NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2023

35 ACCOUNTING POLICIES (COMPANY)

Corporate information
Eurocell plc (the 'Company') is a publicly listed company limited by shares and is incorporated and domiciled in England, United Kingdom. The registered office is located in England, at the following address: Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, DE55 2DT.

The Company is principally engaged as a holding company for its subsidiaries which are engaged in the extrusion of PVC window and building products to the new and replacement window market and the sale of building materials across the UK.

Basis of preparation
The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Company has adequate resources to continue in operational existence for the foreseeable future and, as a result of this, the going concern basis has been adopted in preparing the Financial Statements (see below).

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework in conformity with the requirements of the Companies Act 2006 ('FRS 101') and the applicable legal requirements of the Companies Act 2006.

These Financial Statements have been prepared under the historical cost convention in accordance with FRS101 and the Companies Act 2006.

Going concern
The position of the Company mirrors that of the Eurocell Group. The Eurocell Group funds its activities through a £75 million Revolving Credit Facility, provided by Barclays, NatWest and Bank of Ireland, which matures in May 2027. The facility includes two key financial covenants, which are tested at 30 June and 31 December each year on a pre-IFRS 16 basis. These are that net debt should not exceed three times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least four times the interest charge on the debt (Interest Cover). Adjusted EBITDA is defined as operating profit before depreciation, amortisation and non-underlying items. See alternative performance measures (see page 140).

No covenants were breached during the year ended 31 December 2023. For the next measurement period, being 30 June 2024, and going forward, the Group expects to comply with its covenants.

In assessing going concern, the Directors have considered financial projections for the period to December 2025, which is consistent with the Board's strategic planning horizons. These forecasts have been compiled based on the best estimates of the Group's commercial and operational teams. This includes a severe but plausible 'Downside' scenario, which reflects demand for the Group's products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2024-25, key raw material prices increasing by 33% over that period and both scenarios combined. The Group operates with significant headroom on its RCF facility and remains compliant with its original covenants.

After reviewing the Group's projected financial performance and financing arrangements, the Directors consider that the Group has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing these Financial Statements.

The going concern assessment performed is intrinsically linked to the Group's financing arrangements and therefore letters of support have been provided from Eurocell plc to a number of Group companies, providing support over that individual Company's future cash flows in the period. This letter covers the period up to 31 December 2025.

Changes in accounting policies and disclosures applicable to the Company
The Company adopted no new accounting standards in the year. See Note 1 for more details.

Investments in subsidiary undertakings
Investments in subsidiaries are stated at cost less provision for impairment. Eurocell plc provides letters of Group support to its subsidiary entities where required.

Financial assets
The Company's financial assets comprise trade and other receivables and cash and cash equivalents in the balance sheet. The Company records all of its financial assets at amortised cost and has not classified any of its financial assets at fair value through profit and loss or other comprehensive income.

Financial assets are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of funding to Group companies, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company applies the simplified approach to measuring expected credit losses, if the risk is deemed material, which uses a lifetime expected loss allowance for intra-group receivables.

Expected loss rates are derived based upon the payment profile of Group companies over a three-year period up to the reporting date, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of Group companies to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income. Where the adjusted loss rates are different from the original estimate, there is an impact on the carrying value of amounts owed by Group undertakings and the amount credited or charged on a net basis to operating expenses within the Statement of Comprehensive Income.

Whilst cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities which include the following items:

- Bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Further information is provided in Note 3
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share capital

The Company's ordinary shares are classified as equity instruments.

Treasury shares

Treasury shares are held by the Company's Employee Benefit Trust for the purpose of satisfying awards under the Group's various share-based payment schemes.

The Employee Benefit Trust transactions are incorporated in accordance with Note 1. Shares are acquired from the market and are held in treasury until such time as they are issued to share scheme participants. Any shares not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. Shares issued to employees are recognised on a first-in-first-out basis. Under the terms of the trust deed, the Group is required to provide the Trust with the necessary funding for the acquisition of the shares.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Further information regarding dividends is provided in Note 14.

35 ACCOUNTING POLICIES (COMPANY) CONTINUED

FRS 101 exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company Financial Statements, in accordance with FRS 101:

Paragraphs 45(b) and 46 to 52 of IFRS 2, Share-based Payment (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).

- Paragraph 38 of IAS 1, Presentation of Financial Statements, comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
- Paragraph 118(e) of IAS 38 Intangible Assets (reconciliations between the carrying amount at the beginning and end of the period).

The following paragraphs of IAS 1, Presentation of Financial Statements:

- 10(d), (statement of cash flows);
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its Financial Statements, or when it reclassifies items in its Financial Statements);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 40A-D (requirements for a third statement of financial position);
- 111 (cash flow statement information); and
- 134-136 (capital management disclosures).

Paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Paragraph 17 and 18A of IAS 24, Related Party Disclosures (key management compensation).

The requirements in IFRS 7 Financial Instruments: Disclosures.

The requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

36 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. There are no estimates and judgements that are considered to have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

37 EMPLOYEE BENEFITS EXPENSE

	2023 £m	2022 £m
Staff costs (including Directors) comprise:		
Wages and salaries	**0.4**	0.4
Social security costs	**0.1**	—
	0.5	0.4

The average number of monthly employees was six (2022: five), all of whom are Directors of the Company.

Key management personnel compensation and Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is considered to be the Directors of the Company.

	2023 £m	2022 £m
Emoluments	**1.4**	1.7
Share-based payments	**0.5**	(0.1)
Pension and other post-employment benefit costs	**0.1**	0.1
	2.0	1.7

The emoluments are paid by Eurocell Group Limited. Directors' remuneration is set out in the Remuneration Report on pages 98 to 115. As stated, Mark Kelly retired and was replaced as Chief Executive by Darren Waters in May 2023.

The highest paid Director received remuneration of £412,000 (2022: £857,000).

During the year, retirement benefits were accruing to three Directors in respect of defined contribution pension schemes (2022: two).

The value of contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £15,000 (2022: £47,000).

During the current year, 316,184 share options were exercised by Directors of the Company (2022: nil). No options were exercised by the highest paid Director (2022: nil). No other shares were issued to Directors of the Company in either period.

38 INVESTMENTS

Cost	Investments in subsidiary undertakings £m	Capital contribution to subsidiary companies £m	Total £m
At 31 December 2022	17.8	–	17.8
Addition	–	0.2	0.2
At 31 December 2023	**17.8**	**0.2**	**18.0**

Capital contribution to subsidiary companies reflects the fair value movement of share-based payments issued by the Company to employees who have provided services to subsidiary undertakings.

The subsidiaries of Eurocell plc, all of which have been incorporated in the United Kingdom, are included in these Consolidated Financial Statements, as follows:

		Holding (and voting rights)	
Name	Principal activity	**2023**	2022
Eurocell Holdings Limited*	Holding company	**100%**	100%
Eurocell Group Limited	Holding company	**100%**	100%
Eurocell Building Plastics Limited	Sale of building plastic materials	**100%**	100%
Eurocell Profiles Limited	Manufacture and sale of building plastic materials	**100%**	100%
Vista Panels Limited	Manufacture and sale of doors	**100%**	100%
Ecoplas Limited**	Recycler of PVC windows	**95%**	95%
Security Hardware Limited***	Dormant	**100%**	100%
Kent Building Plastics Limited	Dormant	**100%**	100%
Trimseal Limited	Dormant	**100%**	100%
S&S Plastics Limited	Dormant	**100%**	100%
Fairbrook Group Limited	Dormant	**100%**	100%
Fairbrook Limited	Dormant	**100%**	100%
Fairbrook Holdings Limited	Dormant	**100%**	100%
Eurocell Window Systems Limited	Dormant	**100%**	100%
Eurocell Plastics Limited	Dormant	**100%**	100%
Cavalok Building Products Limited	Dormant	**100%**	100%
Merritt Plastics Limited	Dormant	**100%**	100%
Merritt Engineering Limited	Dormant	**100%**	100%
Deeplas Limited	Dormant	**100%**	100%
Deeplas Building Plastics Limited	Dormant	**100%**	100%
Ampco 113 Limited	Dormant	**100%**	100%

* Directly held by Eurocell plc.

** Ecoplas Limited is treated as a wholly-owned subsidiary for the purposes of consolidating the financial statements due to the fact that the remaining 5% shareholding is held under a put and call option which expires in 2024.

*** The trade and assets of Security Hardware Limited were sold on 2 December 2022.

All of the above have a registered address of Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT.

The Company assesses that the recoverable amounts of these investments are supportable. Recoverable amounts have been determined from 'value-in-use' calculations which have been predicated on discounted pre-tax cash flow projections based on a three-year business plan approved by the Board. These projections are based on all available information and growth rates do not exceed growth rates achieved in prior periods.

All of the Company's CGUs operate principally in the UK Repair, Maintenance and Improvements market, and all are funded through a combination of retained earnings and the Group's Revolving Credit Facility. The strategic decision-making timeframe is also consistent across all CGUs. Consequently, the key assumptions detailed below are applied consistently across the Group's entities:

	2023	2022
Period on which management-approved forecasts are based (years)	**3**	3
Discount rate (pre-tax)	**12%**	10%
Profit growth rate in perpetuity	**2%**	2%

39 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Prepayments and other debtors	**0.9**	0.5
Amounts owed by Group undertakings	**29.2**	56.3
Total trade and other receivables	**30.1**	56.8

Amounts owed by Group undertakings attract interest of 6.08% (2022: 2.75%) and are repayable on demand. The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all financial assets. In measuring expected credit losses, receivables have been grouped based on shared characteristics and days past due.

The Directors have assessed the risk of impairment of its amounts owed by Group undertakings as at 31 December 2023. After considering the projected future cash flows expected to arise in its subsidiary entities, the Directors believe that any provision over the amounts owed by Group undertakings are trivial.

40 DEFERRED TAX

	2023 £m	2022 £m
At 1 January	**0.3**	0.3
Credited to the Statement of Comprehensive Income	**(0.1)**	—
At 31 December	**0.2**	0.3

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year, together with amounts recognised in the Statement of Comprehensive Income and amounts recognised in Other Comprehensive Income are as follows:

	Asset 2023 £m	Liability 2023 £m	Net 2023 £m	Statement of Comprehensive Income 2023 £m	Equity 2023 £m
Other temporary differences	**0.2**	**—**	**0.2**	**(0.1)**	**—**
Net tax assets	**0.2**	**—**	**0.2**	**(0.1)**	**—**

	Asset 2022 £m	Liability 2022 £m	Net 2022 £m	Statement of Comprehensive Income 2022 £m	Equity 2022 £m
Other temporary differences	0.3	—	0.3	—	—
Net tax assets	0.3	—	0.3	—	—

Amounts within other comprehensive income due to be settled in greater than one year are not material and therefore no further disclosure has been provided.

41 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade and other payables	**0.1**	0.2
Total current liabilities	**0.1**	0.2

Book values approximate to fair value at 31 December 2023 and 31 December 2022. Trade payables are non-interest-bearing and are generally settled on 30-60 day terms.

42 BORROWINGS

The book value and fair value of borrowings are as follows:

	Book value 2023 £m	Fair value 2023 £m	Book value 2022 £m	Fair value 2022 £m
Non-current				
Bank borrowings unsecured	–	–	20.3	20.3
Total borrowings	–	–	20.3	20.3

Borrowings of £nil were drawn down at 31 December 2023 (2022: £21.0 million). The average drawdown on the facility during the year ended 31 December 2023 was £12.4 million (2022: £22.1 million). Total unamortised costs of £0.7 million as at 31 December 2023 have been reclassified to other receivables as no borrowings were drawn at the balance sheet date. Total unamortised costs of £0.7 million as at 31 December 2022 are presented as a deduction to borrowings.

The bank borrowings outstanding at 31 December 2022 are classified as non-current liabilities as they relate to committed facilities available to the Group until 2027. The book value and fair value are not considered to be materially different.

In May 2023, the Group completed a one-year extension to its £75 million multi-currency revolving unsecured credit facility, which now matures in 2027. The key terms of the facility remain unchanged. Following the extension of the facility in 2023, £0.2 million of costs were capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility.

Following the extension of our facility in 2022, £0.8 million of costs were capitalised within borrowings and are being released to the Consolidated Statement of Comprehensive Income within finance expense over the period of the facility. The unamortised arrangement fees in relation to the previous facility were expensed to the Consolidated Statement of Comprehensive Income in 2022 and classified as non-underlying items (see Note 7).

Interest is charged at an excess over base rate of between 1.5% and 2.5% per annum and is dependent upon the ratio of total net debt to consolidated EBITDA (on a pre-IFRS 16 basis).

All borrowings are denominated in Sterling.

Details of the Company's banking covenants are given in Note 3.

43 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, which is considered to be the Directors of the Company and the Directors of the Group's subsidiary companies.

The remuneration for key management personnel is disclosed on pages 98 to 115. The Group has taken advantage of the exemption from disclosing transactions with wholly owned subsidiaries.

Other related party transactions

Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who was a Director of Eurocell plc until 11 May 2023. The fees paid to Kellmann Recruitment Limited relate to recruitment services, and are agreed on an arms' length basis, at rates that are consistent with other similar suppliers of recruitment services to the Group.

The following amounts were paid to Kellmann Recruitment Limited for services provided during the periods below, up to 11 May 2023:

	2023 £m	2022 £m
Kellmann Recruitment Limited – recruitment services	**103**	211

The following balances are outstanding at 31 December 2023.

	2023 £m	2022 £m
Kellmann Recruitment Limited – recruitment services	–	–