	—	—	21

For the year ended 31 December 2022:

Name	Salary/fees £000	Taxable benefits ¹ £000	Pension £000	Total fixed remuneration £000	Bonus ² £000	Long-term incentives ³ £000	Total variable remuneration £000	Total remuneration £000
Mark Kelly	426	9	47	482	99	265	364	846
Michael Scott	272	17	30	319	63	169	232	551
Derek Mapp ⁶	94	—	—	94	—	—	—	94
Frank Nelson	60	—	—	60	—	—	—	60
Martyn Coffey	53	—	—	53	—	—	—	53
Kate Allum ⁸	24	—	—	24	—	—	—	24
Alison Littley ⁹	24	—	—	24	—	—	—	24
Iraj Amiri ¹⁰	7	—	—	7	—	—	—	7
Robert Lawson ¹³	65	—	—	65	—	—	—	65
Sucheta Govil ¹⁴	26	—	—	26	—	—	—	26

Notes:

- 1 Taxable benefits comprise Company car (and fuel) or car allowance, private family medical cover, permanent health insurance and travel insurance.
- 2 Bonuses are calculated on the salary in operation at the end of the financial year.
- 3 Value of long-term incentives is based on the market value on the actual vesting date (28 November 2023).
- 4 Darren Waters was appointed to the Board on 11 April 2023 and Chief Executive from 11 May 2023.
- 5 Mark Kelly stepped-down from the Board on 11 May 2023.
- 6 Derek Mapp was appointed to the Board on 16 May 2022 and became Non-executive Chair from 1 July 2022.
- 7 Frank Nelson stepped down as Chair of the Audit and Risk Committee on 11 May 2023.
- 8 Kate Allum was appointed to the Board on 1 July 2022 and Chair of the Remuneration Committee from 11 May 2023.
- 9 Alison Littley was appointed to the Board on 1 July 2022 and Chair of the Social Values and ESG Committee from 15 December 2022.
- 10 Iraj Amiri was appointed to the Board on 7 November 2022 and Chair of the Audit and Risk Committee from 11 May 2023.
- 11 Will Truman was appointed to the Board on 11 May 2023.
- 12 Martyn Coffey stepped-down from the Board on 11 May 2023.
- 13 Robert Lawson stepped-down from the Board on 1 July 2022.
- 14 Sucheta Govil stepped-down from the Board on 31 July 2022.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2023 was £1,506,000 (2022: £1,750,000 (restated for actual value at vesting³)).

Further information on the 2023 annual bonus (audited)

In 2023, the annual bonus metrics were a blend of targets relating to profit before tax (70% of the bonus opportunity) and cash flow (30% of the bonus opportunity). In addition, a health and safety adjustment underpin is applied which, if not achieved, could reduce the bonus pay-out.

The profit before tax and cash flow bonus targets and achievements were as follows:

£m	Threshold	Target	Maximum	Actual	Achievement (% of max)
Adjusted profit before tax	22.3	23.5	25.3	15.2	0%
Adjusted cash generated from operations	44.5	46.8	50.3	57.4 ¹	100%

¹ Cash generated from operations of £54.2m plus cash paid in respect of non-underlying items of £3.2m (see Note 7 to the Consolidated Financial Statements).

In order to reflect the level of stretch within the targets, the Committee determined that a pay-out of 75% of base salary would be appropriate for an on-target performance for 2023.

Performance against the profit before tax element of the bonus resulted in an achievement of 0% of that element. Performance against the cash flow element of the bonus resulted in an achievement of 100% of that element. After the appropriate weightings are applied, this provides an overall pay-out of 30% of salary being awarded to the Executive Directors in respect of 2023, which is to be paid in cash. The bonus payable to Mark Kelly is pro-rated for the period of the 2023 financial year in post.

The health and safety underpin was also considered satisfied and no discretion has been applied to the formulaic outcome by the Committee.

PSP awards vesting in respect of 2023 (audited)

The PSP values included under long-term incentives in the single figure table above relate to awards granted in 2021 which vest in 2024, dependent on EPS and ROCE performance measured over the three-year period ended 31 December 2023, as described in the tables below.

Under the EPS performance target (two-thirds of awards) which uses a sliding scale, 25% of this part of an award vests where adjusted earnings per share of 18.6p is achieved for the year ended 31 December 2023, increasing pro rata to full vesting where adjusted earnings per share of 20.2p is achieved.

Performance target	Threshold	Maximum	Actual	Achievement (% of max)
Adjusted basic EPS	18.6p	20.2p	11.0p	0%

Under the Group ROCE target (one-third of awards), which uses a sliding scale, 25% of this part of an award vests where Group ROCE of 20.4% is achieved for the year ended 31 December 2023, increasing pro rata to full vesting where Group ROCE of 25.5% is achieved.

Performance target	Threshold	Maximum	Actual	Vesting %
Group ROCE ²	20.4%	25.5%	12.6%	0%

² Adjusted operating profit for the year ended 31 December 2023, divided by average totals of opening and closing assets less trade and other payables, all measured on a pre-IFRS 16 basis.

As a result of performance against the adjusted earnings per share element and the Group ROCE element, no PSP awards are expected to vest in 2024. No discretion to the formulaic outcome has been applied by the Committee.

DIRECTORS' REMUNERATION REPORT CONTINUED

Statement of Directors' shareholding and share interests (audited)

The table below details for each Director, the total number of Directors' interests in shares at 31 December 2023 and 31 December 2022:

Director	Number of shares						Shareholding guideline (% of salary) ³	Shareholding guideline met? ³
	Beneficially owned 31 December 2022	Beneficially owned 31 December 2023 ¹	Vested but unexercised awards	Unvested DSP	Unvested PSP ²	Unvested SAYE		
Darren Waters	—	42,161	—	410,447	461,365	—	200	No
Michael Scott	72,862	179,157	—	28,589	667,398	16,245	200	No
Mark Kelly	234,020	234,020	—	44,749	314,843	—	—	n/a
Derek Mapp	91,000	571,910	—	—	—	—	—	n/a
Frank Nelson	49,090	90,973	—	—	—	—	—	n/a
Kate Allum	—	4,417	—	—	—	—	—	n/a
Alison Littley	—	4,282	—	—	—	—	—	n/a
Iraj Amiri	—	4,928	—	—	—	—	—	n/a
Will Truman	—	862	—	—	—	—	—	n/a
Martyn Coffey	16,428	16,428	—	—	—	—	—	n/a

1 The beneficial shareholdings set out above include those held by Directors and their respective connected persons as at 31 December 2023 or at the date of stepping down from the Board if earlier (Mark Kelly and Martyn Coffey stepped-down from the Board on 11 May 2023).

2 Performance-based share awards.

3 Shareholding guidelines for Executive Directors are 200% of salary. Executive Directors will be required to retain at least 50% of the net of tax shares which vest under the PSP and DSP until the guideline is met.

4 As previously announced, a number of the Non-executive Directors, including the Chair of the Board, entered into a share purchase plan for 12 months from 1 February 2023, which was subsequently extended for a further 12 months from 1 February 2024. Each participating Director has irrevocably instructed the Company to direct one quarter of their net monthly fees to an appointed broker to automatically make market purchases of ordinary shares.

As a result, the number of shares beneficially owned since 31 December 2023 has changed due to planned purchases that took place on 9 February 2024 for Non-executive Directors. The revised figures are as follows: Derek Mapp – 575,977 shares, Frank Nelson – 92,590 shares, Kate Allum – 5,812 shares, Alison Littley – 5,582 shares, Iraj Amiri – 6,545 shares, Will Truman – 2,068 shares.

PSP awards granted in 2023 (audited)

The following awards were made under the PSP in 2023:

Director	Date of grant	Basis of award (% salary)	Share price ¹	Number of shares	Face value of award ²	Vesting period
Darren Waters	11 April 2023	150%	133.3p	461,365	£615,000	April 2026 to April 2027
Michael Scott	11 April 2023	150%	133.3p	333,345	£444,350	April 2026 to April 2027

1 Rounded to one decimal place for the purposes of presentation in this report.

2 Calculated using the average share price over the 3 business days immediately prior to the date of grant.

The performance conditions applying to the awards made in April 2023 relate to: (i) adjusted Earnings per Share for two-thirds of the award; and (ii) Group Return on Capital Employed for one-third of the award.

More specifically:

Adjusted basic EPS ¹ for the year ended 31 December 2025	Portion of award vesting
Above 18.9p	100%
Between 17.3p and 18.9p	Pro rata on straight-line between 25% and 100%
17.3p	25%
Below 17.3p	0%

Group ROCE ² for the year ended 31 December 2024	Portion of award vesting
Above 23.5%	100%
Between 18.5% and 23.5%	Pro rata on straight-line between 25% and 100%
18.5%	25%
Below 18.5%	0%

1 Defined as adjusted basic earnings per share as shown in the consolidated audited accounts of the Company, excluding non-underlying items, for the third financial year of the performance period.

2 Defined as Group adjusted operating profit divided by average totals of opening and closing assets less trade and other payables (all on a pre-IFRS 16 basis), for the third financial year of the performance period.

DSP awards granted in 2023 (audited)

No awards were made under the DSP in 2023 in respect to the 2022 annual bonus.

As part of his recruitment package to provide compensation for share awards granted by his former employer that would be forfeited on leaving, Darren Waters, on joining the Company, was awarded £550,000 worth of shares under the DSP (in compliance with the Directors' Remuneration Policy and based on the share price as at the date of grant of the award), which will vest upon the expiry of a two-year deferral period subject to continued employment (with standard 'good leaver' provisions).

Director	Date of grant	Share price ¹	Number of shares	Face value of award ²	Vesting period
Darren Waters	11 April 2023	134.0p	410,447	£550,000	April 2025 to April 2026

1 Rounded to one decimal place for the purposes of presentation in this report.

2 Calculated using the average share price over the 5 business days immediately prior to the date of grant.

Outstanding share plan awards (audited)

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

Executive	Award type	Exercise price (p)	Grant date	Number of shares				Interest at 31 December 2023	Exercise period	Notes
				Interest at 1 January 2023	Awards granted in the year	Awards lapsed in the year	Awards exercised in the year			
Darren Waters	PSP	0	11/04/23	—	461,365	—	—	461,365	Apr 26 – Apr 27	4
	DSP	0	11/04/23	—	410,447	—	—	410,447	Apr 25 – Apr 26	5
Michael Scott	PSP	0	17/11/20	197,149	—	(73,891)	(123,258)	—	Nov 23 – Nov 24	1
	PSP	0	22/04/21	149,731	—	—	—	149,731	Apr 24 – Apr 25	2
	PSP	0	13/04/22	184,322	—	—	—	184,322	Apr 25 – Apr 26	3
	PSP	0	11/04/23	—	333,345	—	—	333,345	Apr 26 – Apr 27	4
	DSP	0	13/04/22	28,589	—	—	—	28,589	Apr 25 – Apr 26	3
	SAYE	172.0	09/04/20	10,465	—	(10,465)	—	—	Jun 23 – Nov 23	6
	SAYE	110.8	17/04/23	—	16,245	—	—	16,245	Jun 26 – Nov 26	7
Mark Kelly	PSP	0	17/11/20	308,582	—	(115,656)	(192,926)	—	Nov 23 – Nov 24	1
	PSP	0	22/04/21	234,362	—	(50,083)	—	184,279	Apr 24 – Apr 25	2, 8
	PSP	0	13/04/22	288,505	—	(157,941)	—	130,564	Apr 25 – Apr 26	3, 8
	DSP	0	13/04/22	44,749	—	—	—	44,749	Apr 25 – Apr 26	3
	SAYE	172.0	09/04/20	10,465	—	(10,465)	—	—	Jun 23 – Nov 23	6

All figures above exclude dividend equivalent shares, where applicable.

Notes:

1 See 'PSP Awards Vesting in Respect of 2022' section in the 2022 Directors' Remuneration Report.

2 See 'PSP Awards Vesting in Respect of 2023' section above.

3 As disclosed in the 2022 Directors' Remuneration Report.

4 See 'PSP Awards Granted in 2023' section above.

5 See 'DSP Awards Granted in 2023' section above.

6 Awards granted under the Eurocell plc Save As You Earn Scheme in 2020. Awards are based on a three-year savings contract with an exercise price of 172.0p.

7 Awards granted under the Eurocell plc Save As You Earn Scheme in 2023. Awards are based on a three-year savings contract with an exercise price of 110.8p.

8 Following Mark Kelly's stepping-down from the Board, the awards granted in 2021 and 2022 were time pro-rated dependent on the proportion of the relevant performance period worked.

During the year ended 31 December 2023, the highest mid-market price of the Company's shares was 165.5p and the lowest mid-market price was 106.0p. At 31 December 2023 the share price was 131.0p.

The aggregate gains by all Directors during 2023 was £434,654 (2022: £nil).

DIRECTORS' REMUNERATION REPORT CONTINUED

Retirement of Mark Kelly

Mark Kelly retired and left the Group following the AGM on 11 May 2023. The Committee determined the following treatment within the terms of the Company's approved remuneration policy:

- Salary, benefits and pension allowance were paid as usual until the leaving date
- No payment in lieu of notice was made
- Pro-rated annual cash bonus for the 2023 financial year would be calculated and paid, in the usual manner, in April 2024 subject to performance over this period and as determined by the Committee in accordance with the rules of the bonus plan
- Any deferred shares outstanding at the leaving date, which were awarded under the DSP in relation to the 2021 annual bonus, would vest in full in April 2025
- No grants or awards under the PSP would be made in 2023
- In line with the terms of the awards, any grants and awards outstanding at the leaving date, which were made under the PSP, would vest on the normal vesting date subject to (i) satisfaction of the existing performance conditions and (ii) awards being pro-rated, and therefore reduced, based on time served within the relevant three-year performance period up to the date of leaving. The holding period would continue to apply, with the exception of any shares sold to meet any income tax and other withholding obligations.

Payments to past Directors (audited)

No other payments to past Directors were made during the year.

Payments for loss of office (audited)

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

Performance graph and CEO remuneration table (unaudited)

The following graph shows the Total Shareholder Return ('TSR') performance of an investment of £100 in Eurocell plc's shares from its listing in March 2015 to 31 December 2023, compared with a £100 investment in the FTSE SmallCap Index over the same period. The FTSE SmallCap Index was chosen as a comparator because it represents a broad equity market index of similar-sized companies.

Total Shareholder Return Index (unaudited)



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

Year	CEO	Single figure of total remuneration	Annual bonus pay-out against maximum %	Long-term incentive vesting rates against maximum	Year-on-year change in CEO remuneration %	Year-on-year change in employee remuneration %
2023	Darren Waters	£411,794	30%	n/a	(23)%	6%
	Mark Kelly	£245,612	30%	0%		
2022	Mark Kelly	£857,090	23%	63%	(3)%	(1)%
2021	Mark Kelly	£879,271	100%	0%	89%	10%
2020	Mark Kelly	£465,945	0%	0%	(31)%	2%
2019	Mark Kelly	£673,262	49%	0%	47%	2%
2018	Mark Kelly	£459,294	0%	0%	(50)%	2%
2017	Mark Kelly	£916,442	40%	n/a	8%	2%
2016	Mark Kelly	£560,558	80%	n/a	33%	2%
	Patrick Bateman	£284,457	33%	n/a	—	—
2015	Patrick Bateman	£637,098	87%	n/a	n/a	n/a

As the Company listed in March 2015, part of the 2015 remuneration relates to when Eurocell was a privately owned Company.

Note: Based on all Group employees in order to provide a more meaningful comparison (Eurocell plc employees comprise the Executive and Non-executive Directors only).

Annual change in remuneration of each Director compared to employees (unaudited)

The table below presents the year-on-year percentage change in remuneration for each Director and for all Group employees:

	% change from 2022 to 2023			% change from 2021 to 2022			% change from 2020 to 2021		
	Salary/fee increase/(decrease) %	Annual bonus increase/decrease %	Taxable benefits increase %	Salary/fee increase %	Annual bonus decrease %	Taxable benefits increase %	Salary/fee increase ¹ %	Annual bonus increase %	Taxable benefits increase/(decrease) %
Darren Waters ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mark Kelly ⁵	(59)%	(53)%	0%	6%	(75)%	14%	5%	n/a ²	(73)%
Michael Scott	7%	41%	0%	6%	(76)%	25%	5%	n/a ²	2%
Derek Mapp ³	60%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Frank Nelson	3%	n/a	n/a	25%	n/a	n/a	3%	n/a	n/a
Martyn Coffey ⁵	(60)%	n/a	n/a	18%	n/a	n/a	3%	n/a	n/a
Kate Allum ³	133%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alison Littley ³	146%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iraj Amiri ³	700%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Will Truman ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
All employees	5%	36%	2%	4%	(76)%	2%	6%	232%	0%

1 All the Directors took a 20% reduction in salary/fees, for two months, during the first lockdown period in 2020.

2 Percentage increase is not available due to 2020 bonuses being £nil.

3 Directors appointed to the Board during 2022.

4 Directors appointed to the Board during 2023.

5 Mark Kelly and Martyn Coffey stepped-down from the Board during 2023.

DIRECTORS' REMUNERATION REPORT CONTINUED

CEO to employee pay ratio (unaudited)

The table below shows the CEO to employee pay ratio.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option B	25 : 1	22 : 1	18 : 1
2022	Option B	37 : 1	31 : 1	24 : 1
2021	Option B	42 : 1	33 : 1	27 : 1
2020	Option B	23 : 1	19 : 1	15 : 1
2019	Option B	34 : 1	27 : 1	21 : 1

Notes to the CEO to employee pay ratio:

- Option B (based on the gender pay gap reporting disclosures) was preferred as this data was already prepared on a Group basis.
- In line with the gender pay gap reporting regulations, pay for the 25th percentile, median and 75th percentile employees was calculated with reference to 5 April for each financial year.
- The ratios shown are representative of the FTE 25th percentile, median and 75th percentile pay for employees within the Group at the gender pay gap reference date of 5 April 2023.
- FTE equivalent pay has been calculated using the gender pay gap reporting methodology.
- The total of salary, benefits, pension, bonus and long-term incentives, being the single figure of total remuneration, for both Chief Executives who served during the year combined, has been used.

The CEO pay ratio figures for 2023 have decreased this year (when compared to 2022) primarily due to a decrease in the aggregate CEO's single figure remuneration, as a result of the nil vesting of the PSP awards in respect of 2023.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, the median and the 75th percentile are shown below:

	Salary £000			Total pay and benefits £000		
	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2023	25	30	36	26	30	37

Based on the salary profile of the Group's UK employees, the median pay ratio is consistent with the pay, reward and progression policies of the Group as a whole.

Relative importance of spend on pay (unaudited)

The table below details the change in total employee pay between 2022 and 2023 as detailed in Note 8 of the Financial Statements, compared with distributions to shareholders by way of dividend, share buybacks or any other significant distributions or payments.

	% change	2023 £m	2022 £m
Total gross employee pay	0.4%	85.2	84.9
Dividends/share buybacks	(7)%	10.3	11.1

The average number of employees during the year was 2,101 (2022: 2,250).

Statement of voting at the Annual General Meeting (unaudited)

The following table shows the results of the binding Remuneration Policy vote at the 12 May 2022 AGM and the advisory Directors' Remuneration Report vote at the 11 May 2023 AGM.

	(Binding Vote – 12 May 2022) Approval of the Directors' Remuneration Policy		(Advisory Vote – 11 May 2023) Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	97,411,403	100%	100,148,321	100%
Against	—	0%	1,956	0%
Votes withheld	—	—	—	—

Implementation of policy for 2024 (unaudited)

Base salaries

Current base salaries are as follows: £410,000 p.a. for Darren Waters and £296,233 p.a. for Michael Scott. With effect from 1 April 2024, these salaries will be increased by 4% to £426,400 and £308,082 respectively. The salary increase is in-line with that of the wider workforce and the resulting salaries remain below the median for similar sized companies.

Pensions

A defined contribution/salary supplement of 5% of salary, which is aligned to the wider workforce, is offered to Darren Waters and Michael Scott.

Benefits

Details of the benefits received by Executive Directors are set out in Note 1 to the Single Total Figure Table on page 108. There is no intention to introduce additional benefits in 2024.

Annual bonus

The annual bonus opportunity for 2024 has been structured in a similar manner to 2023. The maximum bonus will be 100% of salary and will be payable based on performance against a blend of adjusted profit before tax (70% of the bonus opportunity) and operating cash flow (30% of the bonus opportunity) targets.

These targets have been set in light of internal and external forecasts and will require outperformance to generate higher levels of pay-out. In addition, a health and safety adjustment underpin will apply which, if not achieved, could reduce the bonus pay-out. Any bonus earned above 75% of salary will be deferred into shares for three years.

Given the competitive nature of the Company's sector, the specific performance targets for 2024 are considered to be commercially sensitive and, accordingly, are not disclosed at this time, although the targets will be disclosed in next year's report in relation to the 2024 bonus outturn.

Long-term incentives

PSP awards are expected to be made in April 2024 to Michael Scott and Darren Waters at 150% of salary.

Performance targets will be based on earnings per share (two-thirds of the award) and return on capital employed improvement (one-third) in the third year of the performance period. Full details of these targets will be disclosed in next year's report, with these targets no less challenging in relative terms than the targets applied to the 2023 PSP awards.

Chair and Non-executive Directors' fees

In-line with the wider workforce, the fee for the Chair will be increased by 4% from £150,000 p.a. to £156,000 p.a. and the base fees for Non-executive Directors will be increased by 4% from £50,000 p.a. to £52,000 p.a. with effect from 1 April 2024.

Similarly, additional fees for the Committee Chairs, where applicable, and the Senior Independent Director will be increased by 4% from £10,000 p.a. to £10,400 p.a. with effect from 1 April 2024.

On behalf of the Board

Kate Allum

Chair of the Remuneration Committee

19 March 2024

DIRECTORS' REPORT

The Directors present their audited consolidated financial statements for the year ended 31 December 2023. Eurocell plc ('the Company') is a company incorporated and domiciled in the UK, with registration number 08654028, and is the holding company of the Eurocell Group of companies ('the Group'). All of the Group's activities are within the United Kingdom, with the exception of two overseas branches in the Republic of Ireland.

The shares of the Company have been traded on the main market of the London Stock Exchange throughout the year ended 31 December 2023.

The Directors' Report includes the Corporate Governance Statement set out on pages 79 to 86.

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

The Directors of the Company, and their biographical details, are listed on pages 74 and 75 and were all in place on the date this Directors' Report was approved. Changes to the Directors during the year, and up to the date of this report, are set out below:

Director	Position	Service in the year and up to date of report approval
Current directors:		
Derek Mapp	Chair	Served throughout
Darren Waters	Chief Executive	Appointed 11 April 2023
Michael Scott	Chief Financial Officer	Served throughout
Frank Nelson	Senior Independent Non-executive Director	Served throughout
Kate Allum	Independent Non-executive Director	Served throughout
Alison Littley	Independent Non-executive Director	Served throughout
Iraj Amiri	Independent Non-executive Director	Served throughout
Will Truman	Independent Non-executive Director	Appointed 11 May 2023
Angela Rushforth	Independent Non-executive Director	Appointed 1 February 2024
Former directors:		
Mark Kelly	Chief Executive	Served up to 11 May 2023
Martyn Coffey	Independent Non-executive Director	Served up to 11 May 2023

Strategic Report

As permitted by section 414C of the Companies Act 2006, certain information required to be included in the Directors' Report has been included in the Strategic Report, which is set out on pages 1 to 73. Specifically, this relates to information on the Group's strategy, business model, likely future developments and risk management.

UK Corporate Governance Code

Matters related to corporate governance and our compliance with the Code are set out in the Corporate Governance Statement on pages 79 to 86, which is incorporated herein by reference.

Results

Our Financial Statements for the year ended 31 December 2023 are set out on pages 130 to 176. The Financial Statements should be read in conjunction with the Chief Executive's Report, Divisional Reviews and the Chief Financial Officer's Report.

Dividends

The Board is recommending a final dividend of 3.5 pence (2022: 7.2 pence) per share for 2023 which, together with the interim dividend of 2.0 pence (2022: 3.5 pence) per share, makes a combined dividend of 5.5 pence (2022: 10.7 pence) per share.

Payment of the final dividend, if approved at the Annual General Meeting ('AGM'), will be made on 22 May 2024 to shareholders registered at the close of business on 26 April 2024. The ex-dividend date will be 25 April 2024.

Dividends paid in the year to 31 December 2023 and disclosed in the Consolidated Cash Flow Statement of £10.3 million (2022: £11.1 million), is comprised of the 2022 final dividend of 7.2 pence per share, which was paid in May 2023, and the 2023 interim dividend of 2.0 pence per share which was paid in October 2023.

Tax governance

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

Tax policy

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

Risk management of tax affairs

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

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

Tax planning

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

Although for commercial reasons we may trade with customers and suppliers genuinely located in countries considered to be tax havens, we will not use such jurisdictions for the purpose of avoiding tax, nor will we seek to take advantage of the secrecy afforded to transactions recorded in these jurisdictions.

Substantial shareholders

The Company's major shareholders, with a shareholding above 3%, as at 31 December 2023 and subsequent changes up to 15 March 2024¹, were as follows:

Shareholder	At 31 December 2023		Changes since 31 December 2023 ²	
	No. of Shares	% of voting rights	No. of Shares	% of voting rights
Aberforth Partners	23,892,457	21.3%	–	–
Soros Fund Management	17,860,218	15.9%	16,248,234	14.6%
JO Hambro Capital Management	11,092,556	9.9%	–	–
Alantra Asset Management	9,993,036	8.9%	–	–
Huntington Management	7,750,775	6.9%	–	–
Chelverton Asset Management	5,000,000	4.5%	–	–
ACR Alpine Capital Research	4,850,660	4.3%	–	–
Allianz Global Investors	4,108,178	3.7%	–	–
Royal London Asset Management	3,549,000	3.2%	–	–

¹ Being the latest practicable date prior to the date of this report.

² Changes notified to the Company pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules between 31 December 2023 and 18 March 2024¹.

Engaging with HMRC

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

Share capital

Details of our capital structure, including movements in issued share capital during the year, are shown in Note 26 to the Financial Statements. We have one class of ordinary shares, which carries no fixed income. Each share carries the right to one vote at our general meetings. The ordinary shares are listed on the Official List and traded on the London Stock Exchange.

As at 31 December 2023, there were 112,095,184 (2022: 112,095,184) ordinary shares of 0.1 pence each in nominal value in issue (the 'issued share capital'). Details of the shares issued in the year are shown in Note 26 to the Consolidated Financial Statements.

Holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's Annual Report, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

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

Under the Company's Articles of Association, the Directors have the power to suspend voting rights and the right to receive dividends in respect of shares in circumstances where the holder of those shares fails to comply with a notice issued under section 793 of the Companies Act 2006. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Share schemes

The Company operates a number of share schemes.

Long-Term Incentive Plans payable to executives and senior managers are operated under our Performance Share Plan ('PSP'). Executive Directors may have a proportion of their annual bonus deferred for up to three years under our Deferred Share Plan ('DSP'). The Company also operates Save As You Earn (or 'Sharesave') schemes, which are available to all employees.

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

Related party transactions

Other than in respect of arrangements set out in Note 31 to the Financial Statements and in relation to the employment of Directors, details of which are provided in the Remuneration Committee Report on pages 98 to 115, there is no material indebtedness owed to or by us to any employee or any other person or entity considered to be a related party.

DIRECTORS' REPORT CONTINUED

The Takeover Directive

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

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

Articles of Association

The Company's Articles of Association can only be amended by special resolution of the shareholders. Our current articles are available on our website at www.investors.eurocell.co.uk.

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

The Board of Directors may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by the Company in general meetings. The powers of the Directors include those in relation to the issue and buyback of shares.

Directors' retirement by rotation

In accordance with above and in line with the Code, all Directors in office will retire and offer themselves for election/re-election at the 2024 AGM, with the exception of Frank Nelson, who will step-down after nine years of service, in accordance with the UK Corporate Governance Code.

The Articles of Association provide that a Director may be appointed by an ordinary resolution of shareholders or by existing Directors, either to fill a vacancy or as an additional Director.

The Executive Directors serve under contracts that are terminable with twelve months' notice from the Company and twelve months' notice from the Executive Director. The Non-executive Directors serve under letters of appointment and do not have service contracts with the Company.

Copies of the service contracts of the Executive Directors and the letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

There are no specific Company rules in relation to the appointment/replacement of Directors and all such matters are managed by the Board in accordance with the Articles of Association, the Companies Act 2006 and any directions given by special resolution.

Directors' interests

Details of Directors' remuneration, interests in the share capital (or derivatives or other financial instruments relating to those shares) of the Company and of their share-based payment awards are contained in the Remuneration Committee Report on pages 98 to 115. No change in the interests of the Directors has been notified between 31 December 2023 and the date of this report.

Directors' indemnities

Pursuant to the Articles of Association, the Company has executed a deed poll of indemnity for the benefit of the Directors of the Company, and persons who were Directors of the Company, in respect of costs of defending claims against them and third-party liabilities. These provisions, deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Companies Act 2006, were in force during the year ended 31 December 2023 and remain in force. The indemnity provision in the Company's Articles of Association also extends to provide a limited indemnity in respect of liabilities incurred as a director, secretary or officer of an associated company of the Company.

A copy of the deed poll of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

Conflicts of interest

Under the Companies Act 2006, Directors must avoid situations where they have, or could have, a direct or indirect interest that conflicts or possibly may conflict with the Company's interests. As permitted by the Act, the Company's Articles of Association enable Directors to authorise actual or potential conflicts of interest.

Legal and regulatory compliance

The executive team is responsible for identifying and carrying out assessments of those areas of the business where material legal and regulatory risks may be present. Where issues are identified, mitigating actions are built into an action plan involving the drafting and communication of policies and the delivery of training where appropriate, or are approached by way of a revision to key contractual terms. The Board receives regular reports on material litigation and the legal action taken to support our strategy.

Health and safety

We are committed to providing a safe place for employees to work. Our policies are reviewed on an ongoing basis to ensure that the approach to training, risk assessment, safe systems of working and accident management is appropriate.

As part of this process, a rolling audit programme is in place to ensure that health, safety, environmental and security risks are assessed stringently and that robust control measures are in place to limit or mitigate risk as appropriate.

Events after the balance sheet date

On 1 February 2024, Angela Rushforth was appointed as a Director of the Company.

Other matters

Employee disclosure (including equality, diversity and disabled employees)

See Sustainability Report on pages 32 to 49.

Employee engagement statement

See Corporate Governance Statement on pages 79 to 86.

Statement on engagement with suppliers, customers and others in a business relationship with the Company

See Corporate Governance Statement on pages 79 to 86.

Financial risk management

See Note 3 of the Financial Statements.

Research and development

The Group undertakes research and development work in support of its objectives. Further details of our research and development activities can be found in the Strategic Report on pages 1 to 73.

Payments to suppliers

It is Group policy to abide by the payment terms agreed with suppliers, provided that the supplier has performed its obligations under the contract.

Political donations

In accordance with the Group's policy, no political donations were made and no political expenditure was incurred during 2023 (2022: £nil).

Greenhouse gas emissions and energy use

See Sustainability Report on pages 32 and 49.

Disclosure of information to auditors

See the Directors' confirmations on page 120.

Disclosures required by Listing Rule 9.8.4R

There were no waivers of dividends during the year which were greater than 1% of the total value of the dividend paid. There are no other disclosures to be made under the above listing rule.

By Order of the Board

Paul Walker

Group Company Secretary

19 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts 2023 and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK-adopted international accounting standards have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts for 2023, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- The Group Financial Statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

- So far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

The Directors' Responsibility Statement was approved by the Board on 19 March 2024.

Darren Waters
Chief Executive

Michael Scott
Chief Financial Officer



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCELL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Eurocell plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2023 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 December 2023; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

Independence

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

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

Other than those disclosed in note 5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

Overview

Audit scope

- A component was considered to be a company or division where discrete financial data was prepared. Financially significant components were determined to be those which contributed more than 15% of the underlying profit before tax (measured on an absolute basis) in either the current or prior year. For components that were not financially significant, consideration was made over whether in our judgement any components would be tested as full scope despite being below 15% of the absolute underlying profit before tax. Following this assessment two components were identified as financially significant and one component was identified as requiring a full scope audit.
- Audit work was then performed over specific Financial Statement Line Items ("FSLI's") if they contributed more than 15% of the consolidated FSLI and were above group performance materiality. For balances which were below 15% of the consolidated FSLI and multiple times performance materiality we have considered whether the risk of material misstatement has been reduced to an acceptably low level and whether any additional balances would be brought into scope. This assessment resulted in FSLIs in 3 other components being in scope for large balance testing. Combined coverage (of in scope components and large balances) represented 99% of the reporting consolidated revenues and 73% of the consolidated underlying profit before taxation on an absolute basis. For all other balances/components, disaggregated analytical review procedures were performed to group materiality.
- Work on the consolidation was considered separately to the component scoping exercise and performed to group materiality.
- All work was performed by the group audit team.

Key audit matters

- Trade receivables provisions (group).
- Inventory provisioning (group).
- Inventory labour and overhead absorption (group).
- Impairment of intercompany investments and intercompany receivables (parent).

Materiality

- Overall group materiality: £760,000 (2022: £1,400,000) based on 5% of underlying profit before taxation.
- Overall company materiality: £481,000 (2022: £751,000) based on 1% of total assets.
- Performance materiality: £570,000 (2022: £1,050,000) (group) and £360,000 (2022: £563,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Inventory labour and overhead absorption is a new key audit matter this year. Valuation of inventory, which was a key audit matter last year, is no longer included because of this matter being made more specific through our detailed risk assessment to be relating to the amount of labour and overhead absorbed into inventory. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Trade receivables provisions (group)</i></p> <p>Refer to pages 66 to 72 (Risk management and Principal risks and uncertainties), pages 92 to 97 (Audit and Risk Committee report), Note 1 (Accounting Policies), Note 2 (Critical Accounting Estimates and Judgements) and Note 20 (Trade and other receivables). The Group had gross trade receivables of £38.6 million at 31 December 2023 (2022: £43.5 million) against which provisions of £1.2 million (2022: £1.8 million) were held in accordance with IFRS 9. We focused on this area, and specifically the valuation assertion, because the Directors' assessment of the provisions required in respect of trade receivables included subjective estimates. These estimates, such as the appropriate level of provisions to apply to aged debt, remain a heightened risk in the current year due to the uncertain market conditions ongoing into FY24.</p>	<p>We understood the Directors' methodology for calculating trade receivables provisions across the Group and considered if these complied with IFRS 9. Audit procedures performed included:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of controls around the trade receivables provisioning process; • We reviewed the accuracy of past management estimates via look-back tests and movements in the provisions year on year; • We confirmed that the amounts included in the IFRS 9 model agreed back to the underlying ledgers as at 31 December 2023; • We tested the accuracy of the calculations in the model; • We tested the ageing of amounts due at the balance sheet date to verify the data had been analysed correctly, and recalculated actual debtors days for transactions cleared against debtor balances in the year; and • We considered the results of our other audit procedures over trade receivables (for example review of post year end payments made by customers) for inconsistencies with the IFRS 9 models. <p>We identified no material exceptions from the procedures noted above. Based on the results of our audit work we concluded that the provisions recorded were materially accurate, calculated in line with the requirements of IFRS 9.</p>

INDEPENDENT AUDITORS' REPORT

CONTINUED

Key audit matter

Inventory provisioning (group)

Refer to pages 66 to 72 (Risk management and Principal risks and uncertainties), pages 92 to 97 (Audit and Risk Committee report), Note 1 (Accounting Policies), Note 2 (Critical Accounting Estimates and Judgements) and Note 19 (Inventories). Inventory totalled £46.7 million as at 31 December 2023 (2022: £59.9 million) after provisions of £3.5 million (2022: £3.5 million). We focused on this area because the Directors' assessment of the recoverability of inventory involved subjective judgements. Specifically, the determination of inventory provisions for slow moving, obsolete and discontinued line items, reflecting the level of inventory held across the branch network and manufactured goods at the year end, requires the exercise of estimation.

How our audit addressed the key audit matter

Our audit procedures over the impairment of inventory consisted of:

- We evaluated the design and implementation of controls around the inventory provisioning process;
- We understood the Directors' methodology for calculating inventory provisions;
- We reviewed the accuracy of past management estimates via look-back tests and movements in the provisions year on year;
- Where inventory provisions were based upon historical sales data, we tested the underlying report to validate the data on which management's calculations were based;
- We evaluated the Directors' assumptions over usage and validated historic usage which is then used to forecast future sales rates;
- We attended physical inventory counts, conducted by management, to highlight any increased areas of concern, regarding excess / unused stock held at either the branches we visited or the manufacturing sites;
- We performed sensitivity analysis on key variables within the obsolete inventory provision to assess reliance of the model on a particular variable; and
- Where specific impairments were made, outside of the standard impairment reviews, we challenged management of the completeness and appropriateness of these additional amounts.

Based on the results of our audit work, we concluded that provisions recorded were materially accurate and calculated in line with the requirements of IAS 2.

Inventory labour and overhead absorption (group)

Refer to pages 66 to 72 (Risk management and Principal risks and uncertainties), pages 92 to 97 (Audit and Risk Committee report), Note 1 (Accounting Policies), Note 2 (Critical Accounting Estimates and Judgements) and Note 19 (Inventories). Inventory totalled £46.7 million as at 31 December 2023 (2022: £59.9 million). We focused on this area because the Directors' assessment of the absorption of labour and overhead costs into inventory involved subjective judgements.

Our audit procedures over the labour and overhead costs absorbed into inventory comprised:

- We evaluated the design and implementation of labour and overhead inventory cost absorption controls;
- We understood the nature of the costs that the Directors' absorbed into inventory and determined their appropriateness in line with IAS 2 'Inventories' ("IAS 2");
- We understood the approach taken to implement updated standard costing and determined that the assumptions and methods utilised were appropriate;
- We recalculated inventory days to determine the level of labour and overheads absorbed into the finished goods products was appropriate; and
- We tested, on a non-statistical sampling basis, the valuation and calculation of labour and overhead costs absorbed into inventory, agreeing cost categories to relevant support such as production volumes, plant energy rates and payslips.

Based on the results of our audit work, we concluded that the amount of labour and overheads absorbed into inventory was materially accurate and calculated in line with the requirements of IAS 2.

Key audit matter

Impairment of intercompany investments and intercompany receivables (parent)

Refer to Note 35 (Accounting Policies), Note 38 (Investments) and Note 39 (Trade and other receivables). The company has investments in subsidiary companies of £17.8 million (2022: £17.8 million) and intercompany receivables of £29.2 million (2022: £56.3 million). Material impairment to these could result in implications for future dividends.

How our audit addressed the key audit matter

We obtained management's impairment assessment regarding the investment's carrying value and management's IFRS 9 expected credit loss model in respect of the intercompany receivables. The recoverability of the investment's carrying value was based upon the same underlying data noted in other group calculations such as the going concern assessment and goodwill impairment model. We also noted that the market capitalisation of the group was c.£147 million as at 31 December 2023 which is significantly in excess of the parent company's total assets. We considered the IFRS 9 model and noted that a significant change in the key assumption (being the expected loss rate of 0.1%) would be required prior to a material impairment being noted. The amounts owed to the company were ultimately due from profitable subsidiaries, with sufficient net assets. We tested the integrity of the models and the validity of the key data inputs. No exceptions were noted in the performance of the above procedures. We therefore concluded that the investments and intercompany receivables were accounted for in line with IFRS 9 and IAS 36, with appropriate disclosures being made.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

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

The business is managed as two primary divisions:

- Eurocell Building Plastics, focusing on sales and distribution across over 200 branches within the UK and 2 in Ireland to generally smaller scale customers; and
- Eurocell Profiles, focusing on manufacture and distribution to large-scale customers. This division includes the trading subsidiaries Eurocell Profiles Limited, Vista Panels Limited, and Ecoplas Limited.

Other than Vista Panels Limited, which has its own finance team, all finance and operational management functions are located at the Alfreton headquarters. Therefore all audit work, including work on components, was completed by a single Group audit team.

For the purposes of our audit of the group we considered components to be operations where there was discrete financial data maintained by management, including a separate trial balance. For the consolidated audit of Eurocell plc this related to the individual subsidiary companies; Eurocell Building Plastics Limited, with Eurocell Profiles Limited the statutory entity, being seen as two components (as S&S Plastics is now a division within Eurocell Profiles Limited but this component is out of scope).

A component was included within our full scope audit procedures, and considered to be a financially significant component, if it represented 15% or more of the reported underlying profit before taxation, measured on an absolute basis (as some entities act as cost centres, all results of components were added together and then if a component represented 15% or more of this total it was deemed a financially significant component) in either the current or prior year. There were two financially significant components (Eurocell Profiles Limited, excluding the S&S plastics division and Eurocell Building Plastics Limited). We then considered the entities which did not meet the financial significance criteria and in our judgement designated Eurocell plc company as a component where we would perform a full scope audit.

We then considered the remaining eight components to ascertain if further procedures would be required. Where these had an individual Financial Statement Line Item ("FSLI") that represented more than 15% of the consolidated FSLI and was individually above group planning materiality we included that specific FSLI within our scope of testing and performed audit procedures over this FSLI to group materiality. We then considered individual FSLIs where they represented less than 15% but were multiple times materiality. We used our judgement as to whether these balances would be in full audit scope. This resulted in FSLIs for three of the remaining components being in scope for large balance testing and a final combined coverage of 99% of the reporting consolidated revenues and 73% of the reported consolidated underlying profit before taxation on an absolute basis. For all other balances and/or components not considered for detailed testing, analytical review procedures were performed, to group materiality.

There were no specific components or areas included within our group audit scope due to specific risk factors.

Work was performed over the consolidation adjustments separately to the above scoping of components, due to the relative simplicity of the group and the nature of the consolidation (performed by the head office finance function with mainly UK operations). This was performed using group materiality.

INDEPENDENT AUDITORS' REPORT

CONTINUED

For the Eurocell plc company audit the only material transactions and balances related to the intercompany investments (including amounts owed by subsidiary companies), the debt held by the Company, the related operating expenses and tax charges, and the share based payment charge. These were all included in the scope of our audit and tested using the company materiality by the group audit team.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Task Force on Climate-related Financial Disclosures ('TCFD') on page 50 to 61.

In addition to enquiries with management, we also:

- Read the governance processes in place to assess climate risk; and
- Read additional reporting made by the entity on climate including its sustainability section of the financial statements.

Management has made commitments to reduce the emissions and energy use and a target to be net zero by 2045 with a pathway to be developed and announced in 2024. Management are currently working to develop a Net Zero transition plan and align these targets to the 'Science Based Targets initiative' framework. These commitments do not directly impact any financial results at this stage as the impact of the net zero plan is expected to be in the medium to longer term. Management will formally model the impact once the pathway is developed.

The key areas of the financial statements where management evaluated that climate risk has a potentially significant impact are the disclosures and assessments relating to intangible assets and impairment particularly of goodwill. Using our knowledge of the business we evaluated management's risk assessment, its estimates and resulting disclosures where significant.

To respond to the audit risks identified in these areas we tailored our audit approach. In particular, we:

- Challenged management on how the impact of climate commitments made by the Group would impact the assumptions within the discounted cash flows prepared by management that are used in the Group's impairment analysis,
- Challenged whether the impact of climate risk in the Directors' assessments and disclosures of going concern and viability were consistent with management's climate impact assessment, and;
- Where appropriate, performed independent sensitivity analysis to determine to what extent reasonably possible changes in these assumptions could result in material changes to the impairment headroom and assessed the appropriateness of the associated disclosures.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements – group	Financial statements – company
<i>Overall materiality</i>	£760,000 (2022: £1,400,000)	£481,000 (2022: £751,000)
<i>How we determined it</i>	5% of underlying profit before taxation	1% of total assets
<i>Rationale for benchmark applied</i>	We believe that underlying profit before tax is the key measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. In 2023 underlying profit before tax is £3.5m higher than reported profit before tax.	We believe that total assets is the primary measure used by the shareholders in assessing the financial position of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £408,000 and £712,500. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £570,000 (2022: £1,050,000) for the group financial statements and £360,000 (2022: £563,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £38,000 (group audit) (2022: £70,000) and £24,000 (company audit) (2022: £37,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Discussions with management and those charged with governance regarding the future plans and cash flow projections for the group. This included discussions around the forecast cash requirements and sufficiency of available facilities to deal with a severe but plausible downside to these projections;
- We obtained management's analysis and cash flow model. We checked the integrity of the model, that the base projections agreed to the approved budgets and were consistent with our work in other areas, for example the projections used in the impairment reviews;
- We considered the accuracy of management's forecasting in prior years by comparing actual to forecast cash flows in the past five years (i.e. the period for which the senior management team has remained materially unchanged);
- We recalculated management's assessment of the impact of three downside scenarios (reduction in sales, increase in resin prices and a combination of these factors) on the forecast compliance with financial covenants and sufficiency of facilities/available cash;
- We considered the reported headroom on facilities at each month end for the review period;
- We have performed our own sensitivities to ascertain the levels of underperformance in each scenario required to breach the covenant facilities;
- We reviewed the debt facilities to ascertain if management had correctly factored in financial covenants to their model, including whether covenants were appropriately calculated at each measurement point and expected to be met during the assessment period (i.e. until 31 December 2026);
- We confirmed management's calculations of compliance with the covenants during 2023;

- We critically assessed the disclosures in relation to going concern compared to the evidence obtained above, our understanding of the group and the various requirements detailed within Company Law, the Listing Rules and accounting standards; and
- For the Eurocell plc company going concern assessment we reviewed management's analysis of the company cash flows, checked for consistency with the consolidated model (including the mathematical accuracy of the model), reviewed the committed cash outflows compared to the available funds (being cash reserves and forecast dividend receipts from subsidiaries), considered the sufficiency of management's assessment of head room and critically assessed the disclosures in note 35.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

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

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

INDEPENDENT AUDITORS' REPORT

CONTINUED

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

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

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue, expenses or cash and management bias in accounting estimates and judgemental areas of the financial statements.

Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance around actual and potential frauds, litigations or claims against or by the company;
- Reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations;
- Auditing the risk of management override of controls, through testing journal entries (using our data analysis tools to confirm completeness of data) by adopting a risk based approach based on a detailed fraud assessment, testing significant accounting estimates (as defined in the notes to the financial statements) because of the risk of potential management bias, and evaluating the business rationale and accounting for any significant or unusual transactions outside the normal course of business;
- Auditing the risk of fraud in revenue recognition by using our data analysis tools to identify unusual credits to revenue for further investigation;
- Performing unpredictable audit procedures, which are changed year on year;
- Understanding of management's internal controls designed to prevent and detect irregularities; and
- Reviewing minutes of meetings of the Board of Directors.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations.

We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 29 April 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2015 to 31 December 2023.

OTHER MATTER

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Christopher Hibbs (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

19 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	Year ended 31 December 2023			Year ended 31 December 2022		
		Underlying £m	Non-underlying ¹ £m	Total £m	Underlying £m	Non-underlying ¹ £m	Total £m
Revenue	4,9	364.5	—	364.5	381.2	—	381.2
Cost of sales		(190.7)	—	(190.7)	(196.7)	—	(196.7)
Gross profit		173.8	—	173.8	184.5	—	184.5
Distribution costs		(25.3)	(0.1)	(25.4)	(23.9)	(0.4)	(24.3)
Administrative expenses		(130.5)	(3.4)	(133.9)	(130.4)	(1.8)	(132.2)
Other income ²		0.4	—	0.4	1.1	—	1.1
Operating profit	9	18.4	(3.5)	14.9	31.3	(2.2)	29.1
Finance expense	10	(3.2)	—	(3.2)	(2.6)	(0.3)	(2.9)
Profit before tax from continuing operations	9	15.2	(3.5)	11.7	28.7	(2.5)	26.2
Taxation	11	(2.9)	0.8	(2.1)	(4.7)	0.5	(4.2)
Profit after tax from continuing operations		12.3	(2.7)	9.6	24.0	(2.0)	22.0
Discontinued operations							
Loss after tax from discontinued operations	12			—			(2.3)
Profit for the year and total comprehensive income				9.6			19.7
Basic earnings per share from continuing operations	13	11.0p		8.6p	21.4p		19.6p
Diluted earnings per share from continuing operations	13	11.0p		8.6p	21.3p		19.5p

1 Non-underlying items are detailed in Note 7. The Group's policy regarding the recognition of non-underlying items is outlined on page 135.

2 Other income is amounts received under the Group's Cyber Insurance Policy, net of excess paid, in respect of business interruption to the Group's continuing trading activities as a result of a cyber incident in July and August 2022.

The Notes on pages 134 to 167 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Property, plant and equipment	15	59.9	61.7
Right-of-use assets	16	55.1	59.7
Intangible assets	17	15.8	16.9
Total non-current assets		130.8	138.3
Current assets			
Inventories	19	46.7	59.9
Trade and other receivables	20	45.3	50.0
Corporation tax		0.6	0.2
Deferred consideration	12	—	0.8
Cash and cash equivalents		0.4	5.1
Total current assets		93.0	116.0
Total assets		223.8	254.3
Liabilities			
Current liabilities			
Trade and other payables	22	(41.6)	(47.4)
Lease liabilities	23	(12.9)	(13.0)
Provisions	24	(0.2)	(0.2)
Total current liabilities		(54.7)	(60.6)
Non-current liabilities			
Borrowings	21	—	(20.3)
Lease liabilities	23	(45.7)	(50.7)
Provisions	24	(1.1)	(1.0)
Deferred tax	25	(8.0)	(6.8)
Total non-current liabilities		(54.8)	(78.8)
Total liabilities		(109.5)	(139.4)
Net assets		114.3	114.9
Equity attributable to equity holders of the parent			
Share capital	26	0.1	0.1
Share premium account	26	22.2	22.2
Treasury shares	26	(0.1)	—
Share-based payment reserve	27	0.9	0.9
Retained earnings		91.2	91.7
Total equity		114.3	114.9

The Financial Statements on pages 130 to 167 were approved and authorised for issue by the Board of Directors on 19 March 2024 and were signed on its behalf by:

Darren Waters
Chief Executive

Michael Scott
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Cash generated from operations	32	54.2	38.7
Income taxes paid		(1.4)	(3.6)
Net cash generated from operating activities		52.8	35.1
Investing activities			
Purchase of property, plant and equipment		(9.0)	(11.9)
Purchase of intangible assets		(0.1)	(0.5)
Net cash flow arising on sale of business	12	0.8	0.3
Net cash used in investing activities		(8.3)	(12.1)
Financing activities			
Proceeds from new share capital issued	26	—	0.2
Purchase of own shares held as treasury shares	26	(0.7)	—
Repayment of bank and other borrowings		(21.0)	(22.0)
Proceeds from bank borrowings		—	31.0
Bank borrowings arrangement costs		(0.2)	(0.8)
Principal elements of lease payments		(13.8)	(13.3)
Finance elements of lease payments		(1.8)	(1.4)
Finance expense paid		(1.4)	(1.2)
Dividends paid to equity Shareholders	14	(10.3)	(11.1)
Net cash used in financing activities		(49.2)	(18.6)
Net (decrease)/increase in cash and cash equivalents¹		(4.7)	4.4
Cash and cash equivalents¹ at beginning of year	33	5.1	0.7
Cash and cash equivalents¹ at end of year	33	0.4	5.1

1 Cash and cash equivalents includes bank overdrafts.

2 Cash flows arising on discontinued operations from prior year are outlined in Note 12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023		0.1	22.2	—	0.9	91.7	114.9
Comprehensive income for the year							
Profit for the year		—	—	—	—	9.6	9.6
Total comprehensive income for the year		—	—	—	—	9.6	9.6
Contributions by and distributions to owners							
Exercise of share options	26, 27	—	—	0.6	(0.8)	0.2	—
Share-based payments	27	—	—	—	0.8	—	0.8
Purchase of own shares	26	—	—	(0.7)	—	—	(0.7)
Dividends paid	14	—	—	—	—	(10.3)	(10.3)
Total transactions with owners recognised directly in equity		—	—	(0.1)	—	(10.1)	(10.2)
Balance at 31 December 2023		0.1	22.2	(0.1)	0.9	91.2	114.3

	Note	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022		0.1	21.9	—	1.1	83.1	106.2
Comprehensive income for the year							
Profit for the year		—	—	—	—	19.7	19.7
Total comprehensive income for the year		—	—	—	—	19.7	19.7
Contributions by and distributions to owners							
Exercise of share options	27	—	0.3	—	—	—	0.3
Share-based payments	27	—	—	—	(0.2)	—	(0.2)
Dividends paid	14	—	—	—	—	(11.1)	(11.1)
Total transactions with owners recognised directly in equity		—	0.3	—	(0.2)	(11.1)	(11.0)
Balance at 31 December 2022		0.1	22.2	—	0.9	91.7	114.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 ACCOUNTING POLICIES (GROUP)

Corporate information

Eurocell plc (the 'Company') and its subsidiaries (together the 'Group') is a publicly listed company incorporated and domiciled in England, United Kingdom. The registered office is located in England at the following address: Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT.

The Group is principally engaged in the extrusion and supply of PVC window and building products to the new and replacement window market and the sale of building materials across the UK.

Basis of preparation

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

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

The Group Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Financial Statements have been prepared under the historical cost convention, as modified by fair values in respect of acquisition accounting. The functional currency is Sterling, and the Financial Statements are presented in millions, unless otherwise stated.

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

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries at 31 December 2023 and present the results as if they formed a single entity. Where the Company has power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases. Intercompany transactions and balances, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

The Group's functional currency is Sterling. The vast majority of the Group's revenues are denominated in Sterling, and as a result the consolidation of non-UK revenues has minimal foreign exchange impact.

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

All dormant subsidiaries prepare and file financial statements in accordance with Section 480 of the Companies Act 2006, which are filed with the registrar at Companies House.

Going concern

The Group funds its activities through a £75 million Revolving Credit Facility, provided by Barclays, NatWest and Bank of Ireland, which matures in May 2027, following a one year extension that was completed in May 2023. The facility includes two key financial covenants, which are tested at 30 June and 31 December each year on a pre-IFRS 16 basis. These are that net debt should not exceed three times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least four times the interest charge on the debt (Interest Cover). Adjusted EBITDA is defined as operating profit before depreciation, amortisation and non-underlying items. See alternative performance measures on page 140.

No covenants were breached during the year ended 31 December 2023. For the next measurement period, being 30 June 2024, and going forward, the Group expects to comply with its covenants.

In assessing going concern, the Directors have considered financial projections for the period to December 2025, which is consistent with the Board's strategic planning horizon and reflects a period of at least 12 months from the date of approval of these Financial Statements. These forecasts have been compiled based on the best estimates of the Group's commercial and operational teams. This includes a severe but plausible 'Downside' scenario, which reflects demand for the Group's products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2024-25, key raw material prices increasing by 33% over that period and both scenarios combined. The Group operates with significant headroom on its RCF facility and remains compliant with its original covenants.

After reviewing the Group's projected financial performance and financing arrangements, the Directors consider that the Group has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing these Financial Statements.

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

The Group has applied the following amendments for the first time for the financial reporting period commencing 1 January 2023, with no material impact:

- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12).

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21).

These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Revenue

The Group manufactures and distributes a range of building plastic materials, along with associated ancillary products, via direct sales to its fabricator customers and through its branch network. Revenue is recognised when control of the products has transferred. Control is considered to have transferred once the customer has taken delivery of the products, or has collected them from the branch, has full discretion over the future use of those products, and where there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue is recognised when the goods are dispatched to, or collected by, the customer. Revenue is based upon the price specified on the customer's invoice, which is determined with reference to a price list specific to each customer or category of customers. A receivable is recognised on the transfer of the products, as this is the point at which consideration is deemed to be unconditional. There are no variable elements to the consideration received that require estimation. No significant element of financing is present as sales are made with a credit term of 30 days end of month, which is consistent with market practice.

Where costs are incurred by the Group in securing a contract to supply products, those costs, (subject to a de-minimis limit), are recognised as customer contract assets (within trade and other receivables) in the Consolidated Statement of Financial Position. The balance is amortised over the period in which revenue pertaining to those costs is recognised, which in the vast majority of cases is four years. Reviews are performed to assess expected credit losses and balances adjusted if necessary.

Due to the fact that the Group's customers typically collect or take delivery of products for immediate use in their intended purpose, the likelihood of items being returned is small. Therefore, it is highly probable that a significant reversal of revenue will not occur. The Group's obligations to repair or replace faulty manufactured products under the standard warranty terms is recognised as a provision, see Note 24.

Non-underlying items

The Group presents some material items of income and expense as non-underlying items. This is done when, in the opinion of the Directors, the nature of the circumstances merit separate presentation in the Financial Statements. This includes, but is not limited to, costs incurred in the act of securing debt or equity funding, non-recurring costs arising from business restructuring and expensed software-as-a-service costs incurred in the process of developing strategic IT systems (see Software on page 136).

This treatment allows users of the Financial Statements to better understand the elements of financial performance in the year, it facilitates comparison with prior periods, and it helps in understanding trends in financial performance. Further details are provided in Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Business combinations and goodwill

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

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

Discontinued operations

A discontinued operation is a component of the Group that has either been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 12. All other notes to the Financial Statements include amounts for continuing operations, unless indicated otherwise.

Consideration received for the sale of a business is comprised of cash received upon completion plus deferred consideration. Deferred consideration is recognised as a receivable on completion of the sale when there are no performance criteria and the buyer is legally obliged to pay, therefore the cash is virtually certain to be received. Cash flows in relation to deferred consideration are classified as a cash flow from investing activities.

The sale of the Security Hardware business in 2022 met the criteria above as it was a separate major line of business of the Group as it is material and was an operating segment (part of the Building Plastics reported segment) and is therefore classified as a discontinued operation in the prior year.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. Useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Software	5 to 10 years	Cost to acquire
Technology-based	10 to 17 years	Cost to acquire
Customer-related	5 to 10 years	Cost to acquire
Marketing-related	10 to 15 years	Cost to acquire

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

Software

Costs associated with maintaining computer software programs are recognised as an expense in the underlying income statement as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products that are controlled by the Company are recognised as intangible assets, and amortised on a straight-line basis over their estimated useful lives. Any development costs that directly relate to software-as-a-service ('SaaS') arrangements are expensed as incurred unless the Company has control of the underlying SaaS software. Where expensed SaaS costs are incurred in the process of developing strategic IT systems, which for the avoidance of doubt comprises the Group's new Enterprise Resource Planning and HR Information Systems, such costs are classified as non-underlying items as they are material in size and not part of the normal costs of operating the business.

Impairment of tangible assets, intangible assets, right-of-use assets and investments

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

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

Individual right-of-use lease property assets relating to the Group's branch network are also tested for impairment when an indication of impairment arises, such as a branch becoming loss-making. In considering individual branch performance, central overheads are allocated to each branch in proportion to sales.

Where it is considered probable that climate change will have a measurable and materially adverse impact on the future cash flows of a CGU or non-current asset, estimated cash flows and/or useful economic lives are reduced accordingly.

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

Property, plant and equipment

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

Freehold land is not depreciated. Assets in the course of construction are not depreciated until they are in a condition that would allow them to be deployed in their intended use without further changes to their condition. Depreciation is provided on all other items of property, plant and equipment so as to write off their cost less residual value over their expected useful economic lives. It is provided at the following rates:

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

Right-of-use lease assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Discount rates are based on our external financing rate and then a lease specific adjustment is applied.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease. Leases are assessed for impairment based on value in use and impaired where this is below book value. Reversals of impairments can occur where assets are subsequently found to have further value in use.

Inventories

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

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred up to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Financial assets

The Group records all of its financial assets at amortised cost and has not classified any of its financial assets at fair value through profit and loss or other comprehensive income. The Group's financial assets comprise trade and other receivables and cash and cash equivalents in the balance sheet. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Customer rebates are offset against receivable amounts in line with the terms of the customer agreements.

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables.

Expected loss rates are derived based upon the payment profile of sales over the three-year period up to the reporting date, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income. Insured balances are excluded to the extent that no loss would arise in the event of default by the customer.

Where the adjusted loss rates are different from the original estimate, there is an impact on the carrying value of trade receivables and the amount credited or charged on a net basis to operating expenses within the Consolidated Statement of Comprehensive Income.

Whilst cash and cash equivalents and contract assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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

Financial liabilities

The Group classifies its financial liabilities as financial liabilities measured at amortised cost which include the following items:

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

Taxation

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

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

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

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

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

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

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

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

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

Lease liabilities

The Group leases certain properties, vehicles and material handling equipment. The Group has no leases previously classified as finance leases. Liabilities for leases previously classified as operating leases have been measured in accordance with IFRS 16 using the modified retrospective approach.

In applying IFRS 16, the Group has taken advantage of a number of practical expedients permitted by the standard:

- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments as to whether leases are onerous
- Accounting for leases with a remaining term of less than 12 months as short-term leases
- The exclusion of initial direct costs in measuring the right-of-use asset at the date of initial application.

Leases with a remaining term of less than 12 months have been accounted for as short-term leases. Leased assets with a value of less than £5,000 are omitted on the basis of materiality.

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leases with a value of less than £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is calculated based upon a combination of the risk-free rate, financing and asset-specific credit spreads, adjusted for the term of each lease.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The principal and finance elements of lease payments are presented separately on the face of the Consolidated Cash Flow Statement within financing activities.

Provisions

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

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

Dilapidations provisions are recognised in two ways. Firstly, known specific obligations relating to repairs required or structural changes made to a building are recognised as soon as the timing and amount of the liability can be reliably estimated. Secondly, wear and tear provisions relating to the Group's branches are accrued at a standard rate over the life of each lease, reflecting the cost of returning each branch to its prior condition at the end of the lease.

Share capital

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

Treasury shares

Treasury shares are held by the Company's Employee Benefit Trust for the purpose of satisfying awards under the Group's various share-based payment schemes.

Shares in relation to the Employee Benefit Trust are acquired from the market and are held in treasury until such time as they are issued to share scheme participants. Any shares not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. Shares issued to employees are recognised on a first-in-first-out basis. Under the terms of the trust deed, the Group is required to provide the Trust with the necessary funding for the acquisition of the shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Dividends

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

Retirement benefits: defined contribution scheme

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

Foreign currency

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

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

Share-based payment transactions

The Group has applied the requirements of IFRS 2 Share-based Payment.

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

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

Alternative performance measures

The Group uses alternative performance measures alongside statutory measures to facilitate a better understanding of financial performance and comparison with prior periods, and in order to provide audited financial information against which the Group's bank covenants, which are all measured on a pre-IFRS 16 basis, can be assessed.

EBITDA is defined as operating profit before depreciation and amortisation charges. Pre-IFRS 16 EBITDA is stated inclusive of operating lease rentals under IAS 17 Leases.

Adjusted EBITDA, profits and earnings per share exclude non-underlying items. Adjusted profit measures allow users of the Financial Statements to better understand financial performance in the year by removing certain material items of income and expense that are unusual due to their nature or infrequency, thus facilitating better comparison with prior periods.

Covenants are assessed on a pre-IFRS 16 adjusted EBITDA, continuing basis.

	2023 £m	2022 £m
Operating profit	14.9	29.1
Depreciation and amortisation	24.7	23.9
EBITDA	39.6	53.0
Non-underlying items	3.5	2.2
Adjusted EBITDA	43.1	55.2
Operating lease rentals under IAS 17	(15.2)	(14.4)
Pre-IFRS 16 adjusted EBITDA	27.9	40.8

Pre-IFRS 16 total net (cash)/debt is defined as total borrowings and lease liabilities less cash and cash equivalents and deferred consideration, excluding the impact of leases recognised under IFRS 16 Leases.

	2023 £m	2022 £m
Total net debt	58.2	78.1
Lease liabilities	(58.6)	(63.7)
Pre-IFRS 16 net (cash)/debt	(0.4)	14.4

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements.

Critical estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of trade receivables

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables. Expected loss rates are derived based upon the payment profile of sales over the three-year period up to the reporting date, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income.

Where the adjusted loss rates are different from the original estimate, there is an impact on the carrying value of trade receivables and the amount credited or charged on a net basis to operating expenses within the Consolidated Statement of Comprehensive Income. The key judgement is the extent to which macroeconomic factors impact upon the recoverability of trade receivables. The key estimate is the adjusted loss rate applied to each age category.

If loss rates for current receivables were, on average, 600 basis points higher than current estimates, the provision for impairment would increase by approximately £770,000. Further disclosures relating to trade receivables are provided in Note 20.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

- Credit risk
- Market risk
- Foreign exchange risk
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group does not consider there to be any significant concentration of risk. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Financial Statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Deferred consideration
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Lease liabilities.

The Group finances its activities using cash generated from operations and its Revolving Credit Facility. It does not use invoice discounting or any other financing facilities. The fair value for cash and cash equivalents is approximate to its book value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Principal financial instruments continued

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

	2023 £m	2022 £m
Financial assets		
Cash and cash equivalents	0.4	5.1
Deferred consideration	—	0.8
Trade and other receivables	35.1	40.2
Total financial assets	35.5	46.1
Financial liabilities		
Trade and other payables	39.6	45.0
Lease liabilities	58.6	63.7
Borrowings	—	21.0
Total financial liabilities	98.2	129.7

The analysis above does not correspond to the values reported in the Consolidated Statement of Financial Position as excluded from the analysis above are assets and liabilities from which no future cash flows are expected to arise, including rent-free periods on leased properties, and unamortised arrangement costs relating to the Group's borrowings.

Impairment of financial assets

Impairments of trade receivables are outlined in Note 20. No further impairments to financial assets are considered necessary. The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables.

General objectives, policies and processes

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

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

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

Credit risk

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

Existing credit risks associated with trade receivables are managed in line with Group policies as discussed in the financial assets section of accounting policies. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This risk is mitigated by ensuring that deposits are only made with banks and financial institutions with a good rating issued by an industry-recognised independent third party (e.g. Standard and Poor's).

Further disclosures regarding financial assets are provided in Note 20.

Market risk

The Group is exposed to market risk from bank borrowings which incur variable interest rate charges linked to base rate plus a margin. The Group's objective is to manage the interest cost of the Group within the constraints of its financial covenants and forecasts. It does this through regular reporting and monitoring of operating cash flows, effective working capital management and close controls over the authorisation of capital expenditure.

If variable interest rates were 175 basis points higher/lower, the Group's finance expense would increase/decrease by £250,000.

During 2023 and 2022, the Group's borrowings at variable rate were denominated in Sterling. Further disclosures relating to bank borrowings are provided in Note 21.

Foreign exchange risk

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

Liquidity risk

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

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

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

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

At 31 December 2023	Total	Up to 3 months £m	Between 3 and 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables	39.6	39.6	—	—	—	—
Lease liabilities	64.2	4.6	9.8	8.4	25.8	15.6
Borrowings	—	—	—	—	—	—
Total	103.8	44.2	9.8	8.4	25.8	15.6

At 31 December 2022	Total	Up to 3 months £m	Between 3 and 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables	45.0	45.0	—	—	—	—
Lease liabilities	69.6	3.6	10.7	13.1	23.0	19.2
Borrowings	21.0	—	—	—	21.0	—
Total	135.6	48.6	10.7	13.1	44.0	19.2

Excluded from the analysis above are assets and liabilities from which no future cash flows are expected to arise.

Capital management

The Group's objective when managing capital, which is deemed to be total equity plus total debt and which was £172.9 million (2022: £198.9 million) at the balance sheet date, is to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance, and to maintain good headroom on its debt facilities and financial covenants. The Group manages its capital structure and makes appropriate decisions in the light of current economic conditions and its strategic objectives.

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

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

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

The financial covenants which are in place, all measured on a pre-IFRS 16 basis, are as follows:

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

Covenants are measured at half year and year end on a rolling 12-month basis. As at 31 December 2023, Leverage and Interest Cover were 0.0:1 and 20:1 respectively (2022: 0.4:1 and 25:1). The Group operated well within the terms of its covenants throughout the current and prior periods. The Group anticipates that it will comfortably meet all future covenant obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Capital management continued

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

	As at 31 December 2023			
	GBP £m	EUR £m	USD £m	Total £m
Trade and other receivables	35.0	0.1	—	35.1
Cash and cash equivalents	0.4	—	—	0.4
Lease liabilities	(58.2)	(0.4)	—	(58.6)
Trade and other payables	(39.0)	(0.6)	—	(39.6)
	(61.8)	(0.9)	—	(62.7)

	As at 31 December 2022			
	GBP £m	EUR £m	USD £m	Total £m
Trade and other receivables	40.0	0.2	—	40.2
Cash and cash equivalents	4.8	0.3	—	5.1
Deferred consideration	0.8	—	—	0.8
Lease liabilities	(63.5)	(0.2)	—	(63.7)
Other interest-bearing borrowings	(21.0)	—	—	(21.0)
Trade and other payables	(44.7)	(0.3)	—	(45.0)
	(83.6)	—	—	(83.6)

4 REVENUE

Revenue arises from:

	2023 £m	2022 £m
Sale of goods	364.5	381.2

External revenue by destination:

	2023 £m	2022 £m
United Kingdom	359.3	376.6
European Union	4.1	4.0
Rest of World	1.1	0.6
	364.5	381.2

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

Revenue is disclosed net of contract asset amortisation and related expenses in the year of £1.5 million (2022: £1.3 million). Further details are provided in Note 20.

5 AUDITORS' REMUNERATION

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

	2023 £000	2022 £000
Audit of these Financial Statements	100	100
Amounts receivable by auditors and their associates in respect of:		
Audit of Financial Statements of subsidiaries pursuant to legislation	238	232
Audit-related assurance services	70	65
	408	397

6 EXPENSES BY NATURE

	2023 £m	2022 £m
Depreciation of property, plant and equipment (Note 15)	9.3	8.8
Depreciation of right-of-use assets (Note 16)	13.7	13.3
Amortisation of intangible assets (Note 17)	1.7	1.8
Impairment of property, plant and equipment and right-of-use assets	0.3	0.6
Other non-underlying operating expenses	3.2	1.6
Cost of inventories	169.5	181.8
Other variable costs	21.2	14.9
Employee benefits expense (Note 8)	85.2	84.9
Short-term lease rentals	2.0	2.2
Other expenses	43.9	43.3
Total cost of sales, distribution costs and administration expenses	350.0	353.2

7 NON-UNDERLYING ITEMS

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

	2023 £m	2022 £m
Restructuring costs	2.7	1.6
Asset impairment charges	—	0.6
Cloud computing expenses	0.8	—
Non-underlying operating expenses	3.5	2.2
Finance expense	—	0.3
Total non-underlying expenses	3.5	2.5
Taxation	(0.8)	(0.5)
Impact on profit after tax	2.7	2.0

Restructuring costs

Restructuring costs relate to redundancy payments and related employee benefit termination costs, with 119 roles impacted (2022: 63) at a one-off cost of £2.7 million (2022: £1.6 million). These costs are classified as non-underlying as they relate to roles that no longer exist within the organisation and therefore would not re-occur in future reporting periods. Included is a credit of £0.2 million in respect of the release of a provision relating to a restructuring exercise announced in 2022 and completed in early 2023.

Asset impairment charges

The 2022 charges of £0.6 million relate to the closure of five branches in early 2023, which had been announced as at 31 December 2022.

Cloud computing expenses

Cloud computing expenses relate to costs incurred on strategic IT projects involving 'Software as a Service' arrangements which are expensed as incurred rather than being capitalised as intangible assets (see Note 1).

Such items are considered to be non-underlying in nature because they relate to multi-year programmes to deliver strategic IT implementations which are material in size. Our strategic IT projects comprise a new customer-facing website, an employee management system and, most significantly, the replacement of the Group's Enterprise Resource Planning (ERP) system, with overall spend estimated to be in the region of £8-10 million over the next three years.

Finance expense

The 2022 charges relate to the Group having refinanced its Revolving Credit Facility in May 2022. Unamortised arrangement fees relating to the previous facility, which had been due to expire in December 2023, were expensed to the Consolidated Income Statement, and have been presented as non-underlying as the facility to which they relate no longer exists.

Impact on cash flow

Of the £3.5 million non-underlying expenses recognised, £3.2 million was settled in cash at 31 December 2023. The remaining £0.3 million relates to non-cash asset impairment charges.

Of the £2.5 million non-underlying expenses recognised in 2022, £1.4 million had been settled in cash at 31 December 2023, and £0.2 million had been credited to the income statement. The remaining £0.9 million relates to non-cash asset impairment charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

8 EMPLOYEE BENEFITS EXPENSE

	2023 £m	2022 £m
Staff costs (including Directors) comprise:		
Wages and salaries	73.7	74.2
Share-based payments	0.8	(0.2)
Social security costs	8.0	8.2
Other pension costs	2.7	2.7
	85.2	84.9

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

	2023 No.	2022 No.
Production	767	789
Office and administration	426	459
Distribution	908	1,002
	2,101	2,250

Key management personnel compensation and Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, which is considered to be the Directors of the Company.

	2023 £m	2022 £m
Emoluments	1.4	1.7
Share-based payments	0.5	(0.1)
Pension and other post-employment benefit costs	0.1	0.1
	2.0	1.7

Directors' remuneration is set out in the Remuneration Report on pages 98 to 115. As stated, Mark Kelly retired and was replaced as Chief Executive by Darren Waters in May 2023. The highest paid Director received remuneration of £412,000 (2022: £857,000).

During the year, retirement benefits were accruing to three Directors in respect of defined contribution pension schemes (2022: two). The value of contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £15,000 (2022: £47,000).

During the current year, 316,184 share options were exercised by Directors of the Group (2022: nil). No options were exercised by the highest paid Director (2022: nil).

During the year, no long-term benefits were issued, nor any termination payments made.

The Group's policy for consulting with, sharing information with, and encouraging the involvement of employees is discussed on pages 77 to 86.

9 SEGMENTAL INFORMATION

The Group organises itself into a number of operating segments that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Internal reporting provided to the chief operating decision-maker, which has been identified as the executive management team including the Chief Executive and the Chief Financial Officer, reflects this structure.

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

- Profiles – extrusion and sale of PVC window and building products to the new and replacement window market across the UK. This segment includes Vista Panels, S&S Plastics and Eurocell Recycle North
- Building Plastics – sale of building plastic materials across the UK
- Corporate – represents costs relating to the ultimate Parent company and includes the assets and related amortisation in respect of acquired intangible assets.

Inter-segmental sales, which are eliminated on consolidation, are transacted on an arms' length basis and relate to manufactured products distributed by the Building Plastics division.

	Profiles 2023 £m	Building Plastics 2023 £m	Corporate 2023 £m	Total 2023 £m
Revenue				
Total revenue	219.8	210.0	—	429.8
Inter-segmental revenue	(64.9)	(0.4)	—	(65.3)
Total revenue from external customers	154.9	209.6	—	364.5
Adjusted EBITDA	25.5	17.4	0.2	43.1
Amortisation of intangible assets	—	—	(1.7)	(1.7)
Depreciation of property, plant and equipment	(7.3)	(1.2)	(0.8)	(9.3)
Depreciation of right-of-use assets	(6.3)	(7.3)	(0.1)	(13.7)
Adjusted operating profit/(loss)	11.9	8.9	(2.4)	18.4
Non-underlying operating expenses	(1.8)	(0.7)	(1.0)	(3.5)
Operating profit/(loss)	10.1	8.2	(3.4)	14.9
Finance expense				(3.2)
Profit before tax from continuing operations				11.7

	Profiles 2022 £m	Building Plastics 2022 £m	Corporate 2022 £m	Total 2022 £m
Revenue				
Total revenue	234.0	219.8	—	453.8
Inter-segmental revenue	(72.3)	(0.3)	—	(72.6)
Total revenue from external customers	161.7	219.5	—	381.2
Adjusted EBITDA	32.7	21.0	1.5	55.2
Amortisation of intangible assets	—	—	(1.8)	(1.8)
Depreciation of property, plant and equipment	(7.0)	(1.1)	(0.7)	(8.8)
Depreciation of right-of-use assets	(5.5)	(7.7)	(0.1)	(13.3)
Adjusted operating profit/(loss)	20.2	12.2	(1.1)	31.3
Non-underlying operating expenses	(0.9)	(1.3)	—	(2.2)
Operating profit/(loss)	19.3	10.9	(1.1)	29.1
Finance expense				(2.9)
Profit before tax from continuing operations				26.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

9 SEGMENTAL INFORMATION CONTINUED

	Profiles 2023 £m	Building Plastics 2023 £m	Corporate 2023 £m	Total 2023 £m
Additions to plant, property, equipment and intangible assets	6.9	1.5	0.5	8.9
Segment assets	126.9	78.5	18.4	223.8
Segment liabilities	(53.3)	(43.7)	(4.5)	(101.5)
Borrowings				—
Deferred tax liability				(8.0)
Total liabilities				(109.5)
Total net assets				114.3

	Profiles 2022 £m	Building Plastics 2022 £m	Corporate 2022 £m	Total 2022 £m
Additions to plant, property, equipment and intangible assets	7.6	1.4	3.3	12.3
Segment assets	145.1	89.4	19.8	254.3
Segment liabilities	(61.3)	(43.2)	(7.8)	(112.3)
Borrowings				(20.3)
Deferred tax liability				(6.8)
Total liabilities				(139.4)
Total net assets				114.9

Geographical information

	Revenue 2023 £m	Non-current assets 2023 £m	Revenue 2022 £m	Non-current assets 2022 £m
United Kingdom	362.5	130.8	379.3	138.3
Republic of Ireland*	2.0	—	1.9	—
Total	364.5	130.8	381.2	138.3

* The net book value of non-current assets in the Republic of Ireland was less than £50,000 in both years.

10 FINANCE EXPENSE

	2023 £m	2022 £m
Finance expense		
Bank borrowings	1.4	1.2
Interest on lease liabilities	1.8	1.4
Underlying finance expense	3.2	2.6
Non-underlying finance expense (Note 7)	—	0.3
Total finance expense	3.2	2.9

11 TAXATION

	2023 £m	2022 £m
Current tax expense		
Current tax on profits for the year	2.0	3.2
Adjustments in respect of prior years	(1.1)	0.3
Total current tax	0.9	3.5
Deferred tax expense		
Origination and reversal of temporary differences	0.4	0.7
Adjustment in respect of change in rates	—	0.2
Adjustment in respect of prior years	0.8	(0.7)
Total deferred tax	1.2	0.2
Total tax expense	2.1	3.7

	2023 £m	2022 £m
Continuing operations	2.1	4.2
Discontinued operations	—	(0.5)
Total tax expense	2.1	3.7

The reasons for the difference between the actual current tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2023 £m	2022 £m
Profit before tax from continuing operations	11.7	26.2
Loss before tax from discontinued operations	—	(2.8)
Profit before tax	11.7	23.4
Expected tax charge based on the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	2.7	4.4
Taxation effect of:		
Expenses not deductible for tax purposes	0.4	0.4
Capital allowance super-deduction utilised	—	(0.3)
Patent Box claims	(0.5)	(0.4)
Deferred tax impact of share-based payments	0.1	—
Adjustment in respect of prior years	(1.1)	0.3
Tax effect of accelerated capital allowances	(0.7)	(0.9)
Current tax expense	0.9	3.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

11 TAXATION CONTINUED

The reasons for the difference between the total tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2023 £m	2022 £m
Profit before tax from continuing operations	11.7	26.2
Loss before tax from discontinued operations	—	(2.8)
Profit before tax	11.7	23.4
Expected tax charge based on the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	2.7	4.4
Taxation effect of:		
Expenses not deductible for tax purposes	0.2	0.2
Capital allowance super-deduction utilised	—	(0.3)
Patent Box claims	(0.5)	(0.4)
Adjustments in respect of prior years	(0.3)	(0.4)
Adjustment in respect of change in rates	—	0.2
Total tax expense	2.1	3.7

Changes in tax rates and factors affecting the future tax charge

An increase in the mainstream rate of UK corporation tax from 19% to 25% from April 2023 was enacted during 2021. This gave rise to a blended standard rate of 23.5% in 2023.

There are no material uncertain tax provisions.

Tax included in Other Comprehensive Income

The tax charge arising on share-based payments within Other Comprehensive Income is £nil (2022: £nil).

Based on the current investment plans of the Group, and assuming the rates of capital allowances on capital expenditure continue into the future, the vast majority of the deferred tax liability is expected to unwind over a period of greater than one year.

Tax residency

Eurocell plc and its subsidiaries are all registered in the United Kingdom and are resident in the UK for tax purposes, except as described below.

The Group has two branches in the Republic of Ireland, with combined annual revenues of £2.0 million (2022: £1.9 million), total assets of less than £50,000 (2022: less than £50,000) and eight full-time employees (2022: eight full-time employees). For tax purposes, these two trading locations form a single branch within Eurocell Building Plastics Limited, and therefore any profits generated are subject to tax in the Republic of Ireland. The tax charge in relation to the Group's Republic of Ireland operations in 2023 is €nil (2022: €nil) and no tax payments were made during the year (2022: €nil). This is due to utilisation of losses brought forward. No deferred tax assets are recognised on unutilised losses due to the uncertainty of future profits in the Republic of Ireland.

12 LOSS AFTER TAX FROM DISCONTINUED OPERATIONS

As part of a restructuring exercise, on 2 December 2022 the Group completed the sale of the trade and assets of its Security Hardware business for a total consideration of £1.2 million. Security Hardware was a separate operating segment which had previously been aggregated and presented as part of the Building Plastics reported segment.

The results of the business for the prior year are presented below:

	Year ended 31 December 2022 £m
Revenue	2.9
Cost of sales	(2.2)
Gross profit	0.7
Distribution costs	(0.8)
Administrative expenses	(1.2)
Operating loss	(1.3)
Finance expense	—
Loss before tax from discontinued operations	(1.3)
Taxation	0.2
Loss after tax from discontinued operations	(1.1)
Loss on sale of trade and assets after tax	(1.2)
Loss from discontinued operation	(2.3)

The loss on sale of £1.2 million, recognised in the prior year, is comprised of the following:

	2022 £m
Consideration received	
Cash	0.4
Deferred consideration	0.8
Total consideration	1.2
Carrying value of net assets sold	(2.6)
Transaction costs	(0.1)
Loss on sale before tax	(1.5)
Taxation	0.3
Loss on sale after tax	(1.2)

The carrying values of assets and liabilities as at 2 December 2022 were as follows:

	£m
Property, plant and equipment	0.4
Right-of-use assets	0.3
Intangible assets	0.3
Inventories	1.9
Lease liabilities	(0.3)
Carrying value of net assets sold	2.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

12 LOSS AFTER TAX FROM DISCONTINUED OPERATIONS CONTINUED

The net cash flows arising were as follows:

	2023 £m	2022 £m
Net cash outflow from operating activities	—	(0.2)
Net cash inflow from investing activities	0.8	0.1
Net increase/(decrease) in cash generated by discontinued operation	0.8	(0.1)

Losses per share were as follows:

	2022 Pence
Basic losses per share from discontinued operations	(2.0)
Diluted losses per share from discontinued operations	(2.0)

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. Adjusted earnings per share excludes the impact of non-underlying items. Earnings per share from continuing operations excludes the impact of discontinued operations.

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. In the event that a loss is recorded for the period, share options are not considered to have a dilutive effect.

	2023 £m	2022 £m
Profit from continuing operations attributable to ordinary shareholders excluding non-underlying items	12.3	24.0
Profit from continuing operations attributable to ordinary shareholders	9.6	22.0
Loss from discontinued operations	—	(2.3)
Profit attributable to ordinary shareholders	9.6	19.7

	2023 No.	2022 No.
Weighted average number of shares – basic	111,885,083	112,036,668
Dilutive impact of share options granted	53,451	747,137
Weighted average number of shares – diluted	111,938,534	112,783,805

	2023 Pence	2022 Pence
Continuing operations		
Basic earnings per share	8.6	19.6
Adjusted basic earnings per share	11.0	21.4
Diluted earnings per share	8.6	19.5
Adjusted diluted earnings per share	11.0	21.3
Discontinued operations		
Basic losses per share	—	(2.0)
Diluted losses per share	—	(2.0)
Total		
Basic earnings per share	8.6	17.6
Diluted earnings per share	8.6	17.5

14 DIVIDENDS

	2023 £m	2022 £m
Dividends paid during the year		
Interim dividend for 2023 of 2.0p per share (2022: 3.5p per share)	2.2	3.9
Final dividend for 2022 of 7.2p per share (2021: 6.4p per share)	8.1	7.2
	10.3	11.1
Dividends proposed		
Final dividend for 2023 of 3.5p per share	3.8	—
Final dividend for 2022 of 7.2p per share	—	8.1
	3.8	8.1

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £m	Leasehold improvements £m	Plant and machinery £m	Motor vehicles £m	Office equipment and fixtures £m	Assets under construction £m	Total £m
Cost							
Balance at 1 January 2022	9.0	0.1	54.8	0.4	—	12.2	76.5
Additions	—	—	2.0	—	—	10.0	12.0
Disposals	(0.1)	—	(1.6)	—	—	—	(1.7)
Disposal of business	—	—	(0.3)	(0.1)	(0.1)	(0.1)	(0.6)
Transfers	0.1	(0.1)	14.2	0.8	0.1	(16.1)	(1.0)
Balance at 31 December 2022	9.0	—	69.1	1.1	—	6.0	85.2
Additions	—	—	1.7	0.3	—	6.8	8.8
Disposals	—	—	(2.2)	(0.2)	—	(0.4)	(2.8)
Transfers	—	—	4.5	—	—	(5.4)	(0.9)
Balance at 31 December 2023	9.0	—	73.1	1.2	—	7.0	90.3
Accumulated depreciation and impairment							
Balance at 1 January 2022	1.7	—	15.5	0.1	—	—	17.3
Charge for the year	0.3	—	8.4	0.1	—	—	8.8
Impairment charges	—	—	0.2	—	—	—	0.2
Disposals	(0.1)	—	(1.6)	—	—	—	(1.7)
Disposal of business	—	—	(0.1)	(0.1)	—	—	(0.2)
Transfers	(0.1)	—	(1.6)	0.8	—	—	(0.9)
Balance at 31 December 2022	1.8	—	20.8	0.9	—	—	23.5
Charge for the year	0.3	—	8.9	0.1	—	—	9.3
Impairment charges	—	—	0.2	—	—	—	0.2
Disposals	—	—	(2.2)	(0.2)	—	—	(2.4)
Transfers	—	—	(0.2)	—	—	—	(0.2)
Balance at 31 December 2023	2.1	—	27.5	0.8	—	—	30.4
Net book value							
At 31 December 2023	6.9	—	45.6	0.4	—	7.0	59.9
At 31 December 2022	7.2	—	48.3	0.2	—	6.0	61.7

Included within freehold property is non-depreciable land of £2.3 million (31 December 2022: £2.3 million).

There is no restriction of title, nor equipment pledged as security for liabilities included with Property, Plant and Equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

16 RIGHT-OF-USE ASSETS

	Leasehold improvements £m	Motor vehicles £m	Office equipment and fixtures £m	Total £m
Cost				
Balance at 1 January 2022	62.6	22.0	0.1	84.7
Additions	13.2	5.7	—	18.9
Disposals	(5.7)	(3.2)	—	(8.9)
Disposal of business	(0.7)	—	—	(0.7)
Reclassification	(1.0)	(0.1)	(0.1)	(1.2)
Balance at 31 December 2022	68.4	24.4	—	92.8
Additions	4.6	4.7	0.3	9.6
Disposals	(2.7)	(4.1)	—	(6.8)
Balance at 31 December 2023	70.3	25.0	0.3	95.6
Accumulated depreciation and impairment				
Balance at 1 January 2022	19.6	10.3	—	29.9
Charge for the year	8.2	5.1	—	13.3
Impairment charges	0.2	0.2	—	0.4
Disposals	(5.7)	(3.2)	—	(8.9)
Disposal of business	(0.4)	—	—	(0.4)
Reclassification	(0.2)	(1.0)	—	(1.2)
Balance at 31 December 2022	21.7	11.4	—	33.1
Charge for the year	8.7	4.9	0.1	13.7
Impairment charges	—	0.1	—	0.1
Disposals	(2.8)	(3.6)	—	(6.4)
Balance at 31 December 2023	27.6	12.8	0.1	40.5
Net book value				
At 31 December 2023	42.7	12.2	0.2	55.1
At 31 December 2022	46.7	13.0	—	59.7

See Note 23 for details of lease liabilities.

17 INTANGIBLE ASSETS

	Software £m	Technology-based £m	Customer-related £m	Marketing-related £m	Goodwill £m	Total £m
Cost						
Balance at 1 January 2022	3.5	1.6	7.5	6.3	16.8	35.7
Additions	0.3	—	—	—	—	0.3
Transfers	(0.1)	—	—	0.2	—	0.1
Disposal of business	—	—	(0.5)	—	(0.2)	(0.7)
Balance at 31 December 2022	3.7	1.6	7.0	6.5	16.6	35.4
Additions	0.1	—	—	—	—	0.1
Transfers	0.7	—	—	—	—	0.7
Disposals	(1.0)	(0.1)	—	(0.2)	—	(1.3)
Balance at 31 December 2023	3.5	1.5	7.0	6.3	16.6	34.9
Accumulated amortisation						
Balance at 1 January 2022	1.7	0.8	5.8	3.0	5.8	17.1
Charge for the year	0.4	0.1	0.8	0.5	—	1.8
Disposal of business	—	—	(0.4)	—	—	(0.4)
Transfers	(0.1)	—	(0.1)	0.2	—	—
Balance at 31 December 2022	2.0	0.9	6.1	3.7	5.8	18.5
Charge for the year	0.4	0.1	0.7	0.5	—	1.7
Disposals	(0.8)	(0.1)	—	(0.2)	—	(1.1)
Balance at 31 December 2023	1.6	0.9	6.8	4.0	5.8	19.1
Net book value						
At 31 December 2023	1.9	0.6	0.2	2.3	10.8	15.8
At 31 December 2022	1.7	0.7	0.9	2.8	10.8	16.9

The 2022 disposal of business is in relation to the disposal of the Security Hardware goodwill and customer-related intangible assets with a net book value of £0.3m.

Included within customer-related and marketing-related intangible assets are the acquired intangibles in relation to the acquisition of Vista Panels in 2016, which have a combined carrying value of £0.4 million (2022: £0.8 million) and a remaining amortisation period of one year.

There are no internally-generated intangible assets.

18 IMPAIRMENT

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

	2023 £m	2022 £m
Eurocell Building Plastics	5.1	5.1
Eurocell Profiles	3.3	3.3
Recycling	—	—
Vista Panels	2.2	2.2
S&S Plastics	0.2	0.2
	10.8	10.8

CGUs are determined with reference to the smallest identifiable groups of assets that generate cash flows independently of other groups of assets, with reference to the business or product sectors in which they operate and CGUs are smaller than the disclosed segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

18 IMPAIRMENT CONTINUED

In January 2023 there was a change to how CGU performance was presented to the chief operating decision-maker which reported the recycling operations as a separate CGU. At the point this change was made there was no Goodwill held in this CGU and an impairment test was performed and concluded that no impairment was required.

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

The key assumptions in preparing these forecasts are in line with the Group's published strategy, which includes continuing to open new branches, developing new products and increasing the use of recycled materials.

The cash flow forecasts take into consideration the factors in relation to climate change as discussed in the Sustainability Report section of the Strategic Report on pages 32 to 49. Management has considered the impact of a rise in global temperatures of 2.0 degrees Celsius. In conclusion, the Group believes the impact on cash flows would be broadly neutral, on the basis that any negative impact of the transition to a low-carbon society would be offset by both the increased recycling of PVC windows and Government legislation to reduce emissions through the replacement of old windows with newer windows with better thermal qualities (such as the Future Homes Standard), both long-term drivers of growth for the business. The Group continues to replace and upgrade its fleet of extruders and vehicles as part of its normal maintenance capex cycle, and therefore does not anticipate any risk of asset obsolescence or significant additional costs in this scenario.

All of the Group's CGUs operate principally in the UK Repair, Maintenance and Improvements market, and all are funded through a combination of retained earnings and the Group's Revolving Credit Facility. The strategic decision-making timeframe is also consistent across all CGUs. Consequently, the key assumptions detailed below are applied consistently across each CGU:

	2023	2022
Period on which management-approved forecasts are based (years)	3	3
Discount rate (pre-tax)	12%	10%
Profit growth rate in perpetuity	2%	2%

The period on which management-approved forecasts are based is consistent with the Board's strategic planning timeframe. The discount rate reflects an estimate of the Group's pre-tax Weighted Average Cost of Capital, based on past experience and sector-weighted assumptions. The profit growth rate in perpetuity is consistent with the average annual growth in UK Gross Domestic Product between 1990 and 2019 (source: Office for National Statistics).

Goodwill is considered to have an indefinite useful life.

The Group assessed the recoverable amount in respect of goodwill for each CGU to be greater than the carrying amount and therefore no impairment arises. No reasonably possible change in assumptions would result in an impairment for these CGUs.

Sensitivities

The following sales reduction or discount rate increase sensitivities would reduce headroom on each CGU to nil:

	2023		2022	
	2023 Sales	Discount rate	2022 Sales	Discount rate
Eurocell Building Plastics	77%	40%	90%	46%*
Eurocell Profiles	74%	37%	55%	19%
Vista Panels	84%	49%	93%	76%
S&S Plastics	31%	16%	70%	23%*

* Prior year discount rates have been re-presented.

19 INVENTORIES

	2023 £m	2022 £m
Raw materials	7.3	7.3
Work in progress	3.7	2.4
Finished goods and goods for resale	35.7	50.2
	46.7	59.9

All inventories are carried at cost less a provision to take account of slow-moving and obsolete items. At 31 December 2023 the inventory provision amounted to £3.5 million (2022: £3.5 million).

20 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade receivables	38.6	43.5
Less: provision for impairment of trade receivables	(1.2)	(1.8)
Less: provision for rebates payable	(2.3)	(1.5)
Net trade receivables	35.1	40.2
Contract assets	1.9	0.7
Prepayments	7.9	8.6
Other receivables	0.4	0.5
Total trade and other receivables	45.3	50.0

Trade receivables are non-interest-bearing and are generally on 30 days' credit. The fair values of trade and other receivables classified as financial assets are not materially different to their carrying values.

Contract assets are amortised over the period in which revenue pertaining to those costs is recognised, which in the vast majority of cases is four years. Additions of £1.8 million were recognised during the year (2022: £0.8 million), and amounts amortised against revenue were £0.6 million (2022: £0.5 million).

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all financial assets. In measuring expected credit losses for trade receivables, receivables have been grouped based on shared characteristics and days past due. Insured balances are excluded to the extent that no loss would arise in the event of default by the customer. Contract assets are assessed for impairment on a customer-by-customer basis following the application of the expected credit losses to the trade receivables.

Expected loss rates are derived based upon the payment profile of sales over a three-year period before 31 December 2023, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, GDP, the rate of unemployment, new housing starts, interest rates and household disposable income.

The closing loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables		Contract assets	
	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	1.8	2.6	—	—
Charged during the year	0.5	0.3	—	—
Released during the year	(0.4)	—	—	—
Receivables written off during the year as uncollectible	(0.7)	(1.1)	—	—
At 31 December	1.2	1.8	—	—

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

20 TRADE AND OTHER RECEIVABLES CONTINUED

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The rate of expected loss has continued to decrease as payment patterns return to normal following the disruption of the global pandemic and its after-effects. The rate has now returned to historical levels.

At 31 December 2023	Current £m	More than 30 days past due £m	More than 60 days past due £m	More than 90 days past due £m	More than 120 days past due £m	Total £m
Expected loss rate	1%	12%	48%	81%	74%	3%
Gross carrying amount – trade receivables	35.7	1.6	0.4	0.1	0.8	38.6
Gross carrying amount – contract assets	1.9	–	–	–	–	1.9
Loss allowance	0.1	0.2	0.2	0.1	0.6	1.2

At 31 December 2022	Current £m	More than 30 days past due £m	More than 60 days past due £m	More than 90 days past due £m	More than 120 days past due £m	Total £m
Expected loss rate	1%	8%	39%	74%	52%	4%
Gross carrying amount – trade receivables	36.0	5.3	0.6	0.3	1.3	43.5
Gross carrying amount – contract assets	0.7	–	–	–	–	0.7
Loss allowance	0.2	0.4	0.2	0.3	0.7	1.8

21 BORROWINGS

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

	Book value 2023 £m	Fair value 2023 £m	Book value 2022 £m	Fair value 2022 £m
Non-current				
Bank borrowings unsecured	–	–	20.3	20.3
Total borrowings	–	–	20.3	20.3

Borrowings of £nil were drawn down at 31 December 2023 (2022: £21.0 million). The average drawdown on the facility during the year ended 31 December 2023 was £12.4 million (2022: £22.1 million). Total unamortised costs of £0.7 million as at 31 December 2023 have been reclassified to other receivables as no borrowings were drawn at the balance sheet date. Total unamortised costs of £0.7 million as at 31 December 2022 are presented as a deduction to borrowings.

The bank borrowings outstanding at 31 December 2022 are classified as non-current liabilities as they relate to committed facilities available to the Group until 2027. The book value and fair value are not considered to be materially different.

In May 2023 the Group completed a one-year extension to its £75 million multi-currency revolving unsecured credit facility, which now matures in 2027. The key terms of the facility remain unchanged. Following the extension of the facility in 2023, £0.2 million of costs were capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility.

Following the extension of our facility in 2022, £0.8 million of costs were capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility. The unamortised arrangement fees in relation to the previous facility were expensed to the Consolidated Statement of Comprehensive Income in 2022 and classified as non-underlying items (see Note 7).

Interest is charged at an excess over base rate of between 1.5% and 2.5% per annum and is dependent upon the ratio of total net debt to consolidated EBITDA (on a pre-IFRS 16 basis).

All of the Group's borrowings are denominated in Sterling. Details of the Company's banking covenants are given in Note 3.

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

	2023 £m	2022 £m
Within one year or repayable on demand	—	—
Between one and two years	—	—
Between two and five years	—	21.0
	—	21.0

22 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Current liabilities		
Trade payables	29.0	33.9
Other tax and social security	6.0	6.4
Other payables	0.8	1.1
Accruals and deferred income	5.8	6.0
Total current trade and other payables	41.6	47.4

Book values approximate to fair value at 31 December 2023 and 31 December 2022.

23 LEASE LIABILITIES

	2023 £m	2022 £m
Lease liabilities		
Current	12.9	13.0
Non-current	45.7	50.7
Total discounted lease liabilities at 31 December	58.6	63.7

	2023 £m	2022 £m
Maturity analysis		
— Less than one year	14.4	14.3
— One to five years	34.2	36.1
— More than five years	15.6	19.2
Total undiscounted lease liabilities at 31 December	64.2	69.6

	2023 £m	2022 £m
Finance expense		
Interest on lease liabilities	1.8	1.4

See Note 16 for details of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

24 PROVISIONS

	Dilapidations and environmental provisions £m	Warranty provisions £m	Total £m
At 1 January 2022	1.2	0.3	1.5
Charged/(credited) to Statement of Comprehensive Income	0.1	(0.3)	(0.2)
Utilised	(0.1)	—	(0.1)
At 31 December 2022	1.2	—	1.2
Charged to Statement of Comprehensive Income	0.1	—	0.1
Utilised	—	—	—
At 31 December 2023	1.3	—	1.3
Current	0.2	—	0.2
Non-current	1.1	—	1.1
At 31 December 2023	1.3	—	1.3

Dilapidations and environmental provisions

Under property lease agreements, the Group has obligations to maintain all properties to the standard that prevailed at the inception of the respective leases. The provision represents the Directors' best estimate of the costs associated with this obligation.

The timing of the utilisation of the provision is variable dependent on the lease expiry dates of the properties concerned, which vary between one and ten years. Based on the lease expiry date, 34% of the provision would be utilised in less than one year, however we predominately remain in existing locations with refurbishments carried out.

Warranty provisions

The Group makes provision to cover known potential warranty issues. The provision represents the Directors' best estimate of the costs associated with this obligation. The timing of the utilisation is variable depending on the circumstances of each individual claim under warranty.

25 DEFERRED TAX

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

	2023 £m	2022 £m
At 1 January	(6.8)	(6.6)
Charged to Statement of Comprehensive Income	(1.2)	(0.2)
At 31 December	(8.0)	(6.8)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered. There are no unrecognised deferred tax assets. The vast majority of the deferred tax liability is expected to unwind over a period of greater than one year.

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

	Asset 2023 £m	Liability 2023 £m	Net 2023 £m	Statement of Comprehensive Income 2023 £m	Equity 2023 £m
Accelerated capital allowances/intangible fixed assets	—	(8.5)	(8.5)	(1.1)	—
Other temporary differences	0.5	—	0.5	(0.1)	—
Net tax assets/(liabilities)	0.5	(8.5)	(8.0)	(1.2)	—

	Asset 2022 £m	Liability 2022 £m	Net 2022 £m	Statement of Comprehensive Income 2022 £m	Equity 2022 £m
Accelerated capital allowances/intangible fixed assets	—	(7.4)	(7.4)	(0.2)	—
Other temporary differences	0.6	—	0.6	—	—
Net tax assets/(liabilities)	0.6	(7.4)	(6.8)	(0.2)	—

Amounts within other comprehensive income due to be settled in greater than one year are not material and therefore no further disclosure has been provided. Other temporary differences relate to the tax impact of share-based payment transactions and tax losses deemed to be recoverable in future periods.

26 SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND TREASURY SHARES

	Allotted, called up and fully paid	
	2023 Number	2022 Number
Ordinary shares of £0.001 each	112,095,184	112,095,184
	2023 £m	2022 £m
Ordinary shares of £0.001 each	0.1	0.1
Share premium account	22.2	22.2

As at 31 December 2023, there were 186,825,184 shares authorised for issue. The ordinary shares carry the rights to attend and vote at general meetings, the right to receive payment in respect of dividends declared and the right to participate in the distribution of capital. The ordinary shares are not redeemable.

Treasury shares

	Number of shares	£m
Balance at 1 January 2022 and 1 January 2023	—	—
Acquisition of shares by the Employee Benefit Trust	(650,000)	(0.7)
Deferred shares issued under the DSP scheme	229,901	0.2
Shares issued under the PSP scheme	367,005	0.4
Balance at 31 December 2023	(53,094)	(0.1)

Where any group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity as treasury shares until the shares are cancelled or reissued. Where shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

The Group issued no new shares (2022: 101,838 new shares) in respect of its Save As You Earn sharesave scheme, in the process receiving consideration from employees of £nil (2022: £0.2 million). The consideration received above the nominal value of the shares issued has been recorded as share premium.

During the year, no new shares (2022: nil) were issued in respect of share-based payment transactions for Directors and none (2022: 20,000) were issued in respect of share-based payment transactions for other key management personnel.

The 2023 shares issued in respect of share-based payment transactions were all issued from treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

27 SHARE-BASED PAYMENTS

The Group enters into equity-settled payment transactions with its employees. For the year ended 31 December 2023, the charge was £0.8 million (2022: credit of £0.2 million). A corresponding credit/charge to equity is recognised in the share-based payment reserve. On exercise of options, balances are removed from the share-based payment reserve with corresponding entries made to share premium, retained earnings and cash. The balance on the share-based payment reserve at 31 December 2023 was £0.9 million (2022: £0.9 million).

27(a) Employee Save As You Earn Scheme

Each year all employees have the right to participate in a Save As You Earn ('SAYE') scheme. Employees may make monthly contributions of up to £500, the proceeds being aggregated and then used to purchase ordinary shares at the end of the three year vesting period. The cost to the participants is set at the inception of the scheme, with the balance being funded by the Company. Typically, participants are offered a discount on the share price at the date of issuance.

Set out below are summaries of options granted under the plan:

	2023		2022	
	Average exercise price per share option £	Number of options No.	Average exercise price per share option £	Number of options No.
As at 1 January	1.758	1,890,102	1.817	2,005,503
Granted during the year	1.103	2,151,517	1.720	857,490
Exercised during the year	—	—	1.920	(101,838)
Forfeited during the year	1.576	(1,443,093)	1.836	(871,053)
As at 31 December	1.317	2,598,526	1.758	1,890,102
Vested and exercisable at 31 December		—		—

There were no options exercised during the year ended 31 December 2023.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	31 December 2023 No.	31 December 2022 No.
1 June 2020	1 June 2023	1.720	297,220	459,795
1 June 2021	1 June 2024	1.832	264,704	649,413
1 June 2022	1 June 2025	1.720	292,261	780,894
1 June 2023	1 June 2026	1.108	1,744,341	—
As at 31 December			2,598,526	1,890,102
Weighted average contractual life of options outstanding at end of year			1.82 years	1.59 years

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2023 was £0.21 per option. The fair value at the grant date is determined using a form of the Black-Scholes model.

The model inputs for options granted during the year ended 31 December 2023 included:

	2023
Options are granted for the consideration set at the inception of the scheme	
Exercise price	1.108
Grant date	14 April 2023
Expiry date	31 May 2026
Share price at grant date	1.325
Expected price volatility of the Company's shares	20.0%
Expected dividend yield	4.0%
Risk-free interest rate	1.0%

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

27(b) Deferred Share Plan

Annual Bonus Plan outcomes can be paid in a mix of cash and deferred shares granted under the Company's Deferred Share Plan ('DSP'), following the determination of achievement against performance measures and targets. Performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Remuneration Committee considers appropriate. The maximum level of Annual Bonus Plan outcomes is 100% of base salary per annum for the duration of this policy. Awards under the DSP are deferred for such a period as the Remuneration Committee selects at grant, which will normally be less than (but may be longer than) three years and are subject to continued employment. The options vest in full, provided that the scheme participants are deemed to be good leavers, and are settled through the issuance of treasury shares.

The following table shows the deferred shares granted and outstanding at the beginning and end of the reporting period:

	2023 No.	2022 No.
As at 1 January	355,765	325,282
Granted during the year	1,254,655	73,338
Exercised during the year	(204,769)	(20,000)
Forfeited during the year	(161,710)	(22,855)
As at 31 December	1,243,941	355,765
Vested and exercisable at 31 December	—	—

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2023 was £1.09.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	31 December 2023 No.	31 December 2022 No.
30 June 2020	30 June 2023	0.001	—	208,612
30 June 2020	30 September 2023	0.001	—	—
30 June 2021	30 June 2024	0.001	—	73,815
30 June 2022	30 June 2025	0.001	73,338	73,338
3 April 2023	3 April 2025	0.001	15,681	—
3 April 2023	3 April 2026	0.001	668,572	—
11 April 2023	11 April 2025	0.001	410,447	—
11 April 2023	11 April 2026	0.001	8,227	—
14 September 2023	5 September 2025	0.001	33,838	—
14 September 2023	1 January 2026	0.001	33,838	—
As at 31 December			1,243,941	355,765
Weighted average contractual life of options outstanding at end of year			1.84 years	0.87 years

Fair value of options granted

The fair value at the grant date is determined using a form of the Black-Scholes model in line with inputs detailed in the above table.

DSP options totalling 1,254,655 were granted in 2023 (2022: 73,338) with 84,052 subsequently lapsing before the end of the year. The assessed fair value at grant date of the rights granted during the year ended 31 December 2023 was £1.21 per option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

27 SHARE-BASED PAYMENTS CONTINUED

27(c) Long Term Incentive Plan ('PSP')

Awards under the PSP take the form of nil-cost options which vest to the extent performance conditions are satisfied over a period of three years. The share award is based on a percentage of salary, a proportion of the maximum will vest based on performance targets of which Earnings per Share equates to two-thirds of the award and (for options granted before 2021) cash flow one-third of the award. For options granted in 2021 and thereafter, the cash flow target has been replaced with Return on Capital Employed.

Vested awards are settled through the issuance of treasury shares, and the PSP allows for awards over shares with a maximum value of 150% of base salary per financial year.

The following table shows the share options granted and outstanding at the beginning and end of the reporting period:

	2023 No.	2022 No.
As at 1 January	2,509,646	2,073,060
Granted during the year	794,710	1,213,781
Exercised during the year	(316,184)	—
Forfeited during the year	(725,715)	(777,195)
As at 31 December	2,262,457	2,509,646
Vested and exercisable at 31 December	—	—

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	31 December 2023 No.	31 December 2022 No.
2 December 2020	1 December 2023	0.000	—	505,731
22 April 2021	21 April 2024	0.000	610,900	770,091
21 October 2021	11 October 2024	0.000	7,782	51,847
13 April 2022	13 April 2025	0.000	711,476	1,044,388
11 October 2022	11 October 2025	0.000	137,589	137,589
11 April 2023	11 April 2026	0.000	794,710	—
As at 31 December			2,262,457	2,509,646
Weighted average contractual life of options outstanding at end of year			1.4 years	1.73 years

Fair value of options granted

The fair value at the grant date is determined using a form of the Black-Scholes model.

The model inputs for options granted during the year ended 31 December 2023 included:

	2023
Options are granted for the consideration set at the inception of the scheme	
Exercise price	0.001
Grant date	11 April 2023
Expiry date	11 April 2026
Share price at grant date	1.325
Expected price volatility of the Company's shares	20.0%
Expected dividend yield	4.0%
Risk-free interest rate	1.0%

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The assessed fair value at grant date of the rights granted during the year ended 31 December 2023 was £1.17 per option, a weighted average of £1.17 (2022: £1.90). The closing share price on the 31 December 2023 was £1.31.

27(d) Expenses arising from share-based payment transactions

The total charge/(credit) arising from share-based payment transactions recognised during the period as part of employee benefit expense was as follows:

	2023 £m	2022 £m
Options issued under SAYE scheme	0.2	—
Deferred shares issued under the DSP scheme	0.3	0.2
Shares issued under the PSP scheme	0.3	(0.4)
	0.8	(0.2)

28 CONTINGENT ASSETS AND LIABILITIES

The Group has entered into a cross-guarantee arrangement to cover the bank borrowings of all other Group companies in the event of default. As at 31 December 2023 the bank borrowings were £nil (2022: £21.0 million).

The Group had no other material contingent assets or liabilities (31 December 2022: £nil).

29 CAPITAL COMMITMENTS

The Group had capital commitments relating to Property, Plant and Equipment of £1.9 million at the balance sheet date (2022: £3.8 million).

30 RETIREMENT BENEFITS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £2.7 million (2022: £2.7 million). Contributions of £0.4 million were due to the scheme at 31 December 2023 (2022: £0.4 million).

31 RELATED PARTY TRANSACTIONS

The Group's subsidiary undertakings are detailed in Note 38. The Group has taken advantage of the exemption from disclosing transactions with wholly owned subsidiaries.

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is considered to be the Directors of the Company. The remuneration of key management personnel of the Group is disclosed on pages 98 to 115.

Other related party transactions

Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who was a Director of Eurocell plc until 11 May 2023. The fees paid to Kellmann Recruitment Limited relate to recruitment services, and are agreed on an arms' length basis, at rates that are consistent with other similar suppliers of recruitment services to the Group.

The following amounts were paid to Kellmann Recruitment Limited for services provided during the periods below, up to 11 May 2023:

	2023 £000	2022 £000
Kellmann Recruitment Limited – recruitment services	103	211

The following balances are outstanding at 31 December 2023:

	2023 £000	2022 £000
Kellmann Recruitment Limited – recruitment services	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

32 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2023 £m	2022 £m
Profit after tax from continuing operations ¹	9.6	22.0
Loss after tax from discontinued operations	—	(2.3)
Profit after tax	9.6	19.7
Taxation (Note 11)	2.1	3.7
Finance expense (Note 10)	3.2	2.9
Operating profit	14.9	26.3
Adjustments for:		
Depreciation of property, plant and equipment (Note 15)	9.3	8.8
Depreciation of right-of-use assets (Note 16)	13.7	13.3
Amortisation of intangible assets (Note 17)	1.7	1.8
Impairment of tangible and right-of-use assets	0.3	0.6
Loss on disposal of business	—	1.5
Share-based payments	0.8	(0.2)
Decrease/(increase) in inventories	13.2	(5.7)
Decrease/(increase) in trade and other receivables	6.0	(5.6)
Decrease in trade and other payables	(5.8)	(1.8)
Increase/(decrease) in provisions	0.1	(0.3)
Cash generated from operations	54.2	38.7

¹ Profit after tax from continuing operations includes other income in relation to amounts received under the Group's cyber insurance policy, net of excess paid of £0.4 million (2022: £1.1 million), in respect of the business interruption to the Group's continuing trading activities as a result of a cyber incident in July and August 2022.

33 RECONCILIATION OF NET DEBT

	1 January 2023 £m	Cash flows £m	New leases £m	Non-cash movements* £m	31 December 2023 £m
Cash and cash equivalents	5.1	(4.7)	—	—	0.4
Deferred consideration	0.8	(0.8)	—	—	—
Bank overdrafts	—	—	—	—	—
Lease liabilities	(63.7)	15.6	(9.6)	(0.9)	(58.6)
Borrowings	(20.3)	21.0	—	(0.7)	—
Total	(78.1)	31.1	(9.6)	(1.6)	(58.2)

	1 January 2022 £m	Cash flows £m	New leases £m	Non-cash movements* £m	31 December 2022 £m
Cash and cash equivalents	6.6	(1.5)	—	—	5.1
Deferred consideration	—	—	—	0.8	0.8
Bank overdrafts	(5.9)	5.9	—	—	—
Lease liabilities	(58.7)	14.7	(18.9)	(0.8)	(63.7)
Borrowings	(11.7)	(8.2)	—	(0.4)	(20.3)
Total	(69.7)	10.9	(18.9)	(0.4)	(78.1)

* Non-cash movements relate to the amortisation of arrangement fees in respect of the Group's borrowings and finance charges accrued on leases.

31 December 2023	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and cash equivalents	0.4	—	—	0.4
Lease liabilities	—	(12.9)	(45.7)	(58.6)
Total	0.4	(12.9)	(45.7)	(58.2)

31 December 2022	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and cash equivalents	5.1	—	—	5.1
Deferred consideration	0.8	—	—	0.8
Lease liabilities	—	(13.0)	(50.7)	(63.7)
Borrowings	—	—	(20.3)	(20.3)
Total	5.9	(13.0)	(71.0)	(78.1)

34 EVENTS AFTER THE BALANCE SHEET DATE

In January 2024 the Group launched a £5 million share buyback programme. As of 15 March 2024, 2.0 million shares had been purchased at a cash cost of £2.5 million under the programme.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investments	38	18.0	17.8
Total non-current assets		18.0	17.8
Current assets			
Trade and other receivables	39	30.1	56.8
Deferred tax	40	0.2	0.3
Cash and cash equivalents		0.1	0.2
Total current assets		30.4	57.3
Total assets		48.4	75.1
Liabilities			
Current liabilities			
Trade and other payables	41	(0.1)	(0.2)
Total current liabilities		(0.1)	(0.2)
Non-current liabilities			
Borrowings	42	—	(20.3)
Total non-current liabilities		—	(20.3)
Total liabilities		(0.1)	(20.5)
Net assets		48.3	54.6
Issued capital and reserves attributable to owners of the Company			
Share capital	26	0.1	0.1
Share premium account		22.2	22.2
Treasury shares		(0.1)	—
Share-based payment reserve		1.1	0.9
Retained earnings		25.0	31.4
Total equity		48.3	54.6

A separate Statement of Comprehensive Income for the Company is not presented, in accordance with Section 408 of the Companies Act 2006. The Company recognised a profit of £3.7 million in the year (2022: profit of £17.3 million), including dividend income received from Group companies of £5.3 million (2022: £18.0 million).

The Financial Statements on pages 168 to 176 were approved and authorised for issue by the Board of Directors on 19 March 2024 and were signed on its behalf by:

Darren Waters
Chief Executive

Michael Scott
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023	0.1	22.2	—	0.9	31.4	54.6
Comprehensive income for the year						
Profit for the year	—	—	—	—	3.7	3.7
Total comprehensive income for the year	—	—	—	—	3.7	3.7
Contributions by and distributions to owners						
Exercise of share options	—	—	0.6	(0.8)	0.2	—
Share-based payments	—	—	—	1.0	—	1.0
Purchase of own shares	—	—	(0.7)	—	—	(0.7)
Dividends paid	—	—	—	—	(10.3)	(10.3)
Total transactions with owners recognised directly in equity	—	—	(0.1)	0.2	(10.1)	(10.0)
Balance at 31 December 2023	0.1	22.2	(0.1)	1.1	25.0	48.3

	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022	0.1	21.9	—	1.1	25.2	48.3
Comprehensive income for the year						
Profit for the year	—	—	—	—	17.3	17.3
Total comprehensive income for the year	—	—	—	—	17.3	17.3
Contributions by and distributions to owners						
Share capital issued	—	—	—	—	—	—
Exercise of share options	—	0.3	—	—	—	0.3
Share-based payments	—	—	—	(0.2)	—	(0.2)
Dividends paid	—	—	—	—	(11.1)	(11.1)
Total transactions with owners recognised directly in equity	—	0.3	—	(0.2)	(11.1)	(11.0)
Balance at 31 December 2022	0.1	22.2	—	0.9	31.4	54.6

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2023

35 ACCOUNTING POLICIES (COMPANY)

Corporate information

Eurocell plc (the 'Company') is a publicly listed company limited by shares and is incorporated and domiciled in England, United Kingdom. The registered office is located in England, at the following address: Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, DE55 2DT.

The Company is principally engaged as a holding company for its subsidiaries which are engaged in the extrusion of PVC window and building products to the new and replacement window market and the sale of building materials across the UK.

Basis of preparation

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework in conformity with the requirements of the Companies Act 2006 ('FRS 101') and the applicable legal requirements of the Companies Act 2006.

These Financial Statements have been prepared under the historical cost convention in accordance with FRS101 and the Companies Act 2006.

Going concern

The position of the Company mirrors that of the Eurocell Group. The Eurocell Group funds its activities through a £75 million Revolving Credit Facility, provided by Barclays, NatWest and Bank of Ireland, which matures in May 2027. The facility includes two key financial covenants, which are tested at 30 June and 31 December each year on a pre-IFRS 16 basis. These are that net debt should not exceed three times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least four times the interest charge on the debt (Interest Cover). Adjusted EBITDA is defined as operating profit before depreciation, amortisation and non-underlying items. See alternative performance measures (see page 140).

No covenants were breached during the year ended 31 December 2023. For the next measurement period, being 30 June 2024, and going forward, the Group expects to comply with its covenants.

In assessing going concern, the Directors have considered financial projections for the period to December 2025, which is consistent with the Board's strategic planning horizons. These forecasts have been compiled based on the best estimates of the Group's commercial and operational teams. This includes a severe but plausible 'Downside' scenario, which reflects demand for the Group's products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2024-25, key raw material prices increasing by 33% over that period and both scenarios combined. The Group operates with significant headroom on its RCF facility and remains compliant with its original covenants.

After reviewing the Group's projected financial performance and financing arrangements, the Directors consider that the Group has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing these Financial Statements.

The going concern assessment performed is intrinsically linked to the Group's financing arrangements and therefore letters of support have been provided from Eurocell plc to a number of Group companies, providing support over that individual Company's future cash flows in the period. This letter covers the period up to 31 December 2025.

Changes in accounting policies and disclosures applicable to the Company

The Company adopted no new accounting standards in the year. See Note 1 for more details.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less provision for impairment. Eurocell plc provides letters of Group support to its subsidiary entities where required.

Financial assets

The Company's financial assets comprise trade and other receivables and cash and cash equivalents in the balance sheet. The Company records all of its financial assets at amortised cost and has not classified any of its financial assets at fair value through profit and loss or other comprehensive income.

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

The Company applies the simplified approach to measuring expected credit losses, if the risk is deemed material, which uses a lifetime expected loss allowance for intra-group receivables.

Expected loss rates are derived based upon the payment profile of Group companies over a three-year period up to the reporting date, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of Group companies to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income. Where the adjusted loss rates are different from the original estimate, there is an impact on the carrying value of amounts owed by Group undertakings and the amount credited or charged on a net basis to operating expenses within the Statement of Comprehensive Income.

Whilst cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Financial liabilities

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

- Bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Further information is provided in Note 3
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Deferred taxation

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

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

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

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

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

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

Share capital

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

Treasury shares

Treasury shares are held by the Company's Employee Benefit Trust for the purpose of satisfying awards under the Group's various share-based payment schemes.

The Employee Benefit Trust transactions are incorporated in accordance with Note 1. Shares are acquired from the market and are held in treasury until such time as they are issued to share scheme participants. Any shares not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. Shares issued to employees are recognised on a first-in-first-out basis. Under the terms of the trust deed, the Group is required to provide the Trust with the necessary funding for the acquisition of the shares.

Dividends

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

Further information regarding dividends is provided in Note 14.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

35 ACCOUNTING POLICIES (COMPANY) CONTINUED

FRS 101 exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company Financial Statements, in accordance with FRS 101:

Paragraphs 45(b) and 46 to 52 of IFRS 2, Share-based Payment (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).

- Paragraph 38 of IAS 1, Presentation of Financial Statements, comparative information requirements in respect of paragraph 79(a) (iv) of IAS 1;
- Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
- Paragraph 118(e) of IAS 38 Intangible Assets (reconciliations between the carrying amount at the beginning and end of the period).

The following paragraphs of IAS 1, Presentation of Financial Statements:

- 10(d), (statement of cash flows);
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its Financial Statements, or when it reclassifies items in its Financial Statements);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 40A-D (requirements for a third statement of financial position);
- 111 (cash flow statement information); and
- 134-136 (capital management disclosures).

Paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Paragraph 17 and 18A of IAS 24, Related Party Disclosures (key management compensation).

The requirements in IFRS 7 Financial Instruments: Disclosures.

The requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

36 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. There are no estimates and judgements that are considered to have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

37 EMPLOYEE BENEFITS EXPENSE

	2023 £m	2022 £m
Staff costs (including Directors) comprise:		
Wages and salaries	0.4	0.4
Social security costs	0.1	—
	0.5	0.4

The average number of monthly employees was six (2022: five), all of whom are Directors of the Company.

Key management personnel compensation and Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is considered to be the Directors of the Company.

	2023 £m	2022 £m
Emoluments	1.4	1.7
Share-based payments	0.5	(0.1)
Pension and other post-employment benefit costs	0.1	0.1
	2.0	1.7

The emoluments are paid by Eurocell Group Limited. Directors' remuneration is set out in the Remuneration Report on pages 98 to 115. As stated, Mark Kelly retired and was replaced as Chief Executive by Darren Waters in May 2023.

The highest paid Director received remuneration of £412,000 (2022: £857,000).

During the year, retirement benefits were accruing to three Directors in respect of defined contribution pension schemes (2022: two).

The value of contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £15,000 (2022: £47,000).

During the current year, 316,184 share options were exercised by Directors of the Company (2022: nil). No options were exercised by the highest paid Director (2022: nil). No other shares were issued to Directors of the Company in either period.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

38 INVESTMENTS

Cost	Investments in subsidiary undertakings £m	Capital contribution to subsidiary companies £m	Total £m
At 31 December 2022	17.8	–	17.8
Addition	–	0.2	0.2
At 31 December 2023	17.8	0.2	18.0

Capital contribution to subsidiary companies reflects the fair value movement of share-based payments issued by the Company to employees who have provided services to subsidiary undertakings.

The subsidiaries of Eurocell plc, all of which have been incorporated in the United Kingdom, are included in these Consolidated Financial Statements, as follows:

Name	Principal activity	Holding (and voting rights)	
		2023	2022
Eurocell Holdings Limited*	Holding company	100%	100%
Eurocell Group Limited	Holding company	100%	100%
Eurocell Building Plastics Limited	Sale of building plastic materials	100%	100%
Eurocell Profiles Limited	Manufacture and sale of building plastic materials	100%	100%
Vista Panels Limited	Manufacture and sale of doors	100%	100%
Ecoplas Limited**	Recycler of PVC windows	95%	95%
Security Hardware Limited***	Dormant	100%	100%
Kent Building Plastics Limited	Dormant	100%	100%
Trimseal Limited	Dormant	100%	100%
S&S Plastics Limited	Dormant	100%	100%
Fairbrook Group Limited	Dormant	100%	100%
Fairbrook Limited	Dormant	100%	100%
Fairbrook Holdings Limited	Dormant	100%	100%
Eurocell Window Systems Limited	Dormant	100%	100%
Eurocell Plastics Limited	Dormant	100%	100%
Cavalok Building Products Limited	Dormant	100%	100%
Merritt Plastics Limited	Dormant	100%	100%
Merritt Engineering Limited	Dormant	100%	100%
Deeplas Limited	Dormant	100%	100%
Deeplas Building Plastics Limited	Dormant	100%	100%
Ampco 113 Limited	Dormant	100%	100%

* Directly held by Eurocell plc.

** Ecoplas Limited is treated as a wholly-owned subsidiary for the purposes of consolidating the financial statements due to the fact that the remaining 5% shareholding is held under a put and call option which expires in 2024.

*** The trade and assets of Security Hardware Limited were sold on 2 December 2022.

All of the above have a registered address of Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT.

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

All of the Company's CGUs operate principally in the UK Repair, Maintenance and Improvements market, and all are funded through a combination of retained earnings and the Group's Revolving Credit Facility. The strategic decision-making timeframe is also consistent across all CGUs. Consequently, the key assumptions detailed below are applied consistently across the Group's entities:

	2023	2022
Period on which management-approved forecasts are based (years)	3	3
Discount rate (pre-tax)	12%	10%
Profit growth rate in perpetuity	2%	2%

39 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Prepayments and other debtors	0.9	0.5
Amounts owed by Group undertakings	29.2	56.3
Total trade and other receivables	30.1	56.8

Amounts owed by Group undertakings attract interest of 6.08% (2022: 2.75%) and are repayable on demand. The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all financial assets. In measuring expected credit losses, receivables have been grouped based on shared characteristics and days past due.

The Directors have assessed the risk of impairment of its amounts owed by Group undertakings as at 31 December 2023. After considering the projected future cash flows expected to arise in its subsidiary entities, the Directors believe that any provision over the amounts owed by Group undertakings are trivial.

40 DEFERRED TAX

	2023 £m	2022 £m
At 1 January	0.3	0.3
Credited to the Statement of Comprehensive Income	(0.1)	—
At 31 December	0.2	0.3

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

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

	Asset 2023 £m	Liability 2023 £m	Net 2023 £m	Statement of Comprehensive Income 2023 £m	Equity 2023 £m
Other temporary differences	0.2	—	0.2	(0.1)	—
Net tax assets	0.2	—	0.2	(0.1)	—

	Asset 2022 £m	Liability 2022 £m	Net 2022 £m	Statement of Comprehensive Income 2022 £m	Equity 2022 £m
Other temporary differences	0.3	—	0.3	—	—
Net tax assets	0.3	—	0.3	—	—

Amounts within other comprehensive income due to be settled in greater than one year are not material and therefore no further disclosure has been provided.

41 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade and other payables	0.1	0.2
Total current liabilities	0.1	0.2

Book values approximate to fair value at 31 December 2023 and 31 December 2022. Trade payables are non-interest-bearing and are generally settled on 30-60 day terms.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

42 BORROWINGS

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

	Book value 2023 £m	Fair value 2023 £m	Book value 2022 £m	Fair value 2022 £m
Non-current				
Bank borrowings unsecured	—	—	20.3	20.3
Total borrowings	—	—	20.3	20.3

Borrowings of £nil were drawn down at 31 December 2023 (2022: £21.0 million). The average drawdown on the facility during the year ended 31 December 2023 was £12.4 million (2022: £22.1 million). Total unamortised costs of £0.7 million as at 31 December 2023 have been reclassified to other receivables as no borrowings were drawn at the balance sheet date. Total unamortised costs of £0.7 million as at 31 December 2022 are presented as a deduction to borrowings.

The bank borrowings outstanding at 31 December 2022 are classified as non-current liabilities as they relate to committed facilities available to the Group until 2027. The book value and fair value are not considered to be materially different.

In May 2023, the Group completed a one-year extension to its £75 million multi-currency revolving unsecured credit facility, which now matures in 2027. The key terms of the facility remain unchanged. Following the extension of the facility in 2023, £0.2 million of costs were capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility.

Following the extension of our facility in 2022, £0.8 million of costs were capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility. The unamortised arrangement fees in relation to the previous facility were expensed to the Consolidated Statement of Comprehensive Income in 2022 and classified as non-underlying items (see Note 7).

Interest is charged at an excess over base rate of between 1.5% and 2.5% per annum and is dependent upon the ratio of total net debt to consolidated EBITDA (on a pre-IFRS 16 basis).

All borrowings are denominated in Sterling.

Details of the Company's banking covenants are given in Note 3.

43 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, which is considered to be the Directors of the Company and the Directors of the Group's subsidiary companies.

The remuneration for key management personnel is disclosed on pages 98 to 115. The Group has taken advantage of the exemption from disclosing transactions with wholly owned subsidiaries.

Other related party transactions

Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who was a Director of Eurocell plc until 11 May 2023. The fees paid to Kellmann Recruitment Limited relate to recruitment services, and are agreed on an arms' length basis, at rates that are consistent with other similar suppliers of recruitment services to the Group.

The following amounts were paid to Kellmann Recruitment Limited for services provided during the periods below, up to 11 May 2023:

	2023 £m	2022 £m
Kellmann Recruitment Limited – recruitment services	103	211

The following balances are outstanding at 31 December 2023.

	2023 £m	2022 £m
Kellmann Recruitment Limited – recruitment services	—	—

COMPANY INFORMATION

For the year ended 31 December 2023

Directors	Derek Mapp Frank Nelson Alison Littley Kate Allum Will Truman Iraj Amiri Darren Waters Michael Scott Angela Rushforth (appointed 1 February 2024)
Registered Number	08654028
Registered Office	Eurocell Head Office and Distribution Centre High View Road South Normanton Alfreton DE55 2DT
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Chamberlain Square Birmingham B3 3AX
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP National Westminster Bank plc 2 St Phillips Place Birmingham B3 2RB Bank of Ireland 26 Cross Street Manchester M2 7AF

For more investor information

visit www.eurocell.co.uk/investors

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