INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCELL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Eurocell plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2023 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 December 2023; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

Overview

Audit scope

- A component was considered to be a company or division where discrete financial data was prepared. Financially significant components were determined to be those which contributed more than 15% of the underlying profit before tax (measured on an absolute basis) in either the current or prior year. For components that were not financially significant, consideration was made over whether in our judgement any components would be tested as full scope despite being below 15% of the absolute underlying profit before tax. Following this assessment two components were identified as financially significant and one component was identified as requiring a full scope audit.
- Audit work was then performed over specific Financial Statement Line Items ("FSLI's") if they contributed more than 15% of the consolidated FSLI and were above group performance materiality. For balances which were below 15% of the consolidated FSLI and multiple times performance materiality we have considered whether the risk of material misstatement has been reduced to an acceptably low level and whether any additional balances would be brought into scope. This assessment resulted in FSLIs in 3 other components being in scope for large balance testing. Combined coverage (of in scope components and large balances) represented 99% of the reporting consolidated revenues and 73% of the consolidated underlying profit before taxation on an absolute basis. For all other balances/components, disaggregated analytical review procedures were performed to group materiality.
- Work on the consolidation was considered separately to the component scoping exercise and performed to group materiality.
- All work was performed by the group audit team.

Key audit matters

- Trade receivables provisions (group).
- Inventory provisioning (group).
- Inventory labour and overhead absorption (group).
- Impairment of intercompany investments and intercompany receivables (parent).

Materiality

- Overall group materiality: £760,000 (2022: £1,400,000) based on 5% of underlying profit before taxation.
- Overall company materiality: £481,000 (2022: £751,000) based on 1% of total assets.
- Performance materiality: £570,000 (2022: £1,050,000) (group) and £360,000 (2022: £563,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Inventory labour and overhead absorption is a new key audit matter this year. Valuation of inventory, which was a key audit matter last year, is no longer included because of this matter being made more specific through our detailed risk assessment to be relating to the amount of labour and overhead absorbed into inventory. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Trade receivables provisions (group) Refer to pages 66 to 72 (Risk management and Principal risks and uncertainties), pages 92 to 97 (Audit and Risk Committee report), Note 1 (Accounting Policies), Note 2 (Critical Accounting Estimates and Judgements) and Note 20 (Trade and other receivables). The Group had gross trade receivables of £38.6 million at 31 December 2023 (2022: £43.5 million) against which provisions of £1.2 million (2022: £1.8 million) were held in accordance with IFRS 9. We focused on this area, and specifically the valuation assertion, because the Directors' assessment of the provisions required in respect of trade receivables included subjective estimates. These estimates, such as the appropriate level of provisions to apply to aged debt, remain a heightened risk in the current year due to the uncertain market conditions ongoing into FY24.	We understood the Directors' methodology for calculating trade receivables provisions across the Group and considered if these complied with IFRS 9. Audit procedures performed included: • We evaluated the design and implementation of controls around the trade receivables provisioning process; • We reviewed the accuracy of past management estimates via look-back tests and movements in the provisions year on year; • We confirmed that the amounts included in the IFRS 9 model agreed back to the underlying ledgers as at 31 December 2023; • We tested the accuracy of the calculations in the model; • We tested the ageing of amounts due at the balance sheet date to verify the data had been analysed correctly, and recalculated actual debtors days for transactions cleared against debtor balances in the year; and • We considered the results of our other audit procedures over trade receivables (for example review of post year end payments made by customers) for inconsistencies with the IFRS 9 models. We identified no material exceptions from the procedures noted above. Based on the results of our audit work we concluded that the provisions recorded were materially accurate, calculated in line with the requirements of IFRS 9.

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning (group) Refer to pages 66 to 72 (Risk management and Principal risks and uncertainties), pages 92 to 97 (Audit and Risk Committee report), Note 1 (Accounting Policies), Note 2 (Critical Accounting Estimates and Judgements) and Note 19 (Inventories). Inventory totalled £46.7 million as at 31 December 2023 (2022: £59.9 million) after provisions of £3.5 million (2022: £3.5 million). We focused on this area because the Directors' assessment of the recoverability of inventory involved subjective judgements. Specifically, the determination of inventory provisions for slow moving, obsolete and discontinued line items, reflecting the level of inventory held across the branch network and manufactured goods at the year end, requires the exercise of estimation.	Our audit procedures over the impairment of inventory consisted of: • We evaluated the design and implementation of controls around the inventory provisioning process; • We understood the Directors' methodology for calculating inventory provisions; • We reviewed the accuracy of past management estimates via look-back tests and movements in the provisions year on year; • Where inventory provisions were based upon historical sales data, we tested the underlying report to validate the data on which management's calculations were based; • We evaluated the Directors' assumptions over usage and validated historic usage which is then used to forecast future sales rates; • We attended physical inventory counts, conducted by management, to highlight any increased areas of concern, regarding excess / unused stock held at either the branches we visited or the manufacturing sites; • We performed sensitivity analysis on key variables within the obsolete inventory provision to assess reliance of the model on a particular variable; and • Where specific impairments were made, outside of the standard impairment reviews, we challenged management of the completeness and appropriateness of these additional amounts. Based on the results of our audit work, we concluded that provisions recorded were materially accurate and calculated in line with the requirements of IAS 2.
Inventory labour and overhead absorption (group) Refer to pages 66 to 72 (Risk management and Principal risks and uncertainties), pages 92 to 97 (Audit and Risk Committee report), Note 1 (Accounting Policies), Note 2 (Critical Accounting Estimates and Judgements) and Note 19 (Inventories). Inventory totalled £46.7 million as at 31 December 2023 (2022: £59.9 million). We focused on this area because the Directors' assessment of the absorption of labour and overhead costs into inventory involved subjective judgements.	Our audit procedures over the labour and overhead costs absorbed into inventory comprised: • We evaluated the design and implementation of labour and overhead inventory cost absorption controls; • We understood the nature of the costs that the Directors' absorbed into inventory and determined their appropriateness in line with IAS 2 'Inventories' ("IAS 2"); • We understood the approach taken to implement updated standard costing and determined that the assumptions and methods utilised were appropriate; • We recalculated inventory days to determine the level of labour and overheads absorbed into the finished goods products was appropriate; and • We tested, on a non-statistical sampling basis, the valuation and calculation of labour and overhead costs absorbed into inventory, agreeing cost categories to relevant support such as production volumes, plant energy rates and payslips. Based on the results of our audit work, we concluded that the amount of labour and overheads absorbed into inventory was materially accurate and calculated in line with the requirements of IAS 2.

Key audit matter	How our audit addressed the key audit matter
Impairment of intercompany investments and intercompany receivables (parent) Refer to Note 35 (Accounting Policies), Note 38 (Investments) and Note 39 (Trade and other receivables). The company has investments in subsidiary companies of £17.8 million (2022: £17.8 million) and intercompany receivables of £29.2 million (2022: £56.3 million). Material impairment to these could result in implications for future dividends.	We obtained management's impairment assessment regarding the investment's carrying value and management's IFRS 9 expected credit loss model in respect of the intercompany receivables. The recoverability of the investment's carrying value was based upon the same underlying data noted in other group calculations such as the going concern assessment and goodwill impairment model. We also noted that the market capitalisation of the group was c.£147 million as at 31 December 2023 which is significantly in excess of the parent company's total assets. We considered the IFRS 9 model and noted that a significant change in the key assumption (being the expected loss rate of 0.1%) would be required prior to a material impairment being noted. The amounts owed to the company were ultimately due from profitable subsidiaries, with sufficient net assets. We tested the integrity of the models and the validity of the key data inputs. No exceptions were noted in the performance of the above procedures. We therefore concluded that the investments and intercompany receivables were accounted for in line with IFRS 9 and IAS 36, with appropriate disclosures being made.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Eurocell operates in the market of the extrusion of UPVC (unplasticised polyvinyl chloride) window and building products to the new and replacement window market and the sale of building plastics materials. The Group has sites throughout the UK with its headquarters in Alfreton.

The business is managed as two primary divisions:

- Eurocell Building Plastics, focusing on sales and distribution across over 200 branches within the UK and 2 in Ireland to generally smaller scale customers; and
- Eurocell Profiles, focusing on manufacture and distribution to large-scale customers. This division includes the trading subsidiaries Eurocell Profiles Limited, Vista Panels Limited, and Ecoplas Limited.

Other than Vista Panels Limited, which has its own finance team, all finance and operational management functions are located at the Alfreton headquarters. Therefore all audit work, including work on components, was completed by a single Group audit team.

For the purposes of our audit of the group we considered components to be operations where there was discrete financial data maintained by management, including a separate trial balance. For the consolidated audit of Eurocell plc this related to the individual subsidiary companies; Eurocell Building Plastics Limited, with Eurocell Profiles Limited the statutory entity, being seen as two components (as S&S Plastics is now a division within Eurocell Profiles Limited but this component is out of scope).

A component was included within our full scope audit procedures, and considered to be a financially significant component, if it represented 15% or more of the reported underlying profit before taxation, measured on an absolute basis (as some entities act as cost centres, all results of components were added together and then if a component represented 15% or more of this total it was deemed a financially significant component) in either the current or prior year. There were two financially significant components (Eurocell Profiles Limited, excluding the S&S plastics division and Eurocell Building Plastics Limited). We then considered the entities which did not meet the financial significance criteria and in our judgement designated Eurocell plc company as a component where we would perform a full scope audit.

We then considered the remaining eight components to ascertain if further procedures would be required. Where these had an individual Financial Statement Line Item ("FSLI") that represented more than 15% of the consolidated FSLI and was individually above group planning materiality we included that specific FSLI within our scope of testing and performed audit procedures over this FSLI to group materiality. We then considered individual FSLIs where they represented less than 15% but were multiple times materiality. We used our judgement as to whether these balances would be in full audit scope. This resulted in FSLIs for three of the remaining components being in scope for large balance testing and a final combined coverage of 99% of the reporting consolidated revenues and 73% of the reported consolidated underlying profit before taxation on an absolute basis. For all other balances and/or components not considered for detailed testing, analytical review procedures were performed, to group materiality.

There were no specific components or areas included within our group audit scope due to specific risk factors.

Work was performed over the consolidation adjustments separately to the above scoping of components, due to the relative simplicity of the group and the nature of the consolidation (performed by the head office finance function with mainly UK operations). This was performed using group materiality.

For the Eurocell plc company audit the only material transactions and balances related to the intercompany investments (including amounts owed by subsidiary companies), the debt held by the Company, the related operating expenses and tax charges, and the share based payment charge. These were all included in the scope of our audit and tested using the company materiality by the group audit team.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Task Force on Climate-related Financial Disclosures ('TCFD') on page 50 to 61.

In addition to enquiries with management, we also:

- Read the governance processes in place to assess climate risk; and
- Read additional reporting made by the entity on climate including its sustainability section of the financial statements.

Management has made commitments to reduce the emissions and energy use and a target to be net zero by 2045 with a pathway to be developed and announced in 2024. Management are currently working to develop a Net Zero transition plan and align these targets to the 'Science Based Targets initiative' framework. These commitments do not directly impact any financial results at this stage as the impact of the net zero plan is expected to be in the medium to longer term. Management will formally model the impact once the pathway is developed.

The key areas of the financial statements where management evaluated that climate risk has a potentially significant impact are the disclosures and assessments relating to intangible assets and impairment particularly of goodwill. Using our knowledge of the business we evaluated management's risk assessment, its estimates and resulting disclosures where significant.

To respond to the audit risks identified in these areas we tailored our audit approach. In particular, we:

- Challenged management on how the impact of climate commitments made by the Group would impact the assumptions within the discounted cash flows prepared by management that are used in the Group's impairment analysis,
- Challenged whether the impact of climate risk in the Directors' assessments and disclosures of going concern and viability were consistent with management's climate impact assessment, and;
- Where appropriate, performed independent sensitivity analysis to determine to what extent reasonably possible changes in these assumptions could result in material changes to the impairment headroom and assessed the appropriateness of the associated disclosures.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	**Financial statements – company**
Overall materiality	£760,000 (2022: £1,400,000)	£481,000 (2022: £751,000)
How we determined it	5% of underlying profit before taxation	1% of total assets
Rationale for benchmark applied	We believe that underlying profit before tax is the key measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. In 2023 underlying profit before tax is £3.5m higher than reported profit before tax.	We believe that total assets is the primary measure used by the shareholders in assessing the financial position of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £408,000 and £712,500. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £570,000 (2022: £1,050,000) for the group financial statements and £360,000 (2022: £563,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £38,000 (group audit) (2022: £70,000) and £24,000 (company audit) (2022: £37,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Discussions with management and those charged with governance regarding the future plans and cash flow projections for the group. This included discussions around the forecast cash requirements and sufficiency of available facilities to deal with a severe but plausible downside to these projections;
- We obtained management's analysis and cash flow model. We checked the integrity of the model, that the base projections agreed to the approved budgets and were consistent with our work in other areas, for example the projections used in the impairment reviews;
- We considered the accuracy of management's forecasting in prior years by comparing actual to forecast cash flows in the past five years (i.e the period for which the senior management team has remained materially unchanged);
- We recalculated management's assessment of the impact of three downside scenarios (reduction in sales, increase in resin prices and a combination of these factors) on the forecast compliance with financial covenants and sufficiency of facilities/available cash;
- We considered the reported headroom on facilities at each month end for the review period;
- We have performed our own sensitivities to ascertain the levels of underperformance in each scenario required to breach the covenant facilities;
- We reviewed the debt facilities to ascertain if management had correctly factored in financial covenants to their model, including whether covenants were appropriately calculated at each measurement point and expected to be met during the assessment period (i.e. until 31 December 2026);
- We confirmed management's calculations of compliance with the covenants during 2023;
- We critically assessed the disclosures in relation to going concern compared to the evidence obtained above, our understanding of the group and the various requirements detailed within Company Law, the Listing Rules and accounting standards; and
- For the Eurocell plc company going concern assessment we reviewed management's analysis of the company cash flows, checked for consistency with the consolidated model (including the mathematical accuracy of the model), reviewed the committed cash outflows compared to the available funds (being cash reserves and forecast dividend receipts from subsidiaries), considered the sufficiency of management's assessment of head room and critically assessed the disclosures in note 35.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue, expenses or cash and management bias in accounting estimates and judgemental areas of the financial statements.

Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance around actual and potential frauds, litigations or claims against or by the company;
- Reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations;
- Auditing the risk of management override of controls, through testing journal entries (using our data analysis tools to confirm completeness of data) by adopting a risk based approach based on a detailed fraud assessment, testing significant accounting estimates (as defined in the notes to the financial statements) because of the risk of potential management bias, and evaluating the business rationale and accounting for any significant or unusual transactions outside the normal course of business;
- Auditing the risk of fraud in revenue recognition by using our data analysis tools to identify unusual credits to revenue for further investigation;
- Performing unpredictable audit procedures, which are changed year on year;
- Understanding of management's internal controls designed to prevent and detect irregularities; and
- Reviewing minutes of meetings of the Board of Directors.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations.

We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 29 April 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2015 to 31 December 2023.

OTHER MATTER

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

19 March 2024