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

1 ACCOUNTING POLICIES (GROUP)
Corporate information
Eurocell plc (the ‘Company’) and its subsidiaries (together the ‘Group’) is a publicly listed company incorporated and domiciled in England, United Kingdom. The registered office is located in England at the following address: Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT.

The Group is principally engaged in the extrusion and supply of PVC window and building products to the new and replacement window market and the sale of building materials across the UK.

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

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

The Group Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Financial Statements have been prepared under the historical cost convention, as modified by fair values in respect of acquisition accounting. The functional currency is Sterling, and the Financial Statements are presented in millions, unless otherwise stated.

The preparation of the Group Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 2.

Basis of consolidation
The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries at 31 December 2023 and present the results as if they formed a single entity. Where the Company has power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases. Intercompany transactions and balances, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

The Group’s functional currency is Sterling. The vast majority of the Group’s revenues are denominated in Sterling, and as a result the consolidation of non-UK revenues has minimal foreign exchange impact.

The Consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

All dormant subsidiaries prepare and file financial statements in accordance with Section 480 of the Companies Act 2006, which are filed with the registrar at Companies House.

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 on page 140.

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

In assessing going concern, the Directors have considered financial projections for the period to December 2025, which is consistent with the Board’s strategic planning horizon and reflects a period of at least 12 months from the date of approval of these 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 these Financial Statements.

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

The Group has applied the following amendments for the first time for the financial reporting period commencing 1 January 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)
- 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)
- 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.

Revenue

The Group manufactures and distributes a range of building plastic materials, along with associated ancillary products, via direct sales to its fabricator customers and through its branch network. Revenue is recognised when control of the products has transferred. Control is considered to have transferred once the customer has taken delivery of the products, or has collected them from the branch, has full discretion over the future use of those products, and where there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue is recognised when the goods are dispatched to, or collected by, the customer. Revenue is based upon the price specified on the customer's invoice, which is determined with reference to a price list specific to each customer or category of customers. A receivable is recognised on the transfer of the products, as this is the point at which consideration is deemed to be unconditional. There are no variable elements to the consideration received that require estimation. No significant element of financing is present as sales are made with a credit term of 30 days end of month, which is consistent with market practice.

Where costs are incurred by the Group in securing a contract to supply products, those costs, (subject to a de-minimis limit), are recognised as customer contract assets (within trade and other receivables) in the Consolidated Statement of Financial Position. The balance is amortised over the period in which revenue pertaining to those costs is recognised, which in the vast majority of cases is four years. Reviews are performed to assess expected credit losses and balances adjusted if necessary.

Due to the fact that the Group's customers typically collect or take delivery of products for immediate use in their intended purpose, the likelihood of items being returned is small. Therefore, it is highly probable that a significant reversal of revenue will not occur. The Group's obligations to repair or replace faulty manufactured products under the standard warranty terms is recognised as a provision, see Note 24.

Non-underlying items

The Group presents some material items of income and expense as non-underlying items. This is done when, in the opinion of the Directors, the nature of the circumstances merit separate presentation in the Financial Statements. This includes, but is not limited to, costs incurred in the act of securing debt or equity funding, non-recurring costs arising from business restructuring and expensed software-as-a-service costs incurred in the process of developing strategic IT systems (see Software on page 136).

This treatment allows users of the Financial Statements to better understand the elements of financial performance in the year, it facilitates comparison with prior periods, and it helps in understanding trends in financial performance. Further details are provided in Note 7.

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is initially measured at cost, being the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the acquisition date. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated Statement of Comprehensive Income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the Consolidated Statement of Comprehensive Income on the acquisition date.

Discontinued operations

A discontinued operation is a component of the Group that has either been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 12. All other notes to the Financial Statements include amounts for continuing operations, unless indicated otherwise.

Consideration received for the sale of a business is comprised of cash received upon completion plus deferred consideration. Deferred consideration is recognised as a receivable on completion of the sale when there are no performance criteria and the buyer is legally obliged to pay, therefore the cash is virtually certain to be received. Cash flows in relation to deferred consideration are classified as a cash flow from investing activities.

The sale of the Security Hardware business in 2022 met the criteria above as it was a separate major line of business of the Group as it is material and was an operating segment (part of the Building Plastics reported segment) and is therefore classified as a discontinued operation in the prior year.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. Useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Software	5 to 10 years	Cost to acquire
Technology-based	10 to 17 years	Cost to acquire
Customer-related	5 to 10 years	Cost to acquire
Marketing-related	10 to 15 years	Cost to acquire

The amortisation charge for the year is included within administration costs within the Consolidated Statement of Comprehensive Income.

Software

Costs associated with maintaining computer software programs are recognised as an expense in the underlying income statement as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products that are controlled by the Company are recognised as intangible assets, and amortised on a straight-line basis over their estimated useful lives. Any development costs that directly relate to software-as-a-service ('SaaS') arrangements are expensed as incurred unless the Company has control of the underlying SaaS software. Where expensed SaaS costs are incurred in the process of developing strategic IT systems, which for the avoidance of doubt comprises the Group's new Enterprise Resource Planning and HR Information Systems, such costs are classified as non-underlying items as they are material in size and not part of the normal costs of operating the business.

Impairment of tangible assets, intangible assets, right-of-use assets and investments

Impairment tests on non-current assets are undertaken annually at the financial year end or at any other time when an indication of impairment arises. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows – its cash-generating unit ('CGU'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Individual right-of-use lease property assets relating to the Group's branch network are also tested for impairment when an indication of impairment arises, such as a branch becoming loss-making. In considering individual branch performance, central overheads are allocated to each branch in proportion to sales.

Where it is considered probable that climate change will have a measurable and materially adverse impact on the future cash flows of a CGU or non-current asset, estimated cash flows and/or useful economic lives are reduced accordingly.

Impairment charges are included in the Consolidated Statement of Comprehensive Income, except to the extent they reverse gains previously recognised in Other Comprehensive Income. An impairment loss recognised for goodwill is not reversed.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Assets in the course of construction are not depreciated until they are in a condition that would allow them to be deployed in their intended use without further changes to their condition. Depreciation is provided on all other items of property, plant and equipment so as to write off their cost less residual value over their expected useful economic lives. It is provided at the following rates:

Asset class	Depreciation policy
Freehold property	2.5% per annum straight-line
Leasehold improvements	Equal instalments over the period of the lease
Plant and machinery	
Mixing plant	Between 20% and 25% per annum on cost
Extruders	13 years based on production usage
Stillages and tooling	5 to 10 years based on production usage
Other	Between 10% and 25% per annum on cost
Motor vehicles	Between 20% and 25% per annum on cost
Office equipment and fixtures	Between 20% and 25% per annum on cost

Right-of-use lease assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Discount rates are based on our external financing rate and then a lease specific adjustment is applied.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease. Leases are assessed for impairment based on value in use and impaired where this is below book value. Reversals of impairments can occur where assets are subsequently found to have further value in use.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes a proportion of attributable overheads.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred up to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Financial assets

The Group records all of its financial assets at amortised cost and has not classified any of its financial assets at fair value through profit and loss or other comprehensive income. The Group's financial assets comprise trade and other receivables and cash and cash equivalents in the balance sheet. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Customer rebates are offset against receivable amounts in line with the terms of the customer agreements.

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables.

Expected loss rates are derived based upon the payment profile of sales over the three-year period up to the reporting date, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income. Insured balances are excluded to the extent that no loss would arise in the event of default by the customer.

Where the adjusted loss rates are different from the original estimate, there is an impact on the carrying value of trade receivables and the amount credited or charged on a net basis to operating expenses within the Consolidated Statement of Comprehensive Income.

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from inception, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within current liabilities in the balance sheet.

Financial liabilities

The Group classifies its financial liabilities as financial liabilities measured at amortised cost which include the following items:

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

Taxation

Tax on the profit for both the current and prior periods comprises both current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates that have been enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

The Group recognises a current tax asset in respect of relief claimed under the Patent Box when the inflow of economic benefits arising from that asset is virtually certain, deemed to be the submission of a claim to HM Revenue and Customs.

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

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

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

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

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

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

Lease liabilities

The Group leases certain properties, vehicles and material handling equipment. The Group has no leases previously classified as finance leases. Liabilities for leases previously classified as operating leases have been measured in accordance with IFRS 16 using the modified retrospective approach.

In applying IFRS 16, the Group has taken advantage of a number of practical expedients permitted by the standard:

- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments as to whether leases are onerous
- Accounting for leases with a remaining term of less than 12 months as short-term leases
- The exclusion of initial direct costs in measuring the right-of-use asset at the date of initial application.

Leases with a remaining term of less than 12 months have been accounted for as short-term leases. Leased assets with a value of less than £5,000 are omitted on the basis of materiality.

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leases with a value of less than £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is calculated based upon a combination of the risk-free rate, financing and asset-specific credit spreads, adjusted for the term of each lease.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The principal and finance elements of lease payments are presented separately on the face of the Consolidated Cash Flow Statement within financing activities.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

The Group has recognised provisions for liabilities of uncertain timing or amount in respect of leasehold dilapidations and warranty claims. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate as described above.

Dilapidations provisions are recognised in two ways. Firstly, known specific obligations relating to repairs required or structural changes made to a building are recognised as soon as the timing and amount of the liability can be reliably estimated. Secondly, wear and tear provisions relating to the Group's branches are accrued at a standard rate over the life of each lease, reflecting the cost of returning each branch to its prior condition at the end of the lease.

Share capital

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

Treasury shares

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

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

1 ACCOUNTING POLICIES (GROUP) CONTINUED

Dividends

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

Retirement benefits: defined contribution scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. The Group has no obligation to pay future pension benefits.

Foreign currency

The Group's Financial Statements are presented in Sterling. For each entity, the Group determines the functional currency, and items included in the Financial Statements of each entity are measured using that functional currency.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the prevailing rate when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Consolidated Statement of Comprehensive Income.

Share-based payment transactions

The Group has applied the requirements of IFRS 2 Share-based Payment.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is determined at the grant date using the Black-Scholes valuation model and equity-settled share-based payments are expensed on a straight-line basis over the vesting period, based upon the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured based on the value of options over shares on the date of grant and the likelihood of all or part of the option vesting.

Alternative performance measures

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

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

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

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

	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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements.

Critical estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of trade receivables

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables. Expected loss rates are derived based upon the payment profile of sales over the three-year period up to the reporting date, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income.

Where the adjusted loss rates are different from the original estimate, there is an impact on the carrying value of trade receivables and the amount credited or charged on a net basis to operating expenses within the Consolidated Statement of Comprehensive Income. The key judgement is the extent to which macroeconomic factors impact upon the recoverability of trade receivables. The key estimate is the adjusted loss rate applied to each age category.

If loss rates for current receivables were, on average, 600 basis points higher than current estimates, the provision for impairment would increase by approximately £770,000. Further disclosures relating to trade receivables are provided in Note 20.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Market risk
- Foreign exchange risk
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group does not consider there to be any significant concentration of risk. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Financial Statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

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

The Group finances its activities using cash generated from operations and its Revolving Credit Facility. It does not use invoice discounting or any other financing facilities. The fair value for cash and cash equivalents is approximate to its book value.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Principal financial instruments continued

A summary of the financial instruments held by category is provided below:

Financial assets	2023 £m	2022 £m
Cash and cash equivalents	**0.4**	5.1
Deferred consideration	**–**	0.8
Trade and other receivables	**35.1**	40.2
Total financial assets	**35.5**	46.1

Financial liabilities	2023 £m	2022 £m
Trade and other payables	**39.6**	45.0
Lease liabilities	**58.6**	63.7
Borrowings	**–**	21.0
Total financial liabilities	**98.2**	129.7

The analysis above does not correspond to the values reported in the Consolidated Statement of Financial Position as excluded from the analysis above are assets and liabilities from which no future cash flows are expected to arise, including rent-free periods on leased properties, and unamortised arrangement costs relating to the Group's borrowings.

Impairment of financial assets

Impairments of trade receivables are outlined in Note 20. No further impairments to financial assets are considered necessary. The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. These are then discussed at regular Board meetings.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk through its trade receivables arising from its normal commercial activities. It is Group policy, implemented locally, to assess the credit risk of new customers before entering into contracts.

Existing credit risks associated with trade receivables are managed in line with Group policies as discussed in the financial assets section of accounting policies. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This risk is mitigated by ensuring that deposits are only made with banks and financial institutions with a good rating issued by an industry-recognised independent third party (e.g. Standard and Poor's).

Further disclosures regarding financial assets are provided in Note 20.

Market risk

The Group is exposed to market risk from bank borrowings which incur variable interest rate charges linked to base rate plus a margin. The Group's objective is to manage the interest cost of the Group within the constraints of its financial covenants and forecasts. It does this through regular reporting and monitoring of operating cash flows, effective working capital management and close controls over the authorisation of capital expenditure.

If variable interest rates were 175 basis points higher/lower, the Group's finance expense would increase/decrease by £250,000.

During 2023 and 2022, the Group's borrowings at variable rate were denominated in Sterling. Further disclosures relating to bank borrowings are provided in Note 21.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of a financial instrument or future cash flow will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group manages its exposure to fluctuations in currency rates by wherever possible negotiating both purchases and sales to be denominated in Sterling. The profit or loss arising from likely changes in foreign exchange is not significant.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, cash flow forecasts are prepared and updated on a regular basis to ensure that the Group has adequate headroom in its facilities. The Board receives monthly updates on the Group's liquidity position and any issues are reported by exception.

At the end of the financial year, the most recent cash flow projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably foreseeable circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

At 31 December 2023	**Total**	**Up to 3 months £m**	**Between 3 and 12 months £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Trade and other payables	**39.6**	**39.6**	**—**	**—**	**—**	**—**
Lease liabilities	**64.2**	**4.6**	**9.8**	**8.4**	**25.8**	**15.6**
Borrowings	**—**	**—**	**—**	**—**	**—**	**—**
Total	**103.8**	**44.2**	**9.8**	**8.4**	**25.8**	**15.6**

At 31 December 2022	Total	Up to 3 months £m	Between 3 and 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables	45.0	45.0	—	—	—	—
Lease liabilities	69.6	3.6	10.7	13.1	23.0	19.2
Borrowings	21.0	—	—	—	21.0	—
Total	135.6	48.6	10.7	13.1	44.0	19.2

Excluded from the analysis above are assets and liabilities from which no future cash flows are expected to arise.

Capital management

The Group's objective when managing capital, which is deemed to be total equity plus total debt and which was £172.9 million (2022: £198.9 million) at the balance sheet date, is to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance, and to maintain good headroom on its debt facilities and financial covenants. The Group manages its capital structure and makes appropriate decisions in the light of current economic conditions and its strategic objectives.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain the future development of the business.

The funding requirements of the Group are met by the utilisation of external borrowings together with available cash.

A key objective of the Group's capital management is to maintain comfortable headroom over the covenants set out in its existing facility agreements.

The financial covenants which are in place, all measured on a pre-IFRS 16 basis, are as follows:

- Leverage: the ratio of total net debt to consolidated adjusted EBITDA of any relevant period of not more than 3:1
- Interest cover: the ratio of adjusted EBITDA to net interest payable in respect of any relevant period of not less than 4:1.

Covenants are measured at half year and year end on a rolling 12-month basis. As at 31 December 2023, Leverage and Interest Cover were 0.0:1 and 20:1 respectively (2022: 0.4:1 and 25:1). The Group operated well within the terms of its covenants throughout the current and prior periods. The Group anticipates that it will comfortably meet all future covenant obligations.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Capital management continued

The following table sets out the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date:

	As at 31 December 2023			
	GBP £m	EUR £m	USD £m	Total £m
Trade and other receivables	**35.0**	**0.1**	**—**	**35.1**
Cash and cash equivalents	**0.4**	**—**	**—**	**0.4**
Lease liabilities	**(58.2)**	**(0.4)**	**—**	**(58.6)**
Trade and other payables	**(39.0)**	**(0.6)**	**—**	**(39.6)**
	(61.8)	**(0.9)**	**—**	**(62.7)**

	As at 31 December 2022			
	GBP £m	EUR £m	USD £m	Total £m
Trade and other receivables	40.0	0.2	—	40.2
Cash and cash equivalents	4.8	0.3	—	5.1
Deferred consideration	0.8	—	—	0.8
Lease liabilities	(63.5)	(0.2)	—	(63.7)
Other interest-bearing borrowings	(21.0)	—	—	(21.0)
Trade and other payables	(44.7)	(0.3)	—	(45.0)
	(83.6)	—	—	(83.6)

4 REVENUE

Revenue arises from:

	2023 £m	2022 £m
Sale of goods	**364.5**	381.2

External revenue by destination:

	2023 £m	2022 £m
United Kingdom	**359.3**	376.6
European Union	**4.1**	4.0
Rest of World	**1.1**	0.6
	364.5	381.2

There are no customers with sales in excess of 10% of total Group revenues.

Revenue is disclosed net of contract asset amortisation and related expenses in the year of £1.5 million (2022: £1.3 million). Further details are provided in Note 20.

5 AUDITORS' REMUNERATION

Total amounts payable to the Group's auditors were as follows:

	2023 £000	2022 £000
Audit of these Financial Statements	**100**	100
Amounts receivable by auditors and their associates in respect of:		
Audit of Financial Statements of subsidiaries pursuant to legislation	**238**	232
Audit-related assurance services	**70**	65
	408	397

6 EXPENSES BY NATURE

	2023 £m	2022 £m
Depreciation of property, plant and equipment (Note 15)	**9.3**	8.8
Depreciation of right-of-use assets (Note 16)	**13.7**	13.3
Amortisation of intangible assets (Note 17)	**1.7**	1.8
Impairment of property, plant and equipment and right-of-use assets	**0.3**	0.6
Other non-underlying operating expenses	**3.2**	1.6
Cost of inventories	**169.5**	181.8
Other variable costs	**21.2**	14.9
Employee benefits expense (Note 8)	**85.2**	84.9
Short-term lease rentals	**2.0**	2.2
Other expenses	**43.9**	43.3
Total cost of sales, distribution costs and administration expenses	**350.0**	353.2

7 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 (see Note 1).

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.

8 EMPLOYEE BENEFITS EXPENSE

	2023 £m	2022 £m
Staff costs (including Directors) comprise:		
Wages and salaries	**73.7**	74.2
Share-based payments	**0.8**	(0.2)
Social security costs	**8.0**	8.2
Other pension costs	**2.7**	2.7
	85.2	84.9

The average monthly number of employees, including Directors, during the year was as follows:

	2023 No.	2022 No.
Production	**767**	789
Office and administration	**426**	459
Distribution	**908**	1,002
	2,101	2,250

Key management personnel compensation and Directors' remuneration

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

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

Directors' remuneration is set out in the Remuneration Report on pages 98 to 115. As stated, Mark Kelly retired and was replaced as Chief Executive by Darren Waters in May 2023. The highest paid Director received remuneration of £412,000 (2022: £857,000).

During the year, retirement benefits were accruing to three Directors in respect of defined contribution pension schemes (2022: two). The value of contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £15,000 (2022: £47,000).

During the current year, 316,184 share options were exercised by Directors of the Group (2022: nil). No options were exercised by the highest paid Director (2022: nil).

During the year, no long-term benefits were issued, nor any termination payments made.

The Group's policy for consulting with, sharing information with, and encouraging the involvement of employees is discussed on pages 77 to 86.

9 SEGMENTAL INFORMATION

The Group organises itself into a number of operating segments that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Internal reporting provided to the chief operating decision-maker, which has been identified as the executive management team including the Chief Executive 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 on an arms' length basis and relate to manufactured products distributed by the Building Plastics division.

	Profiles 2023 £m	**Building Plastics 2023 £m**	**Corporate 2023 £m**	**Total 2023 £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**

	Profiles 2022 £m	Building Plastics 2022 £m	Corporate 2022 £m	Total 2022 £m
Revenue				
Total revenue	234.0	219.8	—	453.8
Inter-segmental revenue	(72.3)	(0.3)	—	(72.6)
Total revenue from external customers	161.7	219.5	—	381.2
Adjusted EBITDA	32.7	21.0	1.5	55.2
Amortisation of intangible assets	—	—	(1.8)	(1.8)
Depreciation of property, plant and equipment	(7.0)	(1.1)	(0.7)	(8.8)
Depreciation of right-of-use assets	(5.5)	(7.7)	(0.1)	(13.3)
Adjusted operating profit/(loss)	20.2	12.2	(1.1)	31.3
Non-underlying operating expenses	(0.9)	(1.3)	—	(2.2)
Operating profit/(loss)	19.3	10.9	(1.1)	29.1
Finance expense				(2.9)
Profit before tax from continuing operations				26.2

9 SEGMENTAL INFORMATION CONTINUED

	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**	**223.8**
Segment liabilities	**(53.3)**	**(43.7)**	**(4.5)**	**(101.5)**
Borrowings				**—**
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*	**2.0**	**—**	1.9	—
Total	**364.5**	**130.8**	381.2	138.3

* The net book value of non-current assets in the Republic of Ireland was less than £50,000 in both years.

10 FINANCE EXPENSE

	2023 £m	2022 £m
Finance expense		
Bank borrowings	**1.4**	1.2
Interest on lease liabilities	**1.8**	1.4
Underlying finance expense	**3.2**	2.6
Non-underlying finance expense (Note 7)	**—**	0.3
Total finance expense	**3.2**	2.9

11 TAXATION

	2023 £m	2022 £m
Current tax expense		
Current tax on profits for the year	**2.0**	3.2
Adjustments 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**	—
Adjustment 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

11 TAXATION CONTINUED

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

	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.

12 LOSS AFTER TAX FROM DISCONTINUED OPERATIONS

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

The results of the business for the prior year are presented below:

	Year ended 31 December 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 operation	(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

12 LOSS AFTER TAX FROM DISCONTINUED OPERATIONS CONTINUED

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 operation	**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)

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, 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

	2023 No.	2022 No.
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

	2023 Pence	2022 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

14 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 per share (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

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £m	Leasehold improvements £m	Plant and machinery £m	Motor vehicles £m	Office equipment and fixtures £m	Assets under construction £m	Total £m
Cost							
Balance at 1 January 2022	9.0	0.1	54.8	0.4	—	12.2	76.5
Additions	—	—	2.0	—	—	10.0	12.0
Disposals	(0.1)	—	(1.6)	—	—	—	(1.7)
Disposal of business	—	—	(0.3)	(0.1)	(0.1)	(0.1)	(0.6)
Transfers	0.1	(0.1)	14.2	0.8	0.1	(16.1)	(1.0)
Balance at 31 December 2022	**9.0**	**—**	**69.1**	**1.1**	**—**	**6.0**	**85.2**
Additions	**—**	**—**	**1.7**	**0.3**	**—**	**6.8**	**8.8**
Disposals	**—**	**—**	**(2.2)**	**(0.2)**	**—**	**(0.4)**	**(2.8)**
Transfers	**—**	**—**	**4.5**	**—**	**—**	**(5.4)**	**(0.9)**
Balance at 31 December 2023	**9.0**	**—**	**73.1**	**1.2**	**—**	**7.0**	**90.3**
Accumulated depreciation and impairment							
Balance at 1 January 2022	1.7	—	15.5	0.1	—	—	17.3
Charge for the year	0.3	—	8.4	0.1	—	—	8.8
Impairment charges	—	—	0.2	—	—	—	0.2
Disposals	(0.1)	—	(1.6)	—	—	—	(1.7)
Disposal of business	—	—	(0.1)	(0.1)	—	—	(0.2)
Transfers	(0.1)	—	(1.6)	0.8	—	—	(0.9)
Balance at 31 December 2022	**1.8**	**—**	**20.8**	**0.9**	**—**	**—**	**23.5**
Charge for the year	**0.3**	**—**	**8.9**	**0.1**	**—**	**—**	**9.3**
Impairment charges	**—**	**—**	**0.2**	**—**	**—**	**—**	**0.2**
Disposals	**—**	**—**	**(2.2)**	**(0.2)**	**—**	**—**	**(2.4)**
Transfers	**—**	**—**	**(0.2)**	**—**	**—**	**—**	**(0.2)**
Balance at 31 December 2023	**2.1**	**—**	**27.5**	**0.8**	**—**	**—**	**30.4**
Net book value							
At 31 December 2023	**6.9**	**—**	**45.6**	**0.4**	**—**	**7.0**	**59.9**
At 31 December 2022	7.2	—	48.3	0.2	—	6.0	61.7

Included within freehold property is non-depreciable land of £2.3 million (31 December 2022: £2.3 million).

There is no restriction of title, nor equipment pledged as security for liabilities included with Property, Plant and Equipment.

16 RIGHT-OF-USE ASSETS

	Leasehold improvements £m	Motor vehicles £m	Office equipment and fixtures £m	Total £m
Cost				
Balance at 1 January 2022	62.6	22.0	0.1	84.7
Additions	13.2	5.7	—	18.9
Disposals	(5.7)	(3.2)	—	(8.9)
Disposal of business	(0.7)	—	—	(0.7)
Reclassification	(1.0)	(0.1)	(0.1)	(1.2)
Balance at 31 December 2022	**68.4**	**24.4**	**—**	**92.8**
Additions	**4.6**	**4.7**	**0.3**	**9.6**
Disposals	**(2.7)**	**(4.1)**	**—**	**(6.8)**
Balance at 31 December 2023	**70.3**	**25.0**	**0.3**	**95.6**
Accumulated depreciation and impairment				
Balance at 1 January 2022	19.6	10.3	—	29.9
Charge for the year	8.2	5.1	—	13.3
Impairment charges	0.2	0.2	—	0.4
Disposals	(5.7)	(3.2)	—	(8.9)
Disposal of business	(0.4)	—	—	(0.4)
Reclassification	(0.2)	(1.0)	—	(1.2)
Balance at 31 December 2022	**21.7**	**11.4**	**—**	**33.1**
Charge for the year	**8.7**	**4.9**	**0.1**	**13.7**
Impairment charges	**—**	**0.1**	**—**	**0.1**
Disposals	**(2.8)**	**(3.6)**	**—**	**(6.4)**
Balance at 31 December 2023	**27.6**	**12.8**	**0.1**	**40.5**
Net book value				
At 31 December 2023	**42.7**	**12.2**	**0.2**	**55.1**
At 31 December 2022	46.7	13.0	—	59.7

See Note 23 for details of lease liabilities.

17 INTANGIBLE ASSETS

	Software £m	Technology-based £m	Customer-related £m	Marketing-related £m	Goodwill £m	Total £m
Cost						
Balance at 1 January 2022	3.5	1.6	7.5	6.3	16.8	35.7
Additions	0.3	—	—	—	—	0.3
Transfers	(0.1)	—	—	0.2	—	0.1
Disposal of business	—	—	(0.5)	—	(0.2)	(0.7)
Balance at 31 December 2022	**3.7**	**1.6**	**7.0**	**6.5**	**16.6**	**35.4**
Additions	**0.1**	**—**	**—**	**—**	**—**	**0.1**
Transfers	**0.7**	**—**	**—**	**—**	**—**	**0.7**
Disposals	**(1.0)**	**(0.1)**	**—**	**(0.2)**	**—**	**(1.3)**
Balance at 31 December 2023	**3.5**	**1.5**	**7.0**	**6.3**	**16.6**	**34.9**
Accumulated amortisation						
Balance at 1 January 2022	1.7	0.8	5.8	3.0	5.8	17.1
Charge for the year	0.4	0.1	0.8	0.5	—	1.8
Disposal of business	—	—	(0.4)	—	—	(0.4)
Transfers	(0.1)	—	(0.1)	0.2	—	—
Balance at 31 December 2022	**2.0**	**0.9**	**6.1**	**3.7**	**5.8**	**18.5**
Charge for the year	**0.4**	**0.1**	**0.7**	**0.5**	**—**	**1.7**
Disposals	**(0.8)**	**(0.1)**	**—**	**(0.2)**	**—**	**(1.1)**
Balance at 31 December 2023	**1.6**	**0.9**	**6.8**	**4.0**	**5.8**	**19.1**
Net book value						
At 31 December 2023	**1.9**	**0.6**	**0.2**	**2.3**	**10.8**	**15.8**
At 31 December 2022	1.7	0.7	0.9	2.8	10.8	16.9

The 2022 disposal of business is in relation to the disposal of the Security Hardware goodwill and customer-related intangible assets with a net book value of £0.3m.

Included within customer-related and marketing-related intangible assets are the acquired intangibles in relation to the acquisition of Vista Panels in 2016, which have a combined carrying value of £0.4 million (2022: £0.8 million) and a remaining amortisation period of one year.

There are no internally-generated intangible assets.

18 IMPAIRMENT

For the purpose of impairment testing, goodwill is allocated to Cash Generating Units ('CGUs') as follows:

	2023 £m	2022 £m
Eurocell Building Plastics	**5.1**	5.1
Eurocell Profiles	**3.3**	3.3
Recycling	**—**	—
Vista Panels	**2.2**	2.2
S&S Plastics	**0.2**	0.2
	10.8	10.8

CGUs are determined with reference to the smallest identifiable groups of assets that generate cash flows independently of other groups of assets, with reference to the business or product sectors in which they operate and CGUs are smaller than the disclosed segments.

18 IMPAIRMENT CONTINUED

In January 2023 there was a change to how CGU performance was presented to the chief operating decision-maker which reported the recycling operations as a separate CGU. At the point this change was made there was no Goodwill held in this CGU and an impairment test was performed and concluded that no impairment was required.

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

The key assumptions in preparing these forecasts are in line with the Group's published strategy, which includes continuing to open new branches, developing new products and increasing the use of recycled materials.

The cash flow forecasts take into consideration the factors in relation to climate change as discussed in the Sustainability Report section of the Strategic Report on pages 32 to 49. Management has considered the impact of a rise in global temperatures of 2.0 degrees Celsius. In conclusion, the Group believes the impact on cash flows would be broadly neutral, on the basis that any negative impact of the transition to a low-carbon society would be offset by both the increased recycling of PVC windows and Government legislation to reduce emissions through the replacement of old windows with newer windows with better thermal qualities (such as the Future Homes Standard), both long-term drivers of growth for the business. The Group continues to replace and upgrade its fleet of extruders and vehicles as part of its normal maintenance capex cycle, and therefore does not anticipate any risk of asset obsolescence or significant additional costs in this scenario.

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

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

The period on which management-approved forecasts are based is consistent with the Board's strategic planning timeframe. The discount rate reflects an estimate of the Group's pre-tax Weighted Average Cost of Capital, based on past experience and sector-weighted assumptions. The profit growth rate in perpetuity is consistent with the average annual growth in UK Gross Domestic Product between 1990 and 2019 (source: Office for National Statistics).

Goodwill is considered to have an indefinite useful life.

The Group assessed the recoverable amount in respect of goodwill for each CGU to be greater than the carrying amount and therefore no impairment arises. No reasonably possible change in assumptions would result in an impairment for these CGUs.

Sensitivities

The following sales reduction or discount rate increase sensitivities would reduce headroom on each CGU to nil:

	2023		2022	
	2023 Sales	**Discount rate**	2022 Sales	Discount rate
Eurocell Building Plastics	**77%**	**40%**	90%	46%*
Eurocell Profiles	**74%**	**37%**	55%	19%
Vista Panels	**84%**	**49%**	93%	76%
S&S Plastics	**31%**	**16%**	70%	23%*

* Prior year discount rates have been re-presented.

19 INVENTORIES

	2023 £m	2022 £m
Raw materials	**7.3**	7.3
Work in progress	**3.7**	2.4
Finished goods and goods for resale	**35.7**	50.2
	46.7	59.9

All inventories are carried at cost less a provision to take account of slow-moving and obsolete items. At 31 December 2023 the inventory provision amounted to £3.5 million (2022: £3.5 million).

20 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade receivables	**38.6**	43.5
Less: provision for impairment of trade receivables	**(1.2)**	(1.8)
Less: provision for rebates payable	**(2.3)**	(1.5)
Net trade receivables	**35.1**	40.2
Contract assets	**1.9**	0.7
Prepayments	**7.9**	8.6
Other receivables	**0.4**	0.5
Total trade and other receivables	**45.3**	50.0

Trade receivables are non-interest-bearing and are generally on 30 days' credit. The fair values of trade and other receivables classified as financial assets are not materially different to their carrying values.

Contract assets are amortised over the period in which revenue pertaining to those costs is recognised, which in the vast majority of cases is four years. Additions of £1.8 million were recognised during the year (2022: £0.8 million), and amounts amortised against revenue were £0.6 million (2022: £0.5 million).

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all financial assets. In measuring expected credit losses for trade receivables, receivables have been grouped based on shared characteristics and days past due. Insured balances are excluded to the extent that no loss would arise in the event of default by the customer. Contract assets are assessed for impairment on a customer-by-customer basis following the application of the expected credit losses to the trade receivables.

Expected loss rates are derived based upon the payment profile of sales over a three-year period before 31 December 2023, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, GDP, the rate of unemployment, new housing starts, interest rates and household disposable income.

The closing loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables		Contract assets	
	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	**1.8**	2.6	**—**	—
Charged during the year	**0.5**	0.3	**—**	—
Released during the year	**(0.4)**	—	**—**	—
Receivables written off during the year as uncollectible	**(0.7)**	(1.1)	**—**	—
At 31 December	**1.2**	1.8	**—**	—

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

20 TRADE AND OTHER RECEIVABLES CONTINUED

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The rate of expected loss has continued to decrease as payment patterns return to normal following the disruption of the global pandemic and its after-effects. The rate has now returned to historical levels.

At 31 December 2023	Current £m	More than 30 days past due £m	More than 60 days past due £m	More than 90 days past due £m	More than 120 days past due £m	Total £m
Expected loss rate	**1%**	**12%**	**48%**	**81%**	**74%**	**3%**
Gross carrying amount – trade receivables	**35.7**	**1.6**	**0.4**	**0.1**	**0.8**	**38.6**
Gross carrying amount – contract assets	**1.9**	**—**	**—**	**—**	**—**	**1.9**
Loss allowance	**0.1**	**0.2**	**0.2**	**0.1**	**0.6**	**1.2**

At 31 December 2022	Current £m	More than 30 days past due £m	More than 60 days past due £m	More than 90 days past due £m	More than 120 days past due £m	Total £m
Expected loss rate	1%	8%	39%	74%	52%	4%
Gross carrying amount – trade receivables	36.0	5.3	0.6	0.3	1.3	43.5
Gross carrying amount – contract assets	0.7	—	—	—	—	0.7
Loss allowance	0.2	0.4	0.2	0.3	0.7	1.8

21 BORROWINGS

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

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

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

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

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

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

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

All of the Group's borrowings are denominated in Sterling. Details of the Company's banking covenants are given in Note 3.

The analysis of repayments on the combined borrowings is as follows:

	2023 £m	2022 £m
Within one year or repayable on demand	**—**	—
Between one and two years	**—**	—
Between two and five years	**—**	21.0
	—	21.0

22 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Current liabilities		
Trade payables	**29.0**	33.9
Other tax and social security	**6.0**	6.4
Other payables	**0.8**	1.1
Accruals and deferred income	**5.8**	6.0
Total current trade and other payables	**41.6**	47.4

Book values approximate to fair value at 31 December 2023 and 31 December 2022.

23 LEASE LIABILITIES

	2023 £m	2022 £m
Lease liabilities		
Current	**12.9**	13.0
Non-current	**45.7**	50.7
Total discounted lease liabilities at 31 December	**58.6**	63.7

	2023 £m	2022 £m
Maturity analysis		
— Less than one year	**14.4**	14.3
— One to five years	**34.2**	36.1
— More than five years	**15.6**	19.2
Total undiscounted lease liabilities at 31 December	**64.2**	69.6

	2023 £m	2022 £m
Finance expense		
Interest on lease liabilities	**1.8**	1.4

See Note 16 for details of right-of-use assets.

24 PROVISIONS

	Dilapidations and environmental provisions £m	Warranty provisions £m	Total £m
At 1 January 2022	1.2	0.3	1.5
Charged/(credited) to Statement of Comprehensive Income	0.1	(0.3)	(0.2)
Utilised	(0.1)	—	(0.1)
At 31 December 2022	1.2	—	1.2
Charged to Statement of Comprehensive Income	0.1	—	0.1
Utilised	—	—	—
At 31 December 2023	**1.3**	**—**	**1.3**
Current	0.2	—	0.2
Non-current	1.1	—	1.1
At 31 December 2023	**1.3**	**—**	**1.3**

Dilapidations and environmental provisions

Under property lease agreements, the Group has obligations to maintain all properties to the standard that prevailed at the inception of the respective leases. The provision represents the Directors' best estimate of the costs associated with this obligation.

The timing of the utilisation of the provision is variable dependent on the lease expiry dates of the properties concerned, which vary between one and ten years. Based on the lease expiry date, 34% of the provision would be utilised in less than one year, however we predominately remain in existing locations with refurbishments carried out.

Warranty provisions

The Group makes provision to cover known potential warranty issues. The provision represents the Directors' best estimate of the costs associated with this obligation. The timing of the utilisation is variable depending on the circumstances of each individual claim under warranty.

25 DEFERRED TAX

The movement in the net deferred tax liability is as follows:

	2023 £m	2022 £m
At 1 January	**(6.8)**	(6.6)
Charged to Statement of Comprehensive Income	**(1.2)**	(0.2)
At 31 December	**(8.0)**	(6.8)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered. There are no unrecognised deferred tax assets. The vast majority of the deferred tax liability is expected to unwind over a period of greater than one year.

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

	Asset 2023 £m	Liability 2023 £m	Net 2023 £m	Statement of Comprehensive Income 2023 £m	Equity 2023 £m
Accelerated capital allowances/intangible fixed assets	**—**	**(8.5)**	**(8.5)**	**(1.1)**	**—**
Other temporary differences	**0.5**	**—**	**0.5**	**(0.1)**	**—**
Net tax assets/(liabilities)	**0.5**	**(8.5)**	**(8.0)**	**(1.2)**	**—**

	Asset 2022 £m	Liability 2022 £m	Net 2022 £m	Statement of Comprehensive Income 2022 £m	Equity 2022 £m
Accelerated capital allowances/intangible fixed assets	—	(7.4)	(7.4)	(0.2)	—
Other temporary differences	0.6	—	0.6	—	—
Net tax assets/(liabilities)	0.6	(7.4)	(6.8)	(0.2)	—

Amounts within other comprehensive income due to be settled in greater than one year are not material and therefore no further disclosure has been provided. Other temporary differences relate to the tax impact of share-based payment transactions and tax losses deemed to be recoverable in future periods.

26 SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND TREASURY SHARES

	Allotted, called up and fully paid	
	2023 Number	2022 Number
Ordinary shares of £0.001 each	**112,095,184**	112,095,184

	2023 £m	2022 £m
Ordinary shares of £0.001 each	**0.1**	0.1
Share premium account	**22.2**	22.2

As at 31 December 2023, there were 186,825,184 shares authorised for issue. The ordinary shares carry the rights to attend and vote at general meetings, the right to receive payment in respect of dividends declared and the right to participate in the distribution of capital. The ordinary shares are not redeemable.

Treasury shares

	Number of shares	**£m**
Balance at 1 January 2022 and 1 January 2023	**—**	**—**
Acquisition of shares by the Employee Benefit Trust	**(650,000)**	**(0.7)**
Deferred shares issued under the DSP scheme	**229,901**	**0.2**
Shares issued under the PSP scheme	**367,005**	**0.4**
Balance at 31 December 2023	**(53,094)**	**(0.1)**

Where any group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity as treasury shares until the shares are cancelled or reissued. Where shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

The Group issued no new shares (2022: 101,838 new shares) in respect of its Save As You Earn sharesave scheme, in the process receiving consideration from employees of £nil (2022: £0.2 million). The consideration received above the nominal value of the shares issued has been recorded as share premium.

During the year, no new shares (2022: nil) were issued in respect of share-based payment transactions for Directors and none (2022: 20,000) were issued in respect of share-based payment transactions for other key management personnel.

The 2023 shares issued in respect of share-based payment transactions were all issued from treasury shares.

27 SHARE-BASED PAYMENTS

The Group enters into equity-settled payment transactions with its employees. For the year ended 31 December 2023, the charge was £0.8 million (2022: credit of £0.2 million). A corresponding credit/charge to equity is recognised in the share-based payment reserve. On exercise of options, balances are removed from the share-based payment reserve with corresponding entries made to share premium, retained earnings and cash. The balance on the share-based payment reserve at 31 December 2023 was £0.9 million (2022: £0.9 million).

27(a) Employee Save As You Earn Scheme

Each year all employees have the right to participate in a Save As You Earn ('SAYE') scheme. Employees may make monthly contributions of up to £500, the proceeds being aggregated and then used to purchase ordinary shares at the end of the three year vesting period. The cost to the participants is set at the inception of the scheme, with the balance being funded by the Company. Typically, participants are offered a discount on the share price at the date of issuance.

Set out below are summaries of options granted under the plan:

	2023		2022	
	Average exercise price per share option £	**Number of options No.**	Average exercise price per share option £	Number of options No.
As at 1 January	**1.758**	**1,890,102**	1.817	2,005,503
Granted during the year	**1.103**	**2,151,517**	1.720	857,490
Exercised during the year	**—**	**—**	1.920	(101,838)
Forfeited during the year	**1.576**	**(1,443,093)**	1.836	(871,053)
As at 31 December	**1.317**	**2,598,526**	1.758	1,890,102
Vested and exercisable at 31 December		**—**		—

There were no options exercised during the year ended 31 December 2023.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	**31 December 2023 No.**	31 December 2022 No.
1 June 2020	1 June 2023	1.720	**297,220**	459,795
1 June 2021	1 June 2024	1.832	**264,704**	649,413
1 June 2022	1 June 2025	1.720	**292,261**	780,894
1 June 2023	1 June 2026	1.108	**1,744,341**	—
As at 31 December			**2,598,526**	1,890,102
Weighted average contractual life of options outstanding at end of year			**1.82 years**	1.59 years

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2023 was £0.21 per option. The fair value at the grant date is determined using a form of the Black-Scholes model.

The model inputs for options granted during the year ended 31 December 2023 included:

	2023
Options are granted for the consideration set at the inception of the scheme	
Exercise price	**1.108**
Grant date	**14 April 2023**
Expiry date	**31 May 2026**
Share price at grant date	**1.325**
Expected price volatility of the Company's shares	**20.0%**
Expected dividend yield	**4.0%**
Risk-free interest rate	**1.0%**

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

27(b) Deferred Share Plan

Annual Bonus Plan outcomes can be paid in a mix of cash and deferred shares granted under the Company's Deferred Share Plan ('DSP'), following the determination of achievement against performance measures and targets. Performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Remuneration Committee considers appropriate. The maximum level of Annual Bonus Plan outcomes is 100% of base salary per annum for the duration of this policy. Awards under the DSP are deferred for such a period as the Remuneration Committee selects at grant, which will normally be less than (but may be longer than) three years and are subject to continued employment. The options vest in full, provided that the scheme participants are deemed to be good leavers, and are settled through the issuance of treasury shares.

The following table shows the deferred shares granted and outstanding at the beginning and end of the reporting period:

	2023 No.	2022 No.
As at 1 January	**355,765**	325,282
Granted during the year	**1,254,655**	73,338
Exercised during the year	**(204,769)**	(20,000)
Forfeited during the year	**(161,710)**	(22,855)
As at 31 December	**1,243,941**	355,765
Vested and exercisable at 31 December	**—**	—

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2023 was £1.09.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	31 December 2023 No.	31 December 2022 No.
30 June 2020	30 June 2023	0.001	**—**	208,612
30 June 2020	30 September 2023	0.001	**—**	—
30 June 2021	30 June 2024	0.001	**—**	73,815
30 June 2022	30 June 2025	0.001	**73,338**	73,338
3 April 2023	3 April 2025	0.001	**15,681**	—
3 April 2023	3 April 2026	0.001	**668,572**	—
11 April 2023	11 April 2025	0.001	**410,447**	—
11 April 2023	11 April 2026	0.001	**8,227**	—
14 September 2023	5 September 2025	0.001	**33,838**	—
14 September 2023	1 January 2026	0.001	**33,838**	—
As at 31 December			**1,243,941**	355,765
Weighted average contractual life of options outstanding at end of year			**1.84 years**	0.87 years

Fair value of options granted

The fair value at the grant date is determined using a form of the Black-Scholes model in line with inputs detailed in the above table.

DSP options totalling 1,254,655 were granted in 2023 (2022: 73,338) with 84,052 subsequently lapsing before the end of the year. The assessed fair value at grant date of the rights granted during the year ended 31 December 2023 was £1.21 per option.

27 SHARE-BASED PAYMENTS CONTINUED

27(c) Long Term Incentive Plan ('PSP')

Awards under the PSP take the form of nil-cost options which vest to the extent performance conditions are satisfied over a period of three years. The share award is based on a percentage of salary, a proportion of the maximum will vest based on performance targets of which Earnings per Share equates to two-thirds of the award and (for options granted before 2021) cash flow one-third of the award. For options granted in 2021 and thereafter, the cash flow target has been replaced with Return on Capital Employed.

Vested awards are settled through the issuance of treasury shares, and the PSP allows for awards over shares with a maximum value of 150% of base salary per financial year.

The following table shows the share options granted and outstanding at the beginning and end of the reporting period:

	2023 No.	2022 No.
As at 1 January	**2,509,646**	2,073,060
Granted during the year	**794,710**	1,213,781
Exercised during the year	**(316,184)**	–
Forfeited during the year	**(725,715)**	(777,195)
As at 31 December	**2,262,457**	2,509,646
Vested and exercisable at 31 December	**–**	–

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exercise price £	**31 December 2023 No.**	31 December 2022 No.
2 December 2020	1 December 2023	0.000	**–**	505,731
22 April 2021	21 April 2024	0.000	**610,900**	770,091
21 October 2021	11 October 2024	0.000	**7,782**	51,847
13 April 2022	13 April 2025	0.000	**711,476**	1,044,388
11 October 2022	11 October 2025	0.000	**137,589**	137,589
11 April 2023	11 April 2026	0.000	**794,710**	–
As at 31 December			**2,262,457**	2,509,646
Weighted average contractual life of options outstanding at end of year			**1.4 years**	1.73 years

Fair value of options granted

The fair value at the grant date is determined using a form of the Black-Scholes model.

The model inputs for options granted during the year ended 31 December 2023 included:

	2023
Options are granted for the consideration set at the inception of the scheme	
Exercise price	**0.001**
Grant date	**11 April 2023**
Expiry date	**11 April 2026**
Share price at grant date	**1.325**
Expected price volatility of the Company's shares	**20.0%**
Expected dividend yield	**4.0%**
Risk-free interest rate	**1.0%**

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The assessed fair value at grant date of the rights granted during the year ended 31 December 2023 was £1.17 per option, a weighted average of £1.17 (2022: £1.90). The closing share price on the 31 December 2023 was £1.31.

27(d) Expenses arising from share-based payment transactions

The total charge/(credit) arising from share-based payment transactions recognised during the period as part of employee benefit expense was as follows:

	2023 £m	2022 £m
Options issued under SAYE scheme	**0.2**	—
Deferred shares issued under the DSP scheme	**0.3**	0.2
Shares issued under the PSP scheme	**0.3**	(0.4)
	0.8	(0.2)

28 CONTINGENT ASSETS AND LIABILITIES

The Group has entered into a cross-guarantee arrangement to cover the bank borrowings of all other Group companies in the event of default. As at 31 December 2023 the bank borrowings were £nil (2022: £21.0 million).

The Group had no other material contingent assets or liabilities (31 December 2022: £nil).

29 CAPITAL COMMITMENTS

The Group had capital commitments relating to Property, Plant and Equipment of £1.9 million at the balance sheet date (2022: £3.8 million).

30 RETIREMENT BENEFITS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £2.7 million (2022: £2.7 million). Contributions of £0.4 million were due to the scheme at 31 December 2023 (2022: £0.4 million).

31 RELATED PARTY TRANSACTIONS

The Group's subsidiary undertakings are detailed in Note 38. The Group has taken advantage of the exemption from disclosing transactions with wholly owned subsidiaries.

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is considered to be the Directors of the Company. The remuneration of key management personnel of the Group is disclosed on pages 98 to 115.

Other related party transactions

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

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

	2023 £000	2022 £000
Kellmann Recruitment Limited – recruitment services	**103**	211

The following balances are outstanding at 31 December 2023:

	2023 £000	2022 £000
Kellmann Recruitment Limited – recruitment services	**—**	—

32 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2023 £m	2022 £m
Profit after tax from continuing operations[1]	9.6	22.0
Loss after tax from discontinued operations	—	(2.3)
Profit after tax	9.6	19.7
Taxation (Note 11)	2.1	3.7
Finance expense (Note 10)	3.2	2.9
Operating profit	14.9	26.3
Adjustments for:		
Depreciation of property, plant and equipment (Note 15)	9.3	8.8
Depreciation of right-of-use assets (Note 16)	13.7	13.3
Amortisation of intangible assets (Note 17)	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

1 Profit after tax from continuing operations includes other income in relation to amounts received under the Group's cyber insurance policy, net of excess paid of £0.4 million (2022: £1.1 million), in respect of the business interruption to the Group's continuing trading activities as a result of a cyber incident in July and August 2022.

33 RECONCILIATION OF NET DEBT

	1 January 2023 £m	Cash flows £m	New leases £m	Non-cash movements* £m	31 December 2023 £m
Cash and cash equivalents	5.1	(4.7)	—	—	0.4
Deferred consideration	0.8	(0.8)	—	—	—
Bank overdrafts	—	—	—	—	—
Lease liabilities	(63.7)	15.6	(9.6)	(0.9)	(58.6)
Borrowings	(20.3)	21.0	—	(0.7)	—
Total	(78.1)	31.1	(9.6)	(1.6)	(58.2)

	1 January 2022 £m	Cash flows £m	New leases £m	Non-cash movements* £m	31 December 2022 £m
Cash and cash equivalents	6.6	(1.5)	—	—	5.1
Deferred consideration	—	—	—	0.8	0.8
Bank overdrafts	(5.9)	5.9	—	—	—
Lease liabilities	(58.7)	14.7	(18.9)	(0.8)	(63.7)
Borrowings	(11.7)	(8.2)	—	(0.4)	(20.3)
Total	(69.7)	10.9	(18.9)	(0.4)	(78.1)

* Non-cash movements relate to the amortisation of arrangement fees in respect of the Group's borrowings and finance charges accrued on leases.

31 December 2023	**Current assets £m**	**Current liabilities £m**	**Non-current liabilities £m**	**Total £m**
Cash and cash equivalents	**0.4**	**—**	**—**	**0.4**
Lease liabilities	**—**	**(12.9)**	**(45.7)**	**(58.6)**
Total	**0.4**	**(12.9)**	**(45.7)**	**(58.2)**

31 December 2022	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and cash equivalents	5.1	—	—	5.1
Deferred consideration	0.8	—	—	0.8
Lease liabilities	—	(13.0)	(50.7)	(63.7)
Borrowings	—	—	(20.3)	(20.3)
Total	5.9	(13.0)	(71.0)	(78.1)

34 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.