20 March 2024

EUROCELL PLC (Symbol: ECEL)

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Profits in line with expectations; strong cash flow

Eurocell plc, the market leading, vertically integrated UK manufacturer, distributor and recycler of innovative window, door and roofline PVC products, today announces its preliminary results for the year ended 31 December 2023.

Summary

- Profits in line with expectations, despite further market deterioration in the second half
- Challenging backdrop, with weak RMI(1) market and particularly severe decline in new build housing
- Early and decisive action taken on cost in response to lower volumes and to position the business well for when markets recover
- Efficient inventory management driving strong cash flow performance, maintaining strong balance sheet and liquidity
- Review of strategy complete, with pathway to organic growth and improved margins identified

Key financial performance measures (2)	**2023**	**2022**	**Change**
Revenue (£ million)	364.5	381.2	(4)%
Underlying measures (3)			
Adjusted operating profit (£ million)	18.4	31.3	(12.9)
Adjusted profit before tax (£ million)	15.2	28.7	(13.5)
Adjusted basic earnings per share (pence)	11.0	21.4	(10.4)
Reported measures			
Operating profit (£ million)	14.9	29.1	(14.2)
Profit before tax (£ million)	11.7	26.2	(14.5)
Basic earnings per share (pence)	8.6	19.6	(11.0)
Capital investment (£ million)	8.9	12.3	(3.4)
Net cash generated from operating activities (£ million)	52.8	35.1	17.7
Net debt (£ million) (4)	(58.2)	(78.1)	19.9
Net cash/(debt), pre-IFRS 16 (£ million) (4)	0.4	(14.4)	14.8
Total dividends per share for the year (pence)	5.5	10.7	(5.2)

Financial headlines

- Group sales down 4% on a strong 2022 comparative period, with volume 6% lower, including:
  - Profiles down 4%: reduced RMI(1) and significantly weaker new build activity, partially offset by benefit of market share gains, with volumes 7% below 2022
  - Building Plastics down 4%: RMI volumes in our branches 5% below 2022
- Increased competition for limited demand leading to pressure on margins in the branch network
- Continued input cost inflation, offset with selling price increases where possible:
  - Particularly labour, recycling feedstock and electricity, where we operate a rolling 12-month forward hedging policy
  - Some easing on input cost pricing through the second half of the year
- Adjusted profit before tax from continuing operations down 47% vs 2022
  - Lower sales volumes, input cost inflation and margin pressure in the branches, partially offset by selling price increases, operational improvements and cost reduction

- Net cash generated from operating activities up 50% vs 2022
  - Efficient stock management driving a net working capital inflow of £13.4 million (2022: net outflow £13.1 million)
- Strong balance sheet and liquidity, with pre-IFRS 16 net cash of £0.4 million (31 December 2022: net debt of £14.4 million)
  - Average pre-IFRS 16 net debt of £9.5 million in 2023 (2022: £17.3 million)
- Proposed final dividend of 3.5 pence per share, resulting in total dividends for the year of 5.5 pence per share (2022: 10.7 pence per share)
- £5 million share buyback programme commenced in January 2024
  - As of 15 March 2024, 2.0 million shares purchased under the programme at a cash cost of £2.5 million

Operational and sustainability headlines

- Early and decisive action taken on operating costs in response to lower volumes
  - Q4 2022 restructuring reduced operating costs by £5 million per annum from the start of 2023
  - Further headcount reduction in Q2 2023 to deliver savings of c.£2 million in the second half and c.£4 million per annum thereafter, with the related redundancy costs (£2.7 million) included as a non-underlying item
- Continuing programme of operational improvements
- Strong on sustainability as the leading UK-based recycler of PVC windows, with the proportion of recycled material used improving to 32% (2022: 29%)

Review of strategy complete

- Pathway identified to building a £500 million revenue business generating a 10% operating margin within 5 years

Darren Waters, Chief Executive of Eurocell plc said:

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

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

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

Notes

(1) RMI is repair, maintenance and improvement.

(2) Stated on a continuing basis i.e. excluding discontinued operations.

(3) Non-underlying items of £3.5 million in 2023 include restructuring costs of £2.7 million and £0.8 million of costs relating to strategic IT projects which are classified as an expense as they use cloud computing. Non-underlying items of £2.5 million in 2022 include restructuring costs of £2.2 million (redundancy payments of £1.6 million and tangible and right-of-use asset impairment charges of £0.6 million) and £0.3 million of costs relating to the refinancing of the Group's £75 million Revolving Credit Facility.

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

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/782-2007-39185/en

Alternatively, you can join via conference call as follows:

Dial-in	+44 (0) 33 0551 0200
Toll free (UK)	0808 109 0700
Participant access code	0510

A copy of the presentation will be made available from 7am on 20 March on the Group's website: https://investors.eurocell.co.uk/investors/

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

CHAIR'S STATEMENT

Introduction

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

Financial and operating performance

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

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

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

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

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

Earnings per share and dividends

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

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

Capital allocation

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

Taking into account expected organic investment requirements and our successful cash flow management in 2023, we launched a £5 million share buyback programme in January 2024. Following the Board's decision that employee incentivisations by equity should be through shares acquired rather than issued, the first 642,000 shares repurchased under the buyback programme will be held in treasury and used to satisfy employee share options over the next two years. All other shares repurchased will be cancelled.

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

Strategy

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

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

The headlines from our work on strategy are summarised in the Chief Executive's Review.

Board changes and governance

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

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

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

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

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

Derek Mapp

Chair

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

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

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

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

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

As reported in September, we have been reviewing our strategy. Through this work, we have identified a route to organic growth and a healthy improvement in operating margins over a five-year period. The headlines are summarised below.

FINANCIAL RESULTS

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

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

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

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

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

OPERATIONAL PERFORMANCE

Production

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

Recycling

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

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

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

Health and safety

The safety and well-being of our employees, contractors and branch customers is our number one priority, and we have delivered a significantly improved safety performance in 2023. Our Lost Time Injury Frequency Rate ('LTIFR') was 5.7 in 2023, compared to 10.0 in 2022. Our RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences

Regulations 2013) performance remains better than the industry average. There were no major injuries and 11 minor accidents recorded under RIDDOR in the year (2022: no major injuries and 23 minor injuries).

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

DIVISIONAL PERFORMANCE – PROFILES

	2023 £m	2022 £m	Change %
Third-party revenue	**154.9**	**161.7**	**(4)%**
Inter-segmental revenue	64.9	72.3	(10)%
Total revenue	**219.8**	**234.0**	**(6)%**
Adjusted(1) operating profit	**11.9**	**20.2**	**(41)%**
Operating profit	**10.1**	**19.3**	**(48)%**

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

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

Cost of living pressures, successive interest rate increases and falling house prices have all had a significant adverse impact on demand for our products. However, we have continued to acquire new fabricator accounts, supported by a reduction in UK capacity following the closure of the Duraflex extrusion business in September. In addition, some of our existing fabricators have benefited from an increase in volume following the administration of Safestyle in October.

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

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

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

DIVISIONAL PERFORMANCE – BUILDING PLASTICS (BRANCH NETWORK)

	2023 £m	2022 £m	Change %
Third-party revenue	**209.6**	**219.5**	**(4)%**
Inter-segmental revenue	0.4	0.3	33%
Total revenue	**210.0**	**219.8**	**(4)%**
Adjusted(1) operating profit	**8.9**	**12.2**	**(27)%**
Operating profit	**8.2**	**10.9**	**(25)%**

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

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

RMI volumes in the branches were subdued throughout the year, as homeowners have pulled back on discretionary expenditure, most likely in response to higher costs of living and interest rates. However, we still see reasonable volumes of high-value project work (such as our roof lanterns, conservatory roofs, windows and bi-fold doors) and sales in our outdoor living range (fencing, decking and garden rooms) of £11.6 million remain broadly consistent with 2022.

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

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

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

STRATEGY

We began a review of our strategy in the summer. The review is now complete, with the headlines summarised below.

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

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

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

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

Customer Growth

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

Branch Network

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

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

Extended living spaces

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

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

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

Profiles

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

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

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

Business Effectiveness

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

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

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

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

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

People First

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

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

ESG Leadership

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

We are now working with CEN-ESG, a specialist ESG consultancy, to support the development of our ESG strategy and improve our ESG data and disclosures. The results of our work so far includes:

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

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

SUMMARY AND OUTLOOK

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

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

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

Darren Waters
Chief Executive

CHIEF FINANCIAL OFFICER'S REVIEW

	2023 £m	2022 £m
Revenue	**364.5**	**381.2**
Gross profit	173.8	184.5
Gross margin %	47.7%	48.4%
Overheads	(131.1)	(130.4)
Other income[(3)]	0.4	1.1
Adjusted[(2)] EBITDA	**43.1**	**55.2**
Depreciation and amortisation	(24.7)	(23.9)
Adjusted[(2)] operating profit	**18.4**	**31.3**
Finance costs	(3.2)	(2.6)
Adjusted[(2)] profit before tax	**15.2**	**28.7**
Taxation	(2.9)	(4.7)
Adjusted[(2)] profit after tax	**12.3**	**24.0**
Adjusted[(2)] basic earnings per share (pence)	**11.0**	**21.4**
Non-underlying overheads	(3.5)	(2.2)
Non-underlying finance costs	–	(0.3)
Tax on non-underlying items	0.8	0.5
Reported operating profit	**14.9**	**29.1**
Reported profit before tax	**11.7**	**26.2**
Reported profit after tax	**9.6**	**22.0**
Loss after tax from discontinued operations	–	(2.3)
Profit for the year	**9.6**	**19.7**
Reported basic earnings per share (pence)	**8.6**	**19.6**

(1) Results are stated on a continuing basis i.e. before discontinued operations (see below).
(2) See alternative performance measures.
(3) Other income is amounts received under the Group's cyber insurance policy, net of excess paid, in respect of business interruption to the Group's continuing trading activities as a result of a cyber incident in July and August 2022.

INTRODUCTION

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

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

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

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

REVENUE

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

GROSS MARGIN

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

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES (OVERHEADS) AND OTHER INCOME

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

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

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

DEPRECIATION AND AMORTISATION

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

ALTERNATIVE PERFORMANCE MEASURES

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

Adjusted EBITDA, adjusted operating profit and adjusted profit before tax all exclude non-underlying items. Adjusted profit after tax and adjusted earnings per share exclude non-underlying items and the related tax effect. Pre-IFRS 16 EBITDA is stated inclusive of operating lease rentals under IAS 17 Leases. Pre-IFRS 16 net debt is defined as total borrowings and lease liabilities less cash and cash equivalents, excluding the impact of IFRS 16 Leases.

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

NON-UNDERLYING ITEMS

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

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

FINANCE COSTS AND TAXATION

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

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

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

PROFIT BEFORE TAX AND EARNINGS PER SHARE

Adjusted profit before tax for the year was £15.2 million compared to £28.7 million in 2022, down £13.5 million, reflecting lower sales volumes, input cost inflation and margin pressure in the branches, partially offset by selling price increases, operational improvements and cost reduction. Reported profit before tax in 2023 was £11.7 million (2022: £26.2 million), reflecting the above, and £3.5 million of non-underlying items (2022: £2.5 million).

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

DIVIDENDS AND SHARE BUYBACK PROGRAMME

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

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

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

CAPITAL EXPENDITURE

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

CASH FLOW

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

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

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

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

NET CASH/DEBT

Net cash on a pre-IFRS 16 basis at 31 December 2023 was £0.4 million (31 December 2022: net debt of £14.4 million). Lease liabilities decreased by £5.1 million. Reported net debt at 31 December 2023 was £58.2 million (31 December 2022: £78.1 million).

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

BANK FACILITY

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

Michael Scott
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December 2023			Year ended 31 December 2022		
	Note	Underlying £m	[(1)]Non-underlying £m	Total £m	Underlying £m	[(1)]Non-underlying £m	Total £m
Revenue	3	**364.5**	**–**	**364.5**	**381.2**	**–**	**381.2**
Cost of sales		(190.7)	–	(190.7)	(196.7)	–	(196.7)
Gross profit		**173.8**	**–**	**173.8**	**184.5**	**–**	**184.5**
Distribution costs		(25.3)	(0.1)	(25.4)	(23.9)	(0.4)	(24.3)
Administrative expenses		(130.5)	(3.4)	(133.9)	(130.4)	(1.8)	(132.2)
Other income[(2)]		0.4	–	0.4	1.1	–	1.1
Operating profit	3	**18.4**	**(3.5)**	**14.9**	**31.3**	**(2.2)**	**29.1**
Finance expense		(3.2)	–	(3.2)	(2.6)	(0.3)	(2.9)
Profit before tax from continuing operations	3	**15.2**	**(3.5)**	**11.7**	**28.7**	**(2.5)**	**26.2**
Taxation	4	(2.9)	0.8	(2.1)	(4.7)	0.5	(4.2)
Profit after tax from continuing operations		**12.3**	**(2.7)**	**9.6**	**24.0**	**(2.0)**	**22.0**
Discontinued operations							
Loss after tax from discontinued operations	5			–			(2.3)
Profit for the year and total comprehensive income				**9.6**			**19.7**
Basic earnings per share from continuing operations	6	**11.0p**		**8.6p**	**21.4p**		**19.6p**
Diluted earnings per share from continuing operations	6	**11.0p**		**8.6p**	**21.3p**		**19.5p**

(1) Non-underlying items are detailed in Note 2.

(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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	2023 £m	2022 £m
Assets		
Non-current assets		
Property, plant and equipment	59.9	61.7
Right-of-use assets	55.1	59.7
Intangible assets	15.8	16.9
Total non-current assets	**130.8**	**138.3**
Current assets		
Inventories	46.7	59.9
Trade and other receivables	45.3	50.0
Corporation tax	0.6	0.2
Deferred consideration	–	0.8
Cash and cash equivalents	0.4	5.1
Total current assets	**93.0**	**116.0**
Total assets	**223.8**	**254.3**
Liabilities		
Current liabilities		
Trade and other payables	(41.6)	(47.4)
Lease liabilities	(12.9)	(13.0)
Provisions	(0.2)	(0.2)
Total current liabilities	**(54.7)**	**(60.6)**
Non-current liabilities		
Borrowings	–	(20.3)
Lease liabilities	(45.7)	(50.7)
Provisions	(1.1)	(1.0)
Deferred tax	(8.0)	(6.8)
Total non-current liabilities	**(54.8)**	**(78.8)**
Total liabilities	**(109.5)**	**(139.4)**
Net assets	**114.3**	**114.9**
Equity attributable to equity holders of the parent		
Share capital	0.1	0.1
Share premium account	22.2	22.2
Treasury shares	(0.1)	–
Share-based payment reserve	0.9	0.9
Retained earnings	91.2	91.7
Total equity	**114.3**	**114.9**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Cash generated from operations	8	54.2	38.7
Income taxes paid		(1.4)	(3.6)
Net cash generated from operating activities		**52.8**	**35.1**
Investing activities			
Purchase of property, plant and equipment		(9.0)	(11.9)
Purchase of intangible assets		(0.1)	(0.5)
Net cash flow arising on sale of business		0.8	0.3
Net cash used in investing activities		**(8.3)**	**(12.1)**
Financing activities			
Proceeds from new share capital issued		–	0.2
Purchase of own shares held as treasury shares		(0.7)	–
Repayment of bank and other borrowings		(21.0)	(22.0)
Proceeds from bank borrowings		–	31.0
Bank borrowings arrangement costs		(0.2)	(0.8)
Principal elements of lease payments		(13.8)	(13.3)
Finance elements of lease payments		(1.8)	(1.4)
Finance expense paid		(1.4)	(1.2)
Dividends paid to equity Shareholders	7	(10.3)	(11.1)
Net cash used in financing activities		**(49.2)**	**(18.6)**
Net (decrease)/increase in cash and cash equivalents[(1)]		**(4.7)**	**4.4**
Cash and cash equivalents[(1)] at beginning of year		5.1	0.7
Cash and cash equivalents[(1)] at end of year		**0.4**	**5.1**

(1) Cash and cash equivalents includes bank overdrafts.
(2) Cash flows arising on discontinued operations are outlined in Note 5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023	**0.1**	**22.2**	**–**	**0.9**	**91.7**	**114.9**
Comprehensive income for the year						
Profit for the year	–	–	–	–	9.6	9.6
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**9.6**	**9.6**
Contributions by and distributions to owners						
Exercise of share options	–	–	0.6	(0.8)	0.2	–
Share-based payments	–	–	–	0.8	–	0.8
Purchase of own shares	–	–	(0.7)	–	–	(0.7)
Dividends paid	–	–	–	–	(10.3)	(10.3)
Total transactions with owners recognised directly in equity	**–**	**–**	**(0.1)**	**–**	**(10.1)**	**(10.2)**
Balance at 31 December 2023	**0.1**	**22.2**	**(0.1)**	**0.9**	**91.2**	**114.3**

	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022	**0.1**	**21.9**	**–**	**1.1**	**83.1**	**106.2**
Comprehensive income for the year						
Profit for the year	–	–	–	–	19.7	19.7
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**19.7**	**19.7**
Contributions by and distributions to owners						
Exercise of share options	–	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**	**91.7**	**114.9**

1 BASIS OF PREPARATION

The financial information for the year ended 31 December 2023 was approved by the Board on 19 March 2024. This financial information does not constitute the statutory accounts of the Company within the meaning of Section 435 of the Companies Act 2006, but is derived from those accounts, which 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.

This information has been prepared under the historical cost method, using all standards and interpretations required for financial periods beginning 1 January 2023. The functional currency is Sterling, and the Financial Statements are presented in millions, unless otherwise stated. No standards or interpretations have been adopted before the required implementation date.

Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have reported on those accounts. Their reports were not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group funds its activities through a £75 million Revolving Credit Facility, provided by Barclays, NatWest and Bank of Ireland, which matures in May 2027, following a one year extension that was completed in May 2023. The facility includes two key financial covenants, which are tested at 30 June and 31 December each year on a pre-IFRS 16 basis. These are that net debt should not exceed three times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least four times the interest charge on the debt (Interest Cover). Adjusted EBITDA is defined as operating profit before depreciation, amortisation and non-underlying items. See alternative performance measures (see Chief Financial Officer's Review).

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

In assessing going concern, the Directors have considered financial projections for the period to December 2025, which is consistent with the Board's strategic planning horizon and reflects a period of at least 12 months from the date of approval of the Financial Statements. These forecasts have been compiled based on the best estimates of the Group's commercial and operational teams. This includes a severe but plausible 'Downside' scenario, which reflects demand for the Group's products being severely weakened.

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

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

Changes in accounting policies and disclosures applicable to the Company and the Group

The Group has applied the following amendments for the first time for the financial reporting period commencing 1 January 2023, with no material impact:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12).

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Non-current Liabilities with Covenants (Amendments to IAS 1); and

- Lack of Exchangeability (Amendments to IAS 21).

These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 NON-UNDERLYING ITEMS

Amounts included in the Consolidated Statement of Comprehensive Income are as follows:

	2023 £m	2022 £m
Restructuring costs	2.7	1.6
Asset impairment charges	–	0.6
Cloud computing expenses	0.8	–
Non-underlying operating expenses	**3.5**	**2.2**
Finance expense	–	0.3
Total non-underlying expenses	**3.5**	**2.5**
Taxation	(0.8)	(0.5)
Impact on profit after tax	**2.7**	**2.0**

Restructuring costs

Restructuring costs relate to redundancy payments and related employee benefit termination costs, with 119 roles impacted (2022: 63) at a one-off cost of £2.7 million (2022: £1.6 million). These costs are classified as non-underlying as they relate to roles that no longer exist within the organisation and therefore would not re-occur in future reporting periods. Included is a credit of £0.2 million in respect of the release of a provision relating to a restructuring exercise announced in 2022 and completed in early 2023.

Asset impairment charges

The 2022 charges of £0.6 million relate to the closure of five branches in early 2023, which had been announced as at 31 December 2022.

Cloud computing expenses

Cloud computing expenses relate to costs incurred on strategic IT projects involving ‘Software as a Service’ arrangements which are expensed as incurred rather than being capitalised as intangible assets.

Such items are considered to be non-underlying in nature because they relate to multi-year programmes to deliver strategic IT implementations which are material in size. Our strategic IT projects comprise a new customer-facing website, an employee management system and, most significantly, the replacement of the Group’s Enterprise Resource Planning (‘ERP’) system, with overall spend estimated to be in the region of £8-10 million over the next three years.

Finance expense

The 2022 charges relate to the Group having refinanced its Revolving Credit Facility in May 2022. Unamortised arrangement fees relating to the previous facility, which had been due to expire in December 2023, were expensed to the Consolidated Income Statement, and have been presented as non-underlying as the facility to which they relate no longer exists.

Impact on cash flow

Of the £3.5 million non-underlying expenses recognised, £3.2 million was settled in cash at 31 December 2023. The remaining £0.3 million relates to non-cash asset impairment charges.

Of the £2.5 million non-underlying expenses recognised in 2022, £1.4 million had been settled in cash at 31 December 2023, and £0.2 million had been credited to the income statement. The remaining £0.9 million relates to non-cash asset impairment charges.

3 SEGMENTAL INFORMATION

The Group organises itself into a number of operating segments that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Internal reporting provided to the chief operating decision-maker, which has been identified as the executive management team including the Chief Executive and the Chief Financial Officer, reflects this structure.

The Group has aggregated its operating segments into three reported segments, as these business units have similar products, production processes, types of customer, methods of distribution, regulatory environments, and economic characteristics:

- Profiles – extrusion and sale of PVC window and building products to the new and replacement window market across the UK. This segment includes Vista Panels, S&S Plastics and Eurocell Recycle North.
- Building Plastics – sale of building plastic materials across the UK.
- Corporate – represents costs relating to the ultimate Parent Company and includes the assets and related amortisation in respect of acquired intangible assets.

Inter-segmental sales, which are eliminated on consolidation, are transacted at an arms' length basis and relate to manufactured products distributed by the Building Plastics division.

2023	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Revenue				
Total revenue	219.8	210.0	–	429.8
Inter-segmental revenue	(64.9)	(0.4)	–	(65.3)
Total revenue from external customers	**154.9**	**209.6**	**–**	**364.5**
Adjusted EBITDA	**25.5**	**17.4**	**0.2**	**43.1**
Amortisation of intangible assets	–	–	(1.7)	(1.7)
Depreciation of property, plant and equipment	(7.3)	(1.2)	(0.8)	(9.3)
Depreciation of right-of-use assets	(6.3)	(7.3)	(0.1)	(13.7)
Adjusted operating profit/(loss)	**11.9**	**8.9**	**(2.4)**	**18.4**
Non-underlying operating expenses	(1.8)	(0.7)	(1.0)	(3.5)
Operating profit/(loss)	**10.1**	**8.2**	**(3.4)**	**14.9**
Finance expense				(3.2)
Profit before tax from continuing operations				**11.7**

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**

	Profiles 2023 £m	Building Plastics 2023 £m	Corporate 2023 £m	Total 2023 £m
Additions to plant, property, equipment and intangible assets	6.9	1.5	0.5	8.9
Segment assets	126.9	78.5	18.4	224.3
Segment liabilities	(53.3)	(43.7)	(4.5)	(101.5)
Deferred tax liability				(8.0)
Total liabilities				(109.5)
Total net assets				**114.3**

	Profiles 2022 £m	Building Plastics 2022 £m	Corporate 2022 £m	Total 2022 £m
Additions to plant, property, equipment and intangible assets	7.6	1.4	3.3	12.3
Segment assets	145.1	89.4	19.8	254.3
Segment liabilities	(61.3)	(43.2)	(7.8)	(112.3)
Borrowings				(20.3)
Deferred tax liability				(6.8)
Total liabilities				(139.4)
Total net assets				**114.9**

Geographical information

	Revenue 2023 £m	Non-current assets 2023 £m	Revenue 2022 £m	Non-current assets 2022 £m
United Kingdom	362.5	130.8	379.3	138.3
Republic of Ireland[(1)]	2.0	–	1.9	–
Total	**364.5**	**130.8**	**381.2**	**138.3**

[(1)] The net book value of non-current assets in the Republic of Ireland was less than £50,000 in both years.

4 TAXATION

	2023 £m	2022 £m
Current tax expense		
Current tax on profits for the year	2.0	3.2
Adjustment in respect of prior years	(1.1)	0.3
Total current tax	**0.9**	**3.5**
Deferred tax expense		
Origination and reversal of temporary differences	0.4	0.7
Adjustment in respect of change in rates	–	0.2
Adjustment in respect of prior years	0.8	(0.7)
Total deferred tax	**1.2**	**0.2**
Total tax expense	**2.1**	**3.7**

	2023 £m	2022 £m
Continuing operations	2.1	4.2
Discontinued operations	–	(0.5)
Total tax expense	**2.1**	**3.7**

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

	2023 £m	2022 £m
Profit before tax from continuing operations	11.7	26.2
Loss before tax from discontinued operations	–	(2.8)
Profit before tax	**11.7**	**23.4**
Expected tax charge based on the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	2.7	4.4
Taxation effect of:		
Expenses not deductible for tax purposes	0.4	0.4
Capital allowance super-deduction utilised	–	(0.3)
Patent Box claims	(0.5)	(0.4)
Deferred tax impact of share-based payments	0.1	–
Adjustments in respect of prior years	(1.1)	0.3
Tax effect of accelerated capital allowances	(0.7)	(0.9)
Current tax expense	**0.9**	**3.5**

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

	2023 £m	2022 £m
Profit before tax from continuing operations	11.7	26.2
Loss before tax from discontinued operations	–	(2.8)
Profit before tax	**11.7**	**23.4**
Expected tax charge based on the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	2.7	4.4
Taxation effect of:		
Expenses not deductible for tax purposes	0.2	0.2
Capital allowance super-deduction utilised	–	(0.3)
Patent Box claims	(0.5)	(0.4)
Adjustments in respect of prior years	(0.3)	(0.4)
Adjustment in respect of change in rates	–	0.2
Total tax expense	**2.1**	**3.7**

Changes in tax rates and factors affecting the future tax charge

An increase in the mainstream rate of UK corporation tax from 19% to 25% from April 2023 was enacted during 2021. This gave rise to a blended standard rate of 23.5% in 2023.

There are no material uncertain tax provisions.

Tax included in Other Comprehensive Income

The tax charge arising on share-based payments within Other Comprehensive Income is £nil (2022: £nil).

Based on the current investment plans of the Group, and assuming the rates of capital allowances on capital expenditure continue into the future, the vast majority of the deferred tax liability is expected to unwind over a period of greater than one year.

Tax residency

Eurocell plc and its subsidiaries are all registered in the United Kingdom and are resident in the UK for tax purposes, except as described below.

The Group has two branches in the Republic of Ireland, with combined annual revenues of £2.0 million (2022: £1.9 million), total assets of less than £50,000 (2022: less than £50,000) and eight full time employees (2022: eight full time employees). For tax purposes these two trading locations form a single branch within Eurocell Building Plastics Limited, and therefore any profits generated are subject to tax in the Republic of Ireland. The tax charge in relation to the Group's Republic of Ireland operations in 2023 is €nil (2022: €nil) and no tax payments were made during the year (2022: €nil). This is due to utilisation of losses brought forward. No deferred tax assets are recognised on unutilised losses due to the uncertainty of future profits in the Republic of Ireland.

5 LOSS AFTER TAX FROM DISCONTINUED OPERATIONS

As part of a restructuring exercise, on 2 December 2022 the Group completed the sale of the trade and assets of its Security Hardware business for a total consideration of £1.2 million. Security Hardware was a separate operating segment which had previously been aggregated and presented as part of the Building Plastics reported segment.

The results of the business for the prior year are set out below.

	2022 **£m**
Revenue	**2.9**
Cost of sales	(2.2)
Gross profit	**0.7**
Distribution costs	(0.8)
Administrative expenses	(1.2)
Operating loss	**(1.3)**
Finance expense	–
Loss before tax from discontinued operations	**(1.3)**
Taxation	0.2
Loss after tax from discontinued operations	**(1.1)**
Loss on sale of trade and assets after tax	(1.2)
Loss from discontinued operations	**(2.3)**

The loss on sale of £1.2 million, recognised in the prior year, is comprised of the following:

	2022 **£m**
Consideration received	
Cash	0.4
Deferred consideration	0.8
Total consideration	**1.2**
Carrying value of net assets sold	(2.6)
Transaction costs	(0.1)
Loss on sale before tax	**(1.5)**
Taxation	0.3
Loss on sale after tax	**(1.2)**

The carrying values of assets and liabilities as at 2 December 2022 were as follows:

	£m
Property, plant and equipment	0.4
Right-of-use assets	0.3
Intangible assets	0.3
Inventories	1.9
Lease liabilities	(0.3)
Carrying value of net assets sold	**2.6**

The net cash flows arising were as follows:

	2023 £m	2022 £m
Net cash outflow from operating activities	–	(0.2)
Net cash inflow from investing activities	0.8	0.1
Net increase/(decrease) in cash generated by discontinued operations	**0.8**	**(0.1)**

Losses per share were as follows:

	2022 Pence
Basic losses per share from discontinued operations	(2.0)
Diluted losses per share from discontinued operations	(2.0)

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. Adjusted earnings per share excludes the impact of non-underlying items. Earnings per share from continuing operations excludes the impact of discontinued operations.

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. In the event that a loss is recorded for the period, share options are not considered to have a dilutive effect.

	2023 £m	2022 £m
Profit from continuing operations attributable to ordinary shareholders excluding non-underlying items	12.3	24.0
Profit from continuing operations attributable to ordinary shareholders	9.6	22.0
Loss from discontinued operations	–	(2.3)
Profit attributable to ordinary shareholders	**9.6**	**19.7**

	Number	Number
Weighted average number of shares – basic	111,885,083	112,036,668
Dilutive impact of share options granted	53,451	747,137
Weighted average number of shares – diluted	111,938,534	112,783,805

	Pence	Pence
Continuing operations		
Basic earnings per share	8.6	19.6
Adjusted basic earnings per share	11.0	21.4
Diluted earnings per share	8.6	19.5
Adjusted diluted earnings per share	11.0	21.3
Discontinued operations		
Basic losses per share	–	(2.0)
Diluted losses per share	–	(2.0)
Total		
Basic earnings per share	8.6	17.6
Diluted earnings per share	8.6	17.5

7 DIVIDENDS

	2023 £m	2022 £m
Dividends paid during the year		
Interim dividend for 2023 of 2.0p per share (2022: 3.5p per share)	2.2	3.9
Final dividend for 2022 of 7.2p (2021: 6.4p per share)	8.1	7.2
	10.3	11.1
Dividends proposed		
Final dividend for 2023 of 3.5p per share	3.8	–
Final dividend for 2022 of 7.2p per share	–	8.1
	3.8	8.1

8 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2023 £m	2022 £m
Profit after tax from continuing operations	9.6	22.0
Loss after tax from discontinued operations	–	(2.3)
Profit after tax	**9.6**	**19.7**
Taxation (Note 4)	2.1	3.7
Finance expense	3.2	2.9
Operating profit	**14.9**	**26.3**
Adjustments for:		
Depreciation of property, plant and equipment	9.3	8.8
Depreciation of right-of-use assets	13.7	13.3
Amortisation of intangible assets	1.7	1.8
Impairment of tangible and right-of-use assets	0.3	0.6
Loss on disposal of business	–	1.5
Share-based payments	0.8	(0.2)
Decrease/(increase) in inventories	13.2	(5.7)
Decrease/(increase) in trade and other receivables	6.0	(5.6)
Decrease in trade and other payables	(5.8)	(1.8)
Increase/(decrease) in provisions	0.1	(0.3)
Cash generated from operations	**54.2**	**38.7**

9 ALTERNATIVE PERFORMANCE MEASURES

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

EBITDA is defined as operating profit before depreciation and amortisation charges. Pre-IFRS 16 EBITDA is stated inclusive of operating lease rentals under IAS 17 Leases.

Adjusted EBITDA, profits and earnings per share exclude non-underlying items. Adjusted profit measures allow users of the Financial Statements to better understand financial performance in the year by removing certain material items of income and expense that are unusual due to their nature or infrequency, thus facilitating better comparison with prior periods.

Covenants are assessed on a pre-IFRS 16 adjusted EBITDA, continuing basis.

	2023 £m	2022 £m
Operating profit	14.9	29.1
Depreciation and amortisation	24.7	23.9
EBITDA	**39.6**	**53.0**
Non-underlying items	3.5	2.2
Adjusted EBITDA	**43.1**	**55.2**
Operating lease rentals under IAS 17	(15.2)	(14.4)
Pre-IFRS 16 adjusted EBITDA	**27.9**	**40.8**

Pre-IFRS 16 total net (cash)/debt is defined as total borrowings and lease liabilities less cash and cash equivalents and deferred consideration, excluding the impact of leases recognised under IFRS 16 Leases.

	2023 £m	2022 £m
Total net debt	58.2	78.1
Lease liabilities	(58.6)	(63.7)
Pre-IFRS 16 net (cash)/debt	**(0.4)**	**14.4**

10 EVENTS AFTER THE BALANCE SHEET DATE

In January 2024 the Group launched a £5 million share buyback programme. As of 15 March 2024, 2.0 million shares had been purchased at a cash cost of £2.5 million under the programme.