eurocell

EUROCELL PLC
ANNUAL REPORT AND ACCOUNTS 2022

WE ARE EUROCELL

The UK's leading manufacturer, distributor and recycler of UPVC building products.

GROW WITH US

2022 HIGHLIGHTS[1]

Revenue
£381.2m
12%
2021: £339.8m

Gross Margin
48.4%
220bps
2021: 50.6%

Profit Before Tax
£26.2m
£1.5m
2021: £27.7m

Adjusted Profit Before Tax[2]
£28.7m
1.0m
2021: £27.7m

Basic Earnings Per Share
19.6p
0.2p
2021: 19.4p

Adjusted Basic Earnings Per Share[2]
21.4p
2.0p
2021: 19.4p

Adjusted EBITDA[2]
£55.2m
5%
2021: £52.4m

Net Debt
£78.1m
£8.4m
2021: £69.7m

Pre-IFRS 16 Net Debt
£14.4m
£3.4m
2021: £11.0m

1 All figures, including comparatives, exclude discontinued operations.
2 Adjusted measures are stated before non-underlying items and the related tax effect (see page 142). 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.

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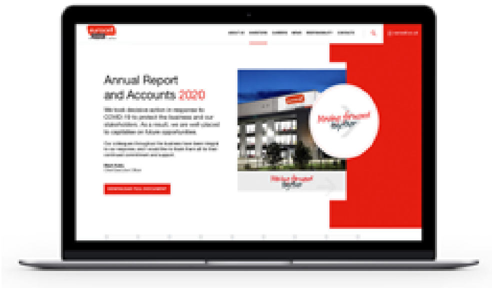


View the latest results online at investors.eurocell.co.uk

GROW WITH US

WE CREATE SUSTAINABLE BUILDING SOLUTIONS TO BUILD AND GROW – TOGETHER

WHAT WE CARE ABOUT

It is our ambition to be the customers' preferred choice in all markets and segments we decide to compete in

We want to be an attractive brand to partner with, work for and invest in

And to build a reputation for being a truly responsible company

OUR STRATEGY

Our overall corporate objective is to deliver sustainable growth in shareholder value by increasing sales and profits at above market growth rates through leadership in products, operations, sales, marketing and distribution. We have seven strategic priorities to support the delivery of our overall objective:

- Grow market share in Profiles
- Expand our branch network
- Increase the use of recycled materials
- Develop innovative new products
- Deliver sustained operational excellence
- Develop a sector-leading digital proposition
- Explore potential bolt-on acquisitions

SEE OUR STRATEGY ON PAGES 20 TO 23

OUR RESPONSIBLE BUSINESS

We have defined a suite of environmental and social KPIs which are linked to the following UN Sustainable Development Goals

- 1 No poverty
- 4 Quality education
- 7 Affordable clean energy
- 12 Responsible consumption & production
- 3 Good health and well-being
- 5 Gender equality
- 8 Decent work and economic growth
- 13 Climate action

SEE PAGES 42 AND 43 FOR FURTHER DETAILS


eurocell
BUILDING PLASTICS AND MORE
SOFFITS
COMPOSITE DECKING
FENCING
COMPOSITE CLADDING
SPECIALIST DOOR & WINDOW HARDWARE
FREE 24HR DELIVERY
CLICK & COLLECT IN-BRANCH
PVC-U RECYCLING
6
ADT
PVC-U WINDOWS & DOORS
eurologik
TRADE COUNTER
COMPOSITE DOORS
dales collection

Derek Mapp
Chair

The last twelve months have seen major changes and significant challenges for the Group and in our markets. The progress we made during 2022 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.

Financial and operating performance

Against a backdrop of unprecedented levels of inflation and weakening markets, particularly in the second half of the year, the business has delivered a solid financial performance in 2022, keeping pace with an exceptionally strong comparative period.

Sales for the year were £381 million, up 12% compared to 2021, and adjusted profit before tax from continuing operations was up 4% at £28.7 million (2021: £27.7 million). Reported profit before tax, also on a continuing basis, was down 5% at £26.2 million (2021: £27.7 million), reflecting the cost of a restructuring programme, which will benefit our financial results in 2023.

We are mindful of the uncertain macroeconomic background and its impact on our markets and we have therefore taken steps to prepare the business for 2023 and beyond. This included a restructuring programme completed in the fourth quarter of 2022, which will reduce operating costs by c.£5 million per annum from the start of 2023. In December, following a review, and to further simplify the business, we completed the disposal of Security Hardware, a supplier of window hardware with sales of c.£3 million per annum. These actions leave the business better placed for 2023.

Net debt at 31 December 2022 on a pre-IFRS 16 basis stood at £14.4 million (31 December 2021: £11.0 million). We have significant headroom on our bank facility and a strong balance sheet, which provides flexibility and options for the future.

"THE LAST TWELVE MONTHS HAVE SEEN SOME MAJOR CHANGES AND SIGNIFICANT CHALLENGES FOR THE GROUP AND IN OUR MARKETS."

Dividends

We paid an interim dividend of 3.5 pence per share in October 2022. The Board proposes a final dividend of 7.2 pence per share (2021: 6.4 pence per share), which results in total dividends for the year of 10.7 pence per share, up 11% (2021: 9.6 pence per share), reflecting our solid financial performance and a lower tax rate in 2022.

Strategy

In November, the Board conducted a review of the Group's strategy, our markets and activities. We concluded that our overall strategic objective, to deliver sustainable growth in shareholder value by increasing sales and profits above our market growth rates, remains appropriate.

Over the last few years, we have targeted seven strategic priorities to deliver this objective. We agreed that, whilst the seven priorities remain relevant for the medium to long term, we will focus on certain specific aspects of the strategy in 2023. In particular, we have an opportunity to exploit our spare operational capacity and grow market share in Profiles by acquiring new fabricator customers. We also intend to temporarily pause our branch opening programme until the economic outlook is clearer, and will instead focus on optimising returns from the existing branch estate. We will also continue to develop and improve the rewards and other benefits of working for Eurocell for our employees. Finally, we agreed that acquisitions would not be a focus for 2023.

The key aspects of our performance against each of the seven priorities is described in the Chief Executive Officer's Report.

Overall, we are confident that, through the successful progression of our strategy, we will continue to outperform our markets and deliver sustainable growth in shareholder value.

Board changes and governance

This has also been a period of transition for the Board.

I succeeded Bob Lawson as Chair, following his retirement in July 2022, and I would like to thank Bob for his tremendous contribution to the development of Eurocell since our IPO in 2015.

Kate Allum and Alison Littley joined the Board in July 2022 and Iraj Amiri joined in November, all as independent Non-executive Directors. Kate, Alison and Iraj bring valuable commercial insight and extensive board committee and ESG knowledge, as well as recent and relevant financial experience, and have strengthened the expertise of the Board in these areas.

Sucheta Govil left the Board in July and Martyn Coffey has indicated his intention to step down at our AGM in May. I would also like to thank Sucheta and Martyn for their contribution to the Group.

As previously announced, in January 2023, Mark Kelly, Chief Executive Officer, notified the Board of his intention to retire later this year. He will be succeeded as CEO by Darren Waters, currently Chief Operating Officer of Ibstock plc, who will join the Board as Chief Executive Designate in April.

Mark has led the Group successfully from 2016, overseeing positive change throughout the business, delivering on significant growth since then, as well as completing substantial investment to expand capacity and provide a strong platform for the future. We are extremely grateful to Mark for his immense contribution to the Group, and on behalf of the Board, I thank him for his significant achievements and we wish him all the very best for the future.

To ensure a smooth transition, Mark will remain in his role until a handover period has been completed, following which he will retire from the Board and the position of Chief Executive Officer at the Group's AGM in May.

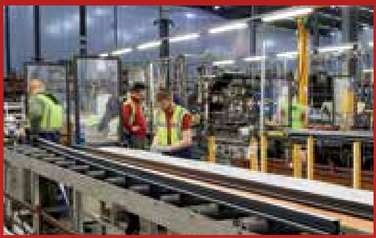
Darren has extensive experience and knowledge of the building products and fenestration sectors in the UK, both from his current role at Ibstock and from his previous position at Tyman plc, where he was the Chief Executive of UK and Ireland from 2012 to 2020.

Whilst this has been a period of significant change, I am very pleased that we have been able to attract such high-calibre individuals into the Company.

Finally, I can confirm that we aim to comply with the UK Corporate Governance 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

OUR OPERATIONS



WE MANUFACTURE

MANUFACTURING EXPERTISE

We manufacture both PVC rigid and foam products in our centrally located extrusion facilities.

54.1k tonnes
Total amount of profile produced

WE RECYCLE

SUSTAINABLE SOURCING

We have two recycling facilities which puts recycling at the heart of our operation.

16.7k tonnes
Recycled product used in our rigid PVC profile

WE DISTRIBUTE

DISTRIBUTION NETWORK

We distribute through our nationwide network.

219 (at 31 December 2022)
Number of branches

Our operations

- We manufacture both PVC rigid and foam products in our well invested extrusion facilities.
- We currently have 68 extrusion lines, supported by a PVC compound mixing plant, along with a specialist manufacturing site for secondary operations, including foiling and conservatory roofs.
- In addition, we have a dedicated technical centre, focused on product development and enhancement.

Our recycling sites

- We are the leading UK-based recycler of PVC windows.
- We have two recycling facilities located in Selby and Ilkeston, which recycle factory offcuts (post-industrial waste) and old windows that have been replaced with new (post-consumer waste) into re-usable raw materials for our manufacturing process.

Our route to market

- We distribute through our nationwide network of over 200 branches which is supported by our state-of-the-art central warehouse, with cantilever racking and mobile platform picking.
- 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.

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 space 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.

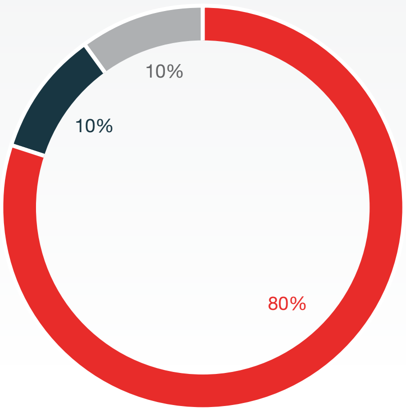
SEE THE PROFILES DIVISIONAL REVIEW ON PAGES 36 AND 37

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.

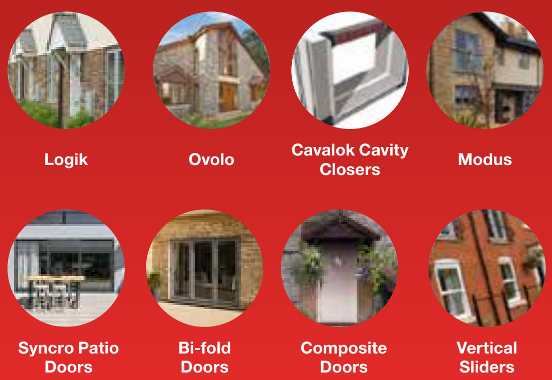
The Profiles division also includes:

- 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.

Eurocell Profiles Division – Product Mix (%)



Window Profile



Doors

Studio Glide

Roofs

Conservatory Roofs

OUR OPERATIONS CONTINUED

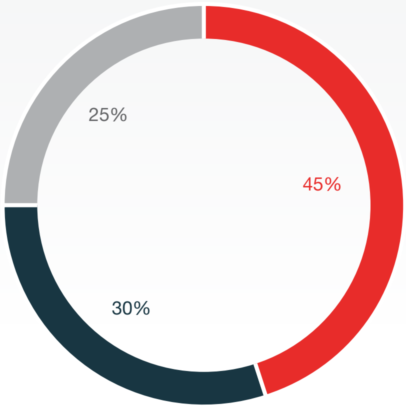
Building Plastics Division

The Building Plastics division distributes a range of Eurocell manufactured and branded foam PVC roofline products and Vista doors, as well as third-party manufactured ancillary products. These include sealants, tools and rainwater products, as well as windows fabricated by third parties using products manufactured by the Profiles division.

Distribution is through our national network of over 200 branches to installers, small and independent builders, housebuilders and nationwide maintenance companies. The branches also sell roofline products to independent wholesalers.

SEE THE BUILDING PLASTICS DIVISIONAL REVIEW ON PAGES 38 AND 39

Eurocell Building Plastics Division – Product Mix (%)



Manufactured Products


White Roofline & Trims


Foiled Roofline & Trims

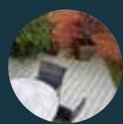

Eco-fencing


Coastline Cladding

Traded Goods


Rainwater & Drainage


Sealants & Cleaners


Outdoor Living

Made-To-Order


Windows


Composite Doors


Conservatory Roofs

CHALLENGING MARKET DRIVERS FOR 2023

External market data

GDP

UK GDP is projected to continue to fall throughout 2023, and 2024 H1, as materially tighter financial conditions weigh on spending.

Interest rates

UK interest rates are currently at 4.0%, and are expected to potentially rise further in 2023, to address inflationary pressures in the UK economy.

Private housing RMI

Having reached historic high levels of growth as the UK emerged from the COVID-19 pandemic (21% growth in 2021 and flat in 2022), output in the private housing RMI market is expected to decline by 9% in 2023, before marginal growth of 1% in 2024.

Housing market

Following two years of growth (15% in 2021 and 3% in 2022), activity housing is forecast to reduce by 11% in 2023, and by a further 1% in 2024.

Construction

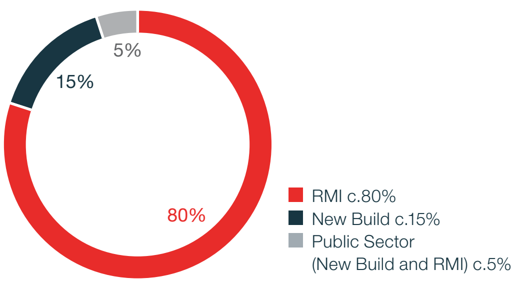
Construction output is forecast to fall by 5% in 2023, although from a historic high after two years of growth (13% in 2021 and 4% in 2022) that raised activity to levels higher than pre-pandemic, before growth of 1% in 2024.

Sources: Bank of England forecasts for the UK economy (published November 2022), Construction Industry Forecasts 2022-24 (published January 2023).

Key to potential impact on demand for Eurocell products:
Positive Neutral Negative

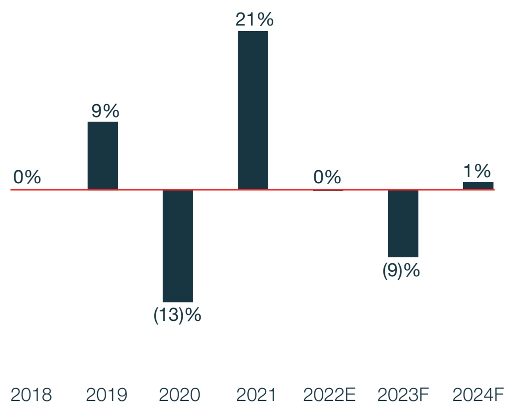
Eurocell Revenue by Market (%)

Private home improvement and new build housing are currently the most important market segments for Eurocell.

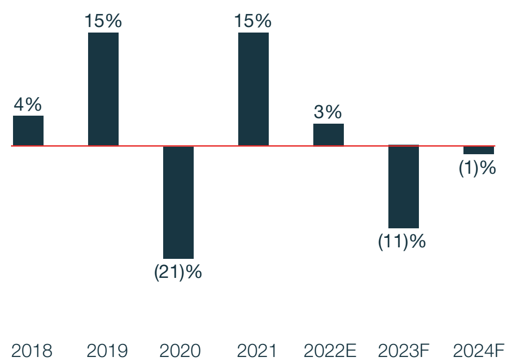


CPA Construction Industry Forecasts (2022-24)

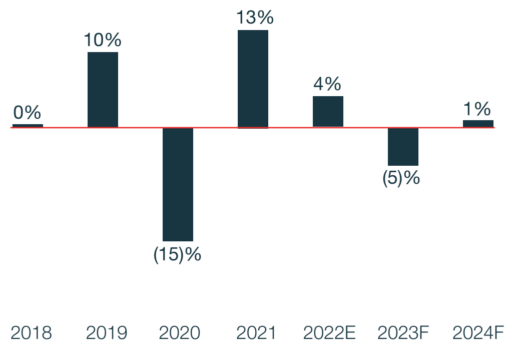
Private housing RMI growth



Total housing growth



Total construction output growth



Source: CPA Construction Industry Forecasts (central scenario – published January 2023)

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 markets and drivers

The Construction Products Association ('CPA') Industry Forecasts (published January 2023) estimate a flat year in the private housing RMI market in 2022, followed by decline of 9% in 2023, before marginal growth of 1% in 2024. In terms of the new build market, the CPA data estimates total housing growth of 3% in 2022, followed by a decline of 11% in 2023 and a further 1% in 2024.

In this context of these forecasts, it is important to note that Eurocell has consistently outperformed CPA market growth estimates.

However, whilst market conditions at present are challenging, we believe we have good potential to outperform and take market share, capitalising on our strong market positions and clear strategy.

PRIVATE RMI
(c.85% Eurocell revenue)

Market drivers:

- Moderation from post-pandemic highs
- Adverse impact of higher inflation, real wage falls and higher interest rates on disposable income
- Demand for larger RMI project work has remained robust
- Pension draw down and desire for a maintenance-free property
- Change in family circumstances

Eurocell drivers:

- Strong competitive position in Profiles coupled with potential competitor difficulties
- Increased run rate on new fabricator account acquisitions and healthy pipeline of other potential new fabricator customers
- Enhanced proposition in Building Plastics:
  - Maturing branches with improved format
  - New website/enhanced digital experience
  - Redesigned conservatory/ roof products
  - Range extensions including outdoor living products
  - Value-added services including installer scheme
- Sales of windows, conservatories, outdoor living products and other big ticket made to order products through branches

NEW BUILD
(c.10% Eurocell revenue)

Market drivers:

- Housebuilders' strong pipeline of plot builds but uncertainty regarding starts/completions targets
- Homeowner demand although suppressed by increased mortgage rates
- Help to Buy remains, but restricted to first time buyers
- Ongoing long-term shortage of housing may attract government intervention, but affordability remains an issue
- Right to Buy in public sector

Eurocell drivers:

- Benefit of differentiated specifications and dedicated salesforce to pull-through demand
- New build competitor difficulties may present a significant opportunity to grow share
- Opportunity to leverage ESG credentials
- Building regulations (Future Homes Standard) beneficial to Eurocell skillset
- Strong relationships with large and medium sized housebuilders and new build fabricators
- Large and professional Eurocell fabricators consolidating supply
- Growth of Eurocell cavity closer driving contact with housebuilders
- Vista increasing market share in doors

COMMERCIAL
(c.5% Eurocell revenue)

Market drivers:

- Increased focus on fire safety and basic repairs/maintenance of existing public housing stock
- Record-high student numbers, and a full return to campus, may support investment in education accommodation schemes

Eurocell drivers:

- Only brand maintaining a sizable salesforce displacing aluminium with PVC
- Better U-values and 30% cheaper
- More fabricators working in commercial

RESPONDING WELL TO CHALLENGES

Mark Kelly
Chief Executive Officer

"AGAINST AN EXCEPTIONALLY STRONG PRIOR PERIOD, WE REPORTED PROGRESS IN SALES AND PROFITS FOR THE YEAR."

Introduction

We entered 2022 well placed to take advantage of favourable conditions in our markets and delivered a strong first six months of the year. However, whilst new build, large contract and repair, maintenance and improvement ('RMI') project work continued to be robust throughout the second half, this was offset by the impact of the previously reported cyber incident and a slow-down in smaller discretionary RMI work experienced by our branch network and trade fabricators in H2.

Price was the significant driver of sales growth in 2022. Whilst we continue to recover input cost inflation with selling price increases and surcharges, we experienced margin pressure in the second half, reflecting lower volumes and not all cost inflation being fully recovered until early in 2023.

Overall, despite these second half challenges, and against an exceptionally strong prior period, we reported progress in sales and adjusted profits for the year.

After a period of very strong demand, the Construction Product Association's latest forecast, published in January, predicts declines in the RMI and new build markets of 9% and 11% respectively for 2023, before starting to recover in 2024.

In anticipation of weaker markets in 2023, we completed a restructuring programme in Q4, which along with other measures will reduce operating costs by approximately £5 million per annum from the start of 2023. Following a review, and to further streamline the business, in December we completed the sale of Security Hardware, a supplier of window hardware to the RMI market with annual third-party sales of c.£3 million, to UAP Limited, a UK-based door hardware supplier, who will supply hardware to all our branches.

Looking ahead, we continue to take market share and have increased the run rate on new fabricator account acquisitions, with our pipeline of other potential new fabricator customers remaining healthy. Market share gains are further supported by the impact of maturing branches and a widening product range, all underpinned by good product availability and increasingly efficient operations, reflecting the benefit of our recent investments in operating capacity.

Financial Results

We delivered a solid financial performance in 2022, against a very strong prior period.

Sales for the year were £381 million, or 12% above 2021 and adjusted profit before tax from continuing operations was £28.7 million, up 4% or £1.0 million on 2021 (£27.7 million).

Reported profit before tax was down 5% at £26.2 million (2021: £27.7 million), after non-underlying costs totalling £2.5 million, primarily reflecting the cost of our Q4 2022 restructuring programme. Following the sale of Security Hardware, we have presented the trading loss for the year and loss on disposal of that business (in total £2.3 million) as a discontinued operation.

Further information on our financial performance is included in the Chief Financial Officer's Report and Divisional Reviews.

Sustainability

Our objective is to continue to improve the sustainability of the Group. We have a defined suite of environmental and social targets and KPIs against which to measure our progress, which are set out in the Responsible Business section of this Annual Report.

Central to our environmental targets, which cover both the circular economy as well as emissions and energy management, is reducing the carbon footprint of the business and our products. Our social objectives are broad and cover areas such as health & safety, diversity and education. In addition to the matters covered by these KPIs, we are progressing similar work on related topics such as transport emissions, employee well-being and community engagement. Our objectives align well with several relevant UN Sustainable Development Goals, as well the UK's transition towards a net zero carbon economy. We report our progress against these KPIs on an annual basis (see Responsible Business on pages 42 and 43).

Looking forward there are four key themes to our work on sustainable development:

- Carbon, energy and water – defining our pathway to carbon neutrality and net zero, which will be driven primarily by reducing Scope 1 and 2 emissions in extrusion and recycling;
- 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; and
- Governance – reporting progress against published ESG targets and aligning with recognised indices.

As a measure of commitment to achieving our goals, our new £75 million sustainable Revolving Credit Facility (refinancing completed in May, see the Chief Financial Officer's Report) contains annual recycling, emissions and waste reduction targets, with modest adjustments to the margin based upon performance.

In May, we also approved a c.£1.5 million investment in solar panels to be installed at our primary manufacturing facilities, which will supply more than 5% of the energy used in the manufacture of our extruded products.

Towards the end of 2022, the Group's Social Values and ESG Committee was formed to provide formal and transparent oversight of the Group's ESG programme. This includes sustainability, employee welfare and responsible business practices, as well as our contribution to the societies we operate in. The committee also monitors progress against our sustainability KPIs. It is comprised of two independent Non-executive Directors; Alison Littley (Chair) and Iraj Amiri, as well as the Group's Sustainability Manager, Simon Drury, and Human Resources Director, Bruce Stephen.

Further information is provided in the Responsible Business section on pages 40 to 65.

Operational Performance

Health and safety

The safety and wellbeing of our employees and contractors is our first operational priority and we continue to maintain a good safety performance. Our Lost Time Injury Frequency Rate ('LTIR') was 1.0 in 2022, compared to 0.8 in 2021. Our RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) performance was better than the industry average. There were no major injuries and 23 minor accidents recorded under RIDDOR in the year (2021: no major injuries, 28 minor injuries). We have improved 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 improvement, when combined with the effective and timely implementation of corrective and preventive action, supports our positive safety culture and we are targeting an improvement in the LTIR in 2023.

Production

In 2022 we manufactured 54.1k tonnes of rigid and foam PVC profiles at our primary extrusion facilities, 5% lower than 2021. This reflects our work to start reducing inventories, after the very high levels of production in 2021, when we built stock to mitigate the risk of raw material supply interruption and volatile pricing.

Overall Equipment Effectiveness ('OEE', a measure which takes into account machine availability, performance and yield) increased to 71% in 2022 (2021: 68%) due to improved efficiency and labour availability across our operations. In addition, our initiatives to increase compliance with the production plan at a line-item level have been successful, which helped drive a reduction in manufactured stock of c.£5 million in the second half.

Recycling

We have made further progress in 2022, with the use of recycled material in our primary extrusion increasing to 29% (16.7k tonnes) of materials consumed, compared to 27% in 2021. This drives significant cost and carbon savings compared to the use of virgin material. In addition, substantially all scrap generated in extrusion is recycled back into our production processes, further reducing waste sent to landfill.

Supply Chain and Inflation

Strong demand in our markets over the last two years put sector supply chains under pressure, and we experienced tighter supply and an inflationary environment, with prices of certain raw materials, particularly PVC resin, rising significantly over this period.

Throughout this period we have taken effective action to offset ongoing input cost inflation, including a dynamic approach to selling prices and surcharges. Higher resin costs were also partially offset by our market-leading recycling plants. In addition, our progressive forward hedging policy for electricity provided some protection from rising energy costs in 2022.

The cost of key raw materials does now appear to be stabilising, and in some cases beginning to fall. However, the delay on recovering some raw material cost increases from the second half of 2022, combined with continued significant increases in the cost of energy and labour, has resulted in the implementation of further selling price increases from the beginning of 2023.

Strategy

Strategic priorities overview

Our overall strategic objective remains to deliver sustainable growth in shareholder value, by increasing sales and profits above our market growth rates. We have seven strategic priorities to help us achieve this objective. Our progress for each priority is covered in this Annual Report as follows:

	Progress update included in:			
Strategic priority	CEO Report	Divisional Review	Strategy in Action	Responsible Business
Grow market share in Profiles	✓	✓	✓	
Expand the branch network	✓	✓	✓	
Increase the use of recycled materials	✓			✓
Develop innovative new products	✓		✓	
Deliver sustained operational excellence	✓			
Develop a sector-leading digital proposition	✓		✓	
Explore potential bolt-on acquisition opportunities	✓			

Where the strategic priority is also covered elsewhere, only a brief description is set out in this CEO Report, along with a cross-reference to the other relevant sections.

Grow market share in Profiles
In 2018 we became the leading supplier of rigid PVC profile to the UK market, with a share of c.15%. We continue to consolidate our position and believe we now have a share of around 20%. Our objective is to increase this over the medium term.

We have a sector-led strategy, with initiatives focused primarily on the trade/retail and new build sectors. We aim to be recognised as the number one choice for the trade/retail fabricator, and to further consolidate our position as the leading supplier to the new build market. Central to our plans for 2023 is exploiting our spare operational capacity to acquire new fabricator customers in both sectors. See the Profiles Divisional Review (pages 36 and 37) and Strategy in Action – Grow Market Share in Profiles (pages 24 to 27) sections for further information.

Expand the branch network
Our medium term strategic objective for Building Plastics is to achieve sector-leading operations from 270-300 sites. The growth will come mostly by taking market share from independent operators, who currently have more than 60% market share. In 2022 we believe we continued to take market share, and estimate that we now have c.25% of the UK roofline market.

Our aim is to be the number one choice for relevant trades across the UK, by creating the market-leading proposition and becoming recognised as first for service to the tradesperson.

Given the uncertain macroeconomic outlook, we will for now pause our branch opening programme, and focus in 2023 on optimising returns from the existing estate. See Building Plastics Divisional Review (pages 38 and 39) and Strategy in Action – Expand the Branch Network (pages 28 and 29) for further information.

Increase the use of recycled material
Expanding recycling improves product and business sustainability, with less plastic going to landfill. Recycling also increases our profits, because the cost of recycled compound is typically lower through the cycle than the price of virgin material. This is very important at the moment, with the price of virgin resin reaching historic high levels in 2022.

We have been investing to increase our recycling capability through the expansion of our two recycling plants and by investment in co-extrusion tooling, which allows a greater proportion of recycled material to be used in our products.

We are now the leading UK-based recycler of PVC windows. As well as keeping pace with increased demand, we have continued to improve the proportion of recycled material consumed in our primary extrusion operations. Usage increased from 9% of materials consumed (or 4.1k tonnes) in 2015 to 29% of consumption (or 16.7k tonnes) in 2022, driving a significant cost saving compared to the use of virgin material. Our objective is to increase this to around 33% over the new few years.

In 2022, we estimate that our recycling operation saved the equivalent of c.three million end-of-life window frames from landfill and c.47k tonnes of carbon compared to the use of virgin PVC (equivalent to the annual CO_2 output of over 7,000 UK homes). Furthermore, we are finding more ways of using all the product generated by our recycling plants and expect to progressively reduce waste sent to landfill to less than 5% in the near term.

A weaker RMI market and less window replacements restricted feedstock availability for our recycling business in the second half of 2022, leading to increased purchase prices. However, we are making good progress securing additional sources of feedstock for 2023.

See Responsible Business – Recycling Operations on pages 48 to 51 for further information on our recycling operations.

Develop innovative new products
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 advisors on development and to help maintain our product pipeline. Highlights for 2022 include:

- Improved conservatory and roof system range, including more contemporary styles and design features that rival the specialist conservatory companies, with a 'fitter friendly' installation process;
- A new aluminium flat rooflight (Luma), with security accreditation and strong thermal characteristics;
- A premium garden room (Kyube Plus), with a canopy and additional glazing/cladding options; and
- Expansion of our outdoor living range to include premium pergolas and verandas (aluminium-clad and maintenance-free).

Looking forward to 2023, we will continue to work with housebuilders to further develop fit-for-purpose window and door solutions for the Future Homes Standard. In addition, reflecting the continuing strong demand for affordable extra work and leisure space at home, we are developing 'extension kits', which provide an alternative and affordable method to add space at a fraction of the cost, time and inconvenience compared to traditional extensions or moving house.

See Strategy in Action – New Products section on pages 30 to 33 for further information.

Deliver sustained operational excellence
Historical manufacturing and warehousing constraints have now been resolved through major investments in new capacity, thereby providing a strong platform for efficient future sales and market share growth.

With the addition of five new lines in 2022, we have now increased extrusion capacity by c.40% compared to 2018, thereby providing good headroom against current levels of demand. Transition to our new state-of-the-art warehouse, completed in 2021, was also central to increasing capacity and to delivering improvements in operational efficiencies. This new site also unlocked the operational footprint for the Group, via the conversion in 2021 of our old warehouse to a specialist manufacturing site, and the relocation of secondary operations, including foiling and conservatory roofs, providing a better environment to drive these businesses forward. In addition, this freed up space to future-proof extrusion capacity for the medium-term.

Operating efficiencies in 2022 were good, with OEE improving to 71% (2021: 68%). Our focus is now on delivering further efficiencies from the new warehouse and production facilities. Whilst the unprecedented level of inflation of the last 18 months has provided a major headwind to operating margin expansion, looking ahead, with constraints resolved, we expect the benefit of sales growth to flow through to improved margins.

Develop a sector-leading digital proposition

Stakeholders increasingly require full end-to-end digital solutions, a trend accelerated by the COVID pandemic. We expect a sector-leading digital proposition to act as an enabler to our other priorities and improve the supplier, customer and employee experience, making Eurocell an even better business partner all round.

Having selected software for a new website (including an integrated product management system and e-commerce platform) and an employee management system in 2021, our focus in 2022 was on the development of these two key components of our digital strategy. These projects are now well advanced, with both systems due to be launched in 2023.

Following a full review in 2022, we believe that the age profile of our principal Enterprise Resource Planning ('ERP') operating system has become a limiting factor in the development of our business. This conclusion recognises that our current SAP system was implemented in 2006, when the Group was primarily a manufacturer of PVC profile, with no recycling and only a small branch operation. We are therefore starting a project to upgrade or replace our SAP system, with the principal tasks for 2023 being scoping and system selection. Thereafter, we anticipate implementation to be a 2-3 year process and, whilst it is very early in the process, we estimate the total capital costs of the project will be in the region of £6-8 million.

See Strategy in Action on pages 34 and 35 for further information.

Explore potential bolt-on acquisitions

Exploring potential acquisitions in the markets in which we operate remains a medium to long term option for the Group, but will not be a priority in 2023.

"THE BUSINESS RESPONDED WELL TO SOME MAJOR CHALLENGES IN 2022 TO REPORT SOLID FINANCIAL RESULTS FOR THE YEAR, WITH PROGRESS IN SALES AND PROFITS AGAINST A VERY STRONG 2021."

Summary and outlook

In 2022, the business responded well to major challenges to report solid financial results for the year, with progress in sales and adjusted profits against a very strong 2021.

Looking ahead, in preparation for tougher market conditions, we completed a restructuring programme in Q4 2022 to reduce operating costs, and in December, to further simplify the business, we sold the trade and assets of Security Hardware.

We continue to take market share and have increased the run rate on new fabricator account acquisitions, with our pipeline of other potential new fabricator customers remaining healthy. Market share gains are further supported by the impact of maturing branches and a widening product range, all underpinned by very high product availability and increasingly efficient operations.

For the current year, the latest construction industry forecasts recognise the currently challenging market conditions and ongoing macroeconomic uncertainty. However, we have acted swiftly on cost to prepare the business for 2023 and we expect our strategy to enable us to optimise performance in our markets.

Mark Kelly
Chief Executive Officer

CONTINUALLY DEVELOPING

What we do

WE MANUFACTURE

We are a leading manufacturer of rigid and foam PVC profiles, composite and PVC entrance doors for the window and building home improvement sectors. Our manufacturing process uses raw materials including PVC resin and our own produced recycled material.

54.1k tonnes
produced in 2022

WE DISTRIBUTE

The Profiles division supplies our manufactured profile to a network of fabricators, who in turn supply end products to installers, retail outlets and housebuilders.

The Building Plastics division sells, through its network of branches, our manufactured foam products and entrance doors, along with a range of third-party related products, as well as windows fabricated by third parties using products manufactured by the Profiles division. Customers are mainly installers, small builders, roofing contractors and independent stockists.

>3 MILLION
products delivered in 2022

WE RECYCLE

We recycle both customer factory offcuts ('post-industrial' waste) and old windows that have been replaced with new ('post-consumer' waste). The recycled material is used to generate brand new extruded plastic products.

>3 MILLION
windows recycled in 2022

How we create value

Vertically integrated model

The coordination of our procurement, manufacturing and distribution processes enables us to capture margin throughout all stages of our value chain.

Our recycling activities help lower material costs and improve product stability.

Scale

We operate well-invested and modern extrusion facilities.

We are the UK's largest window recycler.

Our extensive branch network is a driver of sales growth and market share. It also helps improve manufacturing efficiency, with pull-through demand driving higher factory utilisation.

Innovative products

We are committed to a strategy of continually developing new and existing products.

We support the use of Building Information Modelling ('BIM') software, giving architects and contractors access to a library of Eurocell products, making it easier to specify them.

Brand strength

We have a strong brand image and our marketing activities seek to maximise our brand awareness.

People and culture

Our experienced management team have a proven track record of achieving sales growth.

Our corporate culture is one of openness, trust, encouragement and clarity of purpose. We train and empower our people to help our customers grow their businesses.

Local footprint

Our branches are conveniently located and have readily available inventory, thereby providing excellent service to local customers and national groups alike.

We also strive to help our customers through the provision of technical, business development and marketing support services.

Outputs

Sales performance	Our initiatives to support sales and deliver high levels of customer service differentiate Eurocell from our competitors. We expect this to drive good sales performance.	**Sales growth (vs 2021)[1]** 12%
Solid profitability	We have a track record of solid profitability and our continued investment in expanding capacity and improving operational efficiency, coupled with strong sales performance, should drive good returns. Although temporarily paused, expanding the branch network (including larger format branches), whilst dilutive until new branches become established, should deliver healthy medium-term results as new branches mature. Increased use of recycled materials can help mitigate raw material pricing pressure.	**Adjusted profit before tax[1,2]** £28.7m
Good cash generation	Our operating cash flow conversion is robust, particularly in Building Plastics, where a high proportion of customers pay at point of sale or shortly thereafter. This has allowed us to invest in working capital to support sales growth and protect the business from any raw material supply interruption that may take place.	**Net cash generated from operating activities** £35.1m
Solid return on sales	Our strong brand, well-invested facilities and capital-light branch expansion programme deliver a good return on sales.	**Return on sales[1,2,3]** 8.2%
Progressive returns to shareholders	Our dividend policy, supported by sales growth and cash generation, delivers progressive dividend returns to shareholders.	**Total dividends returned to shareholders since the IPO in 2015** £52.6m

1 Excludes discontinued operations.
2 Stated before non-underlying items.
3 Return on sales is adjusted operating profit (including the impact of IFRS 16) divided by revenue.

Key beneficiaries

Shareholders
Our overall strategic objective is to deliver sustainable growth in shareholder value.

Employees
We work hard to train and develop our people, and provide rewards commensurate with our goal to be an employer of choice.

Fabricators
Through high-quality products and a strong focus on customer service, we have developed a very loyal customer base.

Small builders and installers
The independent sole traders that visit our branches benefit from the one-stop-shop offering we provide.

Housebuilders
Housebuilders appreciate the quality of our products and benefit from Eurocell coordinating our fabricators' offering to meet their requirements.

Installers
We aim to make our products as easy as possible to work with, which is very attractive to our direct or indirect installer base.

WE HAVE SEVEN STRATEGIC PRIORITIES

Our overall corporate objective is to deliver sustainable growth in shareholder value by increasing sales and profits at above market growth rates through leadership in products, operations, sales, marketing and distribution.

We have seven strategic priorities to support the delivery of our overall objective, which are summarised below.

GROW MARKET SHARE IN PROFILES

Increase market share of rigid PVC profiles, composite and PVC entrance doors to drive sales and profit growth in Profiles

EXPAND OUR BRANCH NETWORK

Investment in existing estate and new branches to increase market share of foam PVC profiles, and drive sales and profit growth in Building Plastics

INCREASE THE USE OF RECYCLED MATERIALS

Increased use of recycled material to help mitigate raw material pricing pressure, as well as enhance the stability and reduce the carbon footprint of our manufactured products

DEVELOP INNOVATIVE NEW PRODUCTS

Maintain market leadership by offering the latest in product innovation

EXPLORE POTENTIAL BOLT-ON ACQUISITIONS

Consider acquisition opportunities when they arise

DELIVER SUSTAINED OPERATIONAL EXCELLENCE

Optimise returns on recent investment in manufacturing and warehousing capacity to enhance profits and return on sales

DEVELOP A SECTOR-LEADING DIGITAL PROPOSITION

Develop end-to-end digital solutions to our strategic priorities and improve the supplier, customer and employee experience

STRATEGIC PROGRESS IN 2022

KEY STRATEGIC PRIORITIES

GROW MARKET SHARE IN PROFILES

Increase market share of rigid PVC profiles to drive sales and profit growth in Profiles

EXPAND OUR BRANCH NETWORK

Investment in existing estate and new branches to increase market share of foam PVC profiles, and drive sales and profit growth in Building Plastics

INCREASE THE USE OF RECYCLED MATERIALS

Increased use of recycled material to help mitigate raw material pricing pressure, enhance stability and reduce the carbon footprint of our manufactured products

2022 PROGRESS

Grow market share in profiles

- 29 new account wins since the beginning of 2022
- Healthy pipeline of potential new fabricator and new build customers established
- Further strengthening of the relationships with large and medium-sized housebuilders, maintained by our specification and technical teams
- Development of our sales and technical teams in the Commercial sector, to provide an unrivalled added-value service to both our fabricator base and installer networks

See pages 36 and 37 for further details of the Profiles division's performance.

Expand our branch network

- Continued development of market-leading product range, with better aesthetics and improved environmental characteristics
- Above includes more contemporary look to roofing and door products, plus a new best-in-class conservatory offering and an extended outdoor living product range
- Ongoing review of branch sizes, locations and formats to better showcase the breadth of our product range, engage our customers and drive big-ticket purchases

See pages 38 and 39 for further details of the Building Plastics division's performance.

Increase the use of recycled materials

- Continued investment to optimise site utilisation and improve reliability in both plants, with capex of £0.6 million (2021: £1.1 million)
- Long-term sustainability KPIs and targets imbedded within the business, including commitment to 1% year-on-year increase in use of recycled material
- Usage in 2022 increased to 29% (2021: 27%)

See pages 48 to 51 for further details of recycling operations.

KPIs

Grow market share in profiles

Profiles sales growth:
15% **(vs 2021)**

Estimated market share in Profiles:
20% (**2021:** 18%)

New accounts since 2015:
100

Expand our branch network

Building Plastics sales growth:
10% **(vs 2021)**

Estimated market share in Building Plastics (foam PVC profiles):
25% (**2021:** 25%)

Number of branches:
219
branches at 31 December 2022, with 78 (net) new branches opened since 2015

Increase the use of recycled materials

Total tonnes of waste processed in the recycling plants:
46.4k (**2021:** 48.2k)

% yield of recycled material produced:
59% (**2021:** 59%)

Use of recycled material for primary extrusion:
16.7k tonnes
29% of consumption
(**2021:** 16.8k tonnes/27%)

2023 FOCUS

Grow market share in profiles

- Exploit spare operational capacity to accelerate acquisition of new fabricator customers
- Target weaker competitors who may be vulnerable to leaving the market
- Explore modest investment to reduce on-boarding time period e.g. in-house software engineers
- Extend our national housebuilder proposition to the regional housebuilders
- Provide a fit-for-purpose solution for the Future Homes Standard

Expand our branch network

- Temporary pause in branch opening programme until the economic outlook is clearer
- Focus on increasing sales from existing branch network with improved margins
- Deep dive analysis to determine criteria that drive the most successful branches and the best return on invested capital, including consideration of optimal branch format and scale
- Development of value added services, including Select Installer scheme and centralised quotation system for windows and doors
- Use of artificial intelligence to improve customer loyalty and target lapsing/lapsed customers
- Investment to improve and better maintain branch welfare and other facilities
- Other initiatives to reduce labour turnover, including simplified systems and processes, increased colleague engagement and enhanced staff training

Increase the use of recycled materials

- Improve the reliability of both plants through the improvement of existing planned and preventive maintenance processes
- Develop new feedstock sources for post-consumer and post-industrial waste to support volume and cost pricing, including expansion of the feedstock hub network
- Develop more uses for by-products to minimise waste removal, with a continued focus on reducing waste going to landfill
- Develop an optimal cost and operating structure through realignment of processes and resources

1 OEE is overall equipment effectiveness, a KPI measuring our manufacturing efficiency which takes into account machine availability, performance and yield.
2 OTIF is on time in full, a KPI measuring the efficiency and accuracy of our logistics and delivery operation.
3 Warehouse stock turns is calculated as cost of sales for December divided by warehouse stock at 31 December.

DEVELOP INNOVATIVE NEW PRODUCTS

Maintain market leadership by offering the latest in product innovation

- Development and introduction of products which feature better aesthetics, and a more modern look, along with improved environmental characteristics, including:
  - *Contemporary conservatories*
  - *Luma flat rooflights*
  - *Extended garden room range*
  - *Pergolas and verandas (Oasis)*
  - *Vertical sliding windows (Charisma)*

See pages 30 to 33 for further details of new products.

New products launched in 2022:

10

- Continue to enhance/develop new products, which include for 2023:
  - *Slim rebate Logik sash*
  - *Aluminium flat roof lantern*
  - *'Extension in a Box' kits*
  - *Vertical Coastline*
  - *Vertical slider system*
  - *New composite door system*

DELIVER SUSTAINED OPERATIONAL EXCELLENCE

Optimise returns on recent investment in manufacturing and warehousing capacity to enhance profits and return on sales

- Completed investment in five new extrusion lines, increasing capacity by a further 5%. Capacity now c.40% higher than 2018, creating a good level of headroom to support efficiency improvements
- Further efficiency improvements in the warehouse supported by the installation of new carousel racking for small picks
- Improvements in the planning process to realign supply and demand leading to higher stock turns
- Improved manufacturing conformance to, and attainment of, extrusion production plan, with cross-functional team established to address weekly exceptions

See page 14 for further details of operational performance.

OEE[1]:

71% (**2021:** 68%)

OTIF[2]:

93% (**2021:** 78%)

Warehouse stock turns[3]:

10.1 times (**2021:** 7.3 times)

- Phased implementation of centralised planning, inventory control and stock replenishment, to increase stock turns, reduce stock holdings and therefore improve working capital
- Manufacturing focus on:
  - *Waste minimisation – through reductions in lead times, change-over times and material movements*
  - *Resource optimisation – through more integrated manpower planning and yield improvements*
  - *Footprint optimisation – through consideration of 'make vs buy', vertical integration*
  - *Improvements to factory welfare facilities*
- In the warehouse, implementation of finger scanners to improve picking accuracy and stock traceability (following successful trial in Q4 2022)

DEVELOP A SECTOR-LEADING DIGITAL PROPOSITION

Develop end-to-end digital solutions to enable our strategic priorities and improve the supplier, customer and employee experience

- Product Information Management ('PIM') solution developed and configured for launch in 2023
- Website and e-commerce platforms developed and being finalised for launch in 2023
- Employee management systems developed and configured for launch in 2023

See pages 34 and 35 for further the development of our digital proposition.

Number of digital projects in progress:

5

- Successfully launch:
  - *the new PIM solution and website/e-commerce platforms for operational use*
  - *the new employee management systems*
- Scope out potential future solutions to upgrade or replace Enterprise Resource Planning ('ERP') systems and complete selection process

EXPLORE POTENTIAL BOLT-ON ACQUISITIONS

Consider acquisition opportunities when they arise

- Several opportunities considered and investigated against strict strategic and financial criteria – none progressed in 2022

Acquisitions completed since IPO:

6

- Whilst we will continue to assess and consider bolt-on acquisition opportunities over the medium-term, this is not a priority for 2023

OUR STRATEGY IN ACTION

GROW MARKET SHARE IN PROFILES

In 2018 we became the leading supplier of rigid PVC profile to the UK market, with a share of c.15%. We continue to consolidate our position and believe we now have a share of around 20%. Our overall objective is to increase this over the medium term.

In 2022, we continued to take market share, driven by the successful implementation of our Profiles strategy. The demand created by our specification and marketing teams has supported growth for our existing fabricator customers over the last few years. Looking forward, we have an opportunity to exploit our spare operational capacity to accelerate the acquisition of new fabricator customers. We have already increased the run rate, with 29 new accounts added since the beginning of 2022, and our pipeline of other potential new fabricator customers remains healthy.

In this section of the report we have set out our strategy to grow market share in Profiles.

Sector-led strategy

We have a sector-led strategy, with initiatives focused primarily on the trade/retail and new build sectors, which together represent c.90% of Profiles sales (c.55% for trade and c.35% for new build). Our overall strategic objectives by sector may be summarised as follows:

- Trade/retail – be recognised as the number one choice for the trade /retail fabricator.
- New build – maintain our number one position in the new build market.

We also operate in the commercial sector, although this represents only around 10% of Profiles sales. Our objective here remains to establish ourselves as a credible solution for the commercial market, where energy efficiency and lower cost underpin a strong case for the benefits of using PVC profile over aluminium, particularly in sub-sectors such as private rentals, build-to-rent, purpose-built student accommodation, education and local authority refurbishment (all habitual users of aluminium).

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

- Customer – build strategic, customer-centric relationships.
- Product – providing market leading innovative and sustainable product solutions.
- Brand – to be recognised as the number one trusted brand in the industry.

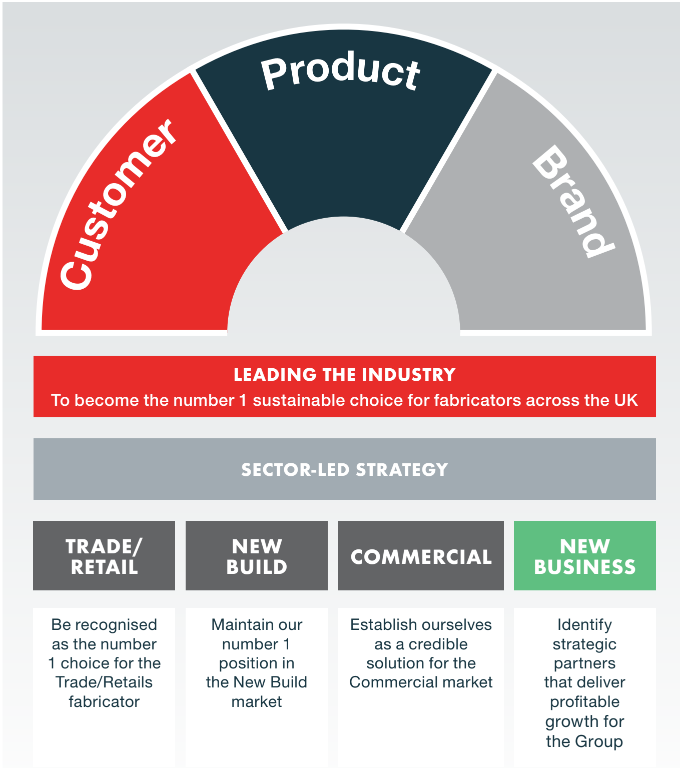
Our team are focused on growing business with existing customers through new routes to markets and new product development. In targeting new business, we look to identify strategic partners that will deliver profitable growth for the Group.

Trade/retail sector

There is a compelling case for larger trade fabricators to switch to Eurocell. This includes a strong product range and continued product development e.g. better aesthetics (such as flush windows), a more contemporary look to roofing and door products and improved environmental characteristics. For further information on product development, see New Products on pages 30 to 33. In addition, the benefits of pull-through profile and hardware specifications and increasing opportunities to supply our branches, all delivered via improving service, remain attractive to prospective fabricator accounts.

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

Customer priorities	Product priorities	Brand priorities
• Connecting, establishing and building a plan which is mutually beneficial for our customers • Investment for growth under the philosophy of "you grow, we grow" • Easy to do business with • Investing added value services for customers • Proactive approach to customer communication • Ensuring small fabricators that cease manufacturing use Eurocell trade fabricators for supply	• Helping our customers develop a broader product range • Leading a customer-centric approach to new product development ('NPD') – see New Products on pages 30 to 33 • Creating a seamless digital experience • Increasing the volume of recycled material used in our products	• Reputation • Trust • Quality • Reliability (OTIF) • Sustainability



GROW MARKET SHARE IN PROFILES CONTINUED

New build sector

Expanding our share of the new build market has been a key driver of recent growth, driven by sales of cavity closures where we are the clear market leader. We have strong relationships with large and medium-sized housebuilders, maintained by our specification and technical teams.

Building regulations for windows are becoming increasingly complicated and our technical teams are working with our larger customers to enable them to conform to the regulations, including development of new product applications to meet changing requirements. In addition, with a focus on sustainability, we believe our use of recycled material is becoming increasingly attractive to housebuilders.

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

Customer priorities	Product priorities	Brand priorities
• Being the bridge between housebuilders and fabricators to facilitate sustainable customer growth • Leverage our proposition within the regional new build market • Connecting all aspects of the industry around legislative and regulatory changes • Strategically identify future new build fabricator partners	• Provide a fit-for-purpose solution for the Future Homes Standard (see below) • Proactive engagement with our customer base for customer-led NPD – see New Products on pages 30 to 33 • Lead and influence the industry with our sustainable product solutions • Provide a best-in-class technical support service	• Reposition ourselves as the leading brand for both national and regional housebuilders (see across column) • Being recognised for leading the sustainability agenda • Being seen as the trusted brand in the industry to facilitate growth

Future Homes Standard

The Future Homes Standard (the 'Standard') will complement the existing Building Regulations to ensure new homes built from 2025 produce 75-80% less carbon emissions than homes delivered under the old regulations. To help lay the groundwork for the Standard's introduction, the government introduced major Building Regulations changes in June 2022, with new homes in England now needing to produce around 30% less carbon emissions compared to the old regulations. Ahead of the Standard coming into effect, a technical specification will be consulted on in 2023, with the legislation introduced in 2024, ahead of implementation in 2025.

The housebuilders have already taken significant steps to reduce emissions through walls, floors and roofs. However, to comply with the proposed new regulations, solutions to reduce emissions through windows and doors are likely to be required. This plays well to Eurocell's technical expertise.

We are engaged directly with the housebuilders, fabricators, glass and hardware suppliers on this topic and participate actively on an industry working group tasked by government with finding an acceptable solution to future compliance. We believe our Modus profile system can be modified to meet the proposed new requirements, which may include using a triple glazed window.

Regional housebuilders

Extending our focus to the regional housebuilders leverages our reputation and existing knowledge and experience in this sector to more customers. We have invested in additional resources for this purpose and intend to duplicate our successful national housebuilder operating model with selected regional builders.

Summary

Overall, we believe our strategy will drive volume and market share gains for profiles successfully trough all channels, particularly trade/retail and new build.

The fabricator market is consolidating, with a number of smaller firms exiting, and many of our competitors have been challenged by the loss of key fabricator accounts. Our approach is to invest in strategic partnerships with existing and new fabricator accounts, under the philosophy of "you grow, we grow".

OUR POINTS OF DIFFERENTIATION FOR NEW CUSTOMERS

Assured business continuity
It's crucial that new customers experience a smooth transition to ensure business continuity. With an experienced and dedicated team, we are experienced in this process.

Our Team is your Team
We provide continuous and ongoing technical and specification support for customers, plus contractors and installers on their behalf.

We have excellent technical resources to ensure customers receive the support they need during changeover and beyond.

Driving Demand
We equally offer great opportunities for commercial growth, working closely with customers to determine which of our support solutions fits best with their business and operation.

The Eurocell Difference – Pulling Volume Through All Channels

Assured business continuity

Agile and market-leading NPD

Our Team is your Team

Quality products you can rely on

Driving Demand

Leading new build & future homes agenda

Working in partnership

Leading the Sustainability Agenda

On time and in full every time

Eurocell brand and marketing support

Leading new build market
We have trusted partnerships with leading national housebuilders, built from years of developing innovative solutions that drive efficiency for our housebuilders and improve the homeowner experience.

Industry leading product
We are the market leader for our innovative Cavalok cavity closer solutions and are committed to the continual improvement of their insulation and thermal performance.

Future Homes agenda
We are leading the PVC-U Future Homes agenda. We chair an industry forum and are working closely with large housebuilders to agree the best way forward.

Eurocell brand
Eurocell lead the market in terms of brand awareness and customer preference and we have the insights to back this up. Our customers prefer us because of our national coverage, breadth of our range, our quality products and our friendly reliable service. We demonstrably place our customers needs at the heart of our business.

Marketing support
We have our own in-house design studio and marketing team. Our skilled professionals are here to help promote our customers' business and maintain a competitive edge.

EXPAND OUR BRANCH NETWORK

Our overall medium term strategic objective for Building Plastics is to achieve sector-leading operations from 270-300 sites.

In 2022 we believe we continued to take market share and estimate that we now have 25% of the roofline market. We expect future growth to come by taking business from independent operators, who currently have more than 60% market share (measured by number of sites).

5-point strategic plan

To achieve our overall goal in Building Plastics, we believe we must become the number one choice for relevant trades across the UK. We have a 5-point strategic plan to help us achieve our goals, which can be summarised under the following headers:

- Become first for service for the tradesperson.
- Create the market leading proposition.
- Listen and engage.
- Deliver value through services.
- Operate for less.

In this section of the report we have set out the initiatives which underpin achievement of our goals, which matrix across the 5-point plan headers.

As noted elsewhere in this report, we are mindful of the currently uncertain macroeconomic background and its impact on our markets. As a result, we have temporarily paused our branch opening programme until the economic outlook is clearer. However, this does allow our team to review and focus on improvements we can make to the existing estate, which will also support the expansion and growth of the network.

Our review is in progress, and includes a deep dive to better understand the key characteristics of our best performing branches, with a view to replicating these across the network and optimising returns on invested capital. This includes consideration of branch format, scale and infrastructure costs (including rent), product range and new product development, labour turnover (and other people metrics), value added services, and finally, operational efficiencies. These topics are explored more in the following paragraphs.

Branch format

Our branch format has evolved considerably over the last few years, generally to put more products and a broader range on display. We have two main formats:

- Standard format (209 branches) – typical size 3,600 square feet, small trade counter, with samples of product on display.
- Large format (10 branches) – larger product display areas and extended range available, show-casing a solution for our customer's customer.

Both current and potential future formats are part of the review.

We will also consider extending our footprint through space and/or brand partners, as well as the opportunity to sell via independent stockists, as potentially cost-effective routes to gaining access to new customers in our markets.

New product development

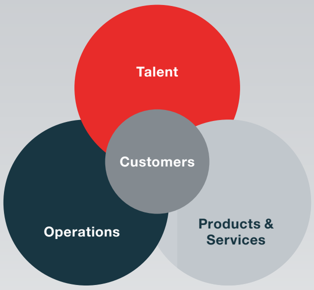
Customer centric new product development is also a fundamental pillar of our strategy to expand the branch network. In 2022 this included development of our conservatory and roofs proposition, launch of a new flat roof lantern and expansion of our outdoor living product range. For further information on product development, see pages 30 to 33.

Reducing labour turnover

Our best performing branches are generally those with the lowest rates of labour turnover. Our initiatives to reduce labour attrition across the network are focused on four key drivers: systems and processes; environment and engagement; pay and reward; and training.

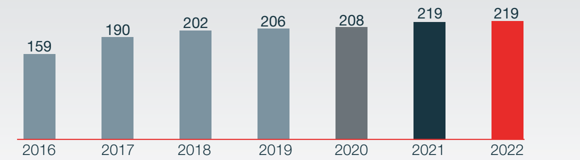
- Systems and processes – our branch operations team have been working to simplify processes across the network to facilitate more efficient working practices, including better use of technology (e.g. bar code scanning for stock control), all to be documented in a 'Network Essentials' guide for staff.

Target to become the number 1 choice for relevant trades across the UK



Fragmented market with > 60% served by small independents
Gaining market share – estimate now c.25% (roofline)

Number of Branches



Medium-term objective to target world class operations from 270-300 sites

Listen and engage

- Employee engagement
- Branch simplification programme
- Training and development
- Growing our own talent

First for service for the tradesperson

- Customer engagement plan
- Seamless digital experience
- Website range development
- "you grow, we grow…"

Deliver value through services

- Extend services that add value
- Select installer scheme
- Data-driven customer contact plan
- Improve customer loyalty and grow sales with artificial intelligence

Create the market leading proposition

- Standard and large branch formats
- City branches
- New branch break-even
- Range extension
- Market penetration through NPD
- Conservatory and roofs offer

Operate for less

- Range simplification
- Stock optimisation programme
- Locks and hardware proposition

- Environment and engagement – we have improved our communication with branch colleagues, with regular contact to keep everyone in the network up to date with our progress. Based on feedback from our colleagues, in 2023 we plan to invest to improve the working environment and staff welfare facilities in our branch estate, including kitchens and break-out areas.
- Pay and reward – through 2021 and 2022 we have made investments to bring our branch team base salaries into line with competitive market rates, including the introduction of salary bandings for branch managers based on sales performance and more competitive spot salaries for trade counter assistants and drivers. We are also developing our incentive schemes so that all members of a branch team are well rewarded for good performance.
- Training – we now have a much improved, comprehensive induction and onboarding plan for new colleagues, starting with the basics on day one, to a more detailed product training programme over the course of the first four months of employment. For established staff, our National Learning and Development Manger now delivers a comprehensive branch training programme, supported by a suite of e-learning modules, including a focus on core sales and customer engagement skills. This helps branch managers to develop clear customer engagement plans, which create a structured two-way dialogue and support customer retention. We have also recently introduced a Management Development Programme to assist with the personal development of our branch teams, and a Leadership Development Programme to support succession planning for key roles in the network and across the Group.

Value added services

We believe we can drive further growth in the network by developing value added services for our customers. For example, we expect our recently established Select Installer Scheme for conservatory roofs to create a nationwide network of Eurocell advocates, as we channel customer leads through the installer community.

Other services under development include a centralised window and door quotation system, using a straight-forward configurator to facilitate the customer journey across our range of products. We are also beginning to use artificial intelligence to segment customers and track behaviours. We believe this can improve loyalty and grow sales by targeting customers with the right products at the right time.

Operational efficiency gains

Finally in this section, we expect to support profitability and returns in the network through a series of on-going continuous improvement activities. These are focused on margin control, underperforming branches, asset protection, range simplification and stock optimisation.

Summary

Overall, we believe the initiatives described above, underpinned by our 5-point strategic plan, will drive volume and market share gains for Building Plastics. Despite a temporary pause in the branch opening programme in 2023, we expect these activities to deliver our medium-term objectives for the network.

DEVELOP INNOVATIVE NEW PRODUCTS

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 and to help maintain our product pipeline.

In this section of the report we have set out our progress on product development during 2022, as well as some of our key plans for 2023.

PRODUCT DEVELOPMENT IN 2022

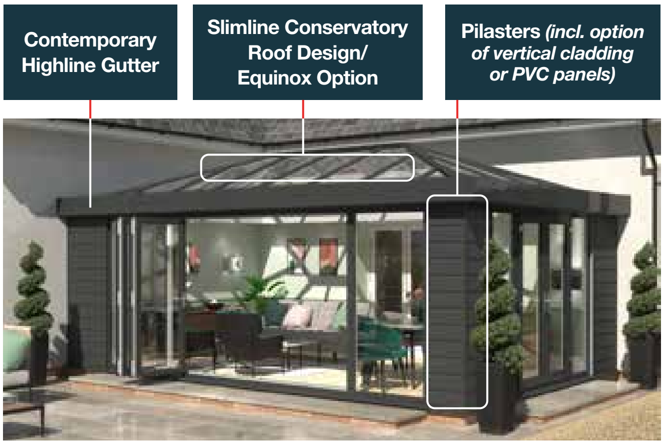
Flat roof lanterns

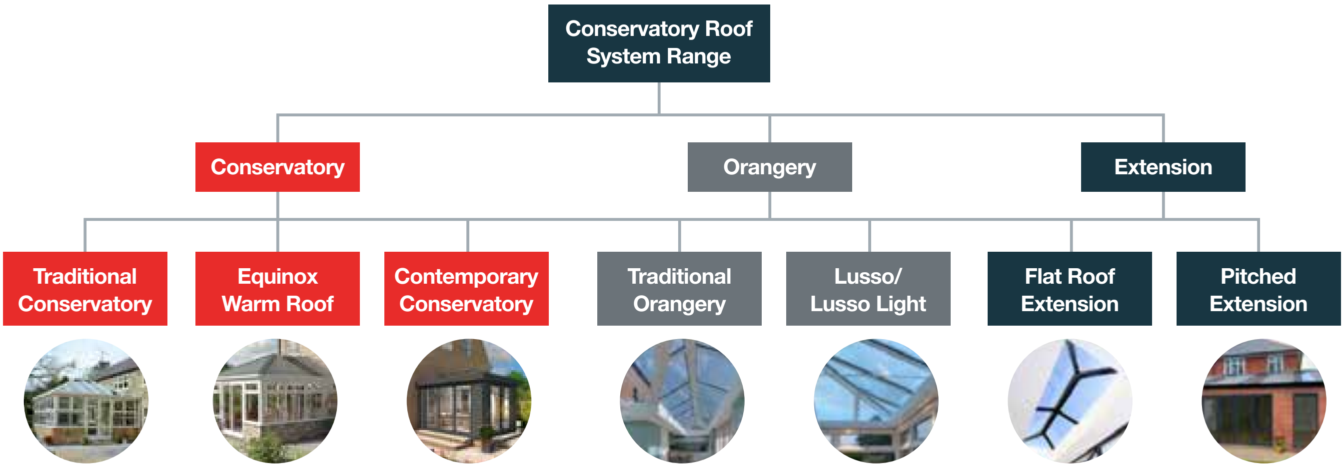
We are targeting becoming a one-stop shop for roof lanterns. Building on our Skypod range, in 2022 we introduced the Luma rooflight product, which recognises that recent strong demand for flat rooflights provides a further opportunity for growth and market share gains. Luma is a contemporary aluminium flat rooflight, with no bars across the glass to interrupt the view or cast shadows across a room. The product comes with a unique security accreditation and strong thermal insulation characteristics, which opens up the new build market and looking forward can contribute to compliance with the Future Homes Standard.

Conservatories and roofs

The chart below shows the breadth of our conservatory roof systems range, which has been the subject of significant development over the last three years. This began with the introduction of our slate-effect Envirotile composite tiles in 2020, followed by the solid tiled Equinox conservatory roof in 2021.

Reflecting customers' feedback, we have developed our product range to include a more contemporary style, with new design features which rival specialist conservatory companies, and a simplified installation process which makes our range more 'fitter friendly'. As well as supporting our existing customers with continuous product improvement, we believe the new range will deliver new customers and market share gains.





Outdoor living

We recognise that the outdoor living market has provided a significant opportunity, particularly since the COVID-19 pandemic, to provide access to new customer types, including homeowners (online and in branch) and garden centres (on display). We have been evolving our product range, which now includes decking, fencing, garden rooms and associated accessories.

In particular, we have continued to develop our garden room range, where we continue to see a good market opportunity, reflecting the continuing demand for affordable extra work and leisure space at home. Our new dedicated garden room sales team target both retail and trade leads.

Our garden rooms utilise a wide range of Eurocell products for both the external and internal design. They are prefabricated off-site and can be installed relatively quickly. We offer steel and timber frame products, providing a broad range of options for customers at varying price points.

Our 2022 development included the launch of Kyube Plus, a premium garden room with a canopy and additional glazing/cladding options.

Also in 2022, we extended our outdoor living range with the introduction of premium pergolas and verandas, which are aluminium-clad and maintenance-free.

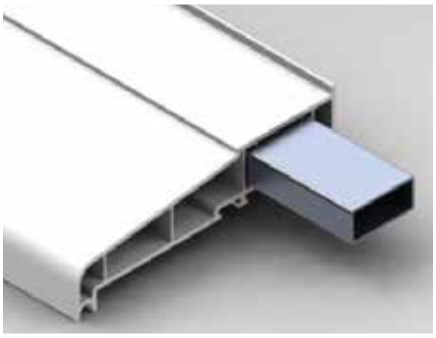



DEVELOP INNOVATIVE NEW PRODUCTS CONTINUED

Continuous in-house product innovation

Our in-house product design and development team work continuously to improve our existing product range and enhance features, including sustainability credentials. Examples of this development in 2022 includes:

- Coastline trim – to strengthen our Coastline cladding range, we have added trims which protect reveals, corners and stop ends, resulting in a more professional finish to exterior edges.



- Windowsill reinforcement – we have added a length of steel to our windowsills to enhance their loading performance.

- Charisma vertical sliding windows – we have developed dual-coloured windows, with different external and internal finishes, in addition to increasing the recycled content.

NEW PRODUCTS FOR 2023

Extension-in-a-Box

We are developing 'extension kits', which provide an alternative and affordable method for homeowners to add space at a fraction of the cost, time and inconvenience when compared to traditional extensions or moving house.

Vertical Coastline

There is a market demand for some garden rooms and standard housing fits to have a vertical cladding system, and so a vertical board is being developed to run in Coastline material with emboss plus foam for foiling.

DEVELOP A SECTOR-LEADING **DIGITAL PROPOSITION**

Stakeholders increasingly require full end-to-end digital solutions, a trend accelerated by the COVID pandemic. We expect a sector-leading digital proposition to act as an enabler to our other priorities and improve the supplier, customer and employee experience, making Eurocell an even better business partner all round.

Back in 2021, we selected platforms for two key components of our digital proposition: a new website and a new employee management system. Our progress developing these systems in 2022 and our launch plans for 2023 are described below, along with the work we have done recently using artificial intelligence to improve customer insight and engagement.

Finally, following a comprehensive review of our principal Enterprise Resource Planning ('ERP') operating system in 2022, we also look further ahead to the likely upgrade or replacement of our SAP system over the medium-term.

New website

The new website incorporates an integrated product information management system and an e-commerce platform. Implementation work was ongoing throughout 2022 and the new platform is expected to launch in 2023.

The product information management system provides the core data enrichment, maintenance, governance and modelling capability to ensure we present our products, their features and benefits as completely as possible, with the capability to scale this as the business grows and we expand our ranges.

The e-commerce platform will drive a significantly improved customer experience and journey. This includes the following features:

- Straightforward and intuitive customer account registration process.
- Enhanced personalisation.
- Mobile platform design to support busy trade customers 'on the move'.
- Improved quotation processing and integration with back-office systems.
- Enhanced product presentation and attribution supporting optimised product selection.
- Automated and personalised product recommendations.

Looking forward, we intend to develop the new website to provide further customer account management options, expand our range with integration of more drop-ship partners and further enhance our library of technical and support documentation.

New employee management system

The new employee management system includes an integrated payroll, HR and employee information management systems and benefit platform. Similar to the new website, implementation work was ongoing throughout 2022 and the new system is expected to launch in 2023.

The new system will provide simplified digital access to employee information, benefits and processes and we expect it to underpin a significantly enhanced employee experience and much improved employee communication.

Customer insight and engagement

Over the past 18 months we have invested in the use of artificial intelligence and machine learning technologies to improve our customer insight and engagement. In particular, the use of these tools has supported:

- A clearer understanding of customer buying behaviours and product baskets.
- The use of automated marketing to support tailored customer engagement.
- The development of automated and personalised product recommendation integration with the e-commerce platform.
- The use of targeted pay-per-click tools.

Looking forward, we intend to further optimise customer journeys with enhanced product presentation and personalisation. This information will be deployed further to support localised customer engagement across our branch network.

Other digital priorities for 2023

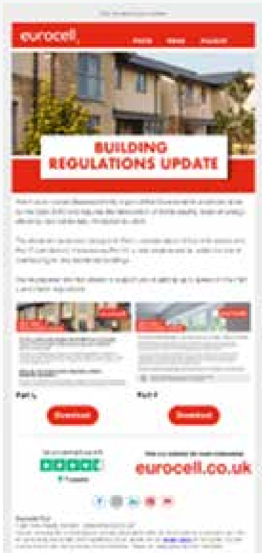
In addition to the work described above, in 2023 we will also be working on the following aspects of our digital strategy:

- Completing a business requirements analysis, scoping and costing exercise to determine the future path for our Customer Relationship Management ('CRM') and ERP systems.
- Development of product configuration tools to enhance customer product visualisation, quotation and lead generation activity.

ERP system

Following a full review in 2022, we believe that the age profile of our principal ERP system has become a limiting factor in the development of our business. This conclusion recognises that our current SAP system was implemented in 2006, when the Group was primarily a manufacturer of PVC profile, with no recycling and only a small branch operation.

We are therefore starting a project to upgrade or replace our SAP system, with the principal tasks for 2023 being scoping and system selection. Thereafter, we anticipate implementation to be a two to three year process and, whilst it is very early in the process, we estimate the total capital costs of the project will be in the region of £6-8 million.



PROFILES

Profiles Highlights

c.20% (2015: c.20%)
Market share

80 (2017-19: 60)
New accounts 2019-22

↑ 15%
Sales vs 2021

c.400 fabricators
Total accounts

Strategy

In 2018 we became the leading supplier of rigid PVC profile to the UK market, with a share of c.15%. We continue to consolidate our position and believe we now have a share of around 20%. Our strategic objective is to increase this over the medium term.

The demand created by our specification and marketing teams, together with continuing new product introductions, have supported growth for our existing fabricator customers over the last few years. We have also increased the run rate on new fabricator account acquisitions and our pipeline of other potential new fabricator customers remains healthy. Looking forward, there is an opportunity to capitalise on our recent investments in warehousing and production plant, to exploit spare operational capacity and continue to grow market share in Profiles.

Our plans to achieve this are sector-led, with initiatives focused primarily on the trade/retail and new build sectors, which together represent c.90% of Profiles sales (c.55% for trade and c.35% for new build).

There is a compelling case for larger trade fabricators to switch to Eurocell. This includes a strong product range and continued product development e.g. better aesthetics (such as flush windows), a more contemporary look to roofing and door products and improved environmental characteristics. In addition, the benefits of pull-through profile specifications and increasing opportunities to supply our branches, all delivered via improving service, remain attractive to prospective fabricator accounts.

Expanding our share of the new build market has been key to recent growth, driven by sales of cavity closures where we are the clear market leader. Looking forward, building regulations for windows are becoming increasingly complicated and our technical teams are working with our larger customers to enable them to conform, including development of new product applications to meet changing requirements.

This includes the Future Homes Standard, which will complement the existing Building Regulations to ensure new homes built from 2025 produce 75-80% less carbon emissions than homes delivered under the old regulations. The housebuilders have already taken significant steps to reduce emissions through walls, floors and roofs. However, to comply with the proposed new regulations, solutions to reduce emissions through windows and doors are likely to be required. This plays well to Eurocell's technical expertise and we are working with the housebuilders and our customers to design a fit-for-purpose solution.

We have strong relationships with large and medium-sized housebuilders, maintained by our specification and technical teams. We now plan to target regional housebuilders to further consolidate our position of strength within the new build sector.

See Strategy in Action – Grow Market Share in Profiles on pages 24 to 27 for more information.

Profiles	**2022 £m**	2021 £m	Change %
Third-party Revenue	**161.7**	140.7	15%
Inter-segmental Revenue	**72.3**	63.9	13%
Total Revenue	**234.0**	204.6	14%
Adjusted[1] operating profit	**20.2**	20.7	(2)%
Operating Profit	**19.3**	20.7	(7)%

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

Profiles third-party revenue for the year was £161.7 million, 15% higher than 2021, with price the significant driver of higher sales.

As described above, we continue to take market share. During 2017-21 we added c.75 accounts (an average of 15 per annum). A further 29 accounts were added in 2022, which are coming online progressively (typically 6 months from the point of signing) and will provide support for 2023, and our prospect pipeline remains healthy.

Adjusted operating profit for 2022 of £20.2 million was 2% below the previous year (2021: £20.7 million), reflecting flat volumes and cost control, but with not all cost inflation being fully recovered until early in 2023. Reported operating profit is stated after non-underlying restructuring costs and associated asset impairments totalling £0.9 million. Further information on non-underlying items is included in the Chief Financial Officer's Report on page 68.

BUILDING PLASTICS

(BRANCH NETWORK)

Building Plastics Highlights

c.25% (2015: c.20%)
Market share

78 (net) 2015-22
New branches

↑ 10%
Sales vs 2021

219 branches
Total sites

Strategy

Our medium term strategic objective for Building Plastics is to achieve sector-leading operations from 270-300 sites. The growth will come mostly by taking market share from independent operators, who currently have more than 60% market share. In 2022 we believe we continued to take market share, and estimate that we now have c.25% of the UK roofline market.

Our aim is to be the number one choice for relevant trades across the UK, by creating the market-leading proposition and being recognised as first for service to the tradesperson.

We are mindful of the uncertain macroeconomic background and its impact on our markets. We therefore intend to temporarily pause our branch opening programme until the economic outlook is clearer. However, this allows our team to review and focus on improvements we can make to the existing estate, which will also support the future expansion and growth of the network.

Our review is already in progress, and includes a deep dive to better understand the key characteristics of our best performing branches, with a view to replicating these across the network and improving returns on invested capital. This includes consideration of branch format, scale and infrastructure costs (including rent), product range and new product development, labour turnover (and other people metrics), value added services and operational efficiencies.

We have two branch formats: standard (209 branches), and large (10 branches), the latter with bigger display areas and a wider product range available. Both current and potential future formats are part of the review.

Customer centric new product development is also a fundamental pillar of our strategy to expand the branch network. In 2022 this included development of our conservatory and roofs proposition, launch of a new flat roof lantern and expansion of our outdoor living product range to include pergolas and verandas.

Our best performing branches are generally those with the lowest rates of labour turnover. Our initiatives to reduce labour attrition across the network are focused on four key drivers: systems and processes; environment and engagement; pay and reward; and training.

We believe we can drive further growth in the network by developing value added services for our customers. For example, we expect our recently established Select Installer scheme for conservatory roofs to create a nationwide network of Eurocell advocates, as we channel customer leads through the installer community.

Finally, we also expect to support profitability and returns in the network through a series of ongoing continuous improvement activities. These are focused on margin control, underperforming branches, asset protection, range simplification and stock optimisation.

See Strategy in Action – Expand the Branch Network on pages 28 and 29 for more information.

Building Plastics	**2022 £m**	2021 £m	Change %
Third-party Revenue	**219.5**	199.1	10%
Inter-segmental Revenue	**0.3**	0.5	(40)%
Total Revenue	**219.8**	199.6	10%
Adjusted[1] operating profit	**12.2**	12.6	(3)%
Operating Profit	**10.9**	12.6	(13)%

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

Building Plastics third-party revenue for the year was £219.5 million, 10% higher than 2021, with price the significant driver of sales growth.

Adjusted operating profit for 2022 was £12.2 million, 3% below the previous year (2021: £12.6 million), reflecting lower volumes and cost control, but with not all cost inflation being fully recovered until early in 2023. Reported operating profit is stated after non-underlying restructuring costs and associated asset impairments totalling £1.3 million. As part of the restructuring exercise, we concluded that five underperforming branches would be closed in Q1 2023, leaving a network of 214 sites. These branches were selected based on performance, remaining lease duration and ability to transfer sales to other nearby sites.

Further information on non-underlying items is included in the Chief Financial Officer's Report.

Indicative branch economics (rounded)

Branch open	< 2 years	2–4 years	> 4 years
No. of Branches	12	12	195
Average Sales per Branch (£000)	650	680	970
Return on Sales per Branch (%)[2]	Small loss %	Small profit %	>15%

2 Operating profit as % of revenue, before regional infrastructure and central costs, and IFRS 16 adjustments.

A RESPONSIBLE BUSINESS

In operating a responsible business, our main areas of focus generally relate to improving the long-term sustainability of the Group. This includes carbon footprint and emissions reduction, supporting our people, their wellbeing and seeking to improve the environment in which they live and work.

This also includes how we interact with other stakeholders and the communities in which we operate, as well as ensuring good governance, strong business ethics and appropriate conduct. Responsible Business sub-sections are as follows:

- Sustainability strategy, including performance against our environmental and social KPIs and targets.
- Task Force on Climate-related Financial Disclosures ('TCFD').
- Minimising our environmental impact, including recycling operations.
- Valuing our people.
- Working responsibly with our communities and other stakeholders.
- Looking to a sustainable future.

Throughout these sections, we provide further detail in relation to progress against our sustainability targets and objectives. The governance aspects of responsible business are covered in the Governance Report beginning on page 84.

This section of the Strategic Report also includes our Non-financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference as described in the table.

The policies noted opposite form part of our policy framework which is founded on our risk management principles. The policies which underpin these principles define mandatory requirements in respect of risk management. Controls and processes are in place to ensure compliance.

ENVIRONMENTAL IMPACT

VALUING OUR PEOPLE

WORKING RESPONSIBLY

Reporting requirement	Policies and standards which govern our approach[1]	Information necessary to understand our business and its impact, policy, due diligence and outcomes
Environmental matters	• Corporate Vision and Values • Corporate Social Responsibility Policy	• Recycling operations **pp.48** • Minimising our environmental impact **pp.48**
Employees	• Corporate Vision and Values • Corporate Social Responsibility Policy • Employee Handbook	• Valuing our people **pp.56**
Respect for other people	• Corporate Vision and Values • Corporate Social Responsibility Policy • Privacy Policy • Recruitment Policy • Anti-Slavery and Human Trafficking Policy • Anti-Bullying and Harassment Policy • Various information Security Policies • Whistleblowing Policy	• Equality and diversity **pp.58** • Modern slavery **pp.63**
Social matters and community issues	• Corporate Social Responsibility Policy	• Customers **pp.62** • Community and charity **pp.61**
Anti-corruption and anti-bribery	• Corporate Social Responsibility Policy • Anti-Bribery Policy	• Whistleblowing and bribery **pp.102**
Description of principal risks and impact of business activity		• Risk management **pp.70** • Principal risks and uncertainties **pp.70**
Description of the business model		• Overview **pp.6** • Our business model **pp.18**
Non-financial key performance indicators		• Operational performance **pp.14**

1 Certain Group policies and internal standards as guidelines are not published externally.

KPIs AND TARGETS DRIVING **IMPROVED SUSTAINABILITY**

Our overall objective in this area is to continue to improve all material aspects of the sustainability of the Group.

We have defined a suite of environmental and social targets and KPIs against which to measure our progress, which are set out in the following table, which includes the outturn for 2021 and 2022 compared to the baseline from 2020. The sections which follow provide further information and commentary in relation to our performance in each category.

Our KPIs recognise the breadth of the sustainability, or Environmental, Social and Governance ('ESG') agenda.

Central to our environmental targets, which cover both the circular economy as well as 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.

These objectives align well with several relevant United Nations Sustainable Development Goals, as well the UK's transition towards a net zero carbon economy.

Commentary in relation to our performance against these KPIs is set out in the sections which follow. We will continue to report our progress against these targets on an annual basis.

For information on our governance arrangements, please see our Corporate Governance Statement on pages 82 to 92.

Key to United Nations Sustainable Goals ('UN SDGs'):

1 NO POVERTY — No poverty

3 GOOD HEALTH AND WELL-BEING — Good health and well-being

4 QUALITY EDUCATION — Quality education

5 GENDER EQUALITY — Gender equality

7 AFFORDABLE AND CLEAN ENERGY — Affordable clean energy

8 DECENT WORK AND ECONOMIC GROWTH — Decent work and economic growth

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Responsible production and consumption

13 CLIMATE ACTION — Climate action

ENVIRONMENTAL – CIRCULAR ECONOMY

- Recycled material used in production
- CO_2 saved by recycling operation
- Waste recycled

ENVIRONMENTAL – EMISSIONS AND ENERGY MANAGEMENT

- Greenhouse gas ('GHG') emissions
- Energy consumption
- Renewable energy

SOCIAL

- Health & safety
- Employee engagement and recruitment
- Employee satisfaction
- Diversity
- Remuneration
- Education

KPI	2022 Result	2021 Result	2020 Base	Target vs 2020 Base	Link to UN SDGs
% used	29%	27%	25%	1% increase per year	12
Tonnes saved	47kt	48kt	36kt	Year-on-year increase	12
% recycled	82%	82%	79%	Year-on-year increase	12
GHG intensity ratio	49t CO_2 / £m sales	53t CO_2 / £m sales*	70 t CO_2 / £m sales	5% reduction by 2025	13
Energy use intensity ratio	226 MWh / £m sales	231 MWh / £m sales*	267 MWh / £m sales	5% reduction by 2025	13, 7
Renewable energy used	100% total energy	78% total energy	19% total energy	More than 90% by 2025	7
Lost time injury rate	1.0 per 100,000 hours	0.8 per 100,000 hours	0.7 per 100,000 hours	50% reduction by 2025	3
Labour turnover	32%	34%	21%	Year-on-year reduction	1, 3, 8
Annual survey response rate and overall satisfaction level	69% and 77%	60% and 68%	n/a	Year-on-year increase	3
Female employees	15.3%	13.5%	12.8%	Year-on-year increase	5
National Living Wage('NLW')	All employees at or above NLW	All employees at or above NLW	All employees at or above NLW	All employees above NLW by 2023	1
Apprenticeships / Kickstarters	69	79	32	20% increase by 2025	4

* GHG emissions and energy consumption figures for 2021 have been restated as a result of increased data availability. These adjustments have been made throughout this section.

SASB STANDARDS

We are also in the process of transitioning to reporting further information under the Sustainability Accounting Standards Board ('SASB') standards.

We have selected a number of relevant metrics from three applicable standards: Construction Materials, Waste Management and Multiline, Specialist Retailer and Distributors standards. Our performance in 2022, along with 2021 base year data is set out in the table on pages 42 and 43.

Where appropriate, and unless otherwise stated, commentary in relation to our performance against these SASB standards is set out in Minimising Our Environmental Impact on pages 48 to 54. We plan to continue to develop our reporting against the SASB standards.

Metric
CONSTRUCTIONS MATERIALS
Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets
Production by major product line (see Chief Executive Officer's Report on pages 12 to 17)
WASTE MANAGEMENT
(1) Amount of waste incinerated; (2) percentage hazardous; and (3) percentage used for energy recovery
Percentage of customers receiving (1) recycling; and (2) composting services, by customer type
Amount of material (1) recycled; (2) composted; and (3) processed as waste-to-energy
MULTILINE, SPECIALIST RETAILER AND DISTRIBUTORS
Description of approach to identifying and addressing data security risks
(1) Number of data breaches; (2) percentage involving personally identifiable information (PII); and (3) number of customers affected
Total amount of monetary losses as a result of legal proceedings associated with labour law violations
Total amount of monetary losses as a result of legal proceedings associated with employment discrimination

Topic	Unit of Measure	2022	2021	SASB Reference
Greenhouse gas emissions	Metric tons(t) CO_2-e, Percentage (%)	7,096 88% electricity and 9% gas	5,805 91% electricity and 32% gas	EM-CM-110a.1
Greenhouse gas emissions	N/A	See details of the short-term and long-term strategy within "Looking to a Sustainable Future" section on pages 64 and 65		EM-CM-110a.2
Activity Metrics	Metric tons (kt)	Rigid PVC profile: 36.9 Foam PVC profile: 17.2	Rigid PVC profile: 38.6 Foam PVC profile: 18.6	EM-CM-000.A
Recycling & Resource Recovery	Metric tons (kt), Percentage (%)	1) – 2) – 3) –	1) – 2) – 3) –	IF-WM-420a.1
Recycling & Resource Recovery	Percentage (%)	1) 69% 2) 0%	1) 72% 2) 0%	IF-WM-420a.2
Recycling & Resource Recovery	Metric tons (kt)	1) 46.4 2) – 3) –	1) 48.2 2) – 3) –	IF-WM-420a.3
Data security	N/A	See details of the cyber security risk within 'Principal Risks' section on page 72		CG-MR-230a.1
Data security	Number, Percentage (%)	1) 1 2) 100% 3) –	1) – 2) 0% 3) –	CG-MR-230a.2
Labour Practices	GBP	–	–	CG-MR-310a.3
Workforce Diversity & Inclusion	GBP	–	–	CG-MR-330a.2

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Tackling climate change is embedded in our sustainability strategy

We recognise the importance and value of the recommendations from the Financial Stability Task Force on Climate-related Financial Disclosures ('TCFD') and are committed to open and transparent disclosures. The information set out on this, and the following page, aims to provide key climate-related information and cross-references to where additional information can be found. In this context, we have considered our 'comply or explain' obligation under the UK's Financial Conduct Authority's Listing Rules and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures in the Annual Report save for Scope 3 greenhouse gas emissions. We currently disclose partial Scope 3 emissions, where this information is available. This is a complex and evolving area and therefore, looking forward, we will be working to further disclose these emissions, where possible.

Tackling climate change is embedded in our sustainability strategy, primarily through our objectives related to the circular economy (increasing recycling and reducing waste) and energy and emissions management (reducing emissions and increasing our use of renewable electricity). The table on pages 42 and 43 references these targets and other sections of our report where you can find further information on our approach to addressing climate change through improving our sustainability.

Governance

The Board reviews principal risks, including those concerning climate change and associated regulatory responses. The Board's engagement has been important in shaping our sustainability strategy, carbon reduction plans and other environmental targets. Towards the end of 2022, the Group's Social Values and Environmental, Social and Governance ('ESG') Committee was formed to ensure these matters are considered properly by the Board, further strengthening governance in this area.

The purpose of the committee is to provide formal and transparent oversight of the Group's ESG programme. This includes sustainability, employee welfare and responsible business practices, as well as our contribution to the societies we operate in. The committee also monitors progress against our ESG KPIs. It includes two independent Non-executive Directors: Alison Littley (Chair) and Iraj Amiri, as well as the Group's Sustainability Manager (Simon Drury) and Human Resources Director (Bruce Stephen).

Looking forward, the Board will support management in establishing a pathway to carbon neutrality and thereafter on to net zero.

Metrics and targets

We have published our progress against these targets for the second year, comparing the results against both 2021 and the 2020 base. We have generally made good progress against these targets, as set out on pages 42 and 43 and throughout this Responsible Business section.

In terms of climate change, the most important metrics for Eurocell are increasing our recycling operation and reducing our emissions.

Our recycling operation is described on pages 48 to 51. In 2022, we estimate that our recycling operation saved approximately 47k tonnes of carbon compared to the use of virgin PVC.

Our emissions are also reported in the Greenhouse Gas Emissions and Energy Use section on pages 42 and 43. Using a location-based methodology (which does not consider the electricity supply contracts we purchased, but instead uses a national carbon emissions factor for electricity), total emissions increased by 4% in 2022 compared to 2021, reflecting an increased return to office- and site-based working. It is also important to recognise that we have reduced our total emissions by 28% since 2016.

Using a market-based reporting approach, which recognises that 100% of the electricity we purchased in 2022 was renewable, our 2022 emissions are less than half of those reported under the location-based methodology.

Risk management

Climate change and associated regulatory response risks are included as part of our overall risk management framework. Further information in relation to our assessment of climate-related risks and opportunities is set out below.

Transition and physical risks and opportunities

Transition risk: reputation and investor preference

If we do not deliver on our environmental targets and set out a credible pathway to carbon neutrality and net zero in due course, then investors and lenders may show a preference to allocate capital to businesses with smaller climate impacts and/or better defined paths of improvement.

Our response

Improving sustainability, primarily through increasing recycling and reducing emissions, is at the heart of business and a clear strategic priority. We have appropriate governance and KPIs in place to ensure delivery of our objectives. We continue to engage with our investors and lenders and are confident our strategy is well understood.

Transition risk: government action

Governments may implement taxes or charges which penalise businesses that do not reduce carbon, potentially increasing the input cost of energy, freight, and raw materials.

Our response

Our own commitments to carbon and emissions reduction will ensure that we are part of the solution. In addition, the PVC sector is driving a strong sustainability agenda, and we engage positively with our suppliers and industry bodies to support their carbon reduction and waste elimination initiatives. See page 54 for some examples of work in progress in the PVC sector.

Transition risk: regulatory changes

Governments may implement stricter regulation, which could render elements of our product portfolio non-compliant.

Our response

As active members of trade associations, we influence directional change in areas such as building and product regulations and improve industry guidance. We are committed to investing in innovation to support breakthroughs in sustainable living and ensuring that emissions reduction is a core consideration in our product and solution designs.

Physical risk: disruption to our assets and operations

Changing weather patterns, linked to climate change, may directly damage our production facilities, or disrupt our supply chain.

Our response

All our production facilities are UK-based and are not located in areas exposed to direct risks of extreme weather. We engage with our supply chain and maintain alternative sources and sufficient inventory to avoid the impact of short-term disruption.

Transition opportunities

We are the leading UK-based recycler of PVC windows. Our rigid profiles contain significantly higher recycled material content than any of our UK competitors. In addition, our rigid profiles are designed for enhanced thermal efficiency and deliver better U-values and low thermal conductivity relative to alternatives such as wood and aluminium. We believe building regulations, such as the Future Homes Standard, are also beneficial to our skill set. We have an opportunity to leverage energy saving and other benefits of our products and solutions with our existing customer base, consumers, and other stakeholders.

Looking further to the future, our largest PVC resin supplier has launched the world's first commercially produced bio-attributed PVC (Biovyn), which is made using renewable feedstock derived via wood-based residue from sustainable forestry. Products such as this provide the potential to support our longer-term transition to carbon neutrality and net zero. Further information is included in Responsible PVC Sector on page 54.

Scenario analysis

We have made initial use of qualitative scenario analysis to assess our risks and opportunities and have considered 2ºC and a 4ºC scenario to provide a broad view of outcomes.

We have considered a 2ºC global warming scenario to assess our risks and opportunities. Under a 2°C scenario, risks relate primarily to the transition to a net zero world, the regulatory response, and the changing political, consumer and investor expectations. Our assessment is that the impact of a rise in global temperatures of less than 2°C on the Group's 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. We continue to replace and upgrade our fleet of extruders and vehicles as part of our normal maintenance capex cycle, and therefore do not anticipate any risk of asset obsolescence or significant additional costs in this scenario.

We have not modelled the impact of a 4ºC global warming scenario due to the lack of available data. We will develop our modelling over the coming years as data becomes available.

Reporting requirement	Reporting recommendation	Section and reference
Governance	• Describe the Board's oversight of climate-related risks and opportunities • Describe management's role in assessing and managing climate-related risks and opportunities	• Risk management and principal risks, see page 70 • TCFD, see page 46
Strategy	• Describe the climate-related risks and opportunities the organisation has identified over the short and longer term • Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning • Describe the resilience of the organisation, taking into consideration different future climate scenarios	• Minimising our environmental impact, see page 48 • Looking to a sustainable future, see above • TCFD, see page 46
Metrics	• Disclose the metrics used by the organisation to assess climate-related risks and opportunities • Disclose Scope 1 and 2 and, if appropriate, Scope 3 emissions • Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• Sustainability strategy, KPIs and targets, see pages 42 and 43 • Greenhouse gas emissions and energy use, see pages 52 and 53
Risk	• Describe the organisation's processes for identifying, assessing, and managing climate-related risks • Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	• Risk management and principal risks, see page 70 • TCFD, see page 46

MINIMISING OUR ENVIRONMENTAL IMPACT

Recycling Operations

Recycling sits at the very heart of our operations, and we are proud to be the leading UK-based recycler of PVC windows.

Why we recycle

Our recycling operation will always be at the heart of our sustainability strategy. Expanding recycling improves product and business sustainability, with less plastic going to landfill. The principal benefits fall into three categories:

Carbon savings

An independent study by the University of Manchester found that displacing 1 tonne of virgin PVC with 1 tonne of recycled window PVC results in a reduction of approximately 1.7 tonnes of CO_2 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.

Commercial

We can leverage the sustainability aspects of our recycling operation with our customer base, consumers, and other stakeholders. Closed-loop recycling (where windows being replaced are recycled into the new product) is attractive to decision makers such as local authorities and architects, which helps us develop tight specifications for our products.

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. This is particularly important at the moment, with prices remaining high and significant uncertainty in the market.

What we do

Our recycling process essentially turns old window profiles into new window profiles. We recycle both customer factory offcuts (post-industrial waste) and old windows that have been replaced with new (post-consumer waste) to produce recycled material in the form of pellets, micronised and granulate material which are then used to generate brand new extruded products.

"OUR WELL-DEVELOPED CHANNELS FOR RECOVERY AND RECYCLING ALLOW OLD FRAMES TO BE RECYCLED AND REPROCESSED INTO NEW PRODUCTS UP TO TEN TIMES WITHOUT ANY LOSS OF QUALITY."

We operate an advanced co-extrusion process, which delivers recycled material to the profile core. External surfaces are protected using virgin PVC compound, providing a high-quality, resilient finish. The recycling process actually enhances product stability and can be repeated around ten times, giving the product an effective lifetime of approximately 100 years.

Our co-extruded profiles are designed to deliver enhanced thermal efficiency, with better U-values than wood or aluminium alternatives and low thermal conductivity.

We have two recycling plants, located in Ilkeston (Eurocell Recycle Midlands) and Selby (Eurocell Recycle North). Both sites operate under Integrated Pollution Prevention and Control ('IPPC') permit conditions, and both successfully retained their permitted status. The environmental management systems and manuals forming the basis of our ISO 14001 accreditations continue to evolve, with particular progress being made at Eurocell Recycle North. All accreditations were successfully maintained in 2022.

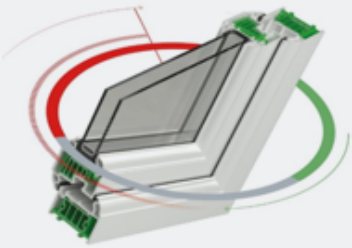
How much we invest

Between 2016 and 2022, we invested c.£12 million to expand capacity at our two recycling plants to become the leading UK-based recycler of PVC windows, along with the associated economic benefits.

How much we recycle

During the year, our two sites recycled 37.9k tonnes (equivalent to more than three million window frames) of post-consumer waste, which would have otherwise been sent to landfill, and 8.5k tonnes of post-industrial waste. Total waste collected of 46.4k tonnes represents a small reduction from 2021 (48.2k tonnes), reflecting slightly lower primary extrusion production volumes.

Together the two sites used this waste to produce 27.4k tonnes of recycled material (2021: 28.5k tonnes), at a similar percentage yield to 2021. It should be noted that very little of the resulting by-product goes to landfill, with a significant proportion representing scrap metal, which is sold.



eurocell RECYCLE

RECYCLED 46.4K TONNES IN 2022

Of the recycled material produced, 16.7k tonnes (generated predominately from post-consumer waste) was used alongside virgin resin in the manufacture of many of our PVC rigid profiles, representing 29% of total raw material consumption, up from 27% in 2021.

The remaining 10.7k 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.

We estimate that, in total, our recycling operation saved approximately 47k tonnes of carbon in 2022 (2021: 48k tonnes), also compared to the use of virgin PVC, and prevented the equivalent of over three million window frames from landfill.

Our 2022 performance is in line with our target to increase the percentage of recycled material used in production by at least 1% per annum. A reduction in the amount of carbon saved reflects slightly lower production volumes in 2022.

In addition, in terms of economic benefits, in 2022 our recycling operation drove a substantial cost saving compared to the use of virgin PVC compound, reflecting higher prices for virgin compound.

			vs 2021	
k tonnes	**2022**	2021	Change	Change %
Inputs – waste recycled				
Post-consumer	37.9	40.5	(2.6)	(6)%
Post-industrial	8.5	7.7	0.8	10%
	46.4	**48.2**	**(1.8)**	**(4)%**
Output – recycled material produced	**27.4**	**28.5**	**(1.1)**	**(4)%**
Yield %	**59%**	**59%**	**-%**	
Usage				
Primary extrusion	**16.7**	**16.8**	**(0.1)**	**(1)%**
Products made from 100% recycled material	6.1	7.3	(1.2)	(16)%
Sales to trade extruders	4.1	4.3	(0.2)	(5)%
	26.9	**28.4**	**(1.5)**	**(5)%**
Primary extrusion usage as % of total consumption	**29%**	**27%**	**2%**	

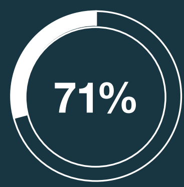
STRONG ON SUSTAINABILITY

LESS IS MORE

We use a significant proportion of recycled plastic in our window profile and doors

RECYCLED

Proportion of recycled plastic consumption



VIRGIN

Proportion of virgin compound consumption

HOW WE RECYCLE

Our 9-step process to create new feedstock from end-of-life materials

01 WASTE COLLECTION

Waste is taken from three sources:

- Post-consumer windows.
- Fabricator off-cuts.
- Bar length.

02 SHREDDING

Waste is shredded into processable pieces.

03 SEPARATION

Using magnetic processes, metals are separated from the rest of the waste and recycled separately.

04 GRANULATION

The waste is granulated into uniform size. At this stage rubber gaskets are still present.

05 COLOUR SORTING

An advanced process utilising high speed cameras, ultra-violet light and jets of air filters out the granules of rubber leaving only clean, colour sorted PVC-U.

9
Manufactured product ranges from recycled PVC-U

c.200
recycling jobs provided to people in the local area

06
WASHING
Using a series of water tanks, contaminants are ‘floated’ out, using a closed-loop water system.

08
BULK TRANSPORTATION
A proportion of the recycled material is used onsite, whilst the rest is transported in tankers to our main extrusion facility, minimising our carbon footprint.

07
PELLETISATION/ PULVERISATION
The PVC-U granules are processed into finished material ready for extrusion.

09
EXTRUDE FINISHED PRODUCTS
The loop is closed as we manufacture the PVC-U into new products, frequently to higher specification than those being recycled. Such ‘upcycling’ is key to being a sustainable part of the Circular Economy.

>3 million
end-of-first-life frames recycled in 2022

136%
increase in recycled material produced since 2016

c.70k
windows recycled per week, on average, during 2022

BENEFITS OF EUROCELL RECYCLING

Sustainability
The use of recycled material enhances product stability and lowers the carbon footprint of our manufactured products.

Reducing waste to landfill
By recycling old windows (‘post-consumer’) we reduce the amount of waste sent to landfill.

Protecting our margin
The use of recycled material in the manufacture of PVC-U rigid products provides a substantial saving in cost compared to virgin compound. We also aim to increase our use of recycled material in order to maintain gross margin as our sales grow.

Mitigating pricing pressures
Increasing the use of recycled material in our manufactured products helps to mitigate raw material price increases and to reduce our exposure to volatile commodity prices.

MINIMISING OUR ENVIRONMENTAL IMPACT CONTINUED

Accreditation

FTSE Green Economy Mark

During 2021, we were very pleased to receive the London Stock Exchange's Green Economy Mark, which is awarded to companies that derive more than 50% of revenues from environmental solutions and reflects contributions to the global green economy. In 2022 we have retained this accreditation.

The LSE recognised that our PVC profiles can be recycled up to ten times and have a life span of around 100 years which, along with the fact that we operate recycling plants and use recycled material in our products, contributes to the transition to a sustainable, low carbon economy.

Our footprint

Since 2016, we have reduced total emissions by c.28%, along with a steady downward trend in emissions intensity. Consumption has dropped through energy efficiency programmes, whilst revenues have generally been increasing (source: Eurocell Greenhouse Gas Report, Inenco Group, February 2022).

Recognition

We have been proud winners of:

- the Future Manufacturing Awards – Sustainability 2018.
- the MRW National Recycling Awards – Manufacturer of the Year 2018.
- the National Fenestration Awards 2020 – Recycling Company of the Year.

We are committed to protecting and minimising our impact on the environment. Our policy is as follows:

- We recognise that our operations result in emissions and waste and we are committed to control, recover, and reuse PVC waste wherever possible. We operate in compliance with all relevant environmental legislation, and strive to use pollution prevention and environmental best practice in all that we do. The Company experienced no reportable environmental incidents during 2022.
- We promote the efficient use of all materials and resources throughout our facilities, particularly non-renewable resources, and continue our development of sustainably sourced products using recycled materials wherever possible.
- Environmental concerns and impacts are a consideration in all our decision making and activities. We promote environmental awareness amongst our employees and encourage them to work in an environmentally responsible manner. This is achieved through training and education, informing our employees about environmental issues that may affect their work.
- Emergency response procedures are maintained where required by legislation or where significant health, safety or environmental hazards exist.
- Our general environmental objectives are set in alignment with legislation and are continually reviewed to ensure they are being met. Our environmental policies apply to all our operations, and we make sure sufficient resources are made available to ensure that they are implemented. We strive to continually improve our environmental performance and review our policies regularly in the light of planned future activities.

As described on pages 42 and 43, we have also published our sustainability KPIs and targets. These include our environmental targets, which cover both the circular economy as well as emissions and energy management, where the central theme is reducing the carbon footprint of the business and our products. Further details of our performance against these environmental targets is included in the following sections.

Greenhouse gas emissions and energy use

We report our greenhouse gas ('GHG') emissions and energy use as part of our Strategic Report and our reporting period is 1 October 2021 to 30 September 2022, with comparatives for the corresponding period in the previous year. Reliable reporting of GHG emissions and energy use on a calendar year basis is not possible due to difficulties in collating actual data for the final months of the year due to timing lags on supplier invoicing. All our emissions and energy use relate to UK operations apart from negligible amounts which relate to our two branches in the Republic of Ireland.

Our target is to deliver a 5% reduction in both the energy use intensity ratio and emissions intensity ratio by 2025, compared to the 2020 baseline. Thereafter, these targets will be re-based to ensure they are aligned to our ongoing long-term emissions reduction objectives, which we expect to develop over time.

GHG emissions for the Group for the period ending 30 September 2022 in tonnes of carbon dioxide equivalent (tCO_2e), using location-based reporting are as follows. Note that location-based reporting does not consider the electricity supply contracts we purchased, but instead uses a national carbon emissions factor for electricity (see also market-based reporting analysis within Electricity consumption below).

Source	2022	2021[1]	Change vs 2021
Fuel combustion (stationary)	**820**	337	143%
Fuel combustion (mobile)	**6,603**	5,734	15%
Refrigerant gases	**33**	42	(21)%
Purchased electricity	**11,537**	12,214	(6)%
Total	**18,993**	18,327	4%

1 2021 numbers have been restated to take into account increased data availability.

For 2022, we reported sales growth of 12% and a slight reduction in production volumes. A small increase in total emissions for the year of 4% reflects an increased return to office/site working practices, with much of the 2021 comparative reflecting remote working.

GHG emissions for the Group for the period ending 30 September 2022 in tonnes of carbon dioxide equivalent (tCO_2e), by scope and source, are as follows:

Source	Scope 1	Scope 2	Scope 3[1]	Total
Fuel combustion (stationary)	820	–	–	820
Fuel combustion (mobile)	6,244	–	359	6,603
Refrigerant gases	33	–	–	33
Purchased electricity	–	10,570	967	11,537
Total	**7,097**	**10,570**	**1,326**	**18,993**

1 See below for details of Scope 3 emissions included in this analysis.

Scope 1 emissions are direct emissions from fuel combusted in our own facilities and vehicles and Scope 2 emissions are indirect emissions from the generation of electricity or heating that we purchase for use in our business. These emissions have been reliably measured and independently verified.

Scope 3 emissions are usually defined as emissions from all other activities in the supply chain as well as the positive impact of using our products. The Scope 3 emissions included in the table above include only those associated with electricity distribution and transmission losses, along with business travel in private vehicles. We are working with key suppliers to determine the extent to which we will be able to report all our Scope 3 emissions in the future.

The emissions intensity ratio was as follows:

tCO_2e	**2022**	2021[2]	Change vs 2021
Total emissions	**18,993**	18,327	4%
Emissions intensity[1]	**49**	53	(8)%

1 Expressed in tCO_2e per £m revenue.
2 2021 numbers have been restated to take into account increased data availability.

The emissions intensity ratio was 49 tCO_2e per £m revenue in 2022, resulting in an 8% year-on-year reduction when compared to 2021, in line with our target. This ratio is driven by increases in revenue of 48% since the base year, compared to an increase in emissions of 5%.

Energy use for the Group for the period ending 30 September 2022 in MWh is as follows:

Source	**2022**	2021[1]	Change vs 2021
Natural gas	**4,494**	1,839	144%
Electricity	**54,662**	52,846	3%
Diesel	**19,358**	17,565	10%
Petrol	**1,116**	471	137%
LPG	**4,536**	4,631	(2)%
Gas oil	**2,724**	1,839	48%
Total consumption (kWh)	**86,890**	79,191	10%
Total Group sales (£m)	**384.1**	343.1	12%
Intensity: (kWh per £m)	**226**	231	(2)%

1 2021 numbers have been restated to take into account increased data availability.

The 2022 energy use intensity ratio was £226 MWh/£m sales (2021: £231 MWh/£m sales) representing a 2% year-on-year reduction, and a 15% reduction from the 2020 base year. We continue to improve the energy efficiency of our own plant and machinery (new extrusion lines are significantly more efficient than our legacy fleet), however, we have seen an increase in total energy consumed of 26% since the base year, as a direct result of producing more, offset by an increase in revenue of 48%.

This information was collected, calculated, and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019 (PB 13944). Emissions have been calculated using the 2022 conversion factors provided by the Department for Business, Energy & Industrial Strategy.

Electricity consumption (61% of 2022 energy use)

We continue to encourage behavioural changes to reduce consumption levels, to be less wasteful and drive operational efficiencies, including reducing idle time and optimising temperatures on extrusion lines and chillers. In addition, during the year, we have also reviewed machine start-ups, standby and shut-down processes, the usage of compressed air and the Company's lighting policy, all of which have had a positive impact on our electricity usage.

In addition, our previously published target was to increase the use of renewable energy by 50% by 2025, compared to the 2020 baseline. However, following a decision taken to significantly increase renewable energy purchases, renewable energy use increased to 78% in 2021 and 100% in 2022, compared to 19% in 2020. We have therefore revised our long-term target to be more than 90% renewable by 2025.

Note that following a market-based methodology, our emissions from electricity in 2022 were 983 tCO_2e (compared to 11,537 tCO_2e reported for the same period under the location-based approach in the table above).

Waste management

During 2022, we continued our work towards a 'zero to landfill' aspiration. Our current target is to deliver year-on-year increases in the level of our waste which is recycled. In 2022, 82% of our waste was recycled, compared to 82% in 2021.

We are developing our production material flows, particularly through the recycling operation, to close resource loops, improve in-house waste recovery and reduce material sent to landfill i.e. essentially engineering in recycling and designing out waste. The chart illustrates that substantially all scrap material generated in our extrusion process is recycled. Finding new applications for waste products from the recycling operation which were previously landfilled is also a priority.

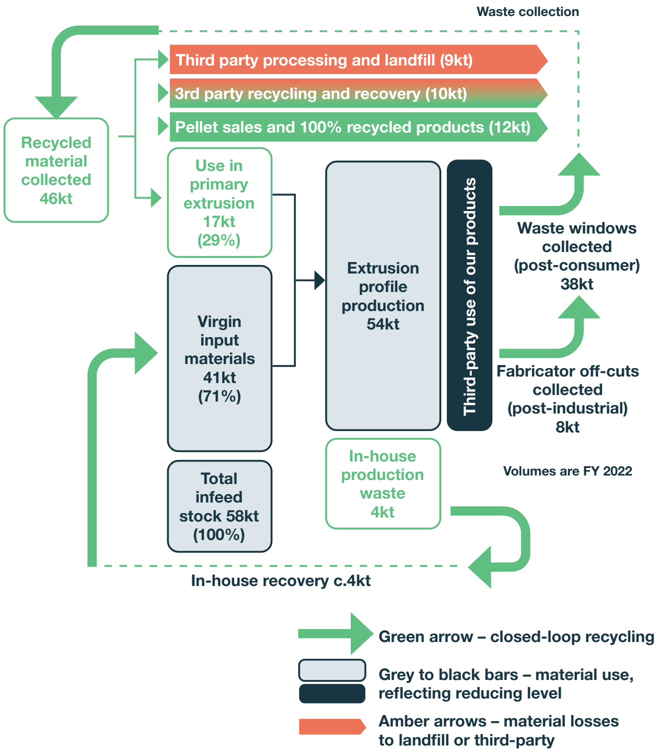
We have strategies in place to increase the amount of post-consumer and post-industrial waste we collect and improve the performance of our recycling plants. For example, at our recycling sites, a number of equipment trials and plant modifications are being conducted, with the aim of improving operational efficiency and product yield. We are increasingly using quality management approaches to develop more effective process control, allowing greater focus on critical process points whereby quality and yield can be maximised. This leads to cleaner waste streams, with greater potential for sale and/or reuse.

In addition, trials have commenced at third-party sites which act as a collection/delivery hub for old windows which have been replaced (post-consumer waste). At these hubs, the post-consumer waste is separated and collected for our recycling operations which:

- provides our customers with a simple, easily-accessible and cheaper disposal route for post-consumer waste, thus increasing recycling volumes; and
- increases our recycling yields, due to less unwanted material, thus contributing to our target of 'zero to landfill'.

MINIMISING OUR ENVIRONMENTAL IMPACT CONTINUED

Production Material Flows



Plastic packaging

Our procurement team has been working with packaging suppliers to identify, trial and introduce new types of plastic packaging. The aim is to reduce overall plastic content, while increasing the proportion of recycled plastic within the packaging. This will yield both environmental benefits and minimise the impacts of the new plastic packaging tax, which came into effect in April 2022.

Pollution prevention

We have continued to make our vehicle fleet more environmentally friendly, as the choice of full electric and hybrid electric options continues to grow.

Lower benefit-in-kind values, free-to-use charging points at our main sites, and support with installation of home charging points, all provide natural incentives for company drivers to take up these options.

Furthermore, investigations continue into non-diesel options for our light commercial fleet, and discussions have commenced with our third-party logistics provider to examine ways in which we can work together to reduce the environmental impact of the logistics and distribution operation.

Responsible PVC sector

There are a number of major initiatives in progress across the PVC industry to address sustainability challenges, right through the value chain.

Supply chain – Inovyn

Inovyn is Europe's leading chlorovinyls producer and the largest supplier of PVC resin to UK window profile system houses, including Eurocell.

Inovyn is an industry leader on sustainability, focused on development in four areas: responsible production, carbon neutrality, circularity and value to society.

In following this path, Inovyn was the first European chemical company to launch Environmental Product Declarations ('EPDs') covering a PVC product range. In this respect, their products are assessed against parameters such as: extraction and refining of raw materials; energy production and supply; and resource inputs and emissions. In doing this work, Inovyn has demonstrated that its carbon footprint for PVC is lower than the industry average.

Looking further to the future, Inovyn has launched the world's first commercially produced bio-attributed PVC (Biovyn). This product is made using renewable feedstock derived via wood-based residue from sustainable forestry, which importantly does not compete with the food chain. Biovyn's supply chain has been independently certified by the Roundtable on Sustainable Biomaterials to deliver a 90% greenhouse gas saving compared to conventional PVC. Further, Inovyn believe that products made using Biovyn can be recycled in the same way as traditional PVC profiles.

Products such as this provide the potential to support Eurocell's longer-term transition to carbon neutrality and net zero. We intend to begin trials using small quantities of Biovyn in our primary extrusion processes in 2023.

Supply chain – industry initiatives

We are also proud to support a number of other initiatives in the PVC industry.

VinylPlus 2030 is a ten-year commitment from the European PVC industry to sustainable development, using a long-term framework to drive the transition to circularity, advance the PVC value chain towards carbon neutrality and minimise the environmental footprint of PVC production.

Recovinyl is a series of initiatives to encourage and develop PVC recycling in Europe.

The British Plastics Federation ('BPF') promotes the versatility and sustainability benefits of plastics, with programmes that seek to differentiate between short-life, single-use plastics, and those with more circular life cycles. The BPF leads a range of initiatives to reduce energy, increase recycling and prevent litter.

For example, BPF energy is a voluntary agreement setting out targets to increase energy efficiency and reduce CO_2 emissions. Operation Clean Sweep is an initiative to reduce plastic pellet loss to the environment, with the aim of ensuring that the plastic pellets, flakes and powders that pass through UK manufacturing facilities do not end up in our rivers or seas.

VALUING OUR PEOPLE

Our people remain at the heart of our success. We strongly believe that engaging all employees and galvanising their efforts in line with the Company's Vision and Values will set us on a successful path to achieving all our business objectives.

Health and safety

We are committed to conduct our business in a responsible manner, ensuring the health, safety and welfare of our employees, visitors and contractors who undertake work on our behalf. We believe that effective health and safety management and continual improvement in performance is critical to our continued success.

Our aim is to create a positive safety culture within our organisation, not just to ensure that employees at all levels fulfil their legal responsibilities, where effective health and safety management is a fundamental and integral part of our business.

During 2022 the number of RIDDOR incidents reduced by 18%, reflecting the fact that fewer more serious incidents were experienced in the year. Our RIDDOR record is below the industry average, although the Injury Frequency Rate and Lost Time Injury Rate both increased when compared to the previous year.

We have improved 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 improvement, when combined with the effective and timely implementation of corrective and preventive action, supports our positive safety culture and we are targeting an improvement in these KPIs in 2023.

KPI	**2022**	2021
Injury frequency rate[1]	**4.8**	3.7
Lost time injury frequency rate[2]	**1.0**	0.8
RIDDOR-reportable injuries	**23**	28
Near misses	**102**	29

1 Injuries per 100,000 hours worked.
2 Lost time accidents per 100,000 hours worked.

During 2022, we introduced an escalation reporting process, whereby the relevant senior managers are notified of all lost time incidents and are required to attend root cause analysis meetings, to help ensure lost time incidents and other more serious incidents gain the attention they need to prevent recurrence.

There were no site visits by the Health & Safety Executive during the year and only a small number of recommendations were forthcoming from insurance surveys and inspections, all of which have been appropriately addressed.

Certification to ISO 45001 was maintained for our main manufacturing sites in Alfreton, with a small number of minor non-conformances and opportunities for improvement identified. As part of our Safety, Health and Environment (SHE) strategy we aim to achieve certification to the standard across all Eurocell operational facilities by the end of 2025.

Throughout the year, we successfully implemented numerous initiatives and plans to improve Health and Safety including:

- Appointment of a new Head of SHE, with over 40 years of industrial experience in senior SHE roles within large international companies.
- Strengthening of the SHE leadership within the Building Plastics division, through the appointment of a new SHE lead and an additional SHE manager for the Southern region.
- Implementation of a QR Code system for recording safety inspections to improve and streamline record-keeping.
- Review of workplace transport plans, at several sites, to improve pedestrian safety.
- Upgrade of staff welfare facilities on several manufacturing sites, reflecting our continued commitment to colleague wellbeing.
- Development of 'Cardinal Rules' (i.e. rules that, if violated, may result in serious threat to the life and health of our employees) to be communicated in 2023 and implemented through a training programme and integration into safe operating procedures.
- Introduction of visible leadership tours, where senior leaders tour a site and engage with employees to raise safety awareness and demonstrate safety leadership.

Resourcing and recruitment

Agile working practices continue to be applied by our Resourcing team with a firm emphasis on sourcing talent proactively, reducing reliance on temporary agency labour, and maximising internal talent development opportunities. As a result, we have continued to successfully attract, engage and recruit a large number of employees across all areas, despite ongoing challenges regarding candidate shortages across all sectors, significantly reducing time to hire and costs accordingly. We offer tailored recruitment solutions to meet each challenge and maximise every opportunity to select and engage the best available talent.

We continue to identify and engage new technologies to embed innovative, efficient and cost-effective resourcing and recruitment solutions to meet business needs. This includes new technologies such as digital hiring events and pay-per-click campaigns, while applying new technologies such as digital Right-to-Work checks, digital employment contracts and digital onboarding, in order to secure and onboard new employees efficiently. In addition, we continue to upskill our hiring manager population with recruitment training and support.

Induction and retention

We have continued to drive several initiatives and actions, as part of an employee value proposition, to drive improved employee wellbeing, better pay and reward, successful recruitment and retention, and career development opportunities for our colleagues. Over time, we expect this strategy to drive year-on-year reductions in labour turnover, so that we both attract and retain the talent we need.

During the year, we held Branch Manager listening groups across our branch network that provided first-hand insight into ways to help improve induction and training within the branch teams which resulted in the creation of:

- An improved 'SharePoint' site – internal website to help branch teams operate effectively.
- 'Network Essentials' – induction workbook to help inform new colleagues.
- 'Branch Rituals and Routines' – operational processes to help colleagues meet and exceed standards.
- 'The Big Red Product Book' – product reference guide to all products available to customers.

Also, to support these initiatives, we have been focusing on the simplification of systems and processes, improvement of staff welfare areas, as well as pay and reward and training.

We know how important it is to ensure that we recruit and retain the right person for the right role and ensure that all new starters receive a supportive and comprehensive induction. This, in addition to training tools being available and utilised by the branch teams, will help to build confidence and connectivity within the business.

Incentives and benefits

Every employee has access to a variety of benefits that will support them both inside and outside of work. Our total reward strategy ensures that all employees are eligible for a range of 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
YOUR BENEFITS

Eurxtras was re-designed and relaunched in 2022 in order to make it a more comprehensive platform than just a savings portal – it now provides employees with information on health and wellbeing, a means of communicating to our colleagues and an opportunity for managers and employees to recognise others.

New pay structures were launched in April 2022, following a detailed review of the levels of pay and reward in our branch-based, manufacturing and warehousing teams, and has resulted a continued reduction in labour turnover since. This initiative supported our continued commitment to our employees, to help drive retention and place us in the best position to attract the best people, with the right skills and knowledge into our business.

VALUING OUR PEOPLE CONTINUED

Wellbeing

We carried out another staff 'Pulse' survey in 2022, following its initial launch in 2021, to provide colleagues with the opportunity to tell us how they feel.

KPI	**2022**	2021	Change
Response rate	**69%**	60%	9%
Employee satisfaction	**77%**	68%	9%

Encouragingly, both the response rate and, more importantly, the Employee satisfaction rate saw an overall increase and the results of the survey have been used to signpost our people strategy along with building action plans based on the detailed colleague feedback.

In addition, colleague focus groups with the designated Non-executive Director, Alison Littley, have now started to ensure workforce views are heard by the Board. These sessions have received a very positive response.

We have continued to support hybrid and other flexible working practices where appropriate. The ability for some employees to work from home, coupled with some flexibility in working hour patterns, has provided the business with enhanced coverage through the working day and helped a large number of colleagues strike an improved work-life balance.

In recognition of the economic pressures our employees may be experiencing, we are continuing to provide tips for staying resilient and healthy through our Eurxtras platform. This includes information about getting professional advice through the Employee Assistance Programme ('EAP'), the Samaritans, Shout and Mind UK.

Furthermore, we have introduced an enhanced occupational health provision, which provides additional support to employees experiencing mental health issues, trauma and bereavement. We also plan to further improve our occupational health provision in 2023, with more targeted health surveillance, along with the introduction of a healthcare cash plan for all employees.

Diversity and inclusivity

We recognise the benefits of encouraging diversity and inclusivity across the business and believe that this will contribute to our continued success.

In keeping with our commitment to equal opportunity and, irrespective of any disability, we treat all employees and job applicants equally, without bias or discrimination and our recruitment policy ensures that full and fair consideration is given to all applicants based purely on their aptitude. All appointments are made based on merit and are measured against specific objective criteria, including the skills and experience needed for the position.

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/become disabled during their employment, to fulfil their day-to-day work activities through our occupational health provision. We provide specific support for specific groups and individuals throughout our business, including the provision of free English and maths tuition for non-English speakers, access to mental wellbeing support and a free employee assistance programme.

Whilst we operate in a historically male-dominated industry, we are very committed to increasing the participation of women throughout the Group. Our target is to deliver year on year increases in the proportion of female employees in the Group. This was achieved in 2022, with female employees increasing to 15% (2021: 14%).

Following implementation of the new HR information system, we are hoping to be able to also report on ethnicity data from 2023 onwards. However, we acknowledge that our people have no legal obligation to provide this information and therefore this data may be limited to certain employees.

2022 Gender analysis*	Male no.	%	Female no.	%	Total average 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**

* 2022 excludes Security Hardware as the business was sold on 2 December 2022. The comparative period includes Security Hardware.

2021 Gender analysis	Male no.	%	Female no.	%	Total average no.
Directors	5	83%	1	17%	6
Executive Committee	6	86%	1	14%	7
Other senior management	26	70%	11	30%	37
Senior management	37	74%	13	26%	50
Other employees	1,816	87%	277	13%	2,093
Total	1,853	86%	290	14%	2,143

Leadership and Management Development

In 2021, we developed our first framework for Leadership and Management Development and during 2022 we have continued to bring to life various activities, resources and programmes to enable our people to develop critical leadership and management skills. These are described in the following paragraphs.

Manager's Toolkit – for all managers across the business

Originally called the People Toolkit, the Manager's Toolkit has had a rebrand this year and continues to provide managers with a one-stop-shop of information to help them complete everyday people management activities. The toolkit contains flowcharts of processes, forms and step by step self-help guides.

Additionally, this year, we have piloted half-day workshops to help managers make full use of the toolkit resources. The pilots have covered how to conduct investigations, managing underperformance and how to manage absence. We plan to run similar sessions in other management toolkit topics in 2023 and have a full programme of workshops from April onwards.

Leadership Development Programme

In August 2022, our initial Leadership Development Programme within the Building Plastics division concluded, with nine colleagues successfully completing the programme. Of those nine colleagues, four have subsequently been promoted and the others are all involved in important cross-functional projects to support the business. The plan is to drive forwards with this programme into 2023 and beyond with further cohorts from across the business.

Regional Managers Development Programme

In September 2022, we also launched a Regional Operations Manager Development Programme. In collaboration with a third party training provider, we have created a bespoke programme to support the development of Regional Operations Managers in leading teams, supported with coaching sessions delivered by the divisional HR Business partners.

VALUING OUR PEOPLE CONTINUED

Learning and Development

Apprenticeships

Apprenticeships

We continue to utilise the Apprenticeship Levy, with two new bespoke apprenticeship programmes commencing for the first time this year: 'Grow' and 'Aspire2b'.

In addition, we had 32 individuals working through their apprenticeships in 2022, covering business relevant training ranging from finance, manufacturing and engineering, maintenance, procurement, learning and development and business administration. Combined with our bespoke programmes, we had a total of 69 live apprenticeships in the year, 68 of which are still with the business and 14 of which have already been promoted.

Due to its success in helping to retain and engage our people, in addition to the positive impact on both the individuals themselves and the business, we anticipate further growth in the use of apprenticeships in 2023.

'Grow' programme for first-line leaders/team leaders

Our new level 3 management development programme for team leaders commenced this year, with a total of 31 team leaders enrolled, primarily from the operations side of the business.

The 12-month programme is built around the Chartered Management Institute (CMI) and Institute of Apprenticeships level 3 Standard, leading to recognised management qualifications that our people can feel proud to have achieved.

The design and delivery is a collaboration between our external apprenticeship provider and our internal Learning and Development team, supported by line managers to reinforce and mentor throughout the learning. The programme aims are to foster confidence, consistency and competence in self, team and business leadership.

Aspire2b Supply Chain Warehouse Operative Programme

One of our new bespoke in-house apprenticeship programmes is the Aspire2b Supply Chain Warehouse Operative Programme which commenced in September 2022.

Aspire2b a qualified supply chain warehouse operative?

The Aspire2b Eurocell development programme is for new and existing warehouse operatives who have a passion to meet customers' expectations by providing a quality service that encourages repeat business.

Apply now! Speak with your line manager for more information and an application form or contact training@eurocell.co.uk.

What it is:

- Structured job-relevant training to develop existing and new skills in a variety of warehouse activities.
- Personal and professional development.
- A qualification proving your high competence in using industry recognised systems.
- Time to train given within your existing work hours.

It will enable you to:

- Enhance your current skills.
- Share best practice with your colleagues.
- Get noticed as someone who wants to progress and develop.
- Build yourself, build your team, build the business.

What we require of you:

- Maths and English level 1 or equivalent and prepared to complete functional skills as part of the programme if required.
- Want to progress, willing to put in the effort and be stretched out of your comfort zone.
- Able to use a laptop for elearning and online portfolio systems.

Gain internal recognition and a nationally recognised industry qualification.

12 month programme
+ individual work assignments
+ end point assessment.

Qualification on successful completion Level 2 Supply Chain Warehouse Operative.

How the programme works

eurocell
All together better

This level 2 programme is a collaboration between the warehouse management team, our in-house Learning and Development and our external apprenticeship provider. Running over 12 months, it is for existing warehouse operatives who have a passion to develop their careers with us.

The programme provides structured, job-relevant training to develop existing and new skills in a variety of warehouse activities. Participants will also brush up their English and maths, and our first cohort of seven participants will gain level 2 qualifications, demonstrating their competence using industry recognised systems.

We plan to run further cohorts in 2023 and to explore Aspire2b programmes for other business critical roles.

Cyber security training

During 2022 we 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.

Alongside the training, we continue to run simulations to test colleague's responses to potential cyber-attack routes and, where appropriate, held follow-up sessions which covered an in-depth discussion about the risks, how to spot them, how to mitigate them and why this is so important to get right. Feedback has been overwhelmingly positive.

WORKING RESPONSIBLY WITH COMMUNITIES AND OTHER STAKEHOLDERS

Community and charity
Our manufacturing and recycling centres, warehouses and branches can have a significant impact on, and benefit from, the communities in which we operate. We believe it is important to support the communities local to our sites.

Alzheimer's Society
Our valued customer, A&B Glass reached their 40th anniversary this year. In recognition for their strong support over the years, they asked that we make a donation to their charity of choice. We were very pleased to donate £20,000 to the Alzheimer's Society in December.

Local hospitals
Staff at our Alfreton Head Office, manufacturing and warehousing facilities donated Christmas presents to children spending the festive period in local Derbyshire hospitals.

Cancer support
Staff at our Eurocell Recycle Midlands site organised a coffee morning and cake sale to raise money for Macmillan Cancer Support.

Local food banks
Several employees donated Asda vouchers, provided as a Christmas gift to all Eurocell employees, to Hope Nottingham, a charity which supports foodbanks around Nottingham to provide food parcels for those in need.


Certificate of Thanks to
Eurocell
For your wonderful, kind and generous donation of £525 of Asda vouchers to help those in need in local communities this Winter
Thank you SO much!
December 2022

Harvest festival
Staff organised a collection of food and essentials for local people in need.

Muscular Dystrophy
Eurocell supported a charity golf day, organised by a former employee, to raise funds to help run a Midlands-based support centre for muscular dystrophy.

Children's hospitals
Branch Sales Managers from the Skegness and Scunthorpe branches ran 31km in 31 days to raise funds for Great Ormond Street Children's Hospital.

Children's sport
Eurocell sponsored Stanton Ilkeston U11s football team with new kit for the whole team.

WORKING RESPONSIBLY WITH COMMUNITIES AND OTHER STAKEHOLDERS CONTINUED

Customers

Customer services

We operate with a customer centric focus and therefore make customer service a priority and support our customers in a number of ways including:

Order processing

We have a dedicated team who process and check customer orders for accuracy to ensure they receive the right goods at the right time. We have recently successfully implemented automated ordering processes, which now accounts for c.67% of all orders received, and has significantly reduced the number of processing errors.

Issue resolution

When customers raise an issue, it is categorised in relation to the impact for the customer, with actions taken to resolve within agreed timeframes. As part of our issue investigation process, we conduct thorough root-cause analysis to determine how the issue arose, the underlying causes and how we can mitigate or eradicate the issues going forward.

Relationship management

All of our customers now have a dedicated Relationship Coordinator at Eurocell, who conducts regular reviews of our performance with our customers, providing a more proactive and personalised service.

Quality

In terms of quality, our focus has been on implementing key principles of quality management and measuring systems. These are captured in our customer-focused Quality Policy Statement and Commitment, which reflects the way we aspire to work at Eurocell.

Policy statement and commitment

At Eurocell we believe that achieving the highest standards of product and service quality is essential to our continuing success as a market leader.

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. These commitments are critical to our continuing success and a key element of our corporate value of putting our customer first.

We can only achieve our vision if every person in the company commits to playing an active role in improving the quality of our products and services; and to fulfilling their responsibilities.

We will continually work to improve our performance and ensure compliance with ISO9001 and the other quality standards to which we are accredited. We will operate clearly defined systems and procedures and will work closely with our customers to address concerns and resolve complaints. We will also provide the necessary instruction, training, guidance and commitment to ensure that all colleagues are able to play their part in continually raising Eurocell standards of product and service quality performance.

Suppliers

Ethical and sustainable sourcing

We are committed to the continuous development of supplier relationships, that support our ethical, and sustainability expectations; working in partnership to deliver a responsible value chain. Eurocell is committed to building relationships with partners that support and evolve with us, as we form the basis of our commitment to responsible sourcing. To support this we have established supplier pre-appointment checks to evaluate the environmental and humanitarian impact of our products and supplier base.

As part of our continuing commitment to legal compliance and protecting our environment we ensure that all relevant raw material suppliers are compliant with current regulatory and industrial standards. This includes compliance with the Registration, Evaluation, Authorisation and Restriction of Chemicals regulation ('REACH'). We continually monitor supplier performance to ensure they meet our quality and environmental standards.

We are also committed to paying our suppliers on time in accordance with agreed terms of business. We have a loyal supplier base, of which a significant majority have been suppliers to Eurocell for many years. 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.
- Respect for fundamental human rights.
- 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.

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.

Modern slavery

We are absolutely committed to preventing slavery and human trafficking in our business activities, and to ensuring that our supply chains are free from these practices.

We prioritise the identification of modern slavery risks and will take action to prevent slavery and human trafficking in all our operations. We conduct an ongoing review of our suppliers to identify any potential risks and carry out further assessments and audits where these are deemed necessary and reserve the right to deselect any supplier found in breach of this law.

Our full Anti-Slavery and Human Trafficking Statement is published on our website at investors.eurocell.co.uk.

Government

Taxation

The Fair Tax Mark is an independent certification scheme, which recognises organisations that demonstrate they are paying the right amount of corporation tax in the right place, at the right time.

Since August 2019, we have been certified as an accredited Fair Tax Mark business, following successful assessments against the Fair Tax Mark criteria.

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. The ability to measure ourselves against an independent benchmark, like the Fair Tax Mark, allows us to continually improve the quality of information that we provide to our investors, employees, suppliers and customers, and assists us in creating a fair and successful business environment.

Eurocell Plc

Fair Tax® accredited 2021–22

LOOKING TO A SUSTAINABLE FUTURE

Throughout this Responsible Business section, we have described the work currently in progress to achieve our objective of continually improving all aspects of the sustainability of the Group.

Carbon, energy and water efficiency

As described elsewhere in this Responsible Business section, reducing our carbon footprint and increasing our energy efficiency has many benefits, including cost reduction, and mitigates several business risks, including regulatory compliance.

Our existing published target for Scope 1 and 2 emissions is to reduce our greenhouse gas emissions intensity ratio by 5% per annum and our energy consumption intensity ratio by 5% per against the 2020 base. We believe this is a challenging but realistic target up to 2025. Thereafter, we will aim to set science-based targets to ensure a clearly-defined path to reduce emissions, so far as practicable, in line with the Paris Agreement and the UK Government's aspirations, which are as follows (relative to a 2014 baseline):

- 68% reduction by 2030.
- 78% reduction by 2035.
- Net zero by 2050.

Along the way, we aspire to achieve carbon neutrality as part of the pathway to a 2035 target.

Our key initiatives designed to reduce Scope 1 and 2 emissions include:

- On-going replacement of PVC extruder fleet with modern, more efficient plant and equipment.
- Progressive conversion of mobile plant and company vehicles to electric power.
- Investment in on-site energy generation, with the addition of solar panels to the roof of our largest manufacturing sites.
- Development of staff engagement plans, training, workshops and appointment of site champions, to drive reduced energy consumption at a local level.
- Continuing to increase the proportion of renewable energy used.

We will continue to develop and refine these and other initiatives, to support the journey to carbon neutrality and net zero for Scope 1 and 2 emissions.

In order to provide more timely information on our carbon emissions and energy usage, in 2023 we plan to invest in enhanced metering and data analytics technology.

In addition, we are working with suppliers and sector partners to better understand and improve Scope 3 emissions, including the potential for using increasing quantities of bio-attributed PVC resin in the production of our extruded profiles (see Responsible PVC sector on page 54).

We are also reviewing initiatives to improve our existing closed-loop water cooling systems.

Waste minimisation and circularity

Our focus here is on further strengthening our materials recovery and process optimisation, driving leaner and more sustainable resource use over time. Similar to reducing our carbon footprint, this will also lead to lower costs and tighter regulatory compliance. We have now defined our targets as follows:

- 2% per annum increase of waste recycled (resulting in 88% by 2025), then reducing to 1% per annum thereafter (resulting in 93% by 2030).
- No more than 5% of waste to landfill by 2025 and 1% by 2030.

We also intend to develop a number of Environmental Product Declarations ('EPDs') to build our understanding of the environment lifecycle impacts of our key products, with the first two for major product lifecycle assessments to be completed in 2023.

Key to achieving these targets are:

- A strong sustainable procurement strategy and supplier risk assessment, covering ethical sourcing of raw materials, traded goods and consumables.
- Partnerships with the right waste services providers, to optimise end to end material recovery.
- Reduced use of packaging, including quantity and use of virgin materials.
- Continued investment in machinery and processing for the recycling plants to improve material recovery.
- On-going investigation of alternate usage for recycling by-products.

In addition to meeting our waste minimisation targets, we believe successful delivery of these (and our carbon footprint) objectives will be attractive to customers and thereby support our strategic priority to grow market share.

People and places

The events of the last three years, including the impact of the COVID-19 pandemic, have served to increase our focus on employee wellbeing, including mental health, hybrid working, diversity and fair wages. We will also continue to develop and refurbish our facilities and step up our community and charitable engagement, focused on causes that our employees have told us are important to them. Our aim remains to become the regional employer of choice in the communities in which we operate, with lower labour turnover and improving employee retention.

More information on our main initiatives in this area, including those which look to the future, are set out in the Valuing Our People section on pages 56 to 63. Our work recognises that a good ESG story is becoming increasingly important to existing and potential new employees, alongside other key stakeholders (e.g. suppliers, customers, investors and banks).

Governance

We described on page 46 that in 2022, the Group's Social Values and ESG Committee was formed to ensure these matters are considered properly by the Board, further strengthening governance in this area. The purpose of the committee is to provide formal and transparent oversight of the Group's ESG programme. This includes sustainability, employee welfare and responsible business practices, as well as our contribution to the societies we operate in.

As set out earlier in this Responsible Business section, we continue to report our progress against our published ESG targets and KPIs on an annual basis and will now develop our reporting against the most appropriate SASB standards applicable to Eurocell.

Leading UN Sustainable Development Goals for Eurocell

SOLID FINANCIAL RESULTS

"The business overcame significant challenges in 2022 to deliver solid results for the financial year."

Michael Scott
Chief Financial Officer

Group	2022 £m	2021 £m
Revenue	**381.2**	**339.8**
Gross profit	184.5	172.1
Gross margin %	48.4%	50.6%
Overheads	(130.4)	(119.7)
Other income[3]	1.1	—
Adjusted[1] EBITDA	**55.2**	**52.4**
Depreciation and amortisation	(23.9)	(22.7)
Adjusted[1] operating profit	**31.3**	**29.7**
Finance costs	(2.6)	(2.0)
Adjusted[2] profit before tax	**28.7**	**27.7**
Taxation	(4.7)	(6.1)
Adjusted[2] profit after tax	**24.0**	**21.6**
Adjusted[2] basic EPS (pence)	**21.4**	**19.4**
Non-underlying overheads	(2.2)	—
Non-underlying finance costs	(0.3)	—
Tax on non-underlying items	0.5	—
Reported operating profit	**29.1**	**29.7**
Reported profit before tax	**26.2**	**27.7**
Reported profit after tax	**22.0**	**21.6**
Loss after tax from discontinued operations	**(2.3)**	**(0.5)**
Reported basic earnings per share (pence)	**19.6**	**19.4**
Profit for the year	**19.7**	**21.1**

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

The business overcame significant challenges in 2022 to deliver solid financial results for the year, with, on a continuing basis, sales of £381.2 million up 12% and adjusted profit before tax of £28.7 million up 4% on 2021. We also took decisive action to prepare the business for 2023, with the completion of a restructuring programme and disposal of Security Hardware. Reported profit before tax was £26.2 million (2021: £27.7 million), stated after the cost of the restructuring programme.

After a strong first half, our markets began to slow down in H2, particularly smaller discretionary RMI work. However, the inflationary environment continued throughout the year, and whilst we continued to offset input cost inflation with selling price increases and surcharges, we experienced margin pressure in the second half, reflecting lower volumes and not all cost inflation being fully recovered until early in 2023, when additional selling price increases were implemented.

As reported at the Half Year, we experienced a cyber incident towards the end of July, which resulted in some temporary disruption. The incident was efficiently resolved, with the business remaining operational throughout and trading normally from mid-August. We have now partially resolved our cyber insurance claim and recognised compensation of £1.1 million as underlying other income in our 2022 financial statements, primarily for business interruption. Work is ongoing with the insurer to resolve the remaining aspects of the claim.

In anticipation of weaker markets in 2023, we completed a restructuring programme in Q4 2022, which along with other cost saving measures, will reduce operating costs by approximately £5 million per annum from the start of 2023. The programme included a headcount reduction and closure of five underperforming branches. The costs associated with this restructuring have been classified as a non-underlying item.

Following a review, and to further streamline the business, in December 2022 we completed the sale of Security Hardware to UAP Limited for a total consideration of £1.2 million. Security Hardware has been classified as a discontinued operation, as it represents a major line of business, is material and was an operating segment (reported as part of the Building Plastics division). Discontinued operations are excluded from the results of continuing operations and are presented in the income statement as a single amount as profit or loss after tax from discontinued operations. The loss after tax from discontinued operations was £2.3 million, comprised of a trading loss of £1.1 million (inclusive of costs incurred to prepare the business for sale) and a loss on disposal of £1.2 million.

Revenue

Revenue for 2022 was £381.2 million, 12% higher than 2021 (£339.8 million), with price the significant driver of sales growth.

Gross margin

Gross margin for the year was 48.4%, down from 50.6% in 2021. As described above, we experienced margin pressure in the second half, reflecting lower volumes and not all cost inflation being fully recovered until early in 2023. However, the cost of key raw materials does now appear to be stabilising, and in some cases beginning to fall.

Distribution costs and administrative expenses (overheads) and other income

Underlying overheads were together £130.4 million, up 9% on 2021 (£119.7 million) reflecting the impact of inflation on our cost base.

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

Depreciation and amortisation

Depreciation and amortisation was £23.9 million compared to £22.7 million in 2021.

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 and infrequency merit separate presentation. Alongside statutory measures, this facilitates a better understanding of financial performance and comparison with prior periods.

Non-underlying items

Non-underlying items for 2022 of £2.5 million included restructuring costs of £2.2 million, comprising £1.6 million of redundancy payments and £0.6 million of asset impairment charges. Also included are finance costs of £0.3 million arising as a result of the refinancing of our Revolving Credit Facility in May (see below).

No non-underlying items were recognised in 2021.

Finance costs and taxation

Underlying finance costs for 2022 were £2.6 million, compared to £2.0 million in 2021. Total finance costs of £2.9 million include £0.3 million of unamortised borrowing costs expensed to the Consolidated Income Statement following the refinancing of the Group's Revolving Credit Facility (see below).

The underlying tax charge for 2022 was £4.7 million (2021: £6.1 million). The effective tax rate on underlying profit before tax for 2022 of 16.4% is lower than the standard rate of corporation tax of 19% due to the benefit of Patent Box relief.

We were pleased to retain the Fair Tax Mark accreditation in 2022, 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 £28.7 million compared to £27.7 million in 2021, up 4% reflecting lower sales volumes (including the impact of the cyber incident), cost control, operating efficiencies and the recovery of significant cost inflation.

Reported profit before tax in 2022 was £26.2 million (2021: £27.7 million), reflecting the above, and £2.5 million of non-underlying items.

Adjusted basic earnings per share for the year were 21.4 pence (2021: 19.4 pence), reflecting the increased profitability and lower tax charge. Adjusted diluted earnings per share for the year were 21.3 pence (2021: 19.3 pence). Total basic and diluted earnings per share were 19.6 pence and 19.5 pence respectively (2021: 19.4 pence and 19.3 pence respectively).

Dividends

We paid an interim dividend of 3.5 pence per share in October 2022 (£3.9 million). The Board proposes a final dividend of 7.2 pence per share (2021: 6.4 pence per share), which results in total dividends for the year of 10.7 pence per share, or £12.0 million, up 11% (2021: 9.6 pence or £10.8 million). This reflects our solid financial performance and a lower tax rate in 2022. The dividend will be paid on 17 May 2023 to Shareholders registered at the close of business on 21 April 2023. The ex-dividend date will be 20 April 2023.

Retained earnings as at 31 December 2022 were £91.7 million (2021: £83.1 million). The Company takes steps to ensure distributable reserves are maintained at an appropriate level through intra-Group dividend flows.

Capital expenditure

Capital expenditure for 2022 was £12.3 million (2021: £16.7 million). 2022 includes c.£4 million to expand manufacturing capacity across a number of key product lines and c.£2 million for IT infrastructure improvements, our new website and HR information system, both of which will be launched in the first half of 2023. The remaining c.£6 million relates mostly to maintenance capex, and includes warehouse improvements, branch refurbishments and critical spares in recycling, as well as solar panels for our primary manufacturing facilities.

Cash flow

Net cash generated from operating activities was £35.1 million (2021: £29.6 million).

A net outflow from working capital for 2022 of £13.1 million includes the substantial impact of inflation (c.£8 million net across all working capital components). The outflow is comprised of an increase in stocks of £5.7 million, an increase in trade and other receivables of £5.6 million and a decrease in trade and other payables of £1.8 million. For stocks, the inflation impact alone is c.£7 million. This compares to a net outflow from working capital of £19.4 million in 2021, which also included a significant inflationary component (c.£8 million).

Other items include payments for capital investments of £12.4 million (2021: £15.5 million), net proceeds from the disposal of Security Hardware of £0.3 million and financing costs paid of £1.2 million (2021: £0.6 million). Tax paid in the year was £3.6 million (2021: £3.5 million). Dividends of £11.1 million were paid in the year (2021: £3.6 million).

The principal elements of lease payments of £13.3 million (2021: £10.1 million) are presented within cash flows arising from financing activities. The finance elements of lease payments were £1.4 million (2021: £1.2 million).

Net debt

Net debt on a pre-IFRS 16 basis at 31 December 2022 was £14.4 million (31 December 2021: £11.0 million).

Lease liabilities increased by £5.0 million. Reported net debt at 31 December 2022 was £78.1 million (31 December 2021: £69.7 million).

	2022 £m	2021 £m	Change £m
Cash	**5.1**	6.6	(1.5)
Deferred consideration	**0.8**	—	0.8
Bank overdrafts	**—**	(5.9)	5.9
Borrowings	**(20.3)**	(11.7)	(8.6)
Net debt (pre-IFRS 16)	**(14.4)**	(11.0)	(3.4)
Lease liabilities	**(63.7)**	(58.7)	(5.0)
Net debt (reported)	**(78.1)**	(69.7)	(8.4)

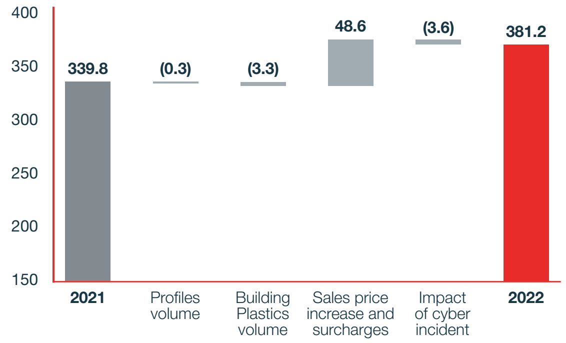
Bank facility

We have an unsecured multi-currency Revolving Credit Facility ('RCF') of £75 million. In May 2022 the Group refinanced this facility, with the key terms unchanged. The facility is held with Barclays Bank plc, NatWest Bank plc and Bank of Ireland, and expires in May 2026. The facility is a Sustainable RCF, where modest adjustments to the margin are applied based on our achievement against annual targets for usage of recycling in our products, waste recycled and carbon emissions.

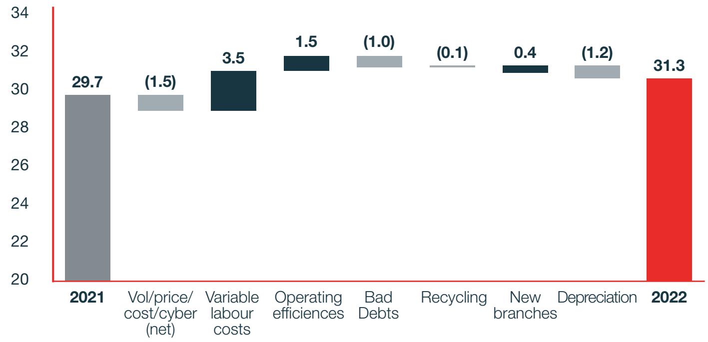
We operate comfortably within the terms of the facility and in compliance with our financial covenants, which are measured on a pre-IFRS 16 basis.

Michael Scott
Chief Financial Officer

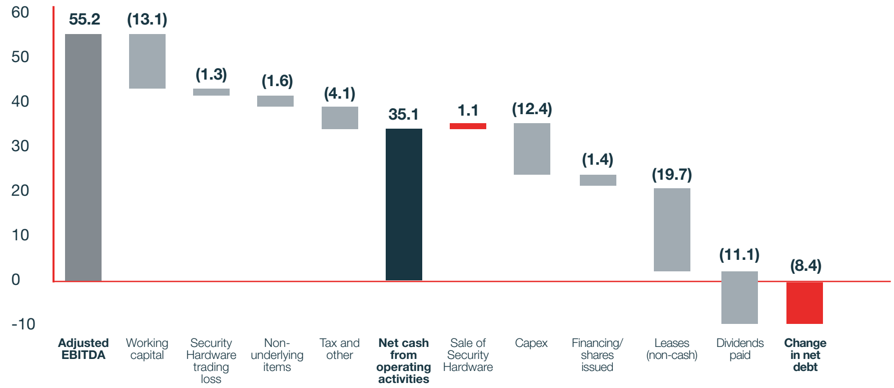
Sales (£m)



Adjusted Operating Profit (£m)



Cash Flow (£m)



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 sits alongside our strong governance culture and effective internal controls to provide 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 plan and budget 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 and probability, ownership, and mitigation measures, as well as any proposed further actions (and timescale for completion) for each significant risk.
- The Group has an executive Risk Management Committee, chaired by the Chief Financial Officer. This Committee meets on a regular basis. 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 together consistent with the risk appetite set by the Board.

Internal control

The Group has well-defined systems of internal control.

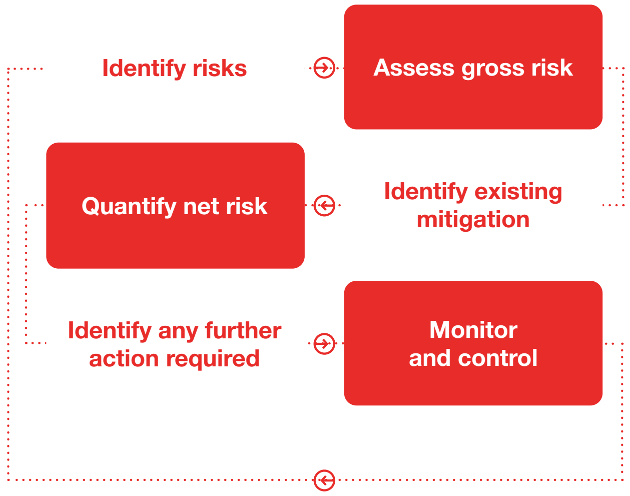
The Group has a robust process of financial planning and monitoring, which incorporates Board approval of operating and capital expenditure budgets. Performance against the budget is subsequently monitored and reported to the Board monthly. The Board also monitors overall performance against operating,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

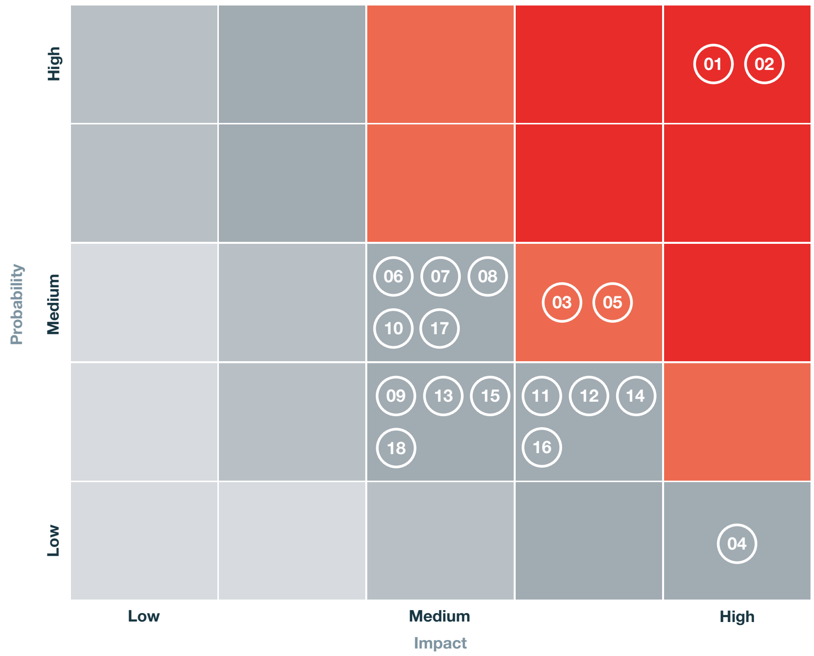
Performance is reported formally to shareholders through the publication of results both annually and half-yearly. Operational management regularly reports on performance to the Executive Directors.

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.





Principal risks

01 Macroeconomic conditions

02 Cyber security

03 Regulatory risks, including health & safety

04 Raw material supply

05 Raw material and traded goods pricing

06 Recycling feedstock supply and pricing

07 Customer credit risk

08 Sustainability, climate change and natural disaster

09 Manufacturing capacity constraints

10 Warehousing and distribution capacity constraints

11 Unplanned plant downtime

12 Ability to attract and retain key personnel and highly skilled individuals

13 Shortages or increased costs of appropriately skilled labour

14 Failure to develop new products

15 Competitor activity

16 Failure to identify, complete and integrate bolt-on acquisitions

17 Digital and IT system development

18 Fraud

RISK MANAGEMENT CONTINUED

The principal risks monitored by the Board are as follows:

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
MACROECONOMIC CONDITIONS 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. As such, our business and ability to fund ongoing operations is dependent on the level of activity and market demand in these sectors, itself often a function of general economic conditions (including interest rates and inflation) in the UK. Government economic and social policy can also have a significant impact on our business.		• Notwithstanding macro conditions, we expect our strategic priorities and self-help initiatives to support sales and profit growth and drive good cash conversion. • Initiatives include: various initiatives to win market share in Profiles and expand the Building Plastics branch network. • We operate comfortably within the terms of our bank facility and related financial covenants.	• The UK is currently experiencing significant increases in the cost-of-living, driven by essentials such as gas and electricity and food, with expectations of a recession in 2023. • CPA now forecasts the private housing RMI market to fall by 9% in 2023 (flat in 2022) and new build to fall by 11% in 2023. • Major UK lenders put a hold on approving new mortgage applications in September 2022 due to interest rate uncertainty. Whilst these have now resumed, rates remain significantly higher than previous levels. • The UK base rate increased significantly throughout 2022 rising from 0.25% to 3.5% (and 4.0% in February 2023), with rates unlikely to begin to fall before the end of 2023. • The rate of inflation is currently above 10% and although this is expected to fall in 2023 it remains above historic averages.	
CYBER SECURITY 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).		• Ongoing investment in cyber risk detection and prevention tools, accelerated significantly since the cyber incident in July 2022. • New 2022 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 defence. • Cyber awareness/IT security campaign active for all employees. • Financial crime protection and cyber liability insurance in place.	• The Group experienced a cyber incident in July 2022, causing significant disruption to our operations. • This remains a high-profile area and continues to receive considerable management attention.	

Movement key:
Increase | No change | Decrease

Strategic Priorities key:
- Increase the use of recycled materials
- Expand the branch network
- Explore potential bolt-on acquisitions
- Develop a sector-leading digital proposition
- Target growth in market share in Profiles
- Develop innovative new products
- Deliver sustained operational excellence

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
REGULATORY RISKS, INCLUDING HEALTH & SAFETY We may be adversely affected by the crystallisation of unexpected corporate or regulatory risks. These include health & safety, data, reputational and environmental risks (including regulations related to our recycling operations), or other legal, taxation and compliance matters.	Target growth in market share in Profiles	• 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. • Internal and third-party site audits to assess compliance with our policies.	• Whilst national COVID-19 restrictions are no longer in place we continue to operate in a Covid-safe manner. • More generally, recent developments widen the scope and increase the penalty regime for breaches in these areas. For example: Corporate Criminal Offence of Failure to Prevent the Facilitation of Tax Evasion ('CCO') legislation and General Data Protection Regulations ('GDPR'). • Increased focus on the regulatory environment, with the implementation of reforms to corporate governance following the BEIS consultation.	No change
RAW MATERIAL SUPPLY There are only a limited number of PVC resin and certain other raw material suppliers, and we operate with limited raw material storage capacity. Failure to receive raw materials on a timely basis could impact on our ability to manufacture products and meet customer demand.	Target growth in market share in Profiles; Deliver sustained operational excellence	• We mostly operate with at least two suppliers for all critical raw materials, including PVC resin, to support security of supply. • Ongoing raw material tests to identify potential alternative suppliers, resulting in several new approvals in 2022. • A spot market exists for resin, that we can access when required. • Contractual arrangements for certain key suppliers include liquidated damages for failure to supply. • Regular reviews to evaluate financial stability of key suppliers. • Potential remains for increased resin supply originating from the US to come online and deliver into Europe.	• In 2021, high demand for PVC put sector supply chains under pressure. Issues were exacerbated by a lack of sea freight container capacity, leading to increased freight prices and sector-specific material shortages. Through 2022 we have seen an easing in supply chain pressures. • Our recycling plants have supported continuity of supply of resin in tight markets. • Due primarily to strong relationships with our suppliers, all of the raw materials and traded goods we require were secured throughout 2022, although sometimes subject to minor delays.	Decrease

RISK MANAGEMENT CONTINUED

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
RAW MATERIAL AND TRADED GOODS PRICES Our manufacturing operations depend on the supply of PVC resin, a material derivative of ethylene which in turn is a derivative of crude oil. The price of PVC resin can therefore be subject to fluctuations based on the markets for crude oil and ethylene, as well as the market for resin itself. In addition, although we pay for resin in Sterling, crude oil and ethylene are priced in US dollars and Euros respectively. As such, the price of resin in Sterling is also impacted by international currency markets. Our ability to pass on resin and other raw material or traded goods price increases to our customers will depend on market conditions at the time.		• We generally operate with at least two suppliers for all critical raw materials and traded goods, including PVC resin, to provide competitive pricing. • Where possible we pass through raw material or traded goods price increases to our customers. • Increasing the use of recycled material in our manufacturing partially mitigates exposure to resin prices, although prices for recycling feedstock can also be volatile. • We consider fixed price supply arrangements with suppliers where it is economic to do so. • We hedge our energy prices on a rolling 12-month basis.	• Resin and other raw material prices continued to increase throughout 2022, due to a combination of high demand and the impact of war in Ukraine. • We have mitigated raw material cost inflation to date with selling price increases and surcharges. • Energy prices increased significantly in 2022 and are expected to remain well above historical levels throughout 2023.	
RECYCLING FEEDSTOCK SUPPLY AND PRICING The recycling feedstock supply market is fragmented and can be unpredictable. We may not be able to access sufficient levels of feedstock to use within the recycling operation. This may result in paying higher prices for additional virgin resin, and have a negative impact on our sustainability objectives.		• Procurement strategy in place to ensure sufficient access to feedstock. • Increased virgin resin prices give us greater scope to pay higher prices for feedstock.	• Increased competition for feedstock during 2022 has led to reduced availability levels and increased prices. • Reduction in RMI activity in 2023 may further reduce feedstock supply and increase prices. • Developing firm plans to secure new supply lines for post-consumer and post-industrial waste.	
CUSTOMER CREDIT RISK Default by a large customer or multiple smaller customers could result in a material bad debt(s). The loss of a major customer(s) could limit our ability to continue to grow the business.		• Regular in-depth credit reviews for existing and new customer accounts with the involvement of relevant Executive Committee members in managing position on key accounts. • Credit insurance in place to the extent available for selected large accounts.	• Significant inflationary increases in material prices, labour and energy costs, as well as a deteriorating economic outlook, may place significant financial pressure on some customers.	
WAREHOUSING AND DISTRIBUTION CAPACITY CONSTRAINTS Similarly, demand running above our warehousing capacity may also result in inefficiencies, customer service and customer acquisition issues.		• We invested in a new warehouse, commissioned in 2021, which has significantly increased our warehousing capacity and is key to delivering further improvements in operational efficiencies. • Fit-out of the new warehouse and transition completed in 2021.	• Meaningful operational efficiencies are now being realised, with more to come.	

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
SUSTAINABILITY, CLIMATE CHANGE AND NATURAL DISASTER Demonstrating improving business sustainability is becoming increasingly important to all stakeholders. We have built upon our published suite of KPIs from 2021 and this year for the first time have included reporting against SASB standards. 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 in due course 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.		• Strong underlying position on sustainability underpinned by window recycling operation, which drives significant carbon savings compared to the use of virgin PVC resin. • Publication of verified carbon savings data for the first time in the 2020 Annual Report. • Investor and other stakeholder feedback indicates published ESG targets and KPIs have been well received and understood. • Task Force on Climate-related Financial Disclosures ('TCFD') introduced for the first time in the 2021 Annual Report, including consideration of climate-related risks. • Reporting against SASB standards for the first time in 2022.	• Appointment of a new Environmental Sustainability Manager and awarded the FTSE Green Economy Mark certification towards the end of 2021. • Further progress on development of Group-wide sustainability strategy in 2022, with long-term goals linked to relevant UN Sustainable Development Goals and the UK Government's transition towards a net zero carbon economy. • Further progress against defined suite of environmental and social targets and KPIs in 2022. • Establishment of new 'ESG and Social Values' Board committee towards the end of 2022.	
MANUFACTURING CAPACITY CONSTRAINTS Demand running above our manufacturing capacity may result in production-related inefficiencies, as well as customer service issues if a backlog of customer orders develops. A shortage of capacity may also prevent the acquisition of new customers, thereby limiting our ability to continue to grow the business.		• Investments have increased manufacturing capacity by c.40% since 2018 and removed historic constraints. • Space is available in the current footprint for a further increase beyond that of around 15%. • Productivity improvement plans have been embedded and are actively being tracked.	• Completion of the 2021/22 extrusion capacity expansion has resulted in significant capacity headroom over expected demand. • The latest CPA forecasts predict a decline in volumes in 2023, further increasing capacity headroom.	
UNPLANNED PLANT DOWNTIME 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.		• Regular planned maintenance to reduce the risk of plant failure, including maintenance capital investment of >£5 million per annum across the Group. • Extrusion facilities spread over three manufacturing sites and recycling facilities spread over two sites. • Comprehensive Business Continuity Plan ('BCP') in place. • Critical spare parts are held on site to reduce potential downtime.	• Continued maintenance capital investment in the extrusion facility, and in the recycling plants. • Effectiveness of BCP tested through the response to cyber incident in 2022.	

RISK MANAGEMENT CONTINUED

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL AND HIGHLY SKILLED INDIVIDUALS Our success depends, inter alia, on the efforts and abilities of certain key personnel and our ability to attract and retain such people, with the appropriate skills and experience.		• Developing a successful track record and clear strategic direction provides an attractive backdrop to joining the senior team at Eurocell. • Market rate compensation for all personnel, including leadership team. • Equity-based long-term incentive plans in place for senior team, with refreshed targets.	• Progressive implementation of people plan. • Strengthened Operational management in Manufacturing, Recycling and Supply Chain. • Critical role and employee analysis performed, and action plan implemented.	
SHORTAGES OR INCREASED COSTS OF APPROPRIATELY SKILLED LABOUR We are subject to supply risks related to the availability and cost of labour, both in our manufacturing operations and in our branch business. Our headquarters and several manufacturing and operational sites are located in areas of generally full employment. We may also experience labour cost increases (including those related to the National Living Wage) or disruptions in circumstances where we have to compete for employees with the necessary skills and experience in tight labour markets.		• People plan includes a number of initiatives to support recruitment, retention and reduce labour turnover. • Plan also includes a focus on improving employee engagement and communication. • Successful recruitment drive in H2 2021 replaced agency staff with permanent employees, giving the business the resources needed to operate efficiently and achieve our growth ambitions. • Annual SAYE share-save scheme available to all personnel.	• Continued progressive implementation of people plan. • Resourcing, recruitment, and on-boarding procedures enhanced in 2022, along with improvements to training programmes. • Pay and benefits benchmarking and review conducted in 2022, with pay rates adjusted where necessary to ensure we offer market level or better salaries and good benefits package. • Seventh SAYE scheme planned for 2023.	
FAILURE TO DEVELOP NEW PRODUCTS Failure to innovate could reduce our growth potential or render existing products obsolete. The launch of new products and new variants of existing products is an inherently uncertain process. We cannot guarantee that we will continuously develop successful new products or new variants of existing products. Nor can we predict how customers and end-users will react to new products or how successful our competitors will be in developing products which are more attractive than ours.		• We invest continuously in research and development through our in-house team. • The team is highly focused on new ways to develop existing products and to be innovative with new ones. • Specific targets are in place looking at the level of sales from new products. • We collaborate with customers and technical advisers on product development.	• Recent successes include: flush sash French doors, improved conservatory roof and roof lantern ranges and a further extension to the outdoor living product categories. • New product introductions for 2023 include 'extension kits' and vertical cladding system.	
COMPETITOR ACTIVITY We have several existing competitors that compete on range, price, quality and service. Increased competition could reduce volumes and margins on manufactured and traded products.		• Strong market and customer awareness, with good intelligence around competitor activity. • Absolute focus on customer proposition and points of differentiation in product and service offering. • We have developed a healthy new customer pipeline.	• We believe we increased market share in 2022 and have plans to exploit our spare operating capacity and capture further share gains in 2023. • Uncertain macroeconomic outlook expected to be a challenge for several competitors, presenting a further opportunity to grow share.	

Principal Risk and Impact	Strategic Priorities	Mitigation	Risk Change in Reporting Period	Movement
FAILURE TO IDENTIFY, COMPLETE AND INTEGRATE ACQUISITIONS We may not be able to identify and complete appropriate bolt-on acquisitions (one of our strategic priorities). Any future acquisition we do make poses integration risks which may affect our results or operations. The acquisition and integration of companies is a complex, costly and time-consuming process involving a number of possible risks. These include diversion of management attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with various third parties, system risks and unanticipated liabilities.		• Good knowledge of companies operating in our sector and related sectors. • Six acquisitions completed since our IPO in 2015. • Tried and tested procedure for the integration of new acquisitions.	• Given the uncertain macro-economic outlook, acquisitions will not be a priority for 2023.	
DIGITAL AND IT SYSTEMS DEVELOPMENT Stakeholders in most organisations increasingly require full end-to-end digital solutions, a trend exacerbated by the COVID-19 pandemic. Failure to develop a leading digital proposition could lead to a competitive disadvantage, hinder progression of our other priorities and detract from the supplier, customer, and employee experience of working with Eurocell.		• We have a strategic priority to develop a sector-leading digital proposition. • Three-year IT road map launched in 2021, including significant investment in additional resources and application landscape to support development of business efficiency and digital proposition.	• During 2022 we developed platforms for a new website, product information management system, e-commerce solution and employee management system. • These new systems are an important part of our digital proposition, and all are expected to launch in H1 2023.	
FRAUD We may be subjected to fraudulent activity, either intentionally or accidentally.		• Business sets a strong tone at the top. • Controls set-up throughout the company to both prevent and detect any fraudulent activity. • Asset protection team in place performing regular reviews over the branch network.	• With a declining economy and weaker outlook for 2023, there may be additional pressure and incentive to perpetrate fraudulent activity. • Payment processes have been substantially automated within the year.	

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 risk, 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 like-for-like sales growth, but assume other initiatives, in line with the published strategy.

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

Scenario 1
Macroeconomic conditions 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 sustained increase in resin prices
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 2025. 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 2025.

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 and that the likelihood of breaching the related covenants in this period is remote.

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 15 March 2023 and signed on its behalf by:

Mark Kelly
Chief Executive Officer

Michael Scott
Chief Financial Officer

BOARD OF DIRECTORS

Derek Mapp
Non-executive Chair

Mark Kelly
Chief Executive Officer

Michael Scott
Chief Financial Officer

Frank Nelson
Senior Independent Non-executive Director

Martyn Coffey
Independent Non-executive Director

Kate Allum
Independent Non-executive Director

Iraj Amiri
Independent Non-executive Director

Alison Littley
Independent Non-executive Director

Derek Mapp
Non-executive Chair

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

Committee membership:

Mark Kelly
Chief Executive Officer

Date of appointment:
29 March 2016

Experience:
Mark joined the Group in March 2016 and was appointed Chief Executive Officer in May 2016. He was formerly Chief Executive for Grafton Merchanting GB and previously worked for BDR Thermea Group BV, IMI and Novar. Mark has previous experience of the PVC windows and doors industry having worked for Duraflex and Celuform.

External appointments:
None

Committee membership:
None

Michael Scott
Chief Financial Officer

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

Committee membership:
None

Frank Nelson
Senior Independent Non-executive Director

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 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)
- Senior Independent Non-executive Director of HICL Infrastructure plc (FTSE 250)
- Chair of DSM SFG Group Holdings Ltd (Private Equity)

Committee membership:

Martyn Coffey
Independent Non-executive Director

Date of appointment:
4 February 2015

Experience:
Martyn, prior to his current role at Marshalls plc (see below), was Divisional Chief Executive Officer for BDR Thermea Group BV and Chief Executive for the private equity-owned Baxi Group. He also held the position of Managing Director for Pirelli Cable. Martyn has a BSc in Mathematics.

External appointments:
- Chief Executive Officer of Marshalls plc (FTSE 250)
- Director of Mineral Products Association Ltd (Private)

Committee membership:

Kate Allum
Independent Non-executive Director

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 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:
- Chair of Anpario plc (FTSE AIM)
- Non-executive Director of Co-op Group (Private co-operative)
- Chair of the Court at the University of the West of Scotland (Private)

Committee membership:

Iraj Amiri
Independent Non-executive Director

Date of appointment:
7 November 2022

Experience:
Iraj has recent and relevant financial experience. He 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 ten 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)

Committee membership:

Alison Littley
Independent Non-executive Director

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, Alison was a Non-executive Director of 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 musicMagpie plc (FTSE AIM)
- Non-executive Director of Xaar plc (FTSE All-Share)
- Non-executive Director of Norcros plc (FTSE All-Share)

Committee membership:

Committee key:
- Member of the Audit and Risk Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee
- Denotes Committee Chair

LETTER FROM THE CHAIR

"On behalf of the Board, I am pleased to introduce Eurocell's Corporate Governance Report for the year."

Derek Mapp
Chair

Dear Shareholder,

At Eurocell, we recognise the importance of effective corporate governance in delivering long-term success and sustainability for the Company. This report sets out the Group's corporate governance framework and explains how it underpins and supports the Executive Committee and senior management in delivering the Group's strategy.

2022 has been a year of transition for the Board. Following a well managed succession planning process, myself and three new Non-executive Directors joined the Board. This process will continue into 2023, as we welcome Darren Waters as Chief Executive Officer designate, to replace Mark Kelly, who retires at our 2023 AGM.

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

The Board has continued to provide oversight of, and support for, the Executive Committee in progressing the Group's strategic priorities, and has worked well with the senior management team to help address the challenges arising in 2022. These include the on-going impact of significant cost inflation and an uncertain macroeconomic outlook, as well as Company specific factors, such as the cyber incident we experienced in the summer. As we look ahead to 2023, and in anticipation of weaker markets, in Q4 2022 the Board approved a significant cost reduction programme and the sale of Security Hardware. Both of these actions leave the business better placed for the future.

In November, the Board performed a review of the Group's strategy, our markets and activities. We concluded that our overall strategic objective to deliver sustainable growth in shareholder value by increasing sales and profits above our market growth rates, remains appropriate. We agreed that our medium-term focus will be to capitalise on the opportunities we have to grow market share in Profiles, to drive more value from the existing branch network and on improving our employee value proposition. More details on the progression of our strategy are set out in Strategy in Action on pages 24 to 35.

Environmental, Social and Governance ('ESG') considerations are an increasing focus for our stakeholders, and I am pleased with the progress made in 2022. In December, the Board established a new 'Social Values and ESG' Committee, which will operate from early 2023, to provide oversight of the Group's ESG programme, as well as our contribution to the societies in which we operate. Further details on our progress with ESG and the new Committee are set out in the Responsible Business section on pages 40 to 65.

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

15 March 2023

Role of the Board

The Board currently comprises a Non-executive Chair, five 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 80 and 81.

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, Martyn Coffey, Kate Allum, Alison Littley and Iraj Amiri and as 'independent Non-executive Directors' within the meaning of the Code and therefore is considered to be compliant in this area.

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 and Remuneration Committees certain authorities. There are written terms of reference for each of these Committees which are available on the Group's corporate website, **www.investors.eurocell.co.uk**. Separate reports for each Committee are included in this Annual Report from pages 93 to 119.

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.

Eurocell plc Board
Members:
Independent Non-executive Chair
5 Independent Non-executive Directors
2 Executive Directors

Audit and Risk Committee	Remuneration Committee	Nomination Committee
Audit and Risk Committee Members: 3 Independent Non-executive Directors	**Remuneration Committee Members:** 3 Independent Non-executive Directors	**Nomination Committee Members:** Independent Non-executive Chair 5 Independent Non-executive Directors
The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, internal controls, risk management, compliance and audit.	The Remuneration Committee recommends the Group's policy on executive remuneration and determines the levels of remuneration for Executive Directors, the Chair of the Board and senior management.	The Nomination Committee assists the Board in reviewing the structure, size and composition of the Board and succession planning for senior management.
See Committee report on pages 98 to 103	See Committee report on pages 104 to 119	See Committee report on pages 93 to 96

Executive Committee
The Executive Committee comprises senior managers, including the two Executive Directors who act as a bridge between the Board and this Committee. Management teams report to members of the Executive Committee. The Board receives regular updates from the Executive Committee in relation to business issues and developments.
See page 97

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 Officer.

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 Officer

The Chief Executive Officer 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 Officer 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 Officer 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.

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.

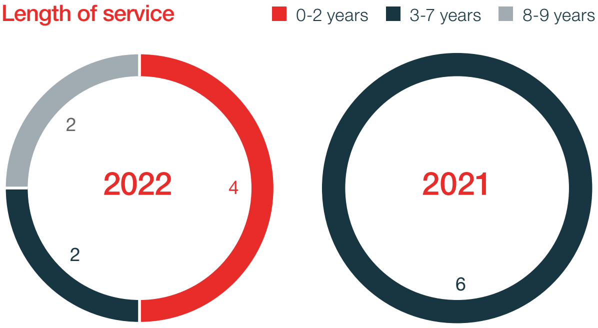
The Executive Directors may accept an outside appointment provided that such appointment does not in any way prejudice their ability to perform their duties as Executive Directors of the Company. Mark Kelly and Michael Scott do not currently hold any outside appointments.

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.

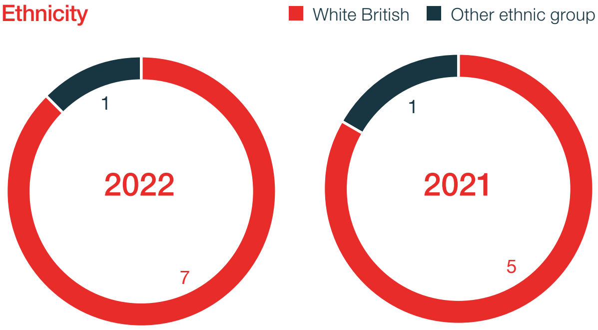
All new Non-executive Directors undergo an induction programme and as such spend considerably more than the minimum commitment during the course of a year. All Non-executive Directors are required to inform the Chair before accepting another position in order to ensure the Director has sufficient time to fulfil their duties. The current Board commitments of all Directors are shown on pages 80 and 81 and their terms of appointment are reported on page 110.

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

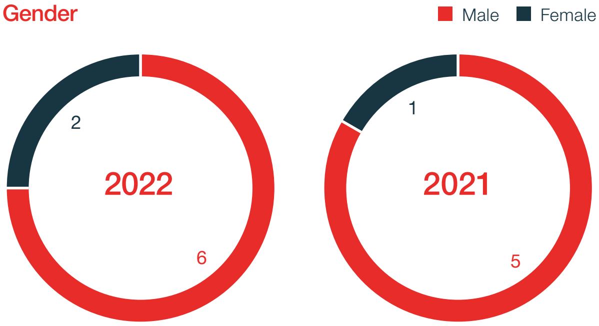
Length of service



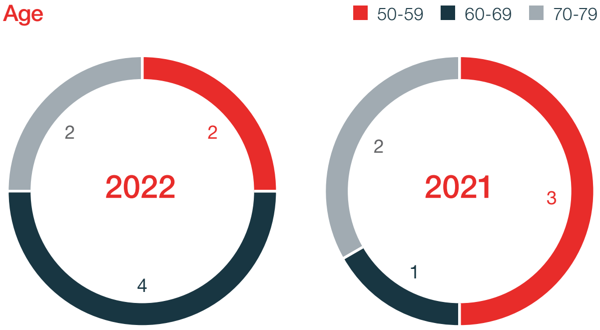
Ethnicity



Gender



Age



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 Mark Kelly and Martyn Coffey both of whom have decided to step-down after seven and eight years of service respectively. 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 performance of the Board, its Committees, the Chair and individual Directors was conducted during the year, with the results presented and discussed at the December 2022 Board meeting.

Given the number of relatively new appointments to the Board during 2022, this evaluation was performed internally by the Chair of the Board.

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 interviews identified a number of perceived areas of strength and some areas for enhancement. It was also recognised that a combination of the continuity provided by longer-standing Board members, together with the fresh thinking from newer members, were together working well to support the Board through its transition.

An overview of the conclusions includes:

- The Board refresh had promoted a positive and healthy reflection on previously held views and assumptions.
- The new Board was gaining familiarity of each other, the business, its people and its challenges.
- More strategic, and less operational, updates at meetings would continue to further improve the quality of the Board's debate.
- ESG, culture and people engagement would be given increased board focus in 2023, including the creation of a new 'Social Values and ESG' Board Committee.
- A clear plan regarding Board succession was in place, including the potential future recruitment of an additional Non-executive Director in due course.
- Greater Board visibility and interaction with the leadership team was to be developed.

Overall, the results of the interviews indicated that the Board members are satisfied that the Board is operating at an acceptable level in a constructive and collaborative way.

The Board believes that the evaluation process described above was appropriate, given the number of relatively new appointments to the Board, but will be reviewed for future years. Taking all of 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.

For a number of years, the Group has purchased Directors' and Officers' liability insurance and this is anticipated to continue.

Board meetings and attendance

There were seven full Board meetings scheduled during 2022, three meetings of the Audit and Risk Committee, three meetings of the Remuneration Committee and five meetings of the Nomination Committee. All of these meetings were held in-person, with the exception of one Board meeting and one Audit and Risk Committee meeting, which were held virtually to accommodate pre-existing commitments and therefore ensure full attendance.

In addition, two virtual Board update meetings were held during 2022, following their successful introduction in 2020, in order to keep the Board fully updated on financial and operational matters. There was full attendance for both of these update meetings which help maintain a high level of Board awareness and support good governance.

The Chair of the Board, Chief Executive Officer and Chief Financial Officer are usually invited to attend Audit and Risk Committee meetings, although the Audit and Risk Committee also meets with the external auditor without any Executive Directors being present.

The Chief Executive Officer and Chief Financial Officer are invited to attend Remuneration Committee meetings when appropriate, but are never involved in discussions and decisions regarding their own remuneration.

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

Number of meetings attended/ eligible to attend	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Derek Mapp (appointed 16 May 2022)	5/5	–	1/1	3/3
Bob Lawson (retired 30 June 2022)	2/2	–	1/1	1/1
Frank Nelson	7/7	3/3	3/3	5/5
Martyn Coffey	6/7	2/3	3/3	5/5
Mark Kelly	7/7	–	–	4/4
Michael Scott	7/7	–	–	–
Sucheta Govil (stepped-down 31 July 2022)	2/3	1/1	1/1	1/3
Kate Allum (appointed 1 July 2022)	4/4	2/2	2/2	2/2
Alison Littley (appointed 1 July 2022)	4/4	1/2	1/1	2/2
Iraj Amiri (appointed 7 November 2022)	2/2	1/1	–/–	–/–

All absences were due to a clash with a pre-existing engagement.

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, including financial, operational and compliance controls, for the period covered by this Annual Report.

The Strategic Report comments in detail (pages 70 to 77) 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 98 to 103 describes the internal control system and how it is managed and monitored.

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.

The cyber incident noted above was not the result of a breakdown in internal controls. Our investments over the last several years in enhanced 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. Following the incident, we have also implemented further resilience and security in this area.

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:

(a) the likely consequences of any decision in the long term;
(b) the interests of the Company's employees;
(c) the need to foster the Company's business relationships with suppliers, customers and others;
(d) the impact of the Company's operations on the community and the environment;
(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
(f) 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 2022. 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.

	Shareholders	Employees	Customers	Suppliers	Communities and environment	Government and regulatory/industry bodies
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.	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.	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.	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.	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.	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 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.	The Group conducts periodic staff surveys. In 2022 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. 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. 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. All whistleblowing reports and grievances are investigated and appropriate changes implemented to help prevent reoccurrence.	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.	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.	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.	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.

	Shareholders	Employees	Customers	Suppliers	Communities and environment	Government and regulatory/industry bodies
How the Board complements engagement efforts	During 2022, 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.	During 2022, 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. This included the Board being instrumental in driving proposed improvements to the employee value proposition, including staff welfare and facilities. 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 Officer 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.	Throughout 2022, the Board received regular updates on our performance against customer service-related KPIs, compared to historical and industry/sector benchmarks.	The Board has significant experience in supply chain management. During 2022, raw material availability and pricing have been 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 supply chain risks and challenges.	The Board is actively engaged with the development and implementation of the Group's ESG strategy. The Board receives regular updates on sustainability issues, including the performance of the two recycling sites.	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 2022	Investor relations is covered at all Board meetings and updates. The Board reviewed the strategy of the business and identified where emphasis should be placed in the medium-term, including capitalising on opportunities for market share growth in Profiles, driving value from the existing branch network and improving the employee value proposition. The Board also approved defensive measures in Q4, including a cost saving programme and the sale of Security Hardware. These actions leave the business better placed for the future.	The Board approved management's proposals to improve staff welfare facilities and also introduce: • a healthcare cash plan for all colleagues; • an enhanced maternity and paternity policy; and • improved recognition of, and reward for, long-service. The Board also approved capital expenditure for a new HR information system, which is expected to significantly improve the employee experience at Eurocell when launched in 2023. These actions support our objective to become an employer of choice in the regions we operate.	The Board approved capital expenditure to improve operational efficiency and ultimately customer service, including new carousel warehouse racking. Approved capital expenditure also included a new website and e-commerce platform, which will be launched in 2023, with the aim of significantly improving the customer journey. The Board also approved a medium-term contract with a new supplier of rainwater products, which is expected to significantly improve product quality and availability in the branches.	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; and • to pass a fair proportion of such increases on to our own customers through selling price increases and potentially reversible surcharges.	The Board approved the formation of a 'Social values and ESG' committee. The purpose of the committee is to provide oversight of the Group's ESG programme, including: • sustainability; • employee welfare; • responsible business practices; and • the Company's contribution to the societies in which it operates.	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.
Further details	See Chief Financial Officer's Report on page 66	See Valuing our People on page 56	See Chief Executive Officer's Report on page 12	See Working Responsibly on page 61	See Working Responsibly on page 61	See Working Responsibly on page 61

Engagement with the workforce

As described in Stakeholder engagement on pages 89 to 91, 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, newsletters and health and safety forums currently in place, including:

- 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' and 'Safety, Health, Environment and Quality' 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; and
- 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; and
- observation of attitudes towards regulators such as HMRC and HSE, as well as internal and external auditors.

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 'Valuing our people' on pages 56 to 60, 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 2022.

It is the Board's view that, during 2022, Eurocell plc was in compliance with the relevant provisions set out in the Code in all material respects except for Provision 38.

Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. Our incumbent Executive Directors' pension contribution rates, while in line with the policy for existing Executive Directors, did not match the wider workforce during the year, although they have been subsequently adjusted from 1 January 2023 onwards – see below for further details.

During the year, the changes proposed to the Directors' Remuneration Policy, resulted in the pension contributions for the incumbent Executive Directors being reduced to 10% of salary from April 2022 onwards, in order to be aligned with those with the highest rate below the Board level. From 1 January 2023, in line with the Investment Association's guidance, the contributions were further reduced for Michael Scott to 5% to be aligned with those available to the workforce. In the light of Mark Kelly's upcoming retirement, his pension contributions have not been reduced.

Further details regarding the Executive Directors' pension contributions are set out on page 113 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 120 to 122.

Annual General Meeting

Our AGM will be held at our Head Office (see Company Information on page 177 for details) on 11 May 2023.

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 20 working 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 and Nomination 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.

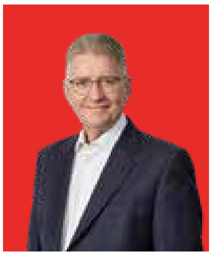
All valid proxy appointments are properly recorded and counted by Equiniti, the Company Registrars. Information on the number of shares represented by proxy, the proxy votes for and against each resolution, and the number of shares in respect of which the vote was withheld for each resolution, together 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

15 March 2023

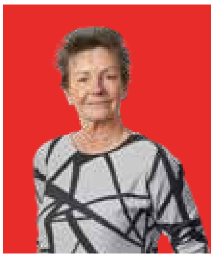
NOMINATIONS COMMITTEE REPORT

Chair | **Members**

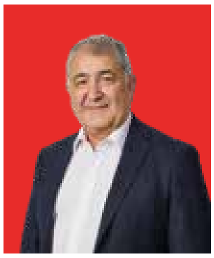

Derek Mapp


Frank Nelson


Martyn Coffey


Kate Allum


Alison Littley


Iraj Amiri

Dear Shareholder,

I am pleased to report to you on the main activities of the Committee and how it has performed its duties during 2022.

A key responsibility of the Committee is to ensure orderly Board succession and, this year, the Committee's main focus has been on executing succession plans for a number of Board changes as follows:

- The retirement in May 2022 of Bob Lawson, my predecessor as Chair.
- Sucheta Govil stepping down from the Board in July 2022.
- Martyn Coffey intending to step down from the Board at the 2023 AGM.
- The retirement of Mark Kelly, also at the 2023 AGM.

On behalf of the Board, may I take this opportunity to thank Bob, Sucheta, Martyn and Mark for their valuable contributions to the Group.

On the recommendation of the Committee, there have been several new appointments to the Board. In 2022, myself, Alison Littley, Kate Allum and Iraj Amiri were appointed to the Board as Non-executive Directors. Alison, Kate and Iraj bring valuable commercial insight and extensive board committee and ESG experience and have further strengthened the expertise of the Board in these areas. Darren Waters will join the Board in spring 2023, as Chief Executive Officer Designate, and will bring a wealth of commercial and operational experience to the Group, alongside good knowledge of the building products and fenestration sectors in the UK.

I am very pleased that we have been able to attract such high-calibre individuals into the Company.

The Committee also continues to consider succession planning for the Board in the medium-term, given the length and concurrency of service of other Non-executive Directors, and to oversee the continued development and evolution of the Executive Committee which, this year, has included the recruitment of a new Chief Operating Officer. The Committee's activities have considered diversity and ethnicity as important priorities, and we have made progress with both over the last twelve months.

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

15 March 2023

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; and
- 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 five times during the year and attendance at the meetings is shown on page 88.

The main activities of the Committee included:

- the search, selection and recruitment of Derek Mapp as Chair of the Board, following Bob Lawson's retirement, and of Alison Littley, Kate Allum and Iraj Amiri, as Non-executive Directors, recognising succession requirements and taking account of the required skill sets and experience for the Board's composition;
- the search, selection and recruitment of Darren Waters, as Chief Executive Officer Designate, in preparation for Mark Kelly's retirement;
- continued succession planning for the Board, given the length and concurrency of service of Martyn Coffey and Frank Nelson;
- overseeing the ongoing development of the Executive Committee;
- considering the results of the internal review of the Committee's effectiveness (see page 87 for further details);
- a review of Directors' time commitments and independence;
- consideration of the re-election of Directors at the Annual General Meeting; and
- approving updates to the Committee's terms of reference.

Nomination Committee members

During 2022, the Nomination Committee comprised:

Chair:
Derek Mapp (from 1 July 2022), Bob Lawson* (to 30 June 2022)

Committee members:
Frank Nelson (throughout 2022)
Martyn Coffey (throughout 2022)
Kate Allum (from 7 October 2022)
Alison Littley (from 7 October 2022)
Iraj Amiri (from 7 November 2022)
Sucheta Govil (to 31 July 2022)
Mark Kelly (to 6 October 2022)

* Where the Committee was dealing with matters relating to Bob Lawson's succession, Frank Nelson, the Senior Independent Non-executive Director, assumed role of Committee Chair.

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 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 relatively small size of the Board and the existing Directors' service contracts currently in place will inevitably limit the potential pace of change. Nevertheless, as vacancies arise, the Board will seek to move towards the FCA's targets of:

- at least 40% of the Board being women;
- at least one of the senior board positions (Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) being a woman; and
- at least one member of the Board being from an ethnic minority background.

However, the overriding policy in any new appointments will continue to one of selecting candidates with an appropriate mix of skills, capabilities and market knowledge, to ensure the continued success of the business.

Details of the Board and Executive Committee's gender/ethnicity is as follows:

Gender representation:

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%

At 31 December 2021	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	5	83%	4	4	80%
Women	1	17%	–	1	20%
Total	6	100%	4	5	100%

Ethnicity representation:

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%

At 31 December 2021	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)	5	83%	4	5	100%
Other ethnic group, including Arab	1	17%	–	–	–
Total	6	100%	4	5	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.

No changes to the Board or Executive Committee have occurred since 31 December 2022 that would affect the above data.

The gender balance of those in the senior management and their direct reports is included within the Responsible Business section on page 58.

Succession planning

In 2022, the Committee continued its proactive work on succession planning for the Board, taking account of:

- the notifications received from Bob Lawson, the previous Chair, and, more recently, Sucheta Govil and Martyn Coffey, both Non-executive Directors, of their respective intentions to retire/step-down from the Board;
- the length of service of Frank Nelson, a Non-executive Director, whose Board membership will reach nine years during 2024; and
- general succession considerations regarding the Executive Directors.

As part of this process, a detailed review of the composition, skills and experience of the Board, and each of its Committees, was undertaken to develop desired role profiles and identify the preferred attributes to be sought in future appointments. In the light of strong recent growth, this review also identified the benefits of increasing the number of Non-executive Directors on the Board.

All appointments to the Board are subject to a formal, rigorous and transparent appointment process, and are made based on merit and objective criteria. After a selection process involving several firms, the Committee engaged Lygon Group as the search firm to support the recruitment of myself as Chair, and subsequently of Alison Littley, Kate Allum and Iraj Amiri, as new Non-executive Directors and Darren Waters, as Chief Executive Officer Designate. Lygon Group have no connection with the Company or any individual Director.

The process for these appointments is detailed below:

1	Candidate requirements	A detailed candidate profile setting out required capabilities and experience was agreed. After a selection process, Lygon Group was appointed to facilitate the process
2	Search	Lygon Group prepared an initial longlist of candidates and conducted the first round of interviews to assess the candidates' fit with the role and key competencies
3	Interviews	The Committee then considered a shortlist of candidates and interviews were held with all Board members
4	Board approval and announcement	The Committee made a recommendation to the Board for its consideration. Following Board approval, the appointments were announced to the market

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 strategic priorities. 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. In 2022, the successful recruitment of a new Chief Operating Officer supports our strategic priority to deliver sustained operational excellence and optimise returns on recent investments in operating capacity.

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

15 March 2023

Executive Committee

(in addition to Mark Kelly 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.

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.

Bruce Stephen
Group Human Resources Director

Bruce joined Eurocell in July 2019. He previously worked for Greencore holding various roles including, most recently, Corporate Services Human Resources Director. Prior to Greencore, Bruce worked for Danone (Dairy) and Walkers Snacks (PepsiCo).

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.

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.

Paul Walker
Group Company Secretary

Paul joined Eurocell in August 2019 and was appointed Group Company Secretary in September 2019. He previously worked for DFS Furniture plc where he was Financial Controller and, most recently, Director of Central Finance and Group Company Secretary. He is a member of the Institute of Chartered Accountants in England and Wales.

Chair | **Members**

Frank Nelson

Alison Littley

Iraj Amiri

Dear Shareholder,

I am pleased to report to you on the Audit and Risk Committee's objectives and activities during 2022.

This report explains how the Audit and Risk Committee has discharged its responsibilities during 2022.

From a risk management perspective, the cyber incident we experienced in July was significant. It resulted in some temporary disruption, but our core systems were restored quickly, with the business remaining operational throughout and trading normally from mid-August. Our business continuity plans responded well to a live event. In the immediate aftermath of the incident, the Committee reviewed the status of our cyber defences, and recommended additional investments in IT infrastructure to further enhance our resilience and security. This area will remain a very high priority for the Committee.

In reviewing the 2022 Annual Report, in addition to the review of the key areas of accounting estimates and judgements as noted on page 100, the Committee considered the accounting treatment of three key items: the cyber incident business interruption insurance claim income, the sale of Security Hardware and restructuring costs incurred in the year, and concluded that, in each case, it was appropriate.

The Internal Audit programme for 2022 included a review of our Whistleblowing policy, tax risks and ESG strategy. These reviews all demonstrated solid foundations upon which further developments and improvements can be based.

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.

Looking forward, the Committee has now also reviewed and considered the impacts of the BEIS White Paper on Audit and Corporate Governance reforms and believes the Company is in a good position to meet the new requirements as/when they become applicable.

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.

Frank Nelson
Chair of the Audit and Risk Committee

15 March 2023

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 Group's financial reporting systems and procedures;
- review the Group's internal controls and risk management systems and advise the Board whether they are adequate, by considering reports on their effectiveness from the Chief Financial Officer and Chief Executive Officer, together with reports from the Group's outsourced internal auditors and from the external auditor;
- review and update the Group's risk register, as part of the assessment of emerging and principal risks;
- review the Group's procedures to ensure compliance with the provisions of the Bribery Act 2010 and the Group's Whistleblowing Policy;
- review 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; and
- review the Committee terms of reference.

Summary of activities during the year

The Audit and Risk Committee met formally three times during the year and attendance at the meetings is shown on page 88.

The areas of particular focus for the Committee in 2022, and up to the date of this Annual Report, were as follows:

- Considered the operational and financial impact of the cyber incident in July/August on the Company's IT infrastructure, financial reporting and control, including assessment of existing cyber defences, oversight for further investments to improve resilience and security in this area and the associated business interruption insurance recoverability;
- Considered the appropriate accounting treatment, reporting and presentation of the:
  - cyber incident and the business interruption insurance claim (noted above);
  - sale of Security Hardware's trade and assets; and
  - restructuring costs incurred in the year;
- Reviewed documentation prepared to support the viability statement and going concern assumption set out on page 78;
- Reviewed the external auditors' plan for their audit for the year ended 31 December 2022;
- Reviewed reports from the external auditors setting out their findings as a result of their audits for the years ended 31 December 2021 and 2022, as well as their review of the 2022 Half-Year Report;
- Considered the impact of any new accounting standards and financial reporting requirements, including guidance issued by the Financial Reporting Council ('FRC');
- 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; and
- 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. The Committee reviews the ongoing effectiveness of the Group's internal controls and provides assurance on the Group's risk management processes. The Committee also assesses information received from the external and internal audit functions.

Following the 2022 year end, at the March 2023 meeting, the Committee reviewed and recommended for approval by the Board, the financial results for the year ended 31 December 2022, including a review of the full-year external audit.

As part of that review 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.

Audit and Risk Committee members

During 2022, the Audit and Risk Committee comprised:

Chair:

Frank Nelson (throughout 2022)

Committee members:

Alison Littley (from 7 October 2022)
Iraj Amiri (from 7 November 2022)
Sucheta Govil (to 31 July 2022)
Martyn Coffey (to 6 October 2022)

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 his extensive experience, details of which are set out on page 81, Frank Nelson, a Fellow of the Chartered Institute of Management Accountants, has 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. Other individuals, such as the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer and other members of the Board were invited to attend the Committee meetings as and when appropriate.

In addition, the external 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 2022 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	Impact of raw material price inflation on stock valuation	Review of raw material price variances (vs historic standard cost) included in stock valuation Review of standard costs in early 2022 followed by a full re-costing exercise, due to be completed during H1 2023	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	Review of raw material price variances (vs historic standard cost) included in stock valuation. Review of standard costs in early 2022 followed by a full re-costing exercise, due to be completed in H1 2023. 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 70 and 71.

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.

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 each quarter.

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. In accordance with FRC guidance, it carries out such a review at least annually, covering all material 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 controls;
- scheduling annual Board reviews of strategy including reviews 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;

- ensuring there is a strong tone from the top, with regards to compliance and controls, which is cascaded through the organisation;
- ensuring there are documented policies and procedures in place; and
- 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 and question and challenge where necessary;
- regularly reviews the systems of financial and accounting controls;
- regularly reviews the internal audits performed and the progress against previously raised recommendations; and
- reports to the Board on the risk and control culture within the Group.

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 IFRS16 (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.

During 2022, the Group's finance and administrative teams returned to office working. However, the enhanced controls that were implemented as a result of home working during the COVID-19 pandemic have remained in place and in certain places enhanced. For example the supplier payments process is now substantially automated, significantly reducing the risks associated with manual processing.

Following the cyber incident, the Group's IT team have remained ever more vigilant to the risks in this area. As described above, we have further strengthened our defences. We have also rolled-out additional and more regular cyber training to staff. In addition, following the migration of our subsidiary, Vista Panels, all Group companies are now operating on our SAP system, further improving the financial control environment.

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, management have reviewed and considered the impacts of the BEIS White Paper on Audit and Corporate Governance reforms 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 70 to 77.

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 2022 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; and
- Request: internal audit reviews that have been specifically included at the request of either management or the Audit Committee.

A summary of the 2022 programme is as follows:

Internal audit programme	Summary of findings
Whistleblowing & Code of Conduct	• Sound framework is in place including relevant policies regarding Whistleblowing, Conflicts of Interest, Financial Crime and Gifts and Entertainment • Improvement opportunities, include: – strengthening the ‘tone from the top’ messaging; – enhancing some of the detail within the Whistleblowing policy; and – further development of training, awareness raising, reporting and lessons learned.
Tax risk	• Creation of a tax risk register has helped drive more effective and transparent tax risk controls across the business • Improvement opportunities, include: – further development of the tax risk process by enhancing process and role documentation, and increasing the formality around key elements – further formalisation of the tax risk governance arrangements.
ESG	• A sound ESG strategy and plan is in place to embed the key objectives in the business, with KPIs which are well-aligned to the UN’s Sustainability Development Goals • Improvement opportunities, include: – further development of the framework, systems, controls, processes and data governance to enhance the KPI reporting – refinement of objectives/goals and KPI improvement targets in-line with sector best practice.

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 has a Whistleblowing Policy, which was updated and relaunched last year, with a focus on improving awareness and understanding.

This policy makes employees and third parties 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.

During the year, there were no reports received through the whistleblowing process (2021: 5), 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. The Group is committed to a zero-tolerance position with regard to bribery. The Committee is satisfied that the Group’s procedures with respect to these matters are adequate.

The Group also maintains a suite of other 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; and
- Share dealing.

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 (**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.

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 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; or
- 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 2022 are set out on page 147. The audit-related assurance services provided during the year were in relation to the Half-Year Report (£38,500) and the sustainability measure which was introduced into the Company's banking facility (£26,400).

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; and
- 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 2024.

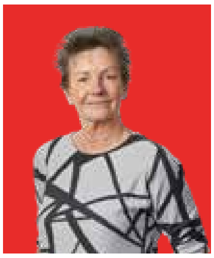
Frank Nelson
Chair of the Audit and Risk Committee

15 March 2023

Chair **Members**

Martyn Coffey

Frank Nelson



Kate Allum

Dear Shareholder,

I am pleased to report to you on the main activities of the Committee and how it has performed its duties during 2022.

As described elsewhere in this Annual Report, in 2022 the business responded well to some major challenges to deliver solid financial results for the year. Despite demand moderating from the unprecedented levels experienced in the prior year, continued cost inflation and the impact of a cyber incident, the Group reported progress in both sales and profits against a very strong 2021. In addition, decisive action was taken to prepare the business for 2023, with a restructuring programme completed in Q4, and in December, to further streamline our operations, we sold the trade and assets of our window hardware subsidiary, Security Hardware.

It is in this context that the Committee has assessed 2022 variable compensation outcomes, and approved new basic salary levels, awards and targets.

As noted in the Governance report on page 93, I intend to step-down from the Board, and its Committees, at the 2023 AGM in May at which point Kate Allum, who joined the Committee in October 2022, will assume the role of Committee chair. Kate brings considerable experience in remuneration matters and has served on a remuneration committee for at least 12 months at her other Non-executive appointments (see page 81).

At the 2022 AGM, shareholders approved the Directors' Remuneration Policy, as well as the advisory shareholder vote on the Annual Report on Remuneration, with both resolutions receiving 100% votes in favour. I would like to thank shareholders for their continued strong level of support.

Finally, I would like to thank my fellow committee members for their valuable contributions during the year.

Martyn Coffey
Chair of the Remuneration Committee

15 March 2023

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; and
- oversee any major changes in employee benefit structures throughout the Group.

Summary of activities during the year

The Remuneration Committee met formally three times during the year and attendance at the meetings is shown on page 88.

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 2021 annual bonus awards;
- finalising the Directors' Remuneration Policy for shareholder approval;
- agreeing Executive Director and senior management base salaries from 1 April 2022;
- setting the performance targets for the 2022 annual bonus;
- agreeing the award levels and appropriate targets for the 2022 Performance Share Plan ('PSP') awards;
- agreeing the remuneration package for Darren Waters, the Chief Executive Officer designate, who will join the Company in spring 2023;
- overseeing the operation of the Group's Save as You Earn scheme; and
- reviewing the Committee terms of reference.

Outcome for 2022

Annual Bonus Plan

On a continuing basis, sales for the year were £381 million, up 12% compared to 2021, and adjusted profit before tax was up 4% at £28.7 million (2021: £27.7 million).

Cash generated from operations for the year was £38.7 million, which included the significant adverse impact of major cost inflation on working capital of approximately £8 million. Cash generated from operations was £33.1 million in 2021.

Security Hardware, which as described above was sold in December 2022, has been classified as a discontinued operation, excluded from the results of continuing operations and presented in the income statement as a single loss after tax from discontinued operations for the year of £2.3 million. This includes a pre-tax trading loss of £1.3 million, which has been deducted from adjusted profit before tax for the purposes of the Annual Bonus Plan achievement calculations (resulting in a lower achieved profit of £27.4 million), to provide comparability with the basis on which the original targets for the year were set. Adjusted cash generated from operations has been calculated on a consistent basis.

As a result of this performance, an overall pay-out of 23% of salary is being awarded to the Executive Directors in respect of 2022, further details of which can be found on pages 113 and 114 of this report.

PSP awards granted in 2020

On a continuing basis, adjusted basic earnings per share for the year was 21.4 pence (2021: 19.4 pence).

Return on capital employed (ROCE) at 31 December 2022 was 20.6%.

For the purposes of the PSP achievement calculations, an adjustment has been made to deduct from adjusted basic earnings per share the impact of the post-tax trading loss of Security Hardware of £1.1 million (resulting in a lower achieved earnings per share of 20.4 pence). A similar adjustment has been made to the ROCE calculation.

As a result of this performance, 63% of the PSP awards originally granted in 2020 are expected to vest in 2023, further details of which can be found on page 114 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 115.

Implementation of the Remuneration Policy for 2023

The Remuneration Committee intends to operate the Remuneration Policy for 2023 on a consistent basis with 2022, details of which are included within Part B: The Annual Report on Remuneration on page 119, with no changes to the structure of the annual bonus and long-term incentives.

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 strategy has seven key priorities, as set out on pages 20 and 21, 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.

Reflecting the strategic emphasis on 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 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.

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:

(i) we will not be seeking shareholder approval for any changes to our Remuneration Policy at the 2023 AGM; and
(ii) 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 2022 and how the policy will be operated for 2023, 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
Base salary 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.	Base salaries will be reviewed each year by the Committee. 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. Base salary is normally paid monthly in cash.	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.	n/a
Benefits To provide benefits valued by recipients.	The Executive Directors can receive a car allowance or Company car (and fuel), private family medical cover, permanent health insurance and life assurance. 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. Where appropriate, the Company will meet certain costs relating to Executive Director relocations.	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). 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.	n/a
Pension To provide retirement benefits.	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.	The maximum employer's contribution (or cash supplement) is 10% of base salary. Pension contributions for new Executive Director appointments will be aligned with the pension benefits available to the wider workforce. From 1 January 2023, the contribution levels for the Chief Executive Officer designate and the Chief Financial Officer are aligned to the wider workforce, currently 5%.	n/a

Element and purpose	Policy and operation	Maximum	Performance measures
Annual Bonus Plan 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.	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. 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. 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. 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. Malus and clawback provisions apply to the Annual Bonus Plan and DSP, as explained in more detail below.	The maximum level of Annual Bonus Plan outcomes is 100% of base salary per annum for the duration of this policy.	The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate. 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. 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.
Long-term incentives To motivate and incentivise delivery of sustained performance over the long term, and to promote alignment with shareholders' interests, the Company operates 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 at least three years. 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). A two-year post-vesting holding period applies to PSP awards granted to Executive Directors after the 2019 AGM. Malus and clawback provisions apply to PSP awards, as explained in more detail below.	The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year. The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits.	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). 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. 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.

Element and purpose	Policy and operation	Maximum	Performance measures
Share ownership guidelines To further align the interests of Executive Directors with those of shareholders.	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 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). 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. 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.	200% of base salary for all Executive Directors.	n/a
All-employee share plans 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.	These are all-employee share plans established under HMRC tax-advantaged regimes and follow the usual form for such plans. Executive Directors will be able to participate in all-employee share plans on the same terms as other Group employees.	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.
Chair/Non-executive Director fees To enable the Company to recruit and retain Chairs and Non-executive Directors of the highest calibre, at the appropriate cost.	The fees paid to the Chair and Non-executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity. 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. The Chair and Non-executive Directors will not participate in any cash or share incentive arrangements. 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.	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. 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.	n/a

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:

Mark Kelly	29 March 2016
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 2021	3 years
Martyn Coffey	4 February 2015	2 February 2021	3 years
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

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.

Other policy matters

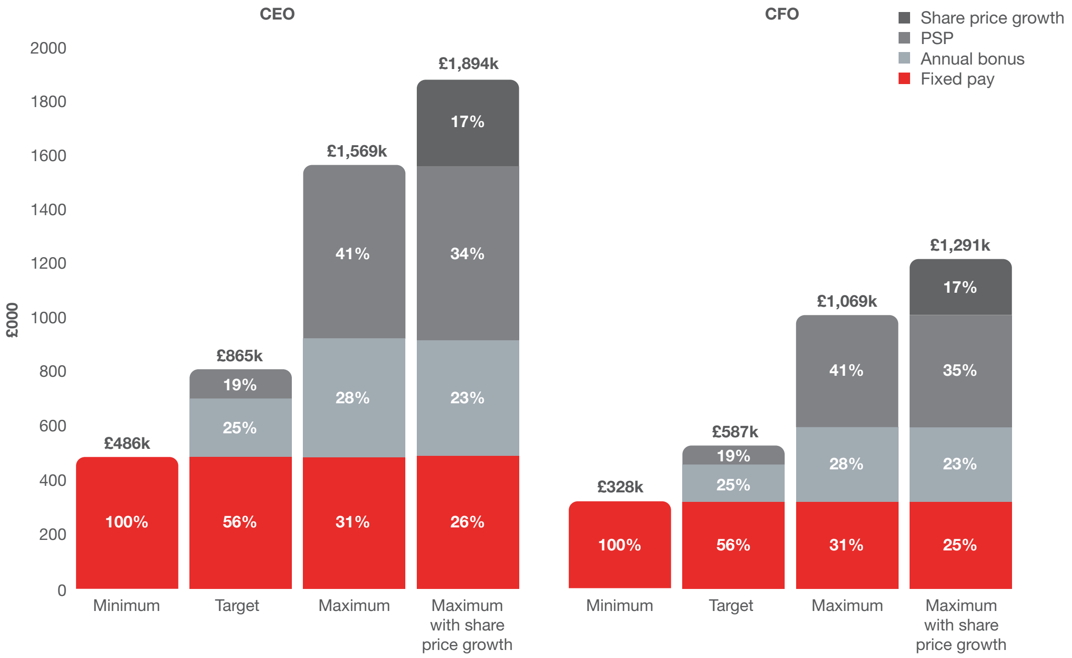
The 2021 Annual Report also set out formal details of our approach to:

- 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; and
- Statement of consideration of shareholder views.

Illustrations of application of Remuneration Policy

The charts above aim to show how the Remuneration Policy for Executive Directors will be applied in 2023 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 2023. • 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 10% of salary for Mark Kelly and 5% of salary for Michael Scott.
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.

	Base salary	Benefits	Pension	Total fixed
Mark Kelly	£433,336	£9,403	£43,334	£486,073
Michael Scott	£296,233	£17,078	£14,812	£328,123

Part B: The Annual Report on Remuneration

The Committee (unaudited)

Remuneration Committee members

During 2022, the Remuneration Committee comprised:

Chair:
Martyn Coffey

Committee members:
Frank Nelson
Derek Mapp (from 16 May 2022 to 6 October 2022)
Kate Allum (from 7 October 2022)
Sucheta Govil (to 31 July 2022)

As noted in the Governance report on page 96, the current Committee Chair, Martyn Coffey, intends to step-down from the Board at the 2023 AGM in May at which point Kate Allum will assume the role of Committee Chair. Kate has served on a remuneration committee for at least 12 months at her other Non-executive appointments (see page 81).

The Chief Executive Officer and Chief Financial Officer are invited to attend meetings of the Committee, except when their own remuneration is being discussed, and other Executive and Non-executive Directors attend meetings as required.

The Committee has formal terms of reference which can be viewed on the Company's website (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); and
- 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 provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2022 were £13,810 (excluding VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

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 2022:

Name	Salary/ fees £000	Taxable benefits[1] £000	Pension £000	Other[2] £000	Total fixed remuneration £000	Bonus[3] £000	Long-term incentives[4] £000	Total variable remuneration £000	Total remuneration £000
Mark Kelly	426	9	47	-	482	99	276	375	857
Michael Scott	272	17	30	-	319	63	176	239	558
Derek Mapp[5]	94	–	–	–	94	–	–	–	94
Frank Nelson	60	–	–	–	60	–	–	–	60
Martyn Coffey	53	–	–	–	53	–	–	–	53
Kate Allum[6]	24	–	–	–	24	–	–	–	24
Alison Littley[6]	24	–	–	–	24	–	–	–	24
Iraj Amiri[7]	7	–	–	–	7	–	–	–	7
Robert Lawson[8]	65	–	–	–	65	–	–	–	65
Sucheta Govil[9]	26	–	–	–	26	–	–	–	26

For the year ended 31 December 2021:

Name	Salary/ fees £000	Taxable benefits[1] £000	Pension £000	Other[2] £000	Total fixed remuneration £000	Bonus[3] £000	Long-term incentives[4] £000	Total variable remuneration £000	Total remuneration £000
Mark Kelly	401	8	60	7	476	403	–	403	879
Michael Scott	256	17	38	5	316	258	–	258	574
Robert Lawson	120	–	–	–	120	–	–	–	120
Frank Nelson	48	–	–	–	48	–	–	–	48
Martyn Coffey	45	–	–	–	45	–	–	–	45
Sucheta Govil	40	–	–	–	40	–	–	–	40

Notes:
1 Taxable benefits comprise Company car (and fuel) or car allowance, private family medical cover, permanent health insurance and travel insurance.
2 Other comprises the buy-out of unused holiday entitlement.
3 Bonuses are calculated on the salary in operation at the end of the financial year.
4 Value of long-term incentives vesting in 2023 is based on an estimated market value using the average share price during the last three months of 2022.
5 Derek Mapp was appointed to the Board on 16 May 2022 and became Non-executive Chair from 1 July 2022.
6 Kate Allum and Alison Littley were appointed to the Board on 1 July 2022.
7 Iraj Amiri was appointed to the Board on 7 November 2022.
8 Robert Lawson stepped-down from the Board on 1 July 2022.
9 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 2022 was £1,768,000 (2021: £1,706,000).

Further information on the 2022 annual bonus (audited)

In 2022, 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.

Security Hardware, which was sold in December 2022, has been classified as a discontinued operation, excluded from the results of continuing operations and presented in the income statement as a single loss after tax from discontinued operations for the year of £2.3 million. This includes a pre tax trading loss of £1.3 million, which has been deducted from adjusted profit before tax for the purposes of the Annual Bonus Plan achievement calculations (resulting in a lower achieved profit of £27.4 million), to provide comparability with the basis on which the targets for the year were set.

As a result, 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	27.1	28.5	30.6	27.4[1]	33%
Adjusted cash generated from operations	43.7	46.0	49.5	40.3[2]	0%

1 Adjusted profit before tax from continuing operations of £28.7 million, less Security Hardware pre-tax trading loss of £1.3 million (included separately within loss after tax from discontinued operations – see Note 12 to the Consolidated Financial Statements).

2 Cash generated from operations of £38.7 million (which includes the Security Hardware pre-tax trading loss), plus cash paid in respect of non-underlying items of £1.6 million (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 2022.

Performance against the profit before tax element of the bonus resulted in an achievement of 33% of that element. Performance against the cash flow element of the bonus resulted in an achievement of 0% of that element. After the appropriate weightings are applied, this provides an overall pay-out of 23% of salary being awarded to the Executive Directors in respect of 2022, which is to be paid in cash.

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 2022 (audited)

The PSP values included under long-term incentives in the single figure table above relate to awards granted in 2020 which vest in 2023, dependent on EPS and ROCE performance measured over the three-year period ended 31 December 2022, as described in the tables below.

For the purposes of the PSP achievement calculation, a similar adjustment has been made to deduct from adjusted basic earnings per share the impact of the post-tax trading loss of Security Hardware of £1.1 million (resulting in a lower achieved earnings per share of 20.4 pence).

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 19.3p is achieved for the year ended 31 December 2022, increasing pro rata to full vesting where adjusted earnings per share of 20.9p is achieved.

Performance target	Threshold	Maximum	Actual	Achievement (% of max)
Adjusted basic EPS[1]	19.3p	20.9p	20.4p[1]	77%

1 Adjusted basic earnings per share from continuing operations of 21.4 pence, less impact of Security Hardware post tax trading loss of £1.1 million (or 1.0 pence per share, included separately within loss after tax from discontinued operations – see note 12 to the Consolidated Financial Statements).

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% is achieved for the year ended 31 December 2022, increasing pro rata to full vesting where Group ROCE of 25% is achieved.

Performance target	Threshold	Maximum	Actual	Vesting %
Group ROCE[2]	20%	25%	20.6%	34%

2 Adjusted operating profit for the year ended 31 December 2022 less Security Hardware pre-tax losses, divided by average totals of opening and closing assets less trade and other payables, all measured on a pre-IFRS 16 basis.

Performance against the adjusted earnings per share element of the PSP results in an expected vesting of 77% of that element. Performance against the Group ROCE element of the PSP results in an expected vesting of 34% of that element. After the appropriate weightings are applied, this results in an expected vesting of 63% of the PSP granted in 2020.

As a result, 192,926 PSP share awards for Mark Kelly and 123,258 PSP share awards for Michael Scott are expected to vest in 2023 (excluding dividend equivalent shares). For the purposes of the single figure table above, these awards have been valued based on an estimated market value using the average share price during the last three months of 2022, being 143.06 pence per share. The grant share price for the award was 191.0 pence per share and accordingly the relevant figures are not reflective of an increase in share price. No discretion to the formulaic outcome has been applied by the Committee.

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 2022:

Director	Beneficially owned 31 December 2021	Beneficially owned 31 December 2022[1]	Vested but unexercised awards	Unvested DSP	Unvested PSP[2]	Unvested SAYE	Shareholding guideline (% of salary)[3]	Shareholding guideline met?[3]
Mark Kelly	195,346	234,020	–	44,749	831,449	10,465	200	No
Michael Scott	59,971	72,862	–	28,589	531,202	10,465	200	No
Derek Mapp	–	91,000	–	–	–	–	–	n/a
Frank Nelson	49,090	–	–	–	–	–	–	n/a
Martyn Coffey	16,428	–	–	–	–	–	–	n/a
Kate Allum	–	–	–	–	–	–	–	n/a
Alison Littley	–	–	–	–	–	–	–	n/a
Iraj Amiri	–	–	–	–	–	–	–	n/a
Robert Lawson	101,311	–	–	–	–	–	–	n/a
Sucheta Govil	5,714	–	–	–	–	–	–	n/a

1 The beneficial shareholdings set out above include those held by Directors and their respective connected persons as at 31 December 2022 or at the date of stepping down from the Board if earlier.
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.

PSP awards granted in 2022 (audited)

The following awards were made under the PSP in 2022:

Director	Date of grant	Basis of award (% salary)	Share price[1]	Number of shares	Face value of award	Vesting period
Mark Kelly	13 April 2022	150%	225.3p	288,505	£650,002	April 2025 to April 2026
Michael Scott	13 April 2022	150%	225.3p	184,322	£415,277	April 2025 to April 2026

1 Rounded to one decimal place for the purposes of presentation in this report.

The performance conditions applying to the awards made in April 2022 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 2024	**Portion of award vesting**
Above 22.8p	100%
Between 21.2p and 22.8p	Pro rata on straight-line between 25% and 100%
21.2p	25%
Below 21.2p	0%

Group ROCE[2] for the year ended 31 December 2024	**Portion of award vesting**
Above 26%	100%
Between 21% and 26%	Pro rata on straight-line between 25% and 100%
21%	25%
Below 21%	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 2022 (audited)

The following awards were made under the DSP in 2022 in respect to the 2021 annual bonus. As required under our Director's Remuneration Policy annual bonus awards above 75% of salary was deferred into shares to the third anniversary of the normal bonus payment date under the DSP.

Director	Date of grant	Basis of award (% salary)	Share price[1]	Number of shares	Face value of award	Vesting period
Mark Kelly	13 April 2022	25%	225.2p	44,749	£100,775	April 2025 to April 2026
Michael Scott	13 April 2022	25%	225.2p	28,589	£64,382	April 2025 to April 2026

1 Rounded to one decimal place for the purposes of presentation in this report.

Outstanding share plan awards (audited)

Details of all outstanding share awards made to Executive Directors are set out below:

				Number of shares						
Executive	Award type	Exercise price (p)	Grant date	Interest at 1 January 2022	Awards granted in the year	Awards lapsed in the year	Awards exercised in the year	Interest at 31 December 2022	Exercise period	Notes
Mark Kelly	PSP	0	24/04/19	170,247	–	(170,247)	–	–	Apr 22 – Apr 23	1
	PSP	0	17/11/20	308,582	–	–	–	308,582	Nov 23 – Nov 24	2
	PSP	0	22/04/21	234,362	–	–	–	234,362	Apr 24 – Apr 25	3
	PSP	0	13/04/22	–	288,505	–	–	288,505	Apr 25 – Apr 26	4
	DSP	0	13/04/22	–	44,749	–	–	44,749	Apr 25 – Apr 26	5
	SAYE	172.0	09/04/20	10,465	–	–	–	10,465	Jun 23 – Nov 23	6
Michael Scott	PSP	0	24/04/19	108,768	–	(108,768)	–	–	Apr 22 – Apr 23	1
	PSP	0	17/11/20	197,149	–	–	–	197,149	Nov 23 – Nov 24	2
	PSP	0	22/04/21	149,731	–	–	–	149,731	Apr 24 – Apr 25	3
	PSP	0	13/04/22	–	184,322	–	–	184,322	Apr 25 – Apr 26	4
	DSP	0	13/04/22	–	28,589	–	–	28,589	Apr 25 – Apr 26	5
	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 2021' section in the 2021 Directors' Remuneration Report.
2 See 'PSP Awards Vesting in Respect of 2022' section above.
3 As disclosed in the 2021 Directors' Remuneration Report.
4 See 'PSP Awards Granted in 2022' section above.
5 See 'DSP Awards Granted in 2022' 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.

During the year ended 31 December 2022, the highest mid-market price of the Company's shares was 266.0p and the lowest mid-market price was 132.5p. At 31 December 2022 the share price was 147.5p.

The aggregate gains by all Directors during 2022 was £nil (2021: £268,282), as no share awards vested in the year.

Payments to past Directors (audited)

No payments to past Directors were made during the year.

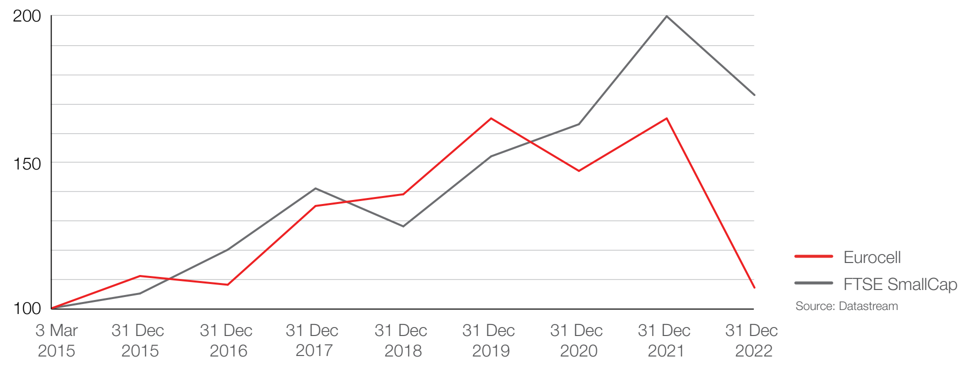
Payments for loss of office (audited)

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 2022, 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 %
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 Patrick Bateman	£560,558 £284,457	80% 33%	n/a n/a	33%	2%
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 2021 to 2022			% change from 2020 to 2021		
	Salary/fee increase/(decrease) %	Annual bonus increase/decrease %	Taxable benefits increase %	Salary/fee increase/decrease[1] %	Annual bonus increase/decrease %	Taxable benefits (decrease)/increase %
Mark Kelly	6%	(75)%	14%	5%	n/a[2]	(73)%
Michael Scott	6%	(76)%	25%	5%	n/a[2]	2%
Derek Mapp	n/a[3]	n/a	n/a	n/a	n/a	n/a
Frank Nelson	25%	n/a	n/a	3%	n/a	n/a
Martyn Coffey	18%	n/a	n/a	3%	n/a	n/a
Kate Allum	n/a[3]	n/a	n/a	n/a	n/a	n/a
Alison Littley	n/a[3]	n/a	n/a	n/a	n/a	n/a
Iraj Amiri	n/a[3]	n/a	n/a	n/a	n/a	n/a
Robert Lawson	(46)%[4]	n/a	n/a	3%	n/a	n/a
Sucheta Govil	(35)%[5]	n/a	n/a	3%	n/a	n/a
All employees	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 Robert Lawson stepped-down from the Board on 1 July 2022.
5 Sucheta Govil stepped-down from the Board on 31 July 2022.

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
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:

1 Option B (based on the gender pay gap reporting disclosures) was preferred as this data was already prepared on a Group basis.
2 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.
3 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 2022.
4 FTE equivalent pay has been calculated using the gender pay gap reporting methodology.
5 The Chief Executive Officer's salary, benefits, pension, bonus and long-term incentives from the single total figure have been used.

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
2022	23	27	33	23	28	35

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 2021 and 2022 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	2022 £m	2021 £m
Total gross employee pay	5%	**84.9**	81.0
Dividends/share buybacks	208%	**11.1**	3.6

The average number of employees during the year was 2,250 (2021: 2,120).

Statement of voting at the Annual General Meeting (unaudited)

The following table shows the results of the binding Remuneration Policy vote and the advisory Directors' Remuneration Report vote at the 12 May 2022 AGM.

	(Binding Vote – 12 May 2022) Approval of the Directors' Remuneration Policy		(Advisory Vote – 12 May 2022) 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%	95,245,725	100%
Against	–	0%	–	0%
Votes withheld	–	–	2,165,678	–

Implementation of policy for 2023 (unaudited)

Base salaries

In light of Mark Kelly's approaching retirement at the 2023 AGM in May, his base salary will remain at £433,336 p.a. until that date. Darren Waters, the Chief Executive Officer designate will join the Company in spring 2023 with a base salary of £410,000 p.a. Michael Scott's current base salary of £276,853 p.a. has been subject to a detailed market benchmarking exercise and, as a result, will be increased to £296,233 p.a. with effect from 1 April 2023.

The Committee notes that the resulting base salaries still remain below the median level seen in similar sized FTSE SmallCap companies.

Pensions

A defined contribution/salary supplement of 5% of salary, which is aligned to the wider workforce, will be offered to Michael Scott and Darren Waters (see above). In light of Mark Kelly's approaching retirement, his pension salary supplement will remain at 10% of salary until his retirement at the 2023 AGM in May.

Benefits

Details of the benefits received by Executive Directors are set out in Note 1 to the Single Total Figure Table on page 113. There is no intention to introduce additional benefits in 2023.

Annual bonus

The annual bonus opportunity for 2023 will be structured in a similar manner to 2022. 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 will be 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 2023 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 2023 bonus outturn.

Long-term incentives

PSP awards are expected to be made in April 2023 to Michael Scott and Darren Waters at 150% of salary. In light of Mark Kelly's approaching retirement at the 2023 AGM, no awards will be made to him.

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 2022 PSP awards.

Recruitment bonus

As part of his recruitment package to provide compensation for share awards granted by his former employer that will be forfeited on leaving, Darren Waters, on joining the Company, will be 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).

Chair and Non-executive Directors' fees

The fee for the Chair is £150,000 p.a. and the base fees for Non-executive Directors will be increased from £48,000 to £50,000 p.a. with effect from 1 April 2023.

Additional fees for the Chair of the Audit and Risk Committee, Chair of the Remuneration Committee and Chair of the Social Values and ESG Committee will be increased from £8,000 to £10,000 p.a. and the additional fee for the Senior Independent Director will be increased from £8,000 to £10,000 p.a. all with effect from 1 April 2023.

By Order of the Board

Martyn Coffey
Chair of the Remuneration Committee

15 March 2023

The Directors present their audited consolidated financial statements for the year ended 31 December 2022. 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 2022.

The Directors' Report includes the Corporate Governance Statement set out on pages 84 to 92.

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 80 and 81 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	Appointed on 16 May 2022, Chair from 1 July 2022
Mark Kelly	Chief Executive Officer	Served throughout
Michael Scott	Chief Financial Officer	Served throughout
Frank Nelson	Senior Independent Non-executive Director	Served throughout
Martyn Coffey	Independent Non-executive Director	Served throughout
Kate Allum	Independent Non-executive Director	Appointed on 1 July 2022
Alison Littley	Independent Non-executive Director	Appointed on 1 July 2022
Iraj Amiri	Independent Non-executive Director	Appointed on 7 November 2022
Former directors:		
Bob Lawson	Chair	Served up to 30 June 2022
Sucheta Govil	Independent Non-executive Director	Served up to 31 July 2022

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 79. 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 84 to 92, which is incorporated herein by reference.

Results

Our Financial Statements for the year ended 31 December 2022 are set out on pages 124 to 177. The Financial Statements should be read in conjunction with the Chief Executive Officer's Report, Divisional Reviews and the Chief Financial Officer's Report.

Dividends

The Board is recommending a final dividend of 7.2 pence (2021: 6.4 pence) per share for 2022 which, together with the interim dividend of 3.5 pence (2021: 3.2 pence) per share, makes a combined dividend of 10.7 pence (2021: 9.6 pence) per share.

Payment of the final dividend, if approved at the Annual General Meeting ('AGM'), will be made on 17 May 2023 to shareholders registered at the close of business on 21 April 2023. The ex-dividend date will be 20 April 2023.

Dividends paid in the year to 31 December 2022 and disclosed in the Consolidated Cash Flow Statement of £11.1 million (2021: £3.6 million), is comprised the 2021 final dividend of 6.4 pence per share, which was paid in May 2022, and the 2022 interim dividend of 3.5 pence per share which was paid in October 2022.

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.

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 2022, there were 112,095,184 (2021: 111,972,477) 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 104 to 119, 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.

Substantial shareholders

As at 31 December 2022, the Company's major shareholders, with a shareholding above 3%, were as follows:

Shareholder	No. of Shares	% of voting rights
Aberforth Partners	21,395,803	19.1
Soros Fund Management	18,337,234	16.4
Alantra Asset Management	12,368,036	11.0
JO Hambro Capital Management	11,162,514	10.0
Schroder Investment Management	6,314,271	5.6
Chelverton Asset Management	5,000,000	4.5
Columbia Threadneedle Investments	4,847,601	4.3
Huntington Management	4,365,500	3.9
Royal London Asset Management	3,549,000	3.2

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 2023 AGM, with the exception of Martyn Coffey, who has decided to step-down after eight years of service, and Mark Kelly who is retiring.

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 104 to 119. No change in the interests of the Directors has been notified between 31 December 2022 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 2022 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

The Directors are not aware of any material events that have occurred after 31 December 2022 which would require disclosure.

Other matters

Employee disclosure (including equality, diversity and disabled employees)

See Responsible Business section on pages 40 to 65.

Employee engagement statement

See Corporate Governance Statement on pages 84 to 92.

Statement on engagement with suppliers, customers and others in a business relationship with the Company

See Corporate Governance Statement on pages 84 to 92.

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 79.

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 2022 (2021: £nil).

Greenhouse gas emissions and energy use

See the Responsible Business section on pages 52 and 53.

Disclosure of information to auditors

See the Directors' confirmations on page 123.

Disclosures required by Listing Rule 9.8.4R

There were no waivers of dividends during the year. There are no other disclosures to be made under the above listing rule.

By Order of the Board

Paul Walker
Group Company Secretary

15 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts 2022 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; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for 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 2022, 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; and
- 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; and
- 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 15 March 2023.

Mark Kelly
Chief Executive Officer

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 2022 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 2022 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 December 2022; 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, which include a description of the significant accounting policies.

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 audit work was 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 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.
- As disclosed within the TCFD disclosures on page 46 to 55, management have considered the impact of climate change. Given the headroom noted on the impairment assessments as disclosed in note 18, managements TCFD assessment and our wider risk assessment we have concluded that there were no material impacts on the audit.

Key audit matters

- Trade receivables provisions (group).
- Assessment of the valuation of inventory (group).
- Impairment to intercompany investments and intercompany receivables (parent).

Materiality

- Overall group materiality: £1,400,000 (2021: £1,350,000) based on 5% of underlying profit before taxation.
- Overall company materiality: £751,000 (2021: £602,000) based on 1% of total assets.
- Performance materiality: £1,050,000 (2021: £1,000,000) (group) and £563,000 (2021: £451,000) (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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Trade receivables provisions (group) Refer to pages 70 to 77 (Risk management and Principal risks and uncertainties), pages 98 to 103 (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 £43.5 million at 31 December 2022 (2021: £41.3 million) against which provisions of £1.8 million (2021: £2.6 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 judgements. These remain a heightened risk in the current year due to the uncertain economic environment, which is expected to continue into 2023.	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: • We confirmed that the amounts included in the IFRS 9 model agreed back to the underlying ledgers as at 31 December 2022; • We tested the ageing of amounts due at the balance sheet date to verify the data had been analysed correctly; • We tested the accuracy of the calculations in the model; • We reviewed the accuracy of past management estimates; • 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; and • We challenged management over the expected credit loss percentage applied to each category. 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 and that appropriate disclosures have been made.

INDEPENDENT AUDITORS' REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Assessment of the valuation of inventory (group) Refer to pages 70 to 77 (Risk management and Principal risks and uncertainties), pages 98 to 103 (Audit and Risk Committee report), Note 1 (Accounting Policies), Note 2 (Critical Accounting Estimates and Judgements) and Note 19 (Inventories). Inventory totalled £59.9 million as at 31 December 2022 (2021: £55.9 million) after provisions of £3.5 million (2021: £4.9 million). We focused on this area because the Directors' assessment of the absorption of labour and overhead costs into inventory and the 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 judgement. In addition, during the year there has been significant raw materials cost price inflation leading to a risk that inventory may not be held at the lower of cost and net realisable value.	Our audit procedures over the valuation of inventory comprised: • 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 tested, on a non-statistical sampling basis, the valuation and calculation of costs absorbed into inventory; • We re-performed the valuation of inventory on a non-statistical sampling basis; and • We challenged management over the costs included within inventory, the setting of the standard costs and the accounting for variances. Our audit procedures over the impairment of inventory consisted of: • 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 understood the Directors' methodology for calculating inventory provisions; • We evaluated the Directors' assumptions over usage and validated historic usage which is then used to forecast future sales rates; • 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 selected a sample of inventory held as at 31 December 2022 and verified that sales recorded in 2023 were made above cost; 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 the inventory recognised by the Directors was at an appropriate value and was consistent with the requirements of IAS 2. Appropriate disclosures regarding the above have also been made.
Impairment to intercompany investments and intercompany receivables (parent) Refer to Note 35 (Accounting Policies), Note 36 (Critical Accounting Estimates and Judgements), Note 38 (Investments) and Note 39 (Trade and other receivables). The company has investments in subsidiary companies of £17.8 million (2021: £17.8 million) and intercompany receivables of £56.3 million (2021: £41.6 million). Material impairment to these could result in implications for future dividends.	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. £147.5 million as at 31 December 2022 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. This segment includes the trading subsidiary companies Eurocell Building Plastics Limited and before the disposal in November 2022, Security Hardware Limited; 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 and Vista Panels 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 then all results of components were added together and then if a component represented 15% or more of this total it was included as a financially significant component) in either the current or prior year. There were three financially significant components (Eurocell Profiles Limited, excluding the S&S plastics division, Eurocell Building Plastics Limited and Vista Panels Limited). These components represented 97% of the reported consolidated revenues and 76% of the reported consolidated underlying profit before taxation on an absolute basis.

We then considered the remaining 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. Due to the relative size of the acquisitions between 2015 and 2019 a number of additional FSLI's were included as a result of the above assessment. For all other balances 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.

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 and 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.

As disclosed within the TCFD disclosures on page 46 to 55, management have considered the impact of climate change. Given the headroom noted on the impairment assessments as disclosed in note 18, managements TCFD assessment and our wider risk assessment we have concluded that there were no material impacts on the audit.

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 46 to 55.

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 in the front half of the financial statements.

We challenged the completeness of management's climate risk assessment by challenging the consistency of management's climate impact assessment with internal climate plans and board minutes, including whether the time horizons management have used take account of all relevant aspects of climate change such as transition risks.

Management have made commitments to reduce the emissions intensity ratio by 5% and the energy use intensity ratio by 5% per year until 2025 and to a 1% year on year increase in the use of recycled material. These commitments do not directly impact financial reporting, as management has not yet developed a pathway to deliver this commitment and will only be able to model the impact once the pathway is developed.

The key areas of the financial statements where management evaluated that climate risk has a potential significant impact are the disclosures relating to intangible assets and impairment. Using our knowledge of the business we evaluated management's risk assessment, its estimates as set out in note 2 of the financial statements and resulting disclosures where significant. We considered the following areas to potentially be materially impacted by climate risk and consequently we focused our audit work in these areas being impairment of non current assets.

To respond to the audit risks identified in these areas we tailored our audit approach to address these, 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 2022.

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**
Overall materiality	£1,400,000 (2021: £1,350,000).	£751,000 (2021: £602,000).
How we determined it	5% of underlying profit before taxation	1% of total assets
Rationale for benchmark applied	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 2022 underlying profit before tax is £2.5m 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 £290,000 and £1,265,000. 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% (2021: 75%) of overall materiality, amounting to £1,050,000 (2021: £1,000,000) for the group financial statements and £563,000 (2021: £451,000) 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 £70,000 (group audit) (2021: £67,000) and £37,500 (company audit) (2021: £30,000) 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 this for consistency (i.e the integrity of the model) and that the base projections agreed to the approved budgets and were consistent with our work in other areas, for example the projections were consistent with those used for 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 discussed with management the basis of the "base case" and what factors had been considered in their downside "sensitised case". We recalculated management's assessment of the impact of these scenarios on the forecasted 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 (i.e until 31 December 2024);
- We challenged management around which scenarios would be required prior to the covenant facilities being breached or available facilities being breached and considered if these were plausible or possible. This included performing our own sensitivities to ascertain the levels of underperformance required to breach;
- We reviewed the debt facilities to ascertain if management had correctly factored in financial covenants to their model, including that covenants were appropriately calculated at each measurement point, and expected to be met during the assessment period (i.e. until 31 December 2024);
- We audited management's compliance with the covenants during 2022;
- 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 have 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. No issues were noted arising from these procedures.

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 2022 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, the Companies Act 2006 and the listing rules. 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 for appropriateness, 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 8 years, covering the years ended 31 December 2015 to 31 December 2022.

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

15 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December 2022			Year ended 31 December 2021 (re-presented[3])		
	Note	Underlying £m	Non-underlying[(1)] £m	Total £m	Underlying £m	Non-underlying[(1)] £m	Total £m
Revenue	4,9	**381.2**	**—**	**381.2**	339.8	—	339.8
Cost of sales		**(196.7)**	**—**	**(196.7)**	(167.7)	—	(167.7)
Gross profit		**184.5**	**—**	**184.5**	172.1	—	172.1
Distribution costs		**(23.9)**	**(0.4)**	**(24.3)**	(23.0)	—	(23.0)
Administrative expenses		**(130.4)**	**(1.8)**	**(132.2)**	(119.4)	—	(119.4)
Other income[2]		**1.1**	**—**	**1.1**	—	—	—
Operating profit	9	**31.3**	**(2.2)**	**29.1**	29.7	—	29.7
Finance expense	10	**(2.6)**	**(0.3)**	**(2.9)**	(2.0)	—	(2.0)
Profit before tax from continuing operations	9	**28.7**	**(2.5)**	**26.2**	27.7	—	27.7
Taxation	11	**(4.7)**	**0.5**	**(4.2)**	(6.1)	—	(6.1)
Profit after tax from continuing operations		**24.0**	**(2.0)**	**22.0**	21.6	—	21.6
Discontinued operations							
Loss after tax from discontinued operations	12			**(2.3)**			(0.5)
Profit for the year and total comprehensive income				**19.7**			21.1
Basic earnings per share from continuing operations	13	**21.4p**		**19.6p**	19.4p		19.4p
Diluted earnings per share from continuing operations	13	**21.3p**		**19.5p**	19.3p		19.3p

1 Non-underlying items are detailed in Note 7. The Group's policy regarding the recognition of non-underlying items is outlined on page 137.
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.
3 The prior year comparatives have been re-presented to remove the results of Security Hardware, which have been presented as discontinued operations in both the current and prior year following the sale of the business on 2 December 2022.

The Notes on pages 136 to 167 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Property, plant and equipment	15	**61.7**	59.2
Right-of-use assets	16	**59.7**	54.8
Intangible assets	17	**16.9**	18.6
Total non-current assets		**138.3**	132.6
Current assets			
Inventories	19	**59.9**	55.9
Trade and other receivables	20	**50.0**	44.5
Corporation tax		**0.2**	—
Deferred consideration	12	**0.8**	—
Cash and cash equivalents		**5.1**	6.6
Total current assets		**116.0**	107.0
Total assets		**254.3**	239.6
Liabilities			
Current liabilities			
Trade and other payables	22	**(47.4)**	(48.7)
Lease liabilities	23	**(13.0)**	(11.9)
Bank overdrafts		**—**	(5.9)
Provisions	24	**(0.2)**	(0.7)
Total current liabilities		**(60.6)**	(67.2)
Non-current liabilities			
Borrowings	21	**(20.3)**	(11.7)
Trade and other payables	22	**—**	(0.3)
Lease liabilities	23	**(50.7)**	(46.8)
Provisions	24	**(1.0)**	(0.8)
Deferred tax	25	**(6.8)**	(6.6)
Total non-current liabilities		**(78.8)**	(66.2)
Total liabilities		**(139.4)**	(133.4)
Net assets		**114.9**	106.2
Equity attributable to equity holders of the parent			
Share capital	26	**0.1**	0.1
Share premium account	26	**22.2**	21.9
Share-based payment reserve	27	**0.9**	1.1
Retained earnings		**91.7**	83.1
Total equity		**114.9**	106.2

The Financial Statements on pages 132 to 167 were approved and authorised for issue by the Board of Directors on 15 March 2023 and were signed on its behalf by:

Mark Kelly
Director

Michael Scott
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash generated from operations	32	**38.7**	33.1
Income taxes paid		**(3.6)**	(3.5)
Net cash generated from operating activities		**35.1**	29.6
Investing activities			
Purchase of property, plant and equipment		**(11.9)**	(15.1)
Purchase of intangible assets		**(0.5)**	(0.4)
Net cash flow arising on sale of business	12	**0.3**	—
Net cash used in investing activities		**(12.1)**	(15.5)
Financing activities			
Proceeds from new share capital issued	26	**0.2**	0.5
Repayment of bank and other borrowings		**(22.0)**	(1.0)
Proceeds from bank borrowings		**31.0**	—
Bank borrowings arrangement costs		**(0.8)**	—
Principal elements of lease payments		**(13.3)**	(10.1)
Finance elements of lease payments		**(1.4)**	(1.2)
Finance expense paid		**(1.2)**	(0.6)
Dividends paid to equity Shareholders	14	**(11.1)**	(3.6)
Net cash used in financing activities		**(18.6)**	(16.0)
Net increase/(decrease) in cash and cash equivalents[1]		**4.4**	(1.9)
Cash and cash equivalents[1] at beginning of year	33	**0.7**	2.6
Cash and cash equivalents[1] at end of year	33	**5.1**	0.7

1 Cash and cash equivalents includes bank overdrafts.
2 Cash flows arising on discontinued operations are outlined in Note 12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital £m	Share premium account £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**

	Note	Share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2021		0.1	21.1	0.5	65.5	87.2
Comprehensive income for the year						
Profit for the year		—	—	—	21.1	21.1
Total comprehensive income for the year		—	—	—	21.1	21.1
Contributions by and distributions to owners						
Exercise of share options	27	—	0.8	(0.6)	0.1	0.3
Share-based payments	27	—	—	1.2	—	1.2
Dividends paid	14	—	—	—	(3.6)	(3.6)
Total transactions with owners recognised directly in equity		—	0.8	0.6	(3.5)	(2.1)
Balance at 31 December 2021		0.1	21.9	1.1	83.1	106.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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 394A of the Companies Act 2006, which are filed with the registrar at Companies House.

Under section 479A – 479C of the Companies Act 2006 Security Hardware Limited (company number 05621964) is exempt from an audit of its individual accounts. The accounts of Security Hardware Limited are consolidated herewith and its ultimate holding company, Eurocell plc has provided a guarantee under section 479C for the year ended 31 December 2022.

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 2026. 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 142.

No covenants were breached during the year ended 31 December 2022. For the next measurement period, being 30 June 2023, 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 2024, which is consistent with the Board's strategic planning horizons. These forecasts have been compiled based on the best estimates of our commercial and operational teams. This includes a severe but plausible 'Downside' scenario, which reflects demand for our products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2023-24, 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 2022, with no material impact:

- Property, Plant and Equipment: proceeds before intended use – amendments to IAS 16;
- Reference to the Conceptual Framework – amendments to IFRS 3;
- Onerous Contracts: cost of fulfilling a contract – amendments to IAS 37; and
- Annual Improvements to IFRS Standards 2018-20.

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group:

- IFRS 17 Insurance Contracts;
- Classification of Liabilities as Current or Non-current – amendments to IAS 1;
- Disclosure of Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – amendments to IAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

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 three 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 and expected infrequency 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 and non-recurring costs arising from business restructuring.

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.

Government grants

Grant income is recognised only when it is reasonably certain that the cash will be received, and that all eligibility criteria have been met. Grant income is recognised within administration expenses, with staff costs presented net of grant income. To the extent that there are ongoing eligibility or performance criteria, grant income is spread over the relevant period of measurement.

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 Security Hardware business 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 current and 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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES (GROUP) CONTINUED
Financial assets continued
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.

While 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; and
- 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; or
- 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; and
- 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES (GROUP) CONTINUED

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.

	2022 £m	2021 (re-presented) £m
Operating profit	**29.1**	29.7
Depreciation and amortisation	**23.9**	22.7
EBITDA	**53.0**	52.4
Non-underlying items	**2.2**	—
Adjusted EBITDA	**55.2**	52.4
Operating lease rentals under IAS 17	**(14.4)**	(13.9)
Other lease charges	**—**	(0.5)
Pre-IFRS 16 adjusted EBITDA	**40.8**	38.0

Pre-IFRS 16 total net 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.

	2022 £m	2021 £m
Total net debt	**78.1**	69.7
Lease liabilities	**(63.7)**	(58.7)
Pre-IFRS 16 net debt	**14.4**	11.0

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.

a) Carrying value of inventories

The Group reviews the market value of, and demand for, its inventories on a periodic basis to ensure inventory is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of inventories.

The key estimate is the extent to which items of inventory remain saleable as they age. Management use their knowledge of market conditions to assess future demand for the Group's products and achievable selling prices.

If the Slow and Obsolete stock provision were, on average, 500 basis points higher than current estimates, the provision would increase by approximately £150,000. Further disclosures relating to inventories are provided in Note 19.

b) 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, 500 basis points higher than current estimates, the provision for impairment would increase by approximately £800,000. 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; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. 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; and
- lease liabilities.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

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.

A summary of the financial instruments held by category is provided below:

Financial assets	2022 £m	2021 £m
Cash and cash equivalents	5.1	6.6
Deferred consideration	0.8	—
Trade and other receivables	40.2	37.3
Total financial assets	**46.1**	43.9

Financial liabilities	2022 £m	2021 £m
Trade and other payables	45.0	48.7
Lease liabilities	63.7	58.7
Bank overdrafts	—	5.9
Borrowings	21.0	12.0
Total financial liabilities	**129.7**	125.3

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 50 basis points higher/lower, the Group's finance expense would increase/decrease by £100,000.

During 2022 and 2021 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 2022	**Total £m**	**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)**

At 31 December 2021	Total £m	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	(48.7)	(48.4)	—	—	(0.3)	—
Lease liabilities	(64.1)	(3.2)	(9.9)	(12.8)	(19.1)	(19.1)
Bank overdrafts	(5.9)	(5.9)	—	—	—	—
Borrowings	(12.0)	—	—	(12.0)	—	—
Total	(130.7)	(57.5)	(9.9)	(24.8)	(19.4)	(19.1)

Excluded from the analysis above are assets and liabilities from which no future cash flows are expected to arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Capital management

The Group's objective when managing capital, which is deemed to be total equity plus total debt and which was £198.9 million (2021: £176.6 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 2022 Leverage and Interest Cover were 0.4:1 and 25:1 respectively (2021: 0.3:1 and 47:1). 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.

The following table sets out the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date:

	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)

	As at 31 December 2021			
	GBP £m	EUR £m	USD £m	Total £m
Trade and other receivables	36.6	0.5	0.2	37.3
Cash and cash equivalents	5.2	1.4	—	6.6
Bank overdrafts	(5.9)	—	—	(5.9)
Lease liabilities	(58.7)	—	—	(58.7)
Other interest-bearing borrowings	(12.0)	—	—	(12.0)
Trade and other payables	(46.8)	(0.3)	—	(47.1)
	(81.6)	1.6	0.2	(79.8)

4 REVENUE

Revenue arises from:

	2022 £m	2021 (re-presented) £m
Sale of goods	**381.2**	339.8

External revenue by destination:

	2022 £m	2021 (re-presented) £m
United Kingdom	**376.6**	335.5
European Union	**4.0**	3.6
Rest of World	**0.6**	0.7
	381.2	339.8

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 £1.3 million (2021: £1.8 million). Further details are provided in Note 20.

5 AUDITORS' REMUNERATION

Total amounts payable to the Group's auditors were as follows:

	2022 £000	2021 £000
Audit of these Financial Statements	**100**	85
Amounts receivable by auditors and their associates in respect of:		
Audit of Financial Statements of subsidiaries pursuant to legislation	**232**	169
Audit-related assurance services	**65**	51
	397	305

6 EXPENSES BY NATURE

	2022 £m	2021 (re-presented) £m
Depreciation of property, plant and equipment (Note 15)	**8.8**	7.7
Depreciation of right-of-use assets (Note 16)	**13.3**	13.1
Amortisation of intangible assets (Note 17)	**1.8**	1.9
Impairment of property, plant and equipment and right-of-use assets (Note 7)	**0.6**	(0.4)
Other non-underlying operating expenses (Note 7)	**1.6**	—
Cost of inventories	**181.8**	154.0
Other variable costs	**14.9**	13.8
Employee benefits expense (Note 8)	**84.9**	81.0
Impairments/(reversal of impairments) under IFRS 9	**0.1**	(0.7)
Short term lease rentals	**2.2**	—
Other expenses	**43.2**	39.7
Total cost of sales, distribution costs and administration expenses	**353.2**	310.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

7 NON-UNDERLYING ITEMS
Amounts included in the Consolidated Statement of Comprehensive Income are as follows:

	2022 £m	2021 £m
Restructuring costs	**1.6**	—
Asset impairment charges	**0.6**	—
Non-underlying operating expenses	**2.2**	—
Finance expense	**0.3**	—
Total non-underlying expenses	**2.5**	—
Taxation	**(0.5)**	—
Impact on profit after tax	**2.0**	—

Restructuring costs
Restructuring costs relate to redundancies, with 63 roles impacted at a one-off cost of £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.

Asset impairment charges
Tangible fixed assets and right-of-use asset impairment charges amounting to £0.6 million were recognised in respect of five branches which, at 31 December 2022, the Group had announced its intention to close in early 2023.

Finance expense
The Group 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.

There were no non-underlying items in the prior year.

Of the £2.5 million non-underlying expenses, £1.1 million was settled in cash at 31 December 2022, and £0.5 million will be settled within 12 months of the balance sheet date. The remaining £0.9 million relates to non-cash items.

8 EMPLOYEE BENEFITS EXPENSE

	2022 £m	2021 (re-presented) £m
Staff costs (including Directors) comprise:		
Wages and salaries	**74.2**	70.0
Share-based payments	**(0.2)**	1.2
Social security costs	**8.2**	7.5
Other pension costs	**2.7**	2.3
	84.9	81.0

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

	2022 No.	2021 (re-presented) £m
Production	**789**	750
Office and administration	**459**	430
Distribution	**1,002**	940
	2,250	2,120

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.

	2022 £m	2021 £m
Emoluments	1.7	1.7
Share-based payments	(0.1)	0.5
Pension and other post-employment benefit costs	0.1	0.1
	1.7	2.3

Directors' remuneration is set out in the Remuneration Report on pages 104 to 119. The highest paid Director received remuneration of £857,000 (2021: £879,000).

During the year, retirement benefits were accruing to two Directors in respect of defined contribution pension schemes (2021: two). The value of contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £47,000 (2021: £60,000).

No share options were exercised by Directors of the Group during the current year (2021: 99,268). In the prior year, 60,571 options were exercised by the highest paid Director.

During the year no other 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 82 to 92.

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 Officer 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. This segment includes Kent Building Plastics and Trimseal.
- Corporate – represents costs relating to the ultimate Parent company and includes amortisation in respect of acquired intangible assets.

Inter-segmental sales relate to manufactured products distributed by the Building Plastics division.

2022	Profiles £m	Building Plastics £m	Corporate £m	Total £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

9 SEGMENTAL INFORMATION CONTINUED

2021 (re-presented)	Profiles £m	Building Plastics £m	Corporate £m	Total £m
Revenue				
Total revenue	204.6	199.6	—	404.2
Inter-segmental revenue	(63.9)	(0.5)	—	(64.4)
Total revenue from external customers	140.7	199.1	—	339.8
EBITDA	31.8	21.5	(0.9)	52.4
Amortisation of intangible assets	—	—	(1.9)	(1.9)
Depreciation of property, plant and equipment	(6.0)	(1.0)	(0.7)	(7.7)
Depreciation of right-of-use assets	(5.1)	(7.9)	(0.1)	(13.1)
Operating profit/(loss)	20.7	12.6	(3.6)	29.7
Finance expense				(2.0)
Profit before tax from continuing operations				27.7

	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**

	Profiles 2021 £m	Building Plastics 2021 £m	Corporate 2021 £m	Total 2021 £m
Additions to plant, property, equipment and intangible assets	13.2	2.5	1.0	16.7
Segment assets	132.6	87.9	19.1	239.6
Segment liabilities	(61.2)	(45.0)	(8.9)	(115.1)
Borrowings				(11.7)
Corporation tax payable				—
Deferred tax liability				(6.6)
Total liabilities				(133.4)
Total net assets				106.2

Geographical information

	Revenue 2022 £m	**Non-current assets 2022 £m**	Revenue 2021 (re-presented) £m	Non-current assets 2021 £m
United Kingdom	**379.3**	**138.3**	338.3	132.6
Republic of Ireland*	**1.9**	**—**	1.5	—
Total	**381.2**	**138.3**	339.8	132.6

* The net book value of non-current assets in the Republic of Ireland was less than £50,000 in both years.

10 FINANCE EXPENSE

	2022 £m	2021 (re-presented) £m
Finance expense		
Bank borrowings	**1.2**	0.8
Interest on lease liabilities	**1.4**	1.2
Underlying finance expense	**2.6**	2.0
Non-underlying finance expense (Note 7)	**0.3**	—
Total finance expense	**2.9**	2.0

11 TAXATION

	2022 £m	2021 £m
Current tax expense		
Current tax on profits for the year	**3.2**	2.7
Adjustments in respect of prior years	**0.3**	0.1
Total current tax	**3.5**	2.8
Deferred tax expense		
Origination and reversal of temporary differences	**0.7**	2.2
Adjustment in respect of change in rates	**0.2**	0.9
Adjustment in respect of prior years	**(0.7)**	—
Total deferred tax	**0.2**	3.1
Total tax expense	**3.7**	5.9

	2022 £m	2021 £m
Continuing operations	**4.2**	6.1
Discontinued operations	**(0.5)**	(0.2)
Total tax expense	**3.7**	5.9

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:

	2022 £m	2021 £m
Profit before tax from continuing operations	**26.2**	27.7
Loss before tax from discontinued operations	**(2.8)**	(0.7)
Profit before tax	**23.4**	27.0
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**4.4**	5.1
Taxation effect of:		
Expenses not deductible for tax purposes	**0.4**	0.5
Capital allowance super-deduction utilised	**(0.3)**	(0.7)
Patent Box claims	**(0.4)**	—
Deferred tax impact of share-based payments	**—**	0.2
Adjustment in respect of prior years	**0.3**	0.1
Tax effect of accelerated capital allowances	**(0.9)**	(2.4)
Current tax expense	**3.5**	2.8

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:

	2022 £m	2021 £m
Profit before tax from continuing operations	**26.2**	27.7
Loss before tax from discontinued operations	**(2.8)**	(0.7)
Profit before tax	**23.4**	27.0
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**4.4**	5.1
Taxation effect of:		
Expenses not deductible for tax purposes	**0.2**	0.5
Capital allowance super-deduction utilised	**(0.3)**	(0.7)
Patent Box claims	**(0.4)**	—
Adjustments in respect of prior years	**(0.4)**	0.1
Adjustment in respect of change in rates	**0.2**	0.9
Total tax expense	**3.7**	5.9

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. Consequently, deferred taxes were re-measured using a higher rate based on expected reversal dates and reflected in the financial statements.

There are no material uncertain tax provisions.

Tax included in Other Comprehensive Income

The tax credit arising on share-based payments within Other Comprehensive Income is £nil (2021: £nil).

Based on the current investment plans of the Group, and assuming the rates of capital allowances on capital expenditure continue into the future, there is little prospect of any significant part of the deferred tax liability becoming payable over the next three years.

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 £1.9 million (2021: £1.5 million), total assets of less than £50,000 (2021: less than £50,000) and eight full time employees (2021: 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 2022 is €nil (2021: €nil) and no tax payments were made during the year (2021: €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.

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.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Revenue	**2.9**	3.3
Cost of sales	**(2.2)**	(2.0)
Gross profit	**0.7**	1.3
Distribution costs	**(0.8)**	(0.8)
Administrative expenses	**(1.2)**	(1.2)
Operating loss	**(1.3)**	(0.7)
Finance expense	**—**	—
Loss before tax from discontinued operations	**(1.3)**	(0.7)
Taxation	**0.2**	0.2
Loss after tax from discontinued operations	**(1.1)**	(0.5)
Loss on sale of trade and assets after tax	**(1.2)**	—
Loss from discontinued operation	**(2.3)**	(0.5)

The loss on sale of £1.2 million 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**

The net cash flows arising were as follows:

	2022 £m	2021 £m
Net cash outflow from operating activities	**(0.2)**	(0.6)
Net cash inflow from investing activities	**0.1**	—
Net cash outflow from financing activities	**—**	—
Net decrease in cash generated by discontinued operation	**(0.1)**	(0.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

12 LOSS AFTER TAX FROM DISCONTINUED OPERATIONS CONTINUED

Losses per share were as follows:

	2022 Pence	2021 Pence
Basic losses per share from discontinued operations	(2.0)	(0.5)
Diluted losses per share from discontinued operations	(2.0)	(0.5)

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. 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.

	2022 £m	2021 (re-presented) £m
Profit from continuing operations attributable to ordinary shareholders excluding non-underlying items	24.0	21.6
Profit from continuing operations attributable to ordinary shareholders	22.0	21.6
Loss from discontinued operations	(2.3)	(0.5)
Profit attributable to ordinary shareholders	19.7	21.1

	2022 Number	2021 Number
Weighted average number of shares – basic	112,036,668	111,709,049
Dilutive impact of share options granted	747,137	510,270
Weighted average number of shares – diluted	112,783,805	112,219,319

	2022 Pence	2021 (re-presented) Pence
Continuing operations		
Basic earnings per share	19.6	19.4
Adjusted basic earnings per share	21.4	19.4
Diluted earnings per share	19.5	19.3
Adjusted diluted earnings per share	21.3	19.3
Discontinued operations		
Basic losses per share	(2.0)	(0.5)
Diluted losses per share	(2.0)	(0.5)
Total		
Basic earnings per share	17.6	18.9
Diluted earnings per share	17.5	18.8

14 DIVIDENDS

	2022 £m	2021 £m
Dividends paid during the year		
Interim dividend for 2022 of 3.5p per share (2021: 3.2p per share)	**3.9**	3.6
Final dividend for 2021 of 6.4p per share	**7.2**	—
	11.1	3.6
Dividends proposed		
Final dividend for 2022 of 7.2p per share	**8.1**	—
Final dividend for 2021 of 6.4p per share	**—**	7.2
	8.1	7.2

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 2021	9.0	0.2	65.6	0.3	0.1	9.6	84.8
Additions	—	—	3.5	—	—	12.8	16.3
Disposals	—	(0.1)	(24.1)	(0.1)	(0.1)	—	(24.4)
Transfers	—	—	9.8	0.2	—	(10.2)	(0.2)
Balance at 31 December 2021	**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**
Accumulated depreciation and impairment							
Balance at 1 January 2021	1.5	0.1	32.2	0.1	0.1	—	34.0
Charge for the year	0.2	—	7.4	0.1	—	—	7.7
Disposals	—	(0.1)	(24.1)	(0.1)	(0.1)	—	(24.4)
Balance at 31 December 2021	**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)**
Transfers	**(0.1)**	**—**	**(1.6)**	**0.8**	**—**	**—**	**(0.9)**
Disposal of business	**—**	**—**	**(0.1)**	**(0.1)**	**—**	**—**	**(0.2)**
Balance at 31 December 2022	**1.8**	**—**	**20.8**	**0.9**	**—**	**—**	**23.5**
Net book value							
At 31 December 2022	**7.2**	**—**	**48.3**	**0.2**	**—**	**6.0**	**61.7**
At 31 December 2021	7.3	0.1	39.3	0.3	—	12.2	59.2

Included within freehold property is non-depreciable land of £2.3 million (31 December 2021: £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 2022

16 RIGHT-OF-USE ASSETS

	Leasehold improvements £m	Motor vehicles £m	Office equipment and fixtures £m	Total £m
Cost				
Balance at 1 January 2021	51.8	16.4	0.1	68.3
Additions	13.1	7.5	—	20.6
Disposals	(2.3)	(1.9)	—	(4.2)
Balance at 31 December 2021	**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**
Accumulated depreciation and impairment				
Balance at 1 January 2021	13.6	7.7	—	21.3
Charge for the year	8.3	4.8	—	13.1
Reversal of impairment charges	—	(0.4)	—	(0.4)
Disposals	(2.3)	(1.8)	—	(4.1)
Balance at 31 December 2021	**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**
Net book value				
At 31 December 2022	**46.7**	**13.0**	**—**	**59.7**
At 31 December 2021	43.0	11.7	0.1	54.8

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 2021	2.9	1.6	7.5	6.3	16.8	35.1
Additions	0.4	—	—	—	—	0.4
Transfers	0.2	—	—	—	—	0.2
Balance at 31 December 2021	**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**
Accumulated amortisation						
Balance at 1 January 2021	1.3	0.7	4.9	2.5	5.8	15.2
Charge for the year	0.4	0.1	0.9	0.5	—	1.9
Balance at 31 December 2021	**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**
Net book value						
At 31 December 2022	**1.7**	**0.7**	**0.9**	**2.8**	**10.8**	**16.9**
At 31 December 2021	1.8	0.8	1.7	3.3	11.0	18.6

Goodwill and customer-related intangible assets relating to Security Hardware with a net book value of £0.3 million have been disposed of following the sale of the business in December 2022.

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 £0.8 million (2021: £1.2 million) and a remaining amortisation period of three years.

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:

	2022 £m	2021 £m
Eurocell Building Plastics	**5.1**	5.1
Eurocell Profiles	**3.3**	3.3
Ecoplas	**—**	—
Vista Panels	**2.2**	2.2
S&S Plastics	**0.2**	0.2
Security Hardware	**—**	0.2
	10.8	11.0

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.

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 Responsible Business section of the Strategic Report on pages 46 to 47. Management have considered the impact of a rise in global temperatures of 2 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:

	2022	2021
Period on which management-approved forecasts are based (years)	**3**	3
Discount rate (pre-tax)	**10%**	12%
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).

For CGUs with a higher risk profile due to their size or historical performance, management forecasts are risk-adjusted by applying a sales sensitivity of 5%. This adjustment has been made for all CGUs with the exception of Eurocell Building Plastics, Eurocell Profiles and Vista Panels, prior to the application of further sensitivities (see below).

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.

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FOR THE YEAR ENDED 31 DECEMBER 2022

18 IMPAIRMENT CONTINUED

Sensitivities

The following sales reduction or discount rate increase sensitivities would reduce headroom on each CGU to nil:

	2022 Sales	2022 Discount rate	2021 Sales	2021 Discount rate
Eurocell Building Plastics	**90%**	**18%**	62%	40%
Eurocell Profiles	**55%**	**19%**	86%	73%
Vista Panels	**93%**	**76%**	90%	93%
S&S Plastics	**70%**	**45%**	68%	35%
Security Hardware	**n/a**	**n/a**	50%	13%

19 INVENTORIES

	2022 £m	2021 £m
Raw materials	**7.3**	7.6
Work in progress	**2.4**	3.0
Finished goods and goods for resale	**50.2**	45.3
	59.9	55.9

All inventories are carried at cost less a provision to take account of slow-moving and obsolete items. At 31 December 2022 the inventory provision amounted to £3.5 million (2021: £4.9 million).

20 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Trade receivables	**43.5**	41.3
Less: provision for impairment of trade receivables	**(1.8)**	(2.6)
Less: provision for rebates payable	**(1.5)**	(1.4)
Net trade receivables	**40.2**	37.3
Contract assets	**0.7**	0.4
Prepayments	**8.6**	6.7
Other receivables	**0.5**	0.1
Total trade and other receivables	**50.0**	44.5

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 three years. Additions of £0.8 million were recognised during the year (2021: £0.3 million), and amounts amortised against revenue were £0.5 million (2021: £1.3 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.

Expected loss rates are derived based upon the payment profile of sales over a three-year period before 31 December 2022, 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 2022 reconcile to the opening loss allowances as follows:

	Trade receivables		Contract assets	
	2022 £m	2021 £m	**2022 £m**	2021 £m
At 1 January	**2.6**	4.4	**—**	0.1
Charged/(credited) during the year	**0.3**	(0.7)	**—**	—
Released or utilised during the year	**—**	(0.1)	**—**	(0.1)
Receivables written off during the year as uncollectible	**(1.1)**	(1.0)	**—**	—
At 31 December	**1.8**	2.6	**—**	—

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.

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 decreased in 2022 as payment patterns returned to normal following the disruption of the global pandemic and its after-effects. It remains higher than historical levels due to the macroeconomic uncertainty created by the war in Ukraine and its associated effects on global supply chains and commodity prices.

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**

At 31 December 2021	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	2%	7%	29%	69%	69%	6%
Gross carrying amount – trade receivables	34.0	4.5	0.9	0.3	1.6	41.3
Gross carrying amount – contract assets	0.4	—	—	—	—	0.4
Loss allowance	0.8	0.3	0.2	0.2	1.1	2.6

21 BORROWINGS

The book value and fair value of borrowings are as follows:

	Book value 2022 £m	**Fair value 2022 £m**	Book value 2021 £m	Fair value 2021 £m
Non-current				
Bank borrowings unsecured	**20.3**	**20.3**	11.7	11.7
Total borrowings	**20.3**	**20.3**	11.7	11.7

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 2026. The book value and fair value are not considered to be materially different.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

21 BORROWINGS CONTINUED

Borrowings

In May 2022 the Group refinanced its £75 million multi-currency revolving unsecured credit facility. The new facility is held with Barclays Bank plc, NatWest Bank plc and Bank of Ireland, and expires in May 2026. The key terms of the facility remain unchanged.

Costs amounting to £0.8 million were incurred in arranging the new facility. These costs have been capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility. Unamortised arrangement costs associated with the previous facility of £0.3 million were expensed to the Consolidated Statement of Comprehensive Income and classified as non-underlying items (see Note 7).

Borrowings of £21.0 million were drawn down at 31 December 2022 (2021: £12.0 million). Total unamortised costs, which are presented as a deduction to borrowings, were £0.7 million as at 31 December 2022 (2021: £0.3 million).

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). Based upon current economic and market trends, management consider that the Sterling SONIA rate (which replaced LIBOR in 2021) will remain relatively stable during the next year, and any changes, when applied to the Group's current bank borrowings of £21.0 million would not lead to a significant change in finance expense.

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:

	2022 £m	2021 £m
Within 1 year or repayable on demand	**—**	—
Between 1 and 2 years	**—**	12.0
Between 2 and 5 years	**21.0**	—
	21.0	12.0

22 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Current liabilities		
Trade payables	**33.9**	37.4
Other tax and social security	**6.4**	3.7
Other payables	**1.1**	0.9
Accruals	**6.0**	6.7
Total current trade and other payables	**47.4**	48.7
Non-current liabilities		
Other payables	**—**	0.3

Book values approximate to fair value at 31 December 2022 and 31 December 2021.

23 LEASE LIABILITIES

	2022 £m	2021 £m
Lease liabilities		
Current	**13.0**	11.9
Non-current	**50.7**	46.8
Total discounted lease liabilities at 31 December	**63.7**	58.7

	2022 £m	2021 £m
Maturity analysis		
– Less than one year	**14.3**	13.1
– One to five years	**36.1**	31.9
– More than five years	**19.2**	19.1
Total undiscounted lease liabilities at 31 December	**69.6**	64.1

	2022 £m	2021 £m
Finance expense		
Interest on lease liabilities	**1.4**	1.2

See Note 16 for details of right-of-use assets.

24 PROVISIONS

	Dilapidations and environmental provisions £m	Warranty provisions £m	Total £m
At 1 January 2021	0.9	0.6	1.5
Charged to Statement of Comprehensive Income	0.3	0.1	0.4
Utilised	—	(0.4)	(0.4)
At 31 December 2021	**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**
Current	0.2	—	0.2
Non-current	1.0	—	1.0
At 31 December 2022	**1.2**	**—**	**1.2**

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, 40% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

25 DEFERRED TAX

The movement in the net deferred tax liability is as follows:

	2022 £m	2021 £m
At 1 January	(6.6)	(3.5)
Charged to Statement of Comprehensive Income	(0.2)	(3.1)
At 31 December	**(6.8)**	(6.6)

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 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)**	**—**

	Asset 2021 £m	Liability 2021 £m	Net 2021 £m	Statement of Comprehensive Income 2021 £m	Equity 2021 £m
Accelerated capital allowances/intangible fixed assets	—	(7.2)	(7.2)	(3.4)	—
Other temporary differences	0.6	—	0.6	0.3	—
Net tax assets/(liabilities)	0.6	(7.2)	(6.6)	(3.1)	—

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 AND SHARE PREMIUM ACCOUNT

	Allotted, called up and fully paid	
	2022 Number	2021 Number
Ordinary shares of £0.001 each	**112,095,184**	111,972,477

	2022 £m	2021 £m
Ordinary shares of £0.001 each	**0.1**	0.1
Share premium account	**22.2**	21.9

As at 31 December 2022 there were 186,620,477 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.

The Group issued 101,838 (2021: 298,061) new shares in respect of its Save As You Earn sharesave scheme, in the process receiving consideration from employees of £0.2 million (2021: £0.5 million). The consideration received above the nominal value of the shares issued has been recorded as share premium.

During the year no (2021: none) shares were issued in respect of share-based payment transactions for Directors and 20,000 (2021: 187,707) shares vested and were issued in respect of share-based payment transactions for other key management personnel.

27 SHARE-BASED PAYMENTS

The Group enters into equity-settled payment transactions with its employees. For the year ended 31 December 2022, the credit was £0.2 million (2021: charge of £1.2 million). A corresponding charge/credit 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 2022 was £0.9 million (2021: £1.1 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:

	2022		2021	
	Average exercise price per share option £	**Number of options No.**	Average exercise price per share option £	Number of options No.
As at 1 January	**1.817**	**2,005,503**	1.773	1,561,217
Granted during the year	**1.720**	**857,490**	1.832	925,755
Exercised during the year	**1.920**	**(101,838)**	1.704	(298,061)
Forfeited during the year	**1.836**	**(871,053)**	1.704	(183,408)
As at 31 December	**1.758**	**1,890,102**	1.817	2,005,503
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 2022 was £2.05.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	**31 December 2022 No.**	31 December 2021 No.
1 June 2019	1 June 2022	1.920	**—**	451,925
1 June 2020	1 June 2023	1.720	**459,795**	627,823
1 June 2021	1 June 2024	1.832	**649,413**	925,755
1 June 2022	1 June 2025	1.720	**780,894**	—
As at 31 December			**1,890,102**	2,005,503
Weighted average contractual life of options outstanding at end of year			**1.59 years**	1.65 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

27 SHARE-BASED PAYMENTS CONTINUED
Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 31 December 2022 was £0.448 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 end 31 December 2022 included:

	2022
Options are granted for the consideration set at the inception of the scheme	
Exercise price	**1.720**
Grant date	**14 April 2022**
Expiry date	**1 June 2025**
Share price at grant date	**2.250**
Expected price volatility of the Company's shares	**20%**
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 new shares.

The following table shows the deferred shares granted and outstanding at the beginning and end of the reporting period:

	2022 No.	2021 No.
As at 1 January	**325,282**	575,498
Granted during the year	**73,338**	—
Exercised during the year	**(20,000)**	(187,707)
Forfeited during the year	**(22,855)**	(62,509)
As at 31 December	**355,765**	325,282
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 2022 was £1.43.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	31 December 2022 No.	31 December 2021 No.
30 June 2020	30 June 2023	0.001	**208,612**	212,716
30 June 2020	30 September 2023	0.001	**—**	20,000
30 June 2021	30 June 2024	0.001	**73,815**	92,566
30 June 2022	30 June 2025	0.001	**73,338**	—
As at 31 December			**355,765**	325,282
Weighted average contractual life of options outstanding at end of year			**0.87 years**	1.45 years

Fair value of options granted
The fair value at the grant date is determined using a form of the Black-Scholes model. DSP options totalling 73,338 were granted in 2022 (2021: nil). The assessed fair value at grant date of the rights granted during the year ended 31 December 2022 was £1.995 per option.

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 new 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:

	2022 No.	2021 No.
As at 1 January	**2,073,060**	1,749,941
Granted during the year	**1,213,781**	884,402
Exercised during the year	**—**	—
Forfeited during the year	**(777,195)**	(561,283)
As at 31 December	**2,509,646**	2,073,060
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 2022 No.**	31 December 2021 No.
24 April 2019	24 April 2022	0.000	**—**	593,541
13 September 2019	12 September 2022	0.000	**—**	89,386
2 December 2020	1 December 2023	0.000	**505,731**	505,731
22 April 2021	21 April 2024	0.000	**770,091**	812,127
21 October 2021	11 October 2024	0.000	**51,847**	72,275
13 April 2022	13 April 2025	0.000	**1,044,388**	—
11 October 2022	11 October 2025	0.000	**137,589**	—
As at 31 December			**2,509,646**	2,073,060
Weighted average contractual life of options outstanding at end of year			**1.73 years**	1.59 years

Fair value of options granted

The fair value at the grant date is determined using a form of the Black-Scholes model.

The assessed fair value at grant date of the rights granted during the year ended 31 December 2022 was between £1.214 and £2.00 per option, a weighted average of £1.90 (2021: £2.30). The closing share price on the 31 December 2022 was £1.48.

27(d) Expenses arising from share-based payment transactions

The total (credit)/charge arising from share-based payment transactions recognised during the period as part of employee benefit expense was as follows:

	2022 £m	2021 £m
Options issued under SAYE scheme	**—**	0.1
Deferred shares issued under the DSP scheme	**0.2**	0.4
Shares issued under the PSP scheme	**(0.4)**	0.7
	(0.2)	1.2

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 2022 the bank borrowings were £21.0 million (2021: £12.0 million).

The Group had no other material contingent assets or liabilities (31 December 2021: £ nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

29 CAPITAL COMMITMENTS

The Group had capital commitments relating to Property, Plant and Equipment of £3.8 million at the balance sheet date (2021: £8.1 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 (2021: £2.3 million). Contributions of £0.4 million were due to the scheme at 31 December 2022 (2021: £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 104 to 119.

Other related party transactions

Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who is a Director of Eurocell plc.

	2022 £000	2021 £000
Kellmann Recruitment Limited – recruitment services	**211**	147

Amounts outstanding at the 31 December 2022 were £nil (31 December 2021: £nil).

32 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2022 £m	2021 £m
Profit after tax from continuing operations	**22.0**	21.6
Loss after tax from discontinued operations	**(2.3)**	(0.5)
Profit after tax	**19.7**	21.1
Taxation (Note 11)	**3.7**	5.9
Finance expense	**2.9**	2.0
Operating profit	**26.3**	29.0
Adjustments for:		
Depreciation of property, plant and equipment	**8.8**	7.7
Depreciation of right-of-use assets	**13.3**	13.1
Amortisation of intangible assets	**1.8**	1.9
Impairment/(reversal of impairment) of tangible and right-of-use assets	**0.6**	(0.4)
Loss on disposal of business	**1.5**	—
Share-based payments	**(0.2)**	1.2
Increase in inventories	**(5.7)**	(17.8)
Increase in trade and other receivables	**(5.6)**	(6.0)
(Decrease)/increase in trade and other payables	**(1.8)**	4.4
Decrease in provisions	**(0.3)**	—
Cash generated from operations	**38.7**	33.1

33 RECONCILIATION OF NET DEBT

	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)**

	1 January 2021 £m	Cash flows £m	New leases £m	Non-cash movements* £m	31 December 2021 £m
Cash and cash equivalents	7.1	(0.5)	—	—	6.6
Bank overdrafts	(4.5)	(1.4)	—	—	(5.9)
Lease liabilities	(48.4)	11.3	(20.6)	(1.0)	(58.7)
Borrowings	(12.5)	1.0	—	(0.2)	(11.7)
Total	(58.3)	10.4	(20.6)	(1.2)	(69.7)

* 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 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)**

31 December 2021	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and cash equivalents	6.6	—	—	6.6
Bank overdrafts	—	(5.9)	—	(5.9)
Lease liabilities	—	(11.9)	(46.8)	(58.7)
Borrowings	—	—	(11.7)	(11.7)
Total	6.6	(17.8)	(58.5)	(69.7)

34 EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any material events that have occurred after 31 December 2022 which would require disclosure under IAS 10.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Investments	38	**17.8**	17.8
Total non-current assets		**17.8**	17.8
Current assets			
Trade and other receivables	39	**56.8**	42.1
Deferred tax	40	**0.3**	0.3
Cash and cash equivalents		**0.2**	—
Total current assets		**57.3**	42.4
Total assets		**75.1**	60.2
Liabilities			
Current liabilities			
Trade and other payables	41	**(0.2)**	(0.2)
Total current liabilities		**(0.2)**	(0.2)
Non-current liabilities			
Borrowings	42	**(20.3)**	(11.7)
Total non-current liabilities		**(20.3)**	(11.7)
Total liabilities		**(20.5)**	(11.9)
Net assets		**54.6**	48.3
Issued capital and reserves attributable to owners of the Company			
Share capital	26	**0.1**	0.1
Share premium account		**22.2**	21.9
Share-based payment reserve		**0.9**	1.1
Retained earnings		**31.4**	25.2
Total equity		**54.6**	48.3

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 £17.3 million in the year (2021: loss of £1.8 million), including dividend income received from Group companies of £18.0 million (2021: £nil).

The Financial Statements on pages 168 to 176 were approved and authorised for issue by the Board of Directors on 15 March 2023 and were signed on its behalf by:

Mark Kelly
Director

Michael Scott
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £m	Share premium account £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**

	Share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2021	0.1	21.1	0.5	30.5	52.2
Comprehensive expense for the year					
Loss for the year	—	—	—	(1.8)	(1.8)
Total comprehensive expense for the year	—	—	—	(1.8)	(1.8)
Contributions by and distributions to owners					
Share capital issued	—	—	—	—	—
Exercise of share options	—	0.8	(0.6)	0.1	0.3
Share-based payments	—	—	1.2	—	1.2
Dividends paid	—	—	—	(3.6)	(3.6)
Total transactions with owners recognised directly in equity	—	0.8	0.6	(3.5)	(2.1)
Balance at 31 December 2021	0.1	21.9	1.1	25.2	48.3

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

35 ACCOUNTING POLICIES (COMPANY)
Corporate information
Eurocell plc (the 'Company') 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, 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 2026. 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 142).

For the next measurement period, being 30 June 2023, 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 2024, which is consistent with the Board's strategic planning horizons. These forecasts have been compiled based on the best estimates of our commercial and operational teams. This includes a severe but plausible 'Downside' scenario, which reflects demand for our products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2023-24, 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 2024.

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 as 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, 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.

While 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; and
- 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; or
- 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.

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.

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).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

35 ACCOUNTING POLICIES (COMPANY) CONTINUED
FRS 101 exemptions continued

Paragraph 38 of IAS 1, Presentation of Financial Statements, comparative information requirements in respect of:
i. paragraph 79(a)(iv) of IAS 1;
ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
iii. 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.

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.

a) Recoverability of amounts owed by Group undertakings

The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for amounts owed by Group undertakings. 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 receivable from Group undertakings and this amount is credited or charged on a net basis to operating expenses within the Statement of Comprehensive Income. The key judgement is the extent to which macroeconomic factors impact upon the recoverability of amounts owed by Group companies.

If loss rates were, on average, 100 basis points higher than current estimates, the provision for impairment would increase by less than £600,000.

b) Carrying value of investments

The Company assesses the carrying value of its investments at least annually, or 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. Recoverable amounts are determined from value-in-use calculations applied to each investment, which have been predicated on discounted cash flow projections from approved budgets and forecasts covering a three-year period.

The Company assessed the recoverable amount in respect of each of its investments to be greater than the carrying amount and therefore no impairment arises.

36 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Critical estimates and judgements continued

The key estimates are the discount rate and the level of profit growth assumed in perpetuity. If the discount rate increased by 100 basis points, or if the level of profit growth in perpetuity was zero, none of the Company's investments would be at risk of material impairment, and therefore no further sensitivity disclosures have been provided.

37 EMPLOYEE BENEFITS EXPENSE

	2022 £m	2021 £m
Staff costs (including Directors) comprise:		
Wages and salaries	**0.4**	0.3
Social security costs	**—**	—
	0.4	0.3

The average number of monthly employees was five (2021: four), 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.

	2022 £m	2021 £m
Emoluments	**1.7**	1.6
Share-based payments	**(0.1)**	0.5
Pension and other post-employment benefit costs	**0.1**	0.1
	1.7	2.2

The emoluments are paid by Eurocell Group Limited. Directors' remuneration is set out in the Remuneration Report on pages 104 to 119.

The highest paid Director received remuneration of £857,000 (2021: £879,000).

During the year, retirement benefits were accruing to two Directors in respect of defined contribution pension schemes (2021: two).

No share options were exercised by Directors of the Company during the current year (2021: 99,267). In the prior year, 60,571 options were exercised by the highest paid Director. No other shares were issued to Directors of the Company in either period.

The value of contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £47,000 (2021: £60,000).

38 INVESTMENTS

Cost	Investments in subsidiary undertakings £m
At 31 December 2021 and 31 December 2022	17.8

The subsidiaries of Eurocell plc, all of which have been incorporated in the United Kingdom, are included in these Consolidated Financial Statements, as follows:

		Holding (and voting rights)	
Name	Principal activity	**2022**	2021
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:

	2022	2021
Period on which management-approved forecasts are based (years)	**3**	3
Discount rate (pre-tax)	**10%**	12%
Profit growth rate in perpetuity	**2%**	2%

39 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Prepayments and other debtors	0.5	0.5
Amounts owed by Group undertakings	56.3	41.6
Total trade and other receivables	**56.8**	42.1

Amounts owed by Group undertakings attract interest of 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 2022. 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

	2022 £m	2021 £m
At 1 January	0.3	0.1
Credited to the Statement of Comprehensive Income	—	0.2
At 31 December	**0.3**	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 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	—	—

	Asset 2021 £m	Liability 2021 £m	Net 2021 £m	Statement of Comprehensive Income 2021 £m	Equity 2021 £m
Other temporary differences	0.3	—	0.3	0.2	—
Net tax assets	0.3	—	0.3	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.

41 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Trade and other payables	0.2	0.2
Total current liabilities	**0.2**	0.2

Book values approximate to fair value at 31 December 2022 and 31 December 2021. Trade payables are non-interest-bearing and are generally settled on 30-60 day terms.

42 BORROWINGS

The book value and fair value of borrowings are as follows:

	Book value 2022 £m	Fair value 2022 £m	Book value 2021 £m	Fair value 2021 £m
Non-current				
Bank borrowings unsecured	**20.3**	**20.3**	11.7	11.7
Total borrowings	**20.3**	**20.3**	11.7	11.7

Borrowings

In May 2022 the Group refinanced its £75 million multi-currency revolving unsecured credit facility. The new facility is held with Barclays Bank plc, NatWest Bank plc and Bank of Ireland, and expires in May 2026. The key terms of the facility remain unchanged.

Costs amounting to £0.8 million were incurred in arranging the new facility. These costs have been capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility. Unamortised arrangement costs associated with the previous facility of £0.3 million were expensed to the Consolidated Statement of Comprehensive Income and classified as non-underlying items (see Note 7).

Borrowings of £21.0 million were drawn down at 31 December 2022 (2021: £12.0 million). Total unamortised costs, which are presented as a deduction to borrowings, were £0.7 million as at 31 December 2022 (2021: £0.3 million).

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).

Based upon current economic and market trends, management consider that the Sterling SONIA rate (which replaced LIBOR in 2021) will remain relatively stable during the next year, and any changes, when applied to the Group's current bank borrowings of £21.0 million would not lead to a significant change in finance expense.

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 104 to 119. 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 is a Director of Eurocell plc.

	2022 £000	2021 £000
Kellmann Recruitment Limited – recruitment services	**211**	147

Amounts outstanding at the year end were £nil (31 December 2021: £nil).

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors	Derek Mapp Frank Nelson Martyn Coffey Alison Littley Kate Allum Iraj Amiri Mark Kelly Michael Scott
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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