Eurocell plc

Half Year Results for the Six Months ended 30 June 2016
STRONG H1 SALES GROWTH, ROBUST PROFITABILITY AND A POSITIVE START TO H2

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23 August 2016

Eurocell plc, a market leading, vertically integrated UK manufacturer and distributor of innovative window, door and roofline PVC products, today announces its unaudited results for the six months ended 30 June 2016

	H1 2016 £'000	H1 2015 £'000	change	Year ended December 2015
Revenue	97,220	82,545	18%	175,947
Gross margin %	52.1%	52.2%	(0.1)	51.7%
Adjusted EBITDA(1)	14,220	13,038	9%	29,731
Adjusted PBT(2)	10,748	9,591	12%	23,019
PBT	10,293	6,317	63%	19,696
Adjusted basic EPS (pence)(3)	8.72	7.61	15%	18.60
Basic EPS (pence)	8.35	4.57	83%	15.51
Dividend per share (pence)	2.8	2.7	4%	7.9
Net debt	(31,252)	(33,256)	(6%)	(25,871)

Notes
(1) Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and non-recurring costs.
(2) Adjusted PBT represents profit before tax and non-recurring costs.
(3) Adjusted basic EPS excludes non-recurring costs and the related tax effect.
(4) Non-recurring costs for H1 2016 comprise duplicated costs relating to the handover period during which the company employed two CEO's, as well as professional fees related to the acquisition of Vista Panels Limited (see note 5). Non-recurring costs for H1 2015 comprise professional fees incurred in connection with the company's IPO.

Highlights

Financial

- Strong first half performance, in-line with market expectations.
- Revenue growth of 18% despite the slow-down in Repair, Maintenance and Improvement ('RMI') market. Revenue growth of 11% excluding acquisitions.
- Gross margin maintained and adjusted PBT 12% ahead of H1 2015.
- Interim dividend increased by 4% to 2.8 pence per share.

Operational

- Appointment of Mark Kelly as CEO from May 2016 and Michael Scott as CFO from September 2016.
- Continued expansion of the branch network to 148, an increase of 7 sites since December 2015.
- Further innovation in new Modus, Skypod and Equinox product ranges.
- Acquisition of Vista Panels in March 2016, performing in line with expectations.
- Increase in use of recycled PVC in manufactured products.
- Positive start to the second half of the year.

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Commenting on the group's performance, Bob Lawson, Chairman of Eurocell, said:

"I am delighted to report a strong performance in the first half of the year. Notwithstanding market conditions that have remained challenging, we have reported higher revenues and profits. We have also made firm progress with all of our strategic priorities – product innovation, expansion of our branch network and the acquisition of Vista Panels Limited.

"Looking forward, the result of the EU referendum has created uncertainty. However, we have made a good start to the second half of the year with sales +17% (+8% excluding acquisitions) over the first seven weeks of the period and we believe that our proven strategy and capabilities will enable Eurocell to deliver value to our customers and shareholders throughout the remainder of 2016 and beyond.

"I am pleased that Mark Kelly has settled in well and look forward to welcoming Michael Scott as CFO, thereby ensuring that we have the experienced team in place with the knowledge to assure the future success of Eurocell."

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Chief Executive's Statement

I am pleased to report a strong set of results for the first half of 2016.

Group revenue grew by 18% (11% excluding acquisitions), ahead of a muted overall RMI market. At the same time, we maintained our gross margin through enhanced procurement measures, an improved manufacturing performance and lower raw material costs. This led to a 12% increase in adjusted PBT on last year. We have also seen a positive contribution to the first half performance from our continued investment in new branches and supporting structure and from our investment in factory operations which allow increased use of recycled product and lower scrap levels.

We remain committed to a strategy of growing the business by expanding the branch network and increasing spend per customer by continuing to bring innovative new products to market, combining a one-stop shop with excellent customer service.

The winning of two additional major trade fabricators at the end of 2015 is helping to drive our performance in the current year. One is a major trade fabricator which operates throughout the UK and the other will provide a strong base in the commercial market.

Despite softening in July and August, demand for our brands in the new build market continues to grow and our ability to supply excellent products through our fabricator network is supporting growth in this area. Our close working relationships with a number of the major house builders continues to develop, nurtured through good technical support plus market specific innovation leading to tight specifications. The continued expansion in the use of recycled PVC windows remains attractive to the new build market and our fabricator order books have now been rebuilt through to the end of the year.

In March 2016 we successfully completed the acquisition of Vista Panels Limited for a net cash consideration of £6.3m. Vista specialises in the manufacture of composite and PVC entrance doors. For the 12 months immediately preceding the acquisition, Vista recorded revenue of £13.7m. The acquisition allows the company to extend its customer base and also provides further cross-selling opportunities for the extended product range. The integration is proceeding to plan and the business is performing in line with expectations.

We remain committed to our strategy of using recycled materials where possible and have plans to extend our recycling capacity in the second half of 2016. This will contribute towards lower overall resin prices but will also assist with the mitigation of any current and future adverse movements in raw material prices arising as a result of exchange rate movements.

After my first 5 months in the business I believe Eurocell is a business with an excellent opportunity to take control of its own destiny. The markets are going to be challenging as economic uncertainty undermines confidence, but Eurocell is in a position where it can continue to drive its tried and tested initiatives harder whilst introducing further ideas with a view to continuing to take market share.

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Operational review

Profiles Division
Revenue increased to £42.4m (2015: £35.2m), an increase of £7.2m, of which £5.6m is from acquisitions (S & S Plastics £2.5m and Vista Panels £3.1m).

In the first half of the year we continued to experience a muted RMI market which we expect to continue into the second half of the year. Despite this, we have seen solid growth in the private new build sector with output up 8% on the same period last year. Looking at our customer base, we are seeing positive trends across the spectrum: our larger trade fabricators are benefiting from economies of scale and automation which is allowing them to grow share by supplying smaller retailer fabricators. Pleasingly we are still seeing growth from our smaller fabricators who are using the Eurocell brand to good effect and also assisting with the supply of windows through to our branch network.

We are seeing a continued shift in demand for our products, with a greater emphasis on thermal efficiency from our new build and public sector customers. Additionally we are seeing a greater demand for our high value-add products such as bi-fold doors, Skypods, coloured windows and doors which is driving growth in margin and profitability across the business.

Building Plastics Division
Revenue increased to £54.8m (2015: £47.4m) as a result of both branch openings and improved like for like performance (+12%).

We opened 7 new branches in the first half of the year and we will continue to grow our branch network with a plan of opening 12 more in H2 2016. New branch openings create downward pressure on profitability in the short term, but are necessary to ensure future growth. We plan to reduce the costs associated with new branches to expedite the time taken to become profitable. Further, in line with our plans, we have also continued to drive branch profitability through resetting branch incentives and reviewing product lines available in branch. Sales of windows through branches has doubled to £3.3m. There is increased focus on higher margin value added product sales (Equinox and Skypod) to fabricators. The acquisition of Vista Panels has driven growth in the sales of doors in the branches and we expect to see continued benefits coming through from this acquisition into the second half.

Current trading and outlook

While we have benefited from low PVC resin prices in H1, prices have risen in July and August and there are indications that prices will be higher for the second half of the year. However, we expect to be able to partially mitigate this through our increasing use of recycled material.

In the first seven weeks of the second half, total sales are +17% (+8% excluding acquisitions). This, together with our first half performance, underpins our expectations for the full year, which remain consistent with the most recently published analyst forecasts.

Other than the uncertainty surrounding the economy as a result of the EU referendum, the principal risks and uncertainties are not anticipated to materially change in H2 2016 from those outlined in pages 26 and 27 of the 2015 Annual Report and Accounts.

Financial review

Revenue growth for the period was 18%. This has been achieved through a combination of above market share gains across our branch network, new profiles customers secured in 2015 and the impact of recent acquisitions. Excluding acquisitions our revenue growth for the period was 11%.

Gross margin for the period was 52.1% (2015: 52.2%). While we have benefited from low PVC resin prices in H1, prices have risen in July and August and there are indications that prices will be higher for the second half of the year. However, we expect to be able to partially mitigate this through a number of initiatives including our increasing use of recycled material.

Excluding the impact of acquisitions, total overheads increased by £4.4m. This increase is in line with our strategy and includes the following highlights:

- Expansion of the branch network to 148 (December 2015: 141).
- Investments in management to support further branch expansion.
- Costs associated with our first full year as a listed company.
- Investment to enhance our specification team to ensure further pull through for our product.

While our strong sales growth has resulted in additional direct manufacturing overhead, efficiencies achieved in manufacturing have kept unit costs in line with management expectations. During the period, waste levels reduced by 1.7 percentage points, operational equipment efficiency improved by 11%, and usage of recycled material increased from 8% of usage to 14%.

The company identified non-recurring costs of £455,000 in H1 2016 (H1 2015: £3,274,000). Non-recurring costs for H1 2016 comprise duplicated costs relating to the handover period during which the company employed two CEO's, as well as professional fees related to the acquisition of Vista Panels Limited. Non-recurring costs for H1 2015 comprise professional fees incurred in connection with the company's IPO in March 2015.

The group benefited from significantly reduced finance costs following the refinancing at the IPO. The company continues to monitor its funding arrangements closely and is comfortably within the terms of its financial covenants.

The effective tax rate for the period was 19% (2015: 28%). The rate was high in 2015 as a result of disallowable IPO costs.

The group continues to invest in its future with capital expenditure for the period of £2.7m (H1 2015: £3.2m). Our planned investment of approximately £2.0m in recycling and £3.4m on other capital expenditure is expected in the second half of 2016 and will deliver cost benefits in 2017. This will mean that the full year capital expenditure is forecasted to be £8.1m.

As noted above, the company acquired Vista Panels Limited in March 2016. Whilst the impact on earnings is not expected to be particularly significant in 2016, the group expects a more meaningful contribution to profits next year.

The Board is pleased to declare an interim dividend of 2.8 pence per share. This represents an increase of 4% over last year. The shares will trade ex-dividend on 8 September 2016 and the dividend will be paid on 7 October 2016 to shareholders on the register at 9 September 2016.

Responsibility Statement of the Directors in respect of the Half Year Results

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

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the EU and;

- the interim management report includes a fair review of the information required by:

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

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

By Order of the Board

Bob Lawson
Chairman
22 August 2016

Mark Kelly
Chief Executive Officer
22 August 2016

Eurocell plc

Half Year Results for the Six Months ended 30 June 2016

Consolidated Statement of Comprehensive Income

		6 months ended 30 June 2016			6 months ended 30 June 2015			Year ended 31 December 2015		
	Note	**Recurring**	**Non-recurring**	**Total**	**Recurring**	**Non-recurring**	**Total**	**Recurring**	**Non-recurring**	**Total**
		£000 (Unaudited)	**£000 (Unaudited)**	**£000 (Unaudited)**	**£000 (Unaudited)**	**£000 (Unaudited)**	**£000 (Unaudited)**	**£000 (Audited)**	**£000 (Audited)**	**£000 (Audited)**
Revenue	4	97,220	-	97,220	82,545	-	82,545	175,947	-	175,947
Cost of sales		(46,559)	-	(46,559)	(39,424)	-	(39,424)	(84,945)	-	(84,945)
Gross profit		**50,661**	**-**	**50,661**	**43,121**	**-**	**43,121**	**91,002**	**-**	**91,002**
Distribution costs		(7,145)	-	(7,145)	(6,954)	-	(6,954)	(12,310)	-	(12,310)
Administrative expenses		(32,365)	(455)	(32,820)	(25,685)	(3,274)	(28,959)	(54,398)	(3,323)	(57,721)
Operating profit		**11,151**	**(455)**	**10,696**	**10,482**	**(3,274)**	**7,208**	**24,294**	**(3,323)**	**20,971**
Finance expense		(403)	-	(403)	(891)	-	(891)	(1,275)	-	(1,275)
Profit before tax		**10,748**	(455)	**10,293**	**9,591**	**(3,274)**	**6,317**	**23,019**	**(3,323)**	**19,696**
Taxation	6	(2,029)	89	(1,940)	(2,007)	241	(1,766)	(4,454)	241	(4,213)
Profit for the period		**8,719**	**(366)**	**8,353**	**7,584**	**(3,033)**	**4,551**	**18,565**	**(3,082)**	**15,483**
Earnings per share (pence)	8	8.72		8.35	7.61		4.57	18.60		15.51

The group has no other comprehensive income in the current or prior year.

Consolidated Statement of Financial Position

	Note	30 June 2016 £000 (Unaudited)	30 June 2015 £000 (Unaudited)	31 December 2015 £000 (Audited)
Assets				
Non-current assets				
Property, plant and equipment	10	27,713	26,348	27,635
Intangible assets	10	20,119	13,879	14,517
Total non-current assets		**47,832**	**40,227**	**42,152**
Current assets				
Inventories		18,886	17,283	18,054
Trade and other receivables		31,255	25,947	24,944
Cash and cash equivalents		2,580	7,431	1,176
Total current assets		**52,721**	**50,661**	**44,174**
Total assets		**100,553**	**90,888**	**86,326**
Liabilities				
Current liabilities				
Bank overdrafts		-	-	(1,327)
Trade and other payables		(30,017)	(27,554)	(27,092)
Provisions		(48)	-	(76)
Corporation tax		(1,980)	(1,961)	(1,196)
Total current liabilities		**(32,045)**	**(29,515)**	**(29,691)**
Non-current liabilities				
Borrowings		(33,832)	(40,687)	(25,720)
Trade and other payables		(355)	-	(500)
Provisions		(1,442)	(1,331)	(1,366)
Deferred tax		(3,020)	(1,335)	(2,493)
Total non-current liabilities		**(38,649)**	**(43,353)**	**(30,079)**
Total liabilities		**(70,694)**	**(72,868)**	**(59,770)**
Net assets		**29,859**	**18,020**	**26,556**
Equity attributable to equity holders of the parent				
Share capital		100	100	100
Share premium		1,926	1,926	1,926
Other reserves		530	76	380
Retained earnings		27,303	15,918	24,150
Total equity		**29,859**	**18,020**	**26,556**

Consolidated Cash Flow Statement

	Note	6 months ended 30 June 2016 £000 (Unaudited)	6 months ended 30 June 2015 £000 (Unaudited)	Year ended 31 December 2015 £000 (Audited)
Cash generated from operations	11	10,711	8,910	26,268
Non-recurring costs	5	455	3,274	3,323
Cash generated from underlying operations		**11,166**	**12,184**	**29,591**
Income taxes paid		(1,158)	(3,586)	(5,729)
Non-recurring costs paid		(273)	(4,404)	(4,453)
Net cash from operating activities		**9,735**	**4,194**	**19,409**
Investing activities				
Acquisition of subsidiary, net of cash acquired	9	(6,332)	-	(1,662)
Purchase of property, plant and equipment	10	(2,129)	(3,157)	(6,267)
Disposal of property, plant and equipment		-	-	75
Purchase of intangible assets	10	(567)	(85)	(85)
Net cash used in investing activities		**(9,028)**	**(3,242)**	**(7,939)**
Financing activities				
Redemption of preference shares		-	(50)	(50)
Proceeds from bank borrowings		8,000	41,000	41,000
Repayment of bank and other borrowings		(485)	(33,599)	(48,599)
Finance expense		(291)	(3,623)	(4,023)
Dividends paid to equity shareholders		(5,200)	-	(2,700)
Net cash from/(used in) financing activities		**2,024**	**3,728**	**(14,372)**
Net increase/(decrease) in cash and cash equivalents		**2,731**	**4,680**	**(2,902)**
Cash and cash equivalents at the beginning of the period		(151)	2,751	2,751
Cash and cash equivalents at the end of the period		**2,580**	**7,431**	**(151)**
Net debt				
Cash and cash equivalents		2,580	7,431	1,176
Bank overdrafts		-	-	(1,327)
Bank loans		(33,832)	(40,687)	(25,720)
		(31,252)	**(33,256)**	**(25,871)**

Consolidated Statement of Changes in Equity
For the 6 months ended 30 June 2016 (unaudited)

	Note	Share capital	Share premium	Retained earnings	Other reserves	Total attributable to equity holders of parent
		£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2016		100	1,926	24,150	380	26,556
Comprehensive income for the period						
Profit for the period		-	-	8,353	-	8,353
Total comprehensive income for the period		-	-	8,353	-	8,353
Contributions by and distribution to owners						
Share based payments		-	-	-	127	127
Deferred tax on share based payments		-	-	-	23	23
Dividends paid	7	-	-	(5,200)	-	(5,200)
Total contributions by and distributions to owners		-	-	(5,200)	150	(5,050)
Balance at 30 June 2016		100	1,926	27,303	530	29,859

For the 6 months ended 30 June 2015 (unaudited)		**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2015		52	99	11,367	-	11,518
Comprehensive income for the period						
Profit for the period		-	-	4,551	-	4,551
Total comprehensive income for the period		-	-	4,551	-	4,551
Contributions by and distribution to owners						
Preference shares redeemed in the period		(50)	-	-	-	(50)
Shares issued during the period		98	1,827	-	-	1,925
Share based payments		-	-	-	76	76
Total contributions by and distributions to owners		48	1,827	-	76	1,951
Balance at 30 June 2015		100	1,926	15,918	76	18,020

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2015 (audited)

	Note	Share capital	Share premium	Retained earnings	Other reserves	Total attributable to equity holders of parent
		£000	£000	£000	£000	£000
Balance at 1 January 2015		52	99	11,367	-	11,518
Comprehensive income for the year						
Profit for the year		-	-	15,483	-	15,483
Total comprehensive income for the year		-	-	15,483	-	15,483
Contributions by and distributions to owners						
Preference shares redeemed during the year		(50)	-	-	-	(50)
Shares issued during the year		98	1,827	-	-	1,925
Share based payments		-	-	-	380	380
Dividends paid	7	-	-	(2,700)	-	(2,700)
Total contributions by and distributions to owners		48	1,827	(2,700)	380	(445)
Balance at 31 December 2015		100	1,926	24,150	380	26,556

Eurocell plc

Notes to the Half Year Results
for the Six Months ended 30 June 2016

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1. Basis of preparation

The half year report of Eurocell plc for the 6 months ended 30 June 2016 reflects the results of the company and its subsidiaries (together referred to as “the group”). It has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union and the Disclosure and Transparency rules of the Financial Conduct Authority.

The half year financial statements are condensed in accordance with IAS 34.

The half year report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. It does not include all the information required for full annual statements and should be read in conjunction with the full annual report for the 12 months ended 31 December 2015.

The comparative figures for the 12 months ended 31 December 2015 are extracted from the group’s audited statutory accounts for that financial year, which have been delivered to the Registrar of Companies. The auditor’s report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their audit report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The half year report is unaudited, but has been reviewed by the auditors in accordance with the Auditing Practices Board guidance on Review of Interim Financial Information.

The half year report was approved by the Board of Directors on 22 August 2016.

2. Going concern

The half year report is prepared on a going concern basis. This is considered appropriate given that the Directors are satisfied that the group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report.

3. Accounting policies and estimates

The half year report has been prepared applying the accounting policies and presentation that were applied in the preparation of group’s published financial statements for the year ended 31 December 2015. Adoption of new standards, amendments or interpretations to published standards have no material impact on the group.

The preparation of the half year report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from estimates.

The significant judgements made by management in applying the group’s accounting policies and the key sources of estimation in the consolidated financial statements for the year ended 31 December 2015 remain unchanged in the current period.

4. Segment information

The group has the following reportable segments: Profiles, Building Plastics and Corporate.

6 months ended 30 June 2016 (unaudited)	Profiles £000	Building Plastics £000	Corporate £000	Total £000
Revenue				
Total revenue	61,254	55,132	-	116,386
Inter-segmental revenue	(18,862)	(304)	-	(19,166)
Total revenue from external customers	42,392	54,828	-	97,220
Adjusted EBITDA	11,408	2,654	158	14,220
Amortisation	(331)	(67)	(258)	(656)
Depreciation	(1,928)	(282)	(203)	(2,413)
Operating profit/(loss) before non-recurring costs	9,149	2,305	(303)	11,151
Non-recurring costs				(455)
Finance expense				(403)
Profit before tax				**10,293**

6 months ended 30 June 2015 (unaudited)	£000	£000	£000	£000
Revenue				
Total revenue	49,966	47,594	-	97,560
Inter-segmental revenue	(14,771)	(244)	-	(15,015)
Total revenue from external customers	35,195	47,350	-	82,545
Adjusted EBITDA	9,530	3,580	(72)	13,038
Amortisation	(12)	(120)	(244)	(376)
Depreciation	(1,788)	(212)	(180)	(2,180)
Operating profit/(loss) before non-recurring costs	7,730	3,248	(496)	10,482
Non-recurring costs				(3,274)
Finance expense				(891)
Profit before tax				**6,317**

4. Segment information (continued)

Year ended 31 December 2015 (audited)	**Profiles £000**	**Building Plastics £000**	**Corporate £000**	**Total £000**
Revenue				
Total revenue	105,957	102,661	-	208,618
Inter-segmental revenue	(32,088)	(583)	-	(32,671)
Total revenue from external customers	73,869	102,078	-	175,947
Adjusted EBITDA	21,608	8,384	(261)	29,731
Amortisation	(234)	(240)	(661)	(1,135)
Depreciation	(3,473)	(457)	(372)	(4,302)
Operating profit/(loss) before non-recurring costs	17,901	7,687	(1,294)	24,294
Non-recurring costs				(3,323)
Finance expense				(1,275)
Profit before tax				**19,696**

5. Non-recurring costs

Amounts included in the consolidated income statement are as follows:

	6 months ended 30 June 2016 £000 (Unaudited)	**6 months ended 30 June 2015 £000 (Unaudited)**	**Year ended 31 December 2015 £000 (Audited)**
Professional and other costs relating to IPO	-	3,274	3,323
Duplicated costs related to CEO handover period	343	-	-
Acquisition costs	112	-	-
	455	3,274	3,323

6. Taxation

	6 months ended 30 June 2016 £000 (Unaudited)	6 months ended 30 June 2015 £000 (Unaudited)	Year ended 31 December 2015 £000 (Audited)
Current tax			
Current tax on profits for the period	2,021	1,658	3,758
Adjustments in respect of prior periods	(1)	-	(619)
Total current tax	2,020	1,658	3,139
Deferred tax			
Origination and reversal of temporary differences	214	349	1,129
Adjustments in respect of prior periods	(294)	(241)	(55)
Total deferred tax	(80)	108	1,074
Tax expense in the consolidated statement of comprehensive income	**1,940**	**1,766**	**4,213**

The reasons for the difference between the actual 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:

Profit before tax	**10,293**	**6,317**	**19,696**
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	2,059	1,279	3,988
Expenses not deductible for tax purposes	166	587	825
Adjustments in respect of Patent Box provisions	(231)	(187)	(375)
Adjustments in respect of prior periods	(294)	(241)	(55)
Other	240	328	(170)
Total tax expense	**1,940**	**1,766**	**4,213**

The charge for year ended 31 December 2015 includes disallowed costs related to the company IPO.

Changes in tax rates and factors affecting the future tax charge

A reduction in the mainstream rate of UK corporation tax from 21% to 20% took effect from April 2015. A reduction to 19% from 1 April 2017 and 18% from 1 April 2020 has been substantively enacted. A further reduction to 17% from 1 April 2020 has not yet been substantially enacted.

7. Dividends

	6 months ended 30 June 2016 £000 (Unaudited)	6 months ended 30 June 2015 £000 (Unaudited)	Year ended 31 December 2015 £000 (Audited)
Interim dividend			
2.8p per ordinary share (2015: 2.7p)	2,800	2,700	2,700
Final dividend			
5.2p per ordinary share	-	-	5,200

8. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. Adjusted earnings per share excludes non-recurring costs and the related tax effect from the calculations.

	6 months ended 30 June 2016 £000 (Unaudited)	6 months ended 30 June 2015 £000 (Unaudited)	Year ended 31 December 2015 £000 (Audited)
Profit attributable to ordinary shareholders	8,353	4,551	15,483
Profit attributable to ordinary shareholders excluding non-recurring costs	8,719	7,584	18,565
	Number	**Number**	**Number**
Weighted average number of shares – basic and diluted	100,000,000	99,629,235	99,816,141
	Pence	**Pence**	**Pence**
Basic and diluted earnings per share	8.35	4.57	15.51
Basic and diluted adjusted earnings per share	8.72	7.61	18.60

9. Acquisition of subsidiaries (unaudited)

On 9 March 2016, the group acquired 100% of the ordinary share capital of Vista Panels Limited.

Vista is a manufacturer of composite and PVC panel doors, supplying the social housing and private RMI sectors. Vista is also the sole supplier of composite doors to Eurocell Building Plastics, while Eurocell Profiles supplies Vista with profiles for use in the manufacture of door frames.

The consideration paid was £6.7m (£6.3m net of cash acquired). Related to the acquisition, the group agreed to settle on completion, £485,000 owed by Vista to its former ultimate parent undertaking CorpAcq Limited.

Goodwill represents the supplier relationship with Eurocell Building Plastics and potential for cross selling between the Eurocell and Vista customers. The amount of goodwill deductible for tax purposes is £nil. The goodwill arising on acquisition has been calculated as follows:

Acquiree's net assets at the acquisition date:	**Book value on acquisition £000**	**Fair value adjustment £000**	**Provisional values on acquisition £000**
Property, plant and equipment	408	-	408
Intangible assets	-	3,448	3,448
Inventories	947	38	985
Trade and other receivables	2,572	-	2,572
Cash and cash equivalents	355	-	355
Trade and other payables	(2,155)	(100)	(2,255)
Amounts owed to former parent	(485)	-	(485)
Deferred tax	37	(621)	(584)
Net identifiable assets and liabilities	**1,679**	**2,765**	**4,444**
Cash consideration paid			6,687
Goodwill on acquisition			**2,243**

Fair value adjustments

- The adjustment to intangible assets is to recognise previously unrecognised intangible assets, and has been valued using discounted cash flows.
- The adjustment in relation to inventories is to recognise the fair value of finished goods acquired on acquisition.
- The adjustment to trade and other payables is to recognise a dilapidation provision in respect of the leased premises occupied by Vista.
- The adjustment to deferred taxation is to recognise the associated deferred tax liability arising on the intangible assets.

Acquisition related costs

The group incurred acquisition related costs of £112,000 in relation to professional fees and transaction costs arising upon acquisition. All such costs have been expensed to the consolidated statement of comprehensive income and included within non-recurring administrative expenses.

The contribution to the profits of the group for the period since acquisition is not material (£0.1m), although the group is expecting a meaningful contribution to profits next year.

10. Non-current assets (unaudited)

	Property, plant and equipment £000	Intangible assets £000
Balance at 1 January 2016	27,635	14,517
Additions	2,129	567
Additions on acquisition (note 9)	408	3,448
Goodwill arising on acquisition (note 9)	-	2,243
Disposals	(46)	-
Depreciation / amortisation	(2,413)	(656)
Balance at 30 June 2016	**27,713**	**20,119**

11. Reconciliation of profit after tax to net cash flows from operating activities

	6 months ended 30 June 2016 £000 (Unaudited)	6 months ended 30 June 2015 £000 (Unaudited)	Year ended 31 December 2015 £000 (Audited)
Profit after tax	8,353	4,551	15,483
Add back:			
Taxation	1,940	1,766	4,213
Finance expense	403	891	1,275
Adjustments for:			
Depreciation of property, plant and equipment	2,413	2,180	4,302
Amortisation of intangible assets	656	376	1,135
Loss on sale of property, plant and equipment	46	65	-
Impairment of property, plant and equipment	-	233	234
Share based payments	127	76	322
Decrease / (increase) in inventories	153	(2,553)	(2,696)
(Increase) in trade and other receivables	(3,774)	(5,403)	(3,884)
Increase in trade and other payables	346	6,696	5,741
Increase in provisions	48	32	143
Cash generated from operations	**10,711**	**8,910**	**26,268**

12. Related party transactions

The remuneration of executive and non-executive Directors and members of the Executive Committee will be disclosed in the 2016 annual financial statements. Other related party transactions have been disclosed below.

Transactions with key management personnel

H2 Equity Partners Limited is considered to be a related party by virtue of a mutual director.

Kalverboer Management UK LLP is controlled by P H L Kalverboer, a non-executive director of Eurocell plc, and a partner in H2 Equity Partners.

The following management charges have been made by the above companies.

	6 months ended 30 June 2016 £000 (Unaudited)	6 months ended 30 June 2015 £000 (Unaudited)	Year ended 31 December 2015 £000 (Audited)
H2 Equity Partners Limited	-	49	49
Kalverboer Management UK LLP	20	-	40
	20	**49**	**89**

The amount outstanding at the end of each period, in respect of the above, was £10,000.

Prior to the IPO certain shareholders held loan notes with interest payable at 11%. During the prior periods the amounts of interest charged in the consolidated statement of comprehensive income were:

	£000	£000	£000
Coöperatief H2 Equity Partners Fund IV Holding	-	368	368
P Bateman	-	4	4
M K Edwards	-	2	2
G Parkinson	-	1	1
A Smith	-	1	1
I Kemp	-	1	1

On 3 March 2015 at the IPO the loan notes and accrued interest were repaid in full as follows:

	£000	£000	£000
Coöperatief H2 Equity Partners Fund IV Holding	-	-	20,462
P Bateman	-	-	176
M K Edwards	-	-	106
G Parkinson	-	-	35
A Smith	-	-	35
I Kemp	-	-	35

13. Eurocell plc parent company balance sheet

The Directors have become aware that in the December 2015 parent company balance sheet of Eurocell plc, there was a misclassification of £17.7m between amounts due from subsidiary undertakings and investments in subsidiary undertakings. Correcting this misclassification has no impact on total assets, net assets or retained earnings of the parent company and the group. The correction will be by way of a prior year adjustment included in the parent company financial statements for the year ended 31 December 2016.

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Eurocell plc's condensed consolidated financial statements (the "interim financial statements") in the half year report of Eurocell plc for the 6 month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position as at 30 June 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The half year report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year report in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
22 August 2016