1 September 2022

EUROCELL PLC (Symbol: ECEL)

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022

Good first half, outlook in line with expectations

Eurocell plc is a market leading, vertically integrated UK manufacturer, distributor and recycler of innovative window, door and roofline PVC building products

Key financial performance measures	H1 2022	H1 2021	Change	H1 2019	Change
Revenue (£ million)	190.5	168.1	13%	136.3	40%
Operating profit (£ million)	16.6	15.3	8%	11.3	47%
Profit before tax (£ million)	15.2	14.2	7%	10.4	46%
Basic earnings per share (pence) (1)	11.2	9.9	13%	8.7	29%
Capital investment (£ million)	6.4	7.3	(0.9)	8.8	(2.4)
Net debt (£ million) (2)	71.9	52.3	19.6	69.3	2.6
Net debt/(cash), pre-IFRS 16 (£ million) (2)	15.0	(1.3)	16.3	36.7	(21.7)
Interim dividend per share (pence)	3.5	3.2	9%	3.2	9%

For the purposes of this report, we have compared financial performance to 2021, but also where appropriate to 2019, in order to provide a benchmark against pre COVID-19 pandemic activity.

Financial headlines

- Good first half against strong 2021 comparatives
  - Substantial progress in sales and profits vs pre-pandemic period
- Continued successful deployment of commercial strategies, with sales up 13% vs H1 2021, including:
  - Profiles up 17%: a good performance in new build, where competitor fabricator weakness has supported our sales, as well as another strong performance from Vista doors
  - Building Plastics up 11%: good demand for high value project work and our outdoor living product range
  - Price remains a key driver of sales growth
- Selling price increases and surcharges successfully recovering unprecedented input cost inflation
- Operating profit up 8% vs H1 2021, driven by higher sales and improving operational efficiency
  - Operating profit margin of 8.7% (full year 2021: 8.5%)
- Profit before tax up 7% vs H1 2021, including impact of successful bank refinancing on finance costs
- Continued investment in business growth, with capex of £6.4 million including expansion of manufacturing capacity and development of IT infrastructure
- Strong balance sheet and liquidity, with pre-IFRS 16 net debt of £15.0 million (31 December 2021: £11.0 million)
- Interim dividend of 3.5 pence per share up 9% on H1 2021

Operational headlines

- Strong on sustainability as the leading UK-based recycler of PVC windows:
  - Further improvement in proportion of recycled material used to 28% (full year 2021: 27%)
  - Further reduction in waste sent to landfill, with 85% of waste recycled in H1 (full year 2021: 82%)
  - Committed to a c.£1.5 million investment in solar panels to be installed at our primary manufacturing facilities
- New warehouse and expanded manufacturing capacity delivering improved operating efficiencies
- 3-fold increase in value of Profiles account wins – 18 new accounts in H1, expected to start in Q4 and boost 2023
- Current estate of 219 branches – a further 6 new sites now commissioned, to be opened by early next year

Mark Kelly, Chief Executive of Eurocell plc said:

"Demand has moderated from the unprecedented levels experienced in 2021. In the RMI[3] market, a greater emphasis on higher-value project specific work is compensating for lower levels of general maintenance activity, and new build continues to be strong.

"Against this backdrop, and driven by the continued success of our commercial strategies, it is pleasing to report that H1 sales volumes have kept pace with an exceptionally strong comparative period and that we have made substantial progress in sales and profits compared to the equivalent period of 2019. We also continue to take effective action to offset input cost inflation and have therefore delivered good financial results for the first half.

"Our customers are reporting full order books and robust trading for July and August, and in all sectors, our sales teams continue to drive demand for our products. We believe we are continuing to take market share and our pipeline of potential new customers is strong, supported by recent investments in manufacturing and warehousing capacity and technology, which are also delivering improved operating efficiencies.

"As a result, and notwithstanding macroeconomic uncertainty, we continue to trade in line with expectations and remain confident of delivering our medium-term ambitions for sales and margins."

Notes

(1) Based on a weighted average number of shares of 112.0 million for H1 2022, 111.5 million for H1 2021 and 100.3 million for H1 2019.

(2) Net debt is bank overdrafts, borrowings and lease liabilities less cash and cash equivalents. Pre-IFRS 16 net debt excludes lease liabilities and is provided as our financial covenants are measured on this basis.

(3) RMI is repair, maintenance and improvement.

Analyst presentation

There will be an audiocast presentation for analysts and investors at 9am today. The presentation can be accessed remotely via a live audiocast link as follows: https://streamstudio.world-television.com/782-2007-33664/en

Alternatively, you can join via conference call as follows:

United Kingdom (local)	020 3936 2999
United Kingdom (toll free)	0800 640 6441
United States	1 646 664 1960
All other locations	+44 20 3936 2999
Participant access code	149640

A copy of the presentation will be made available from 7am on 1 September on the Group's web site: https://investors.eurocell.co.uk/investors/

Following the presentation, a recording of the audiocast will also be made available on the Group's web site (link above).

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

We entered 2022 well placed to take advantage of the continued strength in our markets, and the first half has seen strong price-driven sales growth, with double-digit progression in earnings per share. However, with increasing macroeconomic uncertainties, driven by high inflation and the events in Ukraine, demand has now moderated from the unprecedented levels experienced in 2021.

In the RMI market, we are seeing a greater emphasis on project-specific work, rather than the higher levels of maintenance activity experienced last year. A backlog in planning permissions, driven by house moves, as well as hybrid working and changing lifestyle patterns, continue to support sales, partly funded by elevated levels of consumer savings. In new build, the market continues to be strong, supported by Government initiatives.

It is pleasing to report that H1 sales volumes have kept pace with an exceptionally strong comparative period and that we have made substantial progress in sales and profits compared to the equivalent period of 2019.

Price remains a key driver of sales growth as we continue to take effective action to offset input cost inflation, with active management, including a dynamic approach to selling price increases and surcharges.

We believe we are continuing to take market share, reflecting the impact of maturing branches, a widening product offering (including our outdoor living range of fencing, decking and garden rooms) and excellent customer service, supported by our recent investments in manufacturing and warehousing capacity and technology, where operating efficiencies are improving. Our pipeline of potential new fabricator customers is also strong.

As a result, we have delivered a good financial performance and profit growth for the first half.

We experienced a cyber incident towards the end of July, which resulted in some temporary disruption, but is now substantially resolved. We detected the incident promptly and our core systems were restored quickly, with the business remaining operational throughout the period and trading normally from mid-August. We expect our cyber insurance will largely cover the financial impact of the disruption. In addition, we have built on our recent investments in IT infrastructure and implemented further resilience and security in this area.

FINANCIAL RESULTS

Sales for H1 were £190.5 million, 13% up on H1 2021 and 40% up on H1 2019, representing excellent growth compared to the pre-COVID period. Although price is a key component of growth this year, the three-year compounded annual growth in sales volumes of 11% demonstrates the continued success of our commercial strategies and market share gains over this period.

Profit before tax for H1 was £15.2 million, up 7% compared to H1 2021 and 46% higher than H1 2019.

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

SUSTAINABILITY

Our objective is to continue to improve 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 our 2021 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 intend to report our progress against these KPIs on an annual basis.

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.
- Governance – reporting progress against published ESG targets and aligning with sustainability indices.

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

In May this year, 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.

OPERATIONAL PERFORMANCE

Health & safety

The safety and well-being of our employees and contractors is our first operational priority and we continue to maintain a good safety performance. We improved our procedures for incident reporting last year, leading to more incidents being included in the data. In addition, several COVID-19 safe working practices have been retained and continue to operate well across the business.

Our Lost Time Injury Rate ('LTIR') was 0.7 in H1 2022, compared to 0.8 in 2021 (full year). There were no major injuries and 11 minor injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in the period (full year 2021: 28 minor injuries).

Production

In the first half of 2022 we manufactured approximately 27.4k tonnes of rigid and foam PVC profiles, down 3% compared to the very high levels of production in H1 2021, reflecting our work to start reducing stocks of manufactured product now that resin supplies have stabilised. Overall Equipment Effectiveness ('OEE', a measure which takes into account machine availability, performance and yield) was 71% in H1 2022, up from 68% in FY 2021 and closer to our target of 75%, reflecting the benefit of the swift action taken in H2 2021 to address supply chain disruption (including intermittent resin supply and labour shortages), as well as improving operational efficiencies.

Recycling

We are the leading UK-based recycler of PVC windows, now saving the equivalent of c.3 million window frames from landfill each year. We have made further progress in H1 2022, with usage increasing to 28% (8.3k tonnes) of materials consumed, compared to 27% for the full year in 2021, driving significant cost and carbon savings compared to the use of virgin material.

We have also made good progress securing additional sources of feedstock for the recycling plants, to support our medium-term ambition to increase the proportion of recycled material used to 33%, whilst also keeping pace with increasing sales volumes. Furthermore, we are finding more ways of using all the product generated by our plants and expect to progressively reduce waste sent to landfill to less than 5% in the near term.

SUPPLY CHAIN, LABOUR AND INFLATION

Strong demand in our markets over the last 18 months has put sector supply chains under pressure, and we have experienced tighter supply and an inflationary environment, with prices of certain raw materials, particularly PVC resin, and wages rising significantly over this period.

We continue to take effective action to offset ongoing input cost inflation, including a dynamic approach to selling prices and surcharges. Higher resin costs are also partially offset by our market-leading recycling plants. In addition, our progressive forward hedging policy for electricity has provided some protection from rising energy costs in 2022.

We believe resin costs have now plateaued, as industry output increases and sector demand stabilises, and we have continued to secure the raw materials required throughout the first half.

Availability of the operational labour we needed to service strong demand in 2021 was tight. However, the decisive action we took in H2 last year to secure more labour, which included a substantial increase in pay rates for operational and branch staff, ensured that we have the resources necessary to operate efficiently and support our growth aspirations for revenue and margins.

PROFILES DIVISION REVIEW

Profiles 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 18%. Our strategic objective is to increase this to at least 22% over the medium term.

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 and hardware specifications and increasing opportunities to supply our branches, all delivered via improving service, remain attractive to prospective fabricator accounts.

In the Profiles division, new build represents approximately one-third of sales. 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, and we believe favourable new build market dynamics are set to continue.

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. This includes the Future Homes Standard, which requires new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency by 2025, where we are leading the fenestration industry's response for both windows and doors.

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

In the commercial sector, 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. We have strengthened our sales and technical teams to provide an added-value service to both our fabricator base and installer networks that is unmatched in this sector.

As part of our objective to increase closed-loop recycling of PVC windows, we have been collecting more post-industrial waste (e.g. factory off-cuts) from our fabricator customers. With a sharp focus on sustainability, we believe our use of recycled material is becoming increasingly attractive to housebuilders.

Profiles summary income statement

	H1 2022 £m	H1 2021 £m	Change %	H1 2019 £m	Change %
Third-party revenue	**80.1**	**68.5**	**17%**	**57.6**	**39%**
Inter-segmental revenue	37.9	35.9	6%	28.2	34%
Total revenue	**118.0**	**104.4**	**13%**	**85.8**	**38%**
Operating profit	**12.2**	**11.6**	**5%**	**10.2**	**20%**

Third-party revenue for H1 was £80.1 million, 17% higher than H1 2021 and 39% up on H1 2019. We have seen a good first half performance in new build, where sales have been supported by competitor fabricator weakness, high levels of mortgage approvals and ongoing Government initiatives, as well as a strong performance from Vista doors.

During the last four years we have added c.75 new accounts, and our prospect pipeline remains strong. A futher 18 accounts were added in H1 2022, which we expect to come on line progressively in Q4 and provide a boost for 2023.

Operating profit for H1 was £12.2 million, compared to £11.6 million in H1 2021 and £10.2 million in H1 2019, reflecting increased sales and improved operating efficiencies.

BUILDING PLASTICS DIVISION REVIEW

Building Plastics strategy

Our strategic objective for Building Plastics is to achieve world class operations from 270-300 sites. The growth will come mostly from independent operators, who currently have more than 60% market share.

Our goal is to be recognised as first for service for the tradesperson, seamlessly connecting the customer shopping journey from online through to the branches, with clear data-driven customer engagement plans (including targeting lapsed customers) and through the development of a sector-leading digital platform.

In terms of products, we are creating a market leading proposition, including a redesigned best-in-class conservatory offering, and exploiting a significant market opportunity to extend our outdoor living product range, including decking, fencing and garden rooms.

In the existing estate, we are now testing an improved format for standard size branches, which better showcases the breadth of our product range. We will also continue to identify opportunities for large format stores, with an expanded trade counter and showroom-style displays designed to engage customers and drive big-ticket purchases, such as windows and doors. This follows successful trials of this format in 2019/20.

Building Plastics summary income statement

	H1 2022 £m	H1 2021 £m	Change %	H1 2019 £m	Change %
Third-party revenue	**110.4**	**99.6**	**11%**	**78.7**	**40%**
Inter-segmental revenue	0.1	0.7	(86)%	0.7	(86)%
Total revenue	**110.5**	**100.3**	**10%**	**79.4**	**39%**
Operating profit	**6.6**	**6.1**	**8%**	**3.4**	**94%**

Third-party revenue for H1 was £110.5 million, 11% higher than H1 2021 and 40% up on H1 2019. We have seen good demand for high value project work (such as our roof lanterns, conservatory roofs, windows and bi-fold doors) and our outdoor living range (fencing, decking and garden rooms), where sales of £6.4 million are up 36% compared to H1 2021.

The 12 new branches opened in 2021 added sales of £3.6 million in H1 2022. At 30 June 2022, we had a total of 219 branches providing national coverage across the UK, which offers a significant competitive advantage. We are also making good progress reducing the time taken to reach break-even in new stores. We have now commissioned a further 6 branches, which will be opened by early next year.

Operating profit for H1 was £6.6 million, compared to £6.1 million in H1 2021 and £3.4 million in H1 2019, driven by higher sales, new branches and good cost control.

BOARD CHANGES

As previously announced, Derek Mapp was appointed to the Board in May as an Independent Non-executive Director and Chair Designate. Following a handover period, Derek assumed the role of Chair of the Board, and Chair of the Nomination Committee on 1 July, at which point Bob Lawson retired. Also on 1 July, Kate Allum and Alison Littley joined the Board as Independent Non-executive Directors. On 31 July, Sucheta Govil stepped down as an Independent Non-executive Director.

Derek, Kate and Alison bring a wealth of commercial, operational, ESG and board committee experience and we are looking forward to working closely with them. We would also like to thank Bob for his tremendous contribution to the development of Eurocell since our IPO in 2015, and to thank Sucheta for her valuable work with the Group.

SUMMARY AND OUTLOOK

Demand has moderated from the unprecedented levels experienced in 2021. In the RMI market, a greater emphasis on higher-value project work is compensating for lower levels of general maintenance activity, and new build continues to be strong.

Against this backdrop, and driven by the continued success of our commercial strategies, it is pleasing to report that H1 sales volumes have kept pace with an exceptionally strong comparative period and that we have made substantial progress in sales and profits compared to the equivalent period of 2019. We also continue to take effective action to offset input cost inflation and have therefore delivered good financial results for the first half.

Our customers are reporting full order books and robust trading for July and August, and in all sectors, our sales teams continue to drive demand for our products. We believe we are continuing to take market share and our pipeline of potential new customers is strong, supported by recent investments in manufacturing and warehousing capacity and technology, which are also delivering improved operating efficiencies.

As a result, and notwithstanding macroeconomic uncertainty, we continue to trade in line with expectations and remain confident of delivering our medium-term ambitions for sales and margins.

Mark Kelly
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

	H1 2022 £m	H1 2021 £m
Revenue	**190.5**	**168.1**
Gross profit	96.5	84.4
Gross margin %	50.7%	50.2%
Overheads	(68.0)	(58.3)
IFRS 9 impairments	–	0.5
EBITDA	**28.5**	**26.6**
Depreciation and amortisation	(11.9)	(11.3)
Operating profit	**16.6**	**15.3**
Finance costs	(1.4)	(1.1)
Profit before tax	**15.2**	**14.2**
Tax	(2.7)	(3.2)
Profit after tax	**12.5**	**11.0**
Basic earnings per share (pence)	**11.2**	**9.9**

We delivered good financial results for the first half against strong 2021 comparatives and have made substantial progress in sales and profits compared to the pre-pandemic period.

REVENUE

Revenue for H1 was £190.5 million, 13% up on H1 2021 (£168.1 million), representing a good performance right across the business, where we have done well to keep pace with a very strong comparative period. Sales growth includes the significant impact of selling price increases and the surcharge levied to offset cost inflation.

GROSS MARGIN

Gross margin was 50.7% in H1, up from 50.2% in H1 2021. We have experienced further inflationary pressure on raw material cost prices in H1, with PVC resin prices again increasing significantly. We continue to offset higher costs through our market-leading recycling plants, with selling price increases and through a surcharge adjusted monthly in response to cost changes.

The surcharge has successfully recovered higher raw material costs on a pound-for-pound basis. It is therefore neutral to profit, but dilutive to gross margin percentage.

Selling price increases were implemented in H1 to recover overhead and other cost inflation (see below). Selling price increases have therefore contributed to an improved gross margin percentage.

DISTRIBUTION AND ADMINISTRATIVE EXPENSES (OVERHEADS)

Overheads for H1 were £68.0 million, 17% higher than H1 2021 (£58.3 million). We experienced significant overhead cost and wage inflation in H1 2022, which has been recovered via selling prices increases as described above. Higher overheads also includes the impact of 12 new branches opened in 2021, additional operational headcount secured in H2 2021 to support growth and the benefit to 2021 of the Government's COVID-19 rates relief scheme.

DEPRECIATION AND AMORTISATION (D&A)

D&A for H1 was £11.9 million, compared to £11.3 million in H1 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 financial information against which our financial covenants, which are all measured on a pre-IFRS 16 basis, can be assessed.

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.

FINANCE COSTS AND TAXATION

Finance costs for H1 were £1.4 million (H1 2021: £1.1 million) and include £0.3 million of accelerated non-cash amortisation charges related to our previous Revolving Credit Facility, following a refinancing in May (see below).

The tax charge for H1 2022 was £2.7 million (H1 2021: £3.2 million). The effective tax rate on profit before tax for H1 2022 of 18% is lower than the standard corporation tax rate of 19% for the period due to the benefit of Patent Box relief.

The effective rate of 22% in H1 2021 was greater than the standard rate of 19% due to the remeasurement of deferred tax liabilities following the announcement of a future increase in the standard rate of tax from 19% to 25% in April 2023.

PROFIT BEFORE TAX AND EARNINGS PER SHARE

Profit before tax for H1 was £15.2 million, compared to a profit before tax of £14.2 million in H1 2021, an increase of 7%. Basic earnings per share for H1 2022 were 11.2 pence (H1 2021: 9.9 pence) and diluted earnings per share were 11.1 pence (H1 2021: 9.8 pence), both representing an increase of 13%.

Increased profits and earnings in H1 2022 reflect higher sales, improved operating efficiencies and a lower effective tax rate.

DIVIDENDS

On 31 August 2022, the Board approved an interim dividend for the six months ended 30 June 2022 of 3.5 pence per share (£3.9 million), representing an increase of 9% compared to H1 2021. The interim dividend will be paid on 7 October 2022 to shareholders on the register at the close of business at 16 September 2022 and shares will be marked ex-dividend on 15 September 2022.

CAPITAL EXPENDITURE

Capital expenditure for H1 2022 was £6.4 million (H1 2021: £7.3 million). H1 2022 includes c.£1.5 million to expand extrusion capacity across a number of key product lines and c.£1 million on initiatives to drive further efficiencies in our new warehouse (e.g. specialist carousel racking for smaller products such as hardware), as well as c.£1.5m on improving our IT infrastructure. Other capital expenditure in the period of c.£2.4 million includes critical spares for the recycling business, progress payments for solar panels at our extrusion sites and maintenance capex.

CASH FLOW

Net cash generated from operating activities was £18.1 million for the period, compared to £24.2 million in H1 2021.

This includes a net outflow from working capital for H1 2022 of £9.6 million, comprised of an increase in stocks (£10.1 million), an increase in trade and other receivables (£10.7 million) and an increase in trade and other payables (£11.2 million). This compares to a net outflow from working capital of £0.9 million in H1 2021. Higher stocks, receivables and payables reflect the impact of significant inflation (c.£8 million) and seasonality. Having experienced significant supply chain disruption in Q3 2021, we built stocks towards the end of last year and earlier in 2022 in order to protect the business from further interruption. However, now that our raw material supply chain has stabilised, we have started a controlled stock reduction programme.

Net cash generated from operating activities also includes net tax paid of £1.7 million (H1 2021: £1.9 million).

Other cash flow items include payments for capital investments of £7.4 million (H1 2021: £7.3 million) and financing costs of £1.2 million (H1 2021: £0.3 million), including £0.7m of arrangement fees and other costs incurred in the refinancing of the Group's Revolving Credit Facility, which have been capitalised and will be amortised over the life of the facility.

Dividends of £7.2 million were paid to shareholders during the period (H1 2021: £nil).

The principal elements of lease payments of £6.3 million (H1 2021: £5.0 million) are presented within cash flows arising from financing activities. The finance elements of lease payments were £0.6 million (H1 2021: £0.6 million).

NET DEBT

Net debt on a pre-IFRS 16 basis at 30 June 2022 was £15.0 million (30 June 2021: net cash of £1.3 million, 31 December 2021: net debt £11.0 million). Reported net debt on a post-IFRS 16 basis at 30 June 2022 was £71.9 million (30 June 2021: £52.3 million, 31 December 2021: £69.7 million).

BANK FACILITIES

In May, we completed a refinancing of our £75 million unsecured, sustainable Revolving Credit Facility. The facility is provided by Barclays, NatWest and Bank of Ireland, and is competitively priced with the key terms remaining unchanged. In terms of sustainability, modest adjustments to the margin will be applied based on our achievement against annual recycling, emissions and waste reduction targets. The facility matures in 2026 and includes an option to extend for an additional year.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the 2021 Annual Report (pages 58-65). These risks remain unchanged and are as follows:

- Macroeconomic conditions
- Cyber security
- Regulatory risks, including health & safety
- Raw material supply
- Raw material and traded goods prices
- Customer credit risk
- Sustainability
- Manufacturing capacity constraints
- Warehousing and distribution capacity constraints
- Unplanned plant downtime
- Ability to attract and retain key personnel and highly skilled individuals
- Shortages or increased costs of appropriately skilled labour
- Failure to develop new products
- Competitor activity
- Failure to identify, complete and integrate acquisitions
- Digital and IT systems development

Michael Scott
Chief Financial Officer

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEAR REPORT

We confirm that to the best of the Directors' knowledge:

- The condensed set of financial statements has been prepared in accordance with UK-adopted International Accounting Standard 34 and;
- The interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

By Order of the Board

Mark Kelly
Chief Executive Officer
31 August 2022

Michael Scott
Chief Financial Officer
31 August 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 (Unaudited) £m	Six months ended 30 June 2021 (Unaudited) £m	Year ended 31 December 2021 (Audited) £m
Revenue	5	**190.5**	**168.1**	**343.1**
Cost of sales		(94.0)	(83.7)	(169.7)
Gross profit		**96.5**	**84.4**	**173.4**
Distribution costs		(12.5)	(10.1)	(23.8)
Administrative expenses		(67.4)	(59.0)	(120.6)
Operating profit	5	**16.6**	**15.3**	**29.0**
Finance expense		(1.4)	(1.1)	(2.0)
Profit before tax		**15.2**	**14.2**	**27.0**
Taxation	6	(2.7)	(3.2)	(5.9)
Profit for the period and total comprehensive income		**12.5**	**11.0**	**21.1**
Basic earnings per share	7	**11.2p**	**9.9p**	**18.9p**
Diluted earnings per share	7	**11.1p**	**9.8p**	**18.8p**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	30 June 2022 (Unaudited) £m	30 June 2021 (Unaudited) £m	31 December 2021 (Audited) £m
Assets				
Non-current assets				
Property, plant and equipment	8	61.0	54.0	59.2
Right-of-use assets	8	52.8	50.9	54.8
Intangible assets	8	17.9	19.0	18.6
Total non-current assets		**131.7**	**123.9**	**132.6**
Current assets				
Inventories		66.0	41.2	55.9
Trade and other receivables		55.2	47.9	44.5
Corporation tax		0.3	0.1	–
Cash and cash equivalents		9.0	7.9	6.6
Total current assets		**130.5**	**97.1**	**107.0**
Total assets		**262.2**	**221.0**	**239.6**
Liabilities				
Current liabilities				
Trade and other payables		(59.0)	(54.8)	(48.7)
Lease liabilities		(11.8)	(9.9)	(11.9)
Bank overdrafts		(2.7)	–	(5.9)
Provisions		(0.5)	(0.5)	(0.7)
Total current liabilities		**(74.0)**	**(65.2)**	**(67.2)**
Non-current liabilities				
Borrowings		(21.3)	(6.6)	(11.7)
Trade and other payables		(0.3)	(0.3)	(0.3)
Lease liabilities		(45.1)	(43.7)	(46.8)
Provisions		(1.1)	(0.6)	(0.8)
Deferred tax		(7.9)	(5.6)	(6.6)
Total non-current liabilities		**(75.7)**	**(56.8)**	**(66.2)**
Total liabilities		**(149.7)**	**(122.0)**	**(133.4)**
Net assets		**112.5**	**99.0**	**106.2**
Equity attributable to equity holders of the Parent				
Share capital		0.1	0.1	0.1
Share premium account		22.1	21.5	21.9
Share-based payment reserve		1.8	1.0	1.1
Retained earnings		88.5	76.4	83.1
Total equity		**112.5**	**99.0**	**106.2**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2022

	Note	Six months ended 30 June 2022 (Unaudited) £m	Six months ended 30 June 2021 (Unaudited) £m	Year ended 31 December 2021 (Audited) £m
Cash generated from operations	10	**19.8**	**26.1**	**33.1**
Income taxes paid		(1.7)	(1.9)	(3.5)
Net cash generated from operating activities		**18.1**	**24.2**	**29.6**
Investing activities				
Purchase of property, plant and equipment		(7.2)	(7.0)	(15.1)
Purchase of intangible assets		(0.2)	(0.3)	(0.4)
Net cash used in investing activities		**(7.4)**	**(7.3)**	**(15.5)**
Financing activities				
Proceeds from issue of ordinary share capital		0.2	0.3	0.5
Repayment of bank borrowings		(22.0)	(6.0)	(1.0)
Proceeds from bank borrowings		32.0	–	–
Bank borrowings arrangement costs		(0.7)	–	–
Principal elements of lease payments		(6.3)	(5.0)	(10.1)
Finance elements of lease payments		(0.6)	(0.6)	(1.2)
Finance expense paid		(0.5)	(0.3)	(0.6)
Dividends paid to equity Shareholders		(7.2)	–	(3.6)
Net cash used in financing activities		**(5.1)**	**(11.6)**	**(16.0)**
Net increase/(decrease) in cash and cash equivalents		**5.6**	**5.3**	**(1.9)**
Cash and cash equivalents at beginning of period		0.7	2.6	2.6
Cash and cash equivalents at end of period		**6.3**	**7.9**	**0.7**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 (Unaudited)	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 period					
Profit for the period	–	–	–	12.5	12.5
Total comprehensive income for the period	**–**	**–**	**–**	**12.5**	**12.5**
Contributions by and distributions to owners					
Share capital issued	–	–	–	–	–
Share-based payments	–	–	0.8	–	0.8
Exercise of share options	–	0.2	(0.1)	0.1	0.2
Dividends paid	–	–	–	(7.2)	(7.2)
Total transactions with owners recognised directly in equity	–	0.2	0.7	(7.1)	(6.2)
Balance at 30 June 2022	**0.1**	**22.1**	**1.8**	**88.5**	**112.5**

For the six months ended 30 June 2021 (Unaudited)	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 period					
Profit for the period	–	–	–	11.0	11.0
Total comprehensive income for the period	**–**	**–**	**–**	**11.0**	**11.0**
Contributions by and distributions to owners					
Share capital issued	–	–	–	–	–
Share-based payments	–	–	0.7	–	0.7
Exercise of share options	–	0.4	(0.2)	(0.1)	0.1
Total transactions with owners recognised directly in equity	–	0.4	0.5	(0.1)	0.8
Balance at 30 June 2021	**0.1**	**21.5**	**1.0**	**76.4**	**99.0**

For the year ended 31 December 2021 (Audited)	**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	–	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**	**83.1**	**106.2**

EXPLANATORY NOTES

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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 Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT.

The Group is principally 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.

The Half Year Report for the six months ended 30 June 2022 reflects the results of the Company and its subsidiaries. It has been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority, and includes the condensed consolidated interim financial statements (the 'interim financial statements').

The interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They do not include all the information required for full financial statements and should be read in conjunction with the 2021 Annual Report, which was prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The comparative figures for the year ended 31 December 2021 have been extracted from the Group's audited financial statements for that year. Those financial statements are included in the 2021 Annual Report and have been delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their audit report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements are unaudited, but have been reviewed by the auditors in accordance with the Auditing Practices Board guidance on Review of Interim Financial Information.

The Group is affected by seasonality. Demand in the second half of the year is usually higher than in the first half, with September to November typically representing the peak sales period for the Group in the RMI market. In addition, the Group's sales to the new build market are usually slower during the first quarter of the year. However, increasing macroeconomic uncertainties, driven by high inflation and the events in Ukraine, mean that demand is likely to be more evenly balanced in 2022.

The Half Year Report was approved by the Board of Directors on 31 August 2022.

2 GOING CONCERN

The interim financial statements have been prepared on a going concern basis.

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 on a pre-IFRS 16 basis. These are that net debt should not exceed 3 times EBITDA (Leverage), and that EBITDA should be at least 4 times the interest charge on the debt (Interest Cover).

At 30 June 2022 the Group has complied with all of its covenants, and it expects to do so for the next measurement period, being 31 December 2022, and going forward.

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 horizon and reflects a period of at least 12 months from the date of approval of these interim financial statements. These forecasts have been compiled based on the best estimates of our commercial and operational teams. The various scenarios take into consideration a wide range of severe but plausible downside risk factors, such as a sustained period of lower sales and severe cost price inflation that cannot be recovered in the form of price increases. In all scenarios tested, the Group operates with significant headroom on its Revolving Credit Facility and remains compliant with its 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 this half year report.

3 ACCOUNTING POLICIES AND ESTIMATES

The interim financial statements have been prepared in accordance with the accounting policies and presentation that were applied in the Group's audited financial statements for the year ended 31 December 2021.

A number of new or amended accounting standards became applicable for the current reporting period. The adoption of these standards did not lead the Group to change its accounting policies or make retrospective adjustments. The Group does not intend to adopt any standard, revision or amendment before the required implementation date.

Critical accounting estimates and judgements

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgements, estimates and assumptions relevant to the preparation of the interim financial statements are consistent with those described on page 133 of the 2021 Annual Report.

4 FINANCIAL INSTRUMENTS

The Group is exposed to financial risks through its use of the following financial instruments:

- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables;
- Bank overdrafts;
- Floating-rate bank loans; and
- Lease liabilities

The relevant financial risks are: credit risk, market risk, foreign exchange risk and liquidity risk.

The Group estimates that the fair value of these financial assets and liabilities is approximate to their carrying amount. Further information in relation to the Group's exposure to financial risks is included on pages 133 to 136 of the 2021 Annual Report.

5 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 Security Hardware, 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, which are eliminated on consolidation, are transacted on an arm's-length basis and relate to manufactured products distributed by the Building Plastics division.

Six months ended 30 June 2022 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Revenue				
Total revenue	118.0	110.5	–	228.5
Inter-segmental revenue	(37.9)	(0.1)	–	(38.0)
Total revenue from external customers	**80.1**	**110.4**	**–**	**190.5**
EBITDA	**18.2**	**11.1**	**(0.8)**	**28.5**
Amortisation of intangible assets	–	–	(0.9)	(0.9)
Depreciation of property, plant and equipment	(3.4)	(0.6)	(0.4)	(4.4)
Depreciation of right-of-use assets	(2.6)	(3.9)	(0.1)	(6.6)
Operating profit	**12.2**	**6.6**	**(2.2)**	**16.6**
Finance expense				(1.4)
Profit before tax				**15.2**

Six months ended 30 June 2021 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Revenue				
Total revenue	104.4	100.3	–	204.7
Inter-segmental revenue	(35.9)	(0.7)	–	(36.6)
Total revenue from external customers	**68.5**	**99.6**	**–**	**168.1**
EBITDA	**16.9**	**9.5**	**0.2**	**26.6**
Amortisation of intangible assets	–	–	(1.2)	(1.2)
Depreciation of property, plant and equipment	(3.0)	(0.5)	(0.3)	(3.8)
Depreciation of right-of-use assets	(2.3)	(2.9)	(1.1)	(6.3)
Operating profit	**11.6**	**6.1**	**(2.4)**	**15.3**
Finance expense				(1.1)
Profit before tax				**14.2**

Year ended 31 December 2021 (Audited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Revenue				
Total revenue	204.6	202.9	–	407.5
Inter-segmental revenue	(63.9)	(0.5)	–	(64.4)
Total revenue from external customers	**140.7**	**202.4**	**–**	**343.1**
EBITDA	**31.8**	**20.8**	**(0.9)**	**51.7**
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				**29.0**
Finance expense				(2.0)
Profit before tax				**27.0**

As at 30 June 2022 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Segment assets	**146.3**	**101.5**	**14.4**	**262.2**
Segment liabilities	(63.7)	(47.3)	(9.5)	(120.5)
Borrowings				(21.3)
Deferred tax				(7.9)
Total liabilities				**(149.7)**
Total net assets				**112.5**

As at 30 June 2021 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Segment assets	**133.8**	**74.1**	**13.1**	**221.0**
Segment liabilities	(61.3)	(40.4)	(8.1)	(109.8)
Borrowings				(6.6)
Deferred tax				(5.6)
Total liabilities				**(122.0)**
Total net assets				**99.0**

As at 31 December 2021 (Audited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Segment assets	**132.6**	**87.9**	**19.1**	**239.6**
Segment liabilities	(61.2)	(45.0)	(8.9)	(115.1)
Borrowings				(11.7)
Deferred tax				(6.6)
Total liabilities				**(133.4)**
Total net assets				**106.2**

Geographical information

	Six months ended 30 June 2022 (Unaudited)		**Six months ended 30 June 2021 (Unaudited)**		**Year ended 31 December 2021 (Audited)**	
	Revenue £m	**Non-current assets £m**	**Revenue £m**	**Non-current assets £m**	**Revenue £m**	**Non-current assets £m**
United Kingdom	189.5	131.7	167.5	123.9	341.6	132.6
Republic of Ireland	1.0	–	0.6	–	1.5	–
Total	**190.5**	**131.7**	**168.1**	**123.9**	**343.1**	**132.6**

As at 30 June 2022 the Group employed 2,282 people in the UK, and 8 people in the Republic of Ireland.

6 TAXATION

	Six months ended 30 June 2022 (Unaudited) £m	**Six months ended 30 June 2021 (Unaudited) £m**	**Year ended 31 December 2021 (Audited) £m**
Current tax			
Current tax on profit for the period	1.4	1.1	2.7
Adjustments in respect of prior years	–	–	0.1
Total current tax	**1.4**	**1.1**	**2.8**
Deferred tax			
Origination and reversal of temporary differences	1.2	1.1	2.2
Adjustment in respect of change in rates	0.1	1.0	0.9
Total deferred tax	**1.3**	**2.1**	**3.1**
Total tax expense	**2.7**	**3.2**	**5.9**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to profits for the period are as follows:

	Six months Ended 30 June 2022 (Unaudited) £m	Six months ended 30 June 2021 (Unaudited) £m	Year ended 31 December 2021 (Audited) £m
Profit before tax	**15.2**	**14.2**	**27.0**
Expected tax expense based on the standard rate of corporation tax in the UK of 19% (2021: 19%)	2.9	2.7	5.1
Expenses not deductible for tax purposes	–	(0.2)	0.5
Capital allowance super-deduction utilised	(0.4)	–	(0.7)
Patent Box claim	(0.2)	(0.3)	–
Adjustments to tax charge in respect of prior years	–	–	0.1
Impact of change in rate on deferred tax in prior year	0.4	1.0	0.9
Total tax expense	**2.7**	**3.2**	**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 have been measured using the higher rate.

In calculating the half year tax charge, the expected effective tax rate for the full year has been applied to the half year underlying profit, with the exception of the remeasurement of deferred tax liabilities, which has been applied in full.

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. The Group has two branches in the Republic of Ireland, with combined annual revenues of c.£1.5 million, total assets of less than £50,000 and 8 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 2021 was €nil and no tax payments were made during the year. This is due to utilisation of losses brought forward. No deferred tax assets are recognised on unutilised losses due to the uncertainty of future profits in the Republic of Ireland.

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options.

	Six months ended 30 June 2022 (Unaudited) £m	Six months ended 30 June 2021 (Unaudited) £m	Year ended 31 December 2021 (Audited) £m
Profit attributable to ordinary shareholders	12.5	11.0	21.1
	Number	**Number**	**Number**
Weighted average number of shares- basic	112,030,859	111,538,140	111,709,049
Weighted average number of shares- diluted	112,771,388	112,057,161	112,219,319

	Six months ended 30 June 2022 (Unaudited) Pence	Six months ended 30 June 2021 (Unaudited) Pence	Year ended 31 December 2021 (Audited) Pence
Basic earnings per share	11.2	9.9	18.9
Diluted earnings per share	11.1	9.8	18.8

8 NON-CURRENT ASSETS (Unaudited)

	Property, plant and equipment £m	Right-of-use assets £m	Intangible assets £m
At 31 December 2021	**59.2**	**54.8**	**18.6**
Additions	6.2	4.6	0.2
Depreciation and amortisation	(4.4)	(6.6)	(0.9)
At 30 June 2022	**61.0**	**52.8**	**17.9**

9 DIVIDENDS

	Six months ended 30 June 2022 (Unaudited) £m	Six months ended 30 June 2021 (Unaudited) £m	Year ended 31 December 2021 (Audited) £m
Dividends paid			
Interim dividend for 2021 of 3.2p per share	–	3.6	3.6
Final dividend for 2021 of 6.4p per share	7.2	–	–
Dividends proposed			
Interim dividend for H1 2022 of 3.5p per share (H1 2021: 3.2p per share)	3.9	3.6	–
Final dividend for 2021 of 6.4p per share	–	–	7.2

10 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2022 (Unaudited) £m	Six months ended 30 June 2021 (Unaudited) £m	Year ended 31 December 2021 (Audited) £m
Profit after tax	**12.5**	**11.0**	**21.1**
Taxation	2.7	3.2	5.9
Finance expense	1.4	1.1	2.0
Operating profit	**16.6**	**15.3**	**29.0**
Adjustments for:			
Depreciation of property, plant and equipment	4.4	3.8	7.7
Depreciation of right-of-use assets	6.6	6.3	13.1
Amortisation of intangible assets	0.9	1.2	1.9
Impairment of right-of-use assets	–	0.1	(0.4)
Share-based payments	0.8	0.7	1.2
Increase in inventories	(10.1)	(3.1)	(17.8)
Increase in trade and other receivables	(10.7)	(9.6)	(6.0)
Increase in trade and other payables	11.2	11.8	4.4
Increase/(decrease) in provisions	0.1	(0.4)	–
Cash generated from operations	**19.8**	**26.1**	**33.1**

11 RELATED PARTY TRANSACTIONS

The remuneration of Executive and Non-executive Directors is disclosed in the 2021 Annual Report.

Transactions with key management personnel

Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who is a Director of Eurocell plc. The following amounts were paid to Kellman Recruitment for services provided during the period:

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Kellmann Recruitment Limited – recruitment services	121	60	147

Amounts outstanding at the period end were £nil (30 June 2021: £23,000; 31 December 2021: £nil).

12 CAPITAL COMMITMENTS

The Group is committed to a further c.£7 million of capital investment in 2022.

13 EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any material events that have occurred after 30 June 2022 which would require disclosure under IAS 10.

Independent Review Report to Eurocell plc
Report on the Condensed Consolidated Interim Financial Statements

Our conclusion
We have reviewed Eurocell plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report of Eurocell plc for the 6 month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- The condensed consolidated statement of financial position as at 30 June 2022;
- The condensed consolidated statement of comprehensive income for the period then ended;
- The condensed consolidated cash flow statement for the period then ended;
- The condensed consolidated statement of changes in equity for the period then ended; and
- The explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report of Eurocell plc have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review
Our responsibilities and those of the Directors
The Half Year Report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The Directors are responsible for preparing the Half Year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Report, including the interim financial statements, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report based on our review. Our conclusion, including our conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
31 August 2022