

1 August 2019

EUROCELL PLC (Symbol: ECEL)
HALF YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

Robust financial results – full year expectations unchanged

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

	H1 2019 (pre-IFRS 16 ¹)	H1 2018	Change	H1 2019 (Reported)
Key financial performance measures				
Revenue (£ million)	136.3	118.8	15%	136.3
Gross margin %	51.1	50.0	110bps	51.1
EBITDA (£ million) ⁽²⁾	14.8	14.2	4%	19.9
Profit before tax (£ million)	10.6	10.5	1%	10.4
Basic earnings per share (pence)	8.8	8.8	-	8.7
Interim dividend per share (pence)	3.2	3.1	3%	3.2
Capital investment (£ million)	8.8	3.1	5.7	8.8
Net debt (£ million) ⁽³⁾	36.7	16.4	(20.3)	69.4

Financial and Operational Highlights

- Strong sales growth of 15% (10% on a like-for-like⁽⁴⁾ basis)
- Gross margin up 110bps, reflecting selling price increases and higher usage of recycled material
- Overheads up 14% on a like-for-like basis⁽⁴⁾, reflecting direct labour from higher production volumes
- EBITDA up 4% (pre-IFRS 16)
- Good progress with planned actions to improve operational efficiency
 - On track with investment in extrusion capacity – all new lines to be operational by the end of Q3
 - Investment in recycling capacity at Ecoplas now well advanced
 - Mark Hemming appointed Chief Operating Officer – joins the business in August
- Stock build programme implemented to protect against Brexit-related raw material supply interruption, with c.£3 million added to finished goods in H1 2019
- Pre-IFRS 16 net debt £36.7m (December 2018: £23.5m) includes substantially increased capital expenditure, stock build and the impact of growth

Mark Kelly, Chief Executive of Eurocell plc said:

“We have reported robust financial results for the first half and delivered another period of strong sales growth, albeit against weaker comparatives after bad weather in the early part of 2018. Higher EBITDA includes the benefit of selling price increases and continued growth in our use of recycled material.

“We have made good progress with our plans to improve operations. These include strengthening operational teams and implementing a substantial capital investment programme to increase production capacity. Our focus for 2019 remains on delivering further improvements in operating efficiency as these plans progress through the second half.

“As a result, whilst we are mindful of macroeconomic and political uncertainty, our expectations for the full year are unchanged.”

NOTES FOR ANALYSTS AND EDITORS

- Revenue growth of 15% (11% excluding acquisitions) includes:
 - Like-for-like⁽⁴⁾ sales growth of 10%
 - Profiles division like-for-like⁽⁴⁾ sales growth of 9%, including good contributions from both existing and new accounts, arising consistently from across our base of fabricators
 - Building Plastics division like-for-like⁽⁴⁾ sales growth of 11%, reflecting the positive impact from better stock availability and new management team driving improvements in operating standards
 - Sales from branches opened in 2018/19 of £1.1 million
 - 3 new sites in H1 2019, excluding 2 branches from the acquisition of Trimseal in March (full year 2018: 8 new sites, excluding 4 branches from the acquisition of Kent Building Plastics in December)
 - Incremental sales from 2018/19 acquisitions of £4.6 million
- Gross margin up 110 bps to 51.1% (H1 2018: 50.0%)
 - Selling price increases implemented progressively across H1 2019 to recover cost inflation
 - Increased use of recycled material to 6.4k tonnes or 22% of material consumption (H1 2018: 4.3k tonnes, or 17%)
- Tax rate of 16.4% (H1 2018: 16.1%) includes the benefit of Patent Box⁽⁵⁾ relief
- Capex of £8.8 million (H1 2018: £3.1 million) includes:
 - £2.5m to expand production capacity with additional co-extrusion and foam lines
 - £3.5m to increase recycling capability at Ilkeston and Ecoplas (with associated tooling)
 - £2.8m of other planned and maintenance capex
- Interim dividend of 3.2 pence per share (H1 2018: 3.1 pence per share) up 3%
- IFRS 16 (leases) impact on profit before tax and earnings per share not significant in H1 2019
 - Net debt increased by c.£33 million to reflect present value of future lease payments

Notes:

- (1) Pre-IFRS 16 results exclude the impact of the new accounting standard for leases.
- (2) EBITDA represents earnings before interest, tax, depreciation and amortisation.
- (3) Net debt is cash and cash equivalents less bank overdrafts, bank borrowings and lease liabilities.
- (4) Like-for-like sales and operating costs exclude acquisitions and branches opened in 2018 and 2019.
- (5) An HMRC approved scheme, allowing a 10% tax rate on profits derived from products that incorporate patents.

Analyst presentation

There will be an analyst presentation at 9am today at Canaccord Genuity, 88 Wood Street London, EC2V 7QR. The presentation will also be accessible via a live conference call for registered participants.

To register for the call please contact Teneo by email on eurocell@teneo.com.

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

The Construction Products Association Spring 2019 update reported on a subdued Repairs, Maintenance and Improvements ('RMI') market, with Brexit-related uncertainty intensifying. Against this backdrop, we delivered another period of strong sales growth, with reported revenues up 15% in H1 2019 (or 10% on a like-for-like basis), albeit against weaker comparatives after bad weather in the early part of 2018.

We are pleased to report that our gross margin improved by 110 bps to 51.1%. This reflects a benefit from selling price increases implemented progressively across the business in H1 2019 to recover cost inflation, and higher usage of recycled material. Overheads up 14% (on a like-for-like basis) includes the impact on direct labour from higher production volumes. As a result, EBITDA for H1 of £14.8 million (pre-IFRS 16) is up 4% on last year.

We have also made good progress with plans announced at the beginning of the year to improve operating efficiency. These include a substantial capex programme to increase manufacturing capacity, and strengthening our operational teams, particularly through the appointment of Mark Hemming, who joins the business as Chief Operating Officer in August. Our focus for 2019 remains on delivering further improvements in operating efficiency as these plans progress in H2.

Further information on financial performance is provided in the Divisional and Group Financial Reviews.

STRATEGIC PRIORITIES

Our overall objective remains to deliver sustainable growth in shareholder value by increasing sales and profits at above our market level growth rates. We have five clear strategic priorities to help us achieve our overall objective:

- Increase the use of recycled materials
- Target growth in market share
- Expand the branch network
- Develop innovative new products
- Explore potential bolt-on acquisition opportunities

We made good progress with our strategic priorities in H1, with the key aspects described below.

OPERATIONAL PERFORMANCE

Health and safety

The safety and well-being of our employees and contractors is our first operational priority and we continue to maintain a good safety performance. Our Lost Time Injury Frequency Rate ('LTIR') was 0.9 in H1 2019, compared to 0.9 for the whole of 2018. There were no major injuries and 8 minor injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in the period (H1 2018: 4 minor injuries).

Production

In the first half of 2019 we manufactured approximately 26.6k tonnes of rigid and foam PVC profiles, up from 23.3k tonnes in H1 2018, an increase of 14%.

This reflects the sales growth reported for the period, as well as a drive to increase stock holding at our branches, in order to improve availability. In addition, given the possibility for raw material supply interruption due to Brexit, we have invested in a stock build programme. In total, we added approximately £3 million to finished goods for key product lines in H1 2019, which provides a good level of protection.

Overall equipment effectiveness in extrusion ('OEE', a measure which takes into account machine availability, performance and yield), improved to 73%, compared to an average of 71% for the whole of 2018. Extrusion scrap levels were 8%, compared to 9% for the whole of 2018.

Recycling

We used 6.4k tonnes of recycled PVC compound alongside virgin resin in the manufacture of co-extruded rigid profiles, representing 22% of overall material consumption, up from 4.3k tonnes (or 17%) in H1 2018.

This increase has been delivered largely through the expansion of our recycling facility in Ilkeston and by investment in new tooling, which allows a greater proportion of recycle to be used in our products. Looking forward, we expect a good contribution from Ecoplas in H2 (see investment in recycling capacity).

Operating efficiency

In 2018, the combination of strong sales growth and larger than expected mix changes towards co-extruded and foiled products resulted in volumes above the immediately available manufacturing capacity. This impacted negatively on the efficiency of our manufacturing and distribution operations, leading to increased costs.

In response, we have been implementing mitigating actions to improve the efficiency of our operations. We have made good progress with these plans, which include a substantial capital investment programme to expand the capacity of our extrusion and recycling plants and the strengthening of our operational teams.

Investment to expand extrusion capacity

In H2 2018 we increased co-extrusion capacity by c.25%, including investment in 4 new lines. Our plans for 2019 include investment in a further 30% co-extrusion capacity (5 lines) and 15% more foam capacity (3 lines).

We are on track with these investments, with 4 of the new lines now in service and the remainder on schedule to be commissioned by the end of Q3, in line with our original plans. Together they are expected to cost in the region of £5 million, with capex of £2.5 million incurred in H1. We believe they will secure production of 2019/20 volumes at improved levels of plant utilisation and better factory efficiency. This will also enable increased preventative maintenance on plant and tooling, and thereby help to optimise OEE and scrap levels.

Investment in recycling capacity

Significant raw material cost inflation over the past several years has resulted in a widening gap between the cost of virgin PVC compound and our recycled compound, making the case for further investment more compelling.

Between 2016 and 2018 we expanded our Ilkeston site to more than double usage in primary extrusion from 4.1k tonnes of material consumption in 2015 to 9.5k tonnes in 2018, driving a substantial saving compared to the cost of using virgin material. We continue to invest in this site, with a further c.£2 million planned for 2019 to increase output and improve reliability (including new co-extrusion and other tooling to support the increased usage of recycle on key product lines). We are on schedule, with capex of £1.4 million in H1 (including £0.7 million for tooling).

The acquisition of Ecoplas in August 2018 represented a significant step change in our recycling capability and placed recycling demonstrably at the heart of our business. It also reduces our dependence on the Ilkeston plant. Output at acquisition was c.7k tonnes of recycled compound per annum, sold into a broad mix of trade extruders.

As expected, investment is required to improve the operating environment and reliability of the Ecoplas plant, to eliminate bottlenecks from production processes and to expand capacity. We invested £0.3 million in H2 2018, with a further c.£2.5 million to follow in 2019. After some initial delays, caused by protracted negotiations over the site lease renewal, the investment in Ecoplas is now well advanced, with capex of £2.1 million in H1.

Following these investments at Ilkeston and Ecoplas, we expect total usage of recycled compound in our primary extrusion processes to increase by at least 3k tonnes in 2019.

Strengthening operational teams

In 2019 we have strengthened operational teams in key areas, including production planning and logistics. We were also delighted to announce the appointment of Mark Hemming to the position of Chief Operating Officer. Mark joins us from Amazon UK, where he is currently Regional Director for Customer Fulfilment. Prior to that, Mark has experience from leading manufacturing plants in the automotive sector. He joins the business in August and is an excellent addition to our operational leadership team.

PROFILES DIVISION REVIEW

	H1 2019 £m	H1 2018 £m	Change %
Third-party revenue	57.6	50.5	14
Organic	55.1	50.5	9
Ecoplas ⁽¹⁾	2.5	-	-
Inter-segmental revenue	26.7	23.6	13
Total revenue	84.3	74.1	14
EBITDA⁽²⁾	11.6	11.5	1

⁽¹⁾ Acquired August 2018

⁽²⁾ Excludes the impact of IFRS 16

Profiles revenue

Profiles third-party revenue was up 14% to £57.6 million (H1 2018: £50.5m), with growth comprising an increase in like-for-like sales of 9%, as well as the Ecoplas acquisition. This growth includes the impact of selling price increases implemented progressively across H1 to recover cost inflation.

Like-for-like sales growth reflects strong contributions from both existing and new accounts, arising consistently from across our fabricator base. It also includes a strong contribution from Vista Panels, where sales were up 25%, driven by higher sales of composite doors to new build. Across the Profiles division, new build continues to represent approximately one-third of sales.

We have been pleased with recent market share gains and believe that we are now consolidating our position as the largest supplier of rigid profile to the UK market. Our dedicated specifications teams continue to be successful in generating demand, well supported by our ability to supply a comprehensive product range through the fabricator network (as well as windows, this includes composite doors, PVC and aluminium bi-fold doors, a cavity closure system and products which support off-site construction).

Following the introduction of c.40 new accounts in 2017/18, we have added selectively a further 20 relatively small accounts in 2019 and our prospect pipeline remains good.

In terms of Ecoplas, as described above, we suffered some initial delays with our project to expand capacity, which led to a shortfall in external sales. However, the programme is now well advanced, and we expect performance to improve in the second half.

Profiles EBITDA

EBITDA in H1 2019 was £11.6 million (H1 2018: £11.5 million), an increase of 1%.

Gross margin percentage in Profiles is ahead of H1 2018. As noted above, we implemented selling price increases progressively across H1 to recover cost inflation and increased the use of recycled material in our primary extrusion processes.

Higher overheads in Profiles includes the impact on direct labour from higher production volumes and the acquisition of Ecoplas as well as wage and other inflation. As a result, return on sales percentage for H1 2019 is below last year. However, as described above, we are implementing plans to improve operating efficiency and our focus for 2019 remains on delivering further improvements as these plans progress in H2.

BUILDING PLASTICS DIVISION REVIEW

	H1 2019 £m	H1 2018 £m	Change %
Third-party revenue	78.7	68.3	15
Organic	76.6	68.3	12
Kent Building Plastics ⁽¹⁾	1.9	-	-
Trimseal ⁽²⁾	0.2	-	-
Inter-segmental revenue	0.7	0.7	-
Total revenue	79.4	69.0	15
EBITDA⁽³⁾	3.2	2.7	19

⁽¹⁾ Acquired December 2018

⁽²⁾ Acquired March 2019

⁽³⁾ Excludes the impact of IFRS 16

Building Plastics revenue

Building Plastics third-party revenue was up 15% to £78.7 million (H1 2018: £68.3m), with growth comprising an increase in like-for-like sales of 11%, as well as the impact of branch openings and the acquisitions of Kent Building Plastics and Trimseal. This growth includes the impact of selling price increases implemented progressively across H1 to recover cost inflation.

Like-for-like sales includes growth from branches opened in 2017 and prior, as the more recent sites from that vintage begin to mature. This growth also reflects the positive impact from better stock availability, particularly for manufactured products, and the new management team driving improvements in operating standards.

In terms of new branches, we have opened 3 new sites so far this year, in addition to the 2 sites added through the acquisition of Trimseal. We now have a total of 207 branches providing national coverage across the UK, which offers a significant competitive advantage. Sites opened in 2018/19 added £1.1 million to sales in H1 2019.

Building Plastics EBITDA

EBITDA for H1 2019 was £3.2 million (H1 2018: £2.7 million), an increase of 19%.

Gross margin percentage and EBITDA in Building Plastics have improved compared to H1 2018. As noted above, we implemented selling price increases in 2019 to recover cost inflation. Other initiatives implemented to improve profitability include the introduction of a more rigid pricing architecture, revised sales and account management structures and better stock availability.

Higher overheads in Building Plastics in H1 2019 includes the impact of branches opened in 2018/19 and acquisitions, as well as a higher bad debt charge (albeit against a relatively low comparator).

BREXIT

There remains significant uncertainty over the impact of Brexit, be it related to general macroeconomic factors or specific company risks. We have taken a number of steps to protect the business from potential negative effects. In this context, almost all of our sales are to UK-based customers and we expect the vast majority of our workforce will have the right to remain and work in the UK post Brexit.

However, some 50% of our material purchases originate from Europe, so any disruption in supplies could impact our manufacturing operations. We continue to work closely with our key suppliers to support continuity of supply for our most critical raw materials. Whilst we have only limited capacity to hold excess raw material stocks at our own sites, some of our suppliers have agreed to hold additional inventory on our behalf. We also undertook a finished goods stock build in the first half of the year, and have locked-in electricity prices for the next 12 months at current market rates.

More generally, we refinanced our bank facilities in December, securing additional funding at competitive rates, and hold selective credit insurance for large customer accounts.

Therefore, whilst we are not able to predict the impact of Brexit on our business, we have taken sensible steps to help mitigate known risks.

OUTLOOK

We have made good progress with our plans to improve operations. Our focus for 2019 remains on delivering further improvements in operating efficiency as these plans progress through the second half.

As a result, whilst we are mindful of macroeconomic and political uncertainty, our expectations for the full year remain unchanged.

Mark Kelly

Chief Executive Officer

GROUP FINANCIAL REVIEW

	H1 2019 (Reported) £000	H1 2019 (pre-IFRS 16) £000	H1 2018 £000
Revenue	136,332	136,332	118,793
Gross profit	69,718	69,718	59,443
<i>Gross margin %</i>	<i>51.1%</i>	<i>51.1%</i>	<i>50.0%</i>
Overheads	(49,835)	(54,938)	(45,231)
EBITDA	19,883	14,780	14,212
Depreciation and amortisation	(8,575)	(3,685)	(3,428)
Operating profit	11,308	11,095	10,784
Finance costs	(876)	(485)	(270)
Profit before tax	10,432	10,610	10,514
Tax	(1,711)	(1,740)	(1,690)
Profit after tax	8,721	8,870	8,824
Basic EPS (pence per share)	8.7	8.8	8.8

IFRS 16 LEASES

We have adopted IFRS 16 Leases, with effect from 1 January 2019, which requires all qualifying operating leases to be brought on to the balance sheet. The impact on the H1 2019 Consolidated Income Statement was for overheads to reduce by £5.1 million (being the removal of lease rental charges), for depreciation to increase by £4.9 million (being the amortisation of right-of-use assets over the remaining lease term) and for interest to increase by £0.4 million (being the unwind of the discounting of lease liabilities).

To provide better comparability, we have presented both the reported and pre-IFRS 16 financial information, and in explaining variances have disclosed both the impact of the new standard and the underlying variance to H1 2018.

REVENUE

Revenue for H1 2019 was £136.3 million (H1 2018: £118.8 million), which represents growth of 15%, (11% excluding acquisitions). Like-for-like sales growth (i.e. excluding the impact of acquisitions and branches opened in 2018/19) was 10%.

Sales were driven by good like-for-like growth in Profiles (£4.6 million, or 9% for the division including the benefit of new fabricator account wins), strong like-for like growth in the branch network (£7.2 million, or 11% for the division) and the positive impact from branches opened in 2018/19 (£1.1 million, or 2% for the division). Acquisitions added an incremental £4.6 million to sales in H1 2019.

GROSS MARGIN

Overall, our gross margin increased by 110 bps from 50.0% in H1 2018 to 51.1% in H1 2019.

The production capacity constraints we experienced in 2018 delayed our ability to realise selling price increases and recover cost inflation. However, with customer service levels improved, we implemented price increases progressively across the business in H1 2019. We estimate the net impact of these price increases and raw material cost inflation was to improve gross profit by c.£2.5 million (or 70 bps) in H1, thereby also recovering the labour and other cost inflation included within overheads (see below).

The gross margin improvement also includes a benefit of £0.9m (or 60 bps) from increased usage of recycled material in our manufactured goods to 6.4k tonnes (H1 2018: 4.3k tonnes).

OVERHEADS

Excluding the impact of IFRS 16, overheads for the first half were £54.9 million compared to £45.2 million in H1 2018, an increase of £9.7 million.

The increase includes £3.5 million as a result of acquisitions and new branches opened in 2018/19, and wage and other inflation of £1.6 million. Of the remaining increase, we estimate £3.6 million is driven by volume, representing a cost increase of 8%, driven by the impact on direct labour of higher production (compared to production up 14%). The balance of £1.0 million includes higher bad debt charges.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for H1 2019 is £8.6 million. Excluding the impact of IFRS 16 (lease-related depreciation), depreciation and amortisation is £3.7 million (H1 2018: £3.4 million).

FINANCE COSTS

Finance costs for H1 2019 are £0.9m. Excluding the impact of IFRS 16 (lease-related interest), finance costs are £0.5 million (H1 2018: £0.3 million).

TAX

The effective tax rate on profit before tax for H1 2019 of 16.4% (H1 2018: 16.1%) was lower than the standard corporation tax rate for both half year periods due to the benefit of Patent Box relief. The full year tax rate for 2018 of 11.2% was lower than the standard rate of 19.25%, due to the benefit of two Patent Box claims being recognised in the year.

PROFIT BEFORE TAX

Profit before tax for the period was £10.4 million. Excluding the impact of IFRS 16, profit before tax was £10.6 million (H1 2018: £10.5 million).

EARNINGS PER SHARE

Basic earnings per share for the period were 8.7 pence. Excluding the impact of IFRS 16, basic earnings per share for the period were 8.8 pence (H1 2018: 8.8 pence). The dilutive effect of share options on earnings per share was not significant.

ACQUISITIONS

As previously noted, we acquired Trimseal, a distributor of building plastic materials, on 6 March 2019 for a total cash consideration of £0.5 million.

DIVIDENDS

On 31 July 2019, the Board approved an interim dividend for the six months ended 30 June 2019 of 3.2 pence per share (£3.2 million), representing an increase of 3% on the corresponding period.

The interim dividend will be paid on 4 October 2019 to shareholders on the register at the close of business at 6 September 2019 and shares will be marked ex-dividend on 5 September 2019.

CAPITAL EXPENDITURE

Capital expenditure for H1 2019 was £8.8 million (H1 2018: £3.1 million).

Capital expenditure for 2019 reflects our programme to improve manufacturing efficiency through the expansion of production capacity. We are investing in additional co-extrusion and foam lines, increasing capacity by 30% and 15% respectively, and with related capex of £2.5 million in H1. We are also increasing our recycling capability by at least c.3k tonnes per annum across the Ilkeston and Ecoplas sites, with associated capex of £3.5 million in H1 (including co-extrusion tooling).

Other capital expenditure in the period of £2.8 million includes new / refurbished branches, IT and maintenance capex.

CASH FLOW

Net cash generated from operating activities was £8.4 million for the period, compared to £7.6 million in H1 2018.

This includes a net outflow from working capital for H1 2019 of £10.4 million, comprised of an increase in stocks (£4.1 million), an increase in trade and other receivables (£8.0 million) and an increase in trade and other payables (£1.7 million). This compares to a net outflow from working capital of £4.7 million in H1 2018. It also includes net tax paid of £1.0 million (H1 2018: £2.1 million), comprising gross payments of £2.0m and £1.0m cash received in relation to patent box claims filed in 2018.

Higher stocks reflects the impact of our Brexit-related finished goods stock build. We have also improved stock availability in our branches, which has been an important driver of strong like-for-like sales growth in the period.

The increases in trade receivables reflects normal business seasonality, alongside increased activity and growth in

2019. The cash inflow from trade payables is relatively low due to payments relating to our significant capital investment programme and the impact of early settlement discounts.

Other payments include capital investment of £8.8 million (H1 2018: £3.2 million) and financing costs of £0.4 million (H1 2018: £0.2 million). Acquisition costs of £1.1m comprised £0.5 million for the acquisition of Trimseal, and payments of deferred consideration in respect of the acquisitions of Kent Building Plastics, Security Hardware and S&S Plastics of £0.6m.

Dividends paid in H1 2019 represent the final dividend for 2018 of 6.2 pence per share, or £6.2 million (H1 2018: 2017 final dividend of 6.0 pence per share, or £6.0 million).

Finally, following the adoption of IFRS 16 Leases, we have recognised the discounted value of future lease liabilities within net debt with effect from 1 January 2019. As a result, net debt at 30 June 2019 increased by £32.6 million. The principal elements of lease payments of £4.9 million are presented within cash flows arising from financing activities.

Taking all of these factors into account, net debt increased by £45.9 million to £69.4 million at 30 June 2019. Excluding the impact of IFRS 16, underlying net debt increased by £13.2 million to £36.7 million (31 December 2018: £23.5 million).

BANK FACILITIES

We have an unsecured, multicurrency, revolving credit facility of £60 million, provided by Barclays and HSBC. We operate comfortably within the terms of the facility and related financial covenants, which are based upon accounting standards in effect at 8 December 2018 and are therefore not impacted by IFRS 16. The facility matures in 2023.

SEASONALITY OF TRADING

We are affected by seasonality. Demand in the second half of the year is usually higher than in the first half, with September to November typically representing our peak sales period to the RMI market. In addition, our sales to the new build market are usually slower during the first quarter of the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the 2018 Annual Report (pages 34-39). These risks remain unchanged and are as follows:

- Macro-economic conditions
- Brexit
- Raw material supply
- Raw material prices
- Manufacturing capacity constraints
- Unplanned plant downtime
- Unsuccessful branch network expansion
- Ability to attract and retain key personnel and highly skilled individuals
- Shortages or increased costs of appropriately skilled labour
- Customer credit risk
- Competitor activity
- Corporate and regulatory risks
- Cyber security
- Failure to develop new products
- Failure to identify, complete and integrate bolt-on acquisitions

Michael Scott

Chief Financial Officer

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

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

- The condensed set of financial statements has been prepared in accordance with 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

Mark Kelly
Chief Executive Officer
31 July 2019

Michael Scott
Chief Financial Officer
31 July 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ending 30 June 2019

		Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
	Note			
Revenue	5	136,332	118,793	253,691
Cost of sales		(66,614)	(59,350)	(128,108)
Gross profit		69,718	59,443	125,583
Distribution costs		(11,084)	(8,963)	(18,507)
Administrative expenses		(47,326)	(39,696)	(84,190)
Operating profit	5	11,308	10,784	22,886
Finance expense		(876)	(270)	(793)
Profit before tax		10,432	10,514	22,093
Taxation	6	(1,711)	(1,690)	(2,474)
Profit for the period and total comprehensive income		8,721	8,824	19,619
Basic earnings per share	8	8.7p	8.8p	19.6p
Diluted earnings per share	8	8.7p	8.8p	19.5p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 £000 (Unaudited)	30 June 2018 £000 (Unaudited)	31 December 2018 £000 (Audited)
	Note			
Assets				
Non-current assets				
Property, plant and equipment	9	40,809	31,108	35,003
Right-of-use assets	9	33,140	-	-
Intangible assets	9	27,662	19,200	27,795
Total non-current assets		101,611	50,308	62,798
Current assets				
Inventories		32,420	23,903	28,323
Trade and other receivables		47,577	40,222	40,311
Cash and cash equivalents		4,708	4,441	5,862
Total current assets		84,705	68,566	74,496
Total assets		186,316	118,874	137,294
Liabilities				
Current liabilities				
Trade and other payables		(42,559)	(39,630)	(41,303)
Lease liabilities		(8,449)	-	-
Provisions		(492)	(405)	(492)
Corporation tax		(1,995)	(2,177)	(1,162)
Total current liabilities		(53,495)	(42,212)	(42,957)
Non-current liabilities				
Borrowings		(41,439)	(20,884)	(29,376)
Trade and other payables		(1,107)	(725)	(1,230)
Lease liabilities		(24,181)	-	-
Provisions		(934)	(596)	(1,141)
Deferred tax		(2,421)	(2,068)	(2,502)
Total non-current liabilities		(70,082)	(24,273)	(34,249)
Total liabilities		(123,577)	(66,485)	(77,206)
Net assets		62,739	52,389	60,088
Equity attributable to equity holders of the parent				
Share capital		100	100	100
Share premium account		2,381	2,381	2,381
Share-based payment reserve		565	402	416
Retained earnings		59,693	49,506	57,191
Total equity		62,739	52,389	60,088

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ending 30 June 2019

		Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
	Note			
Cash generated from operations	10	9,406	9,666	21,676
Income taxes paid		(982)	(2,063)	(3,981)
Net cash generated from operating activities		8,424	7,603	17,695
Investing activities				
Acquisition of subsidiaries		(1,101)	(103)	(7,168)
Purchase of property, plant and equipment		(8,776)	(2,963)	(8,380)
Sale of property, plant and equipment		4	24	39
Purchase of intangible assets		(14)	(268)	(362)
Net cash used in investing activities		(9,887)	(3,310)	(15,871)
Financing activities				
Proceeds from bank borrowings		12,000	-	30,000
Repayment of bank and other borrowings		(169)	(5,000)	(27,126)
Principal elements of lease payments		(4,913)	-	-
Finance expense paid		(390)	(205)	(1,079)
Dividends paid to equity Shareholders	7	(6,219)	(6,008)	(9,118)
Net cash generated from/(used in) financing activities		309	(11,213)	(7,323)
Net decrease in cash and cash equivalents		(1,154)	(6,920)	(5,499)
Cash and cash equivalents at the beginning of the period		5,862	11,361	11,361
Cash and cash equivalents at the end of the period		4,708	4,441	5,862
Net debt				
Cash and cash equivalents		4,708	4,441	5,862
Borrowings		(41,439)	(20,884)	(29,376)
Lease liabilities		(32,630)	-	-
		(69,361)	(16,443)	(23,514)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 (Unaudited)	Share capital £000	Share premium account £000	Share- based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	100	2,381	416	57,191	60,088
Comprehensive income for the period					
Profit for the period	-	-	-	8,721	8,721
Total comprehensive income for the period	-	-	-	8,721	8,721
Contributions by and distributions to owners					
Share-based payments	-	-	149	-	149
Dividends paid	-	-	-	(6,219)	(6,219)
Total transactions with owners recognised directly in equity	-	-	149	(6,219)	(6,070)
Balance at 30 June 2019	100	2,381	565	59,693	62,739

For the six months ended 30 June 2018 (Unaudited)	Share capital £000	Share premium account £000	Share- based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	100	2,104	480	46,690	49,374
Comprehensive income for the period					
Profit for the period	-	-	-	8,824	8,824
Total comprehensive income for the period	-	-	-	8,824	8,824
Contributions by and distributions to owners					
Exercise of share options	-	277	(277)	-	-
Share-based payments	-	-	199	-	199
Dividends paid	-	-	-	(6,008)	(6,008)
Total transactions with owners recognised directly in equity	-	277	(78)	(6,008)	(5,809)
Balance at 30 June 2018	100	2,381	402	49,506	52,389

For the year ended 31 December 2018 (Audited)	Share capital £000	Share premium account £000	Share- based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	100	2,104	480	46,690	49,374
Comprehensive income for the year					
Profit for the year	-	-	-	19,619	19,619
Total comprehensive income for the year	-	-	-	19,619	19,619
Contributions by and distributions to owners					
Exercise of share options	-	277	(277)	-	-
Share-based payments	-	-	249	-	249
Deferred tax on share-based payments	-	-	(36)	-	(36)
Dividends paid	-	-	-	(9,118)	(9,118)
Total transactions with owners recognised directly in equity	-	277	(64)	(9,118)	(8,905)
Balance at 31 December 2018	100	2,381	416	57,191	60,088

1. BASIS OF PREPERATION

The half year report for the six months ended 30 June 2019 reflects the results of the Company and its subsidiaries (together 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, and includes the half year condensed consolidated financial statements (the 'interim financial statements').

The interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They do not include all the information required for full financial statements and should be read in conjunction with the 2018 Annual Report.

The comparative figures for the year ended 31 December 2018 have been extracted from the Group's audited financial statements for that year. Those financial statements are included in the 2018 Annual Report and have been delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their audit report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

The Group is affected by seasonality. Demand in the second half of the year is usually higher than in the first half, with September to November typically representing the peak sales period for the Group in the RMI market. In addition, the Group's sales to the new build market are usually slower during the first quarter of the year.

The half year report was approved by the Board of Directors on 31 July 2019.

2. GOING CONCERN

The interim financial statements have been prepared on a going concern basis. 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 interim financial statements have been prepared in accordance with the accounting policies and presentation that were applied in the Group's audited financial statements for the year ended 31 December 2018, with the exception of IFRS 16 Leases, which the Group has adopted from 1 January 2019.

The Group leases various warehouses, depots, offices and vehicles in conducting its business. Rental contracts are typically made for fixed periods ranging from 3 to 10 years, but may have break or extension clauses to maximise operational flexibility.

The Group has no leases previously classified as finance leases. From 1 January 2019 liabilities for leases previously classified as operating leases have been measured at the present value of the remaining lease payments, discounted using the 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. The weighted average borrowing rate applied to lease liabilities is 2.4%. If the borrowing rate were to increase by 0.5%, the impact upon the Consolidated Income Statement and Consolidated Statement of Financial Position would be immaterial.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise or not exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or change in circumstances brings into question management's earlier judgement.

Lease terms are negotiated on an individual basis and contain a wide variety of specific terms and conditions. These lease arrangements do not impose any covenants, nor do they contain variable lease payments. Leased assets may not be pledged as security for borrowing purposes.

The Group has elected to apply the Modified Retrospective approach to transition, thereby setting the value of right of use lease assets equal to the respective liabilities as at 1 January 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease in the balance sheet as at 31 December 2018.

In applying IFRS 16 for the first time, 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; and
- 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 have been omitted on the basis of materiality.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

On 1 January 2019 the Group recognised lease liabilities and right-of-use assets of £34.3m. This reconciles to the operating lease commitments disclosed as at 31 December 2018 as follows:

	£m
Operating lease commitments as at 31 December 2018	38.1
Leases omitted from disclosure at 31 December 2018	1.1
Less short-term and low-value leases	(2.7)
Impact of discounting of lease liabilities	(2.2)
Lease liability and right of use assets recognised as at 1 January 2019	34.3
Current lease liabilities	10.1
Non-current lease liabilities	24.2
Total	34.3

The impact of adopting IFRS 16 on the financial statements for the half year to 30 June 2019 is as follows:

	pre-IFRS 16 £m	IFRS 16 adjustment £m	Reported £m
Revenue	136.3	-	136.3
Gross margin	69.7	-	69.7
Operating expenses	(54.9)	5.1	(49.8)
EBITDA	14.8	5.1	19.9
Depreciation and amortisation	(3.7)	(4.9)	(8.6)
Finance expense	(0.5)	(0.4)	(0.9)
Profit before tax	10.6	(0.2)	10.4
Basic earnings per share	8.8p	(0.1)p	8.7p
Right-of-use assets	-	33.1	33.1
Net debt	(36.7)	(32.6)	(69.4)

The adoption of IFRS 16 has had no impact on actual cash flows. Cash flows arising from leases under IFRS 16 are now shown within financing cash flows, whereas leases falling outside of the scope of the new standard are presented within operating cash flows.

Other than IFRS 16, the following new standards, amendments or interpretations have been adopted by the Group, with no material impact:

- Annual improvements 2015-2017 Cycle;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation – Amendments to IFRS 9; and
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28.

The following standard, which is not expected to have a material impact on the Group's future financial statements, was in issue but not yet effective (and not yet adopted by the EU):

- IFRS 17 Insurance Contracts (effective from 1 January 2022).

The Group does not intend to adopt any standard, revision or amendment before the required implementation date.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgements, estimates and assumptions relevant to the preparation of the interim financial statements are consistent with those described on pages 83 to 88 of the 2018 Annual Report, supplemented by the estimates and judgements applied in adopting IFRS 16 as described above.

4. FINANCIAL INSTRUMENTS

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

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

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

The Group estimates that the fair value of these financial assets and liabilities is approximate to their carrying amount. Further information in relation to the Group's exposure to financial risks is included on pages 88 to 90 of the 2018 Annual Report.

5. SEGMENTAL INFORMATION

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

The Group has aggregated its operations into two 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 UPVC window and building products to the new and replacement window market across the UK. This segment includes Vista Panels, S&S Plastics and Ecoplas.
- Building Plastics – sale of building plastic materials across the UK. This segment includes Security Hardware, Kent Building Plastics and Trimseal.

All revenue is recognised at a point in time upon delivery to, or collection by customers.

The Corporate segment includes depreciation and amortisation in respect of right-of-use assets and acquired intangible assets.

Six months ended 30 June 2019
(Unaudited)

	Profiles £000	Building Plastics £000	Corporate £000	Total £000
Revenue				
Total revenue	85,822	79,421	-	165,243
Inter-segmental revenue	(28,180)	(731)	-	(28,911)
Total revenue from external customers	57,642	78,690	-	136,332
EBITDA	13,293	6,594	(4)	19,883
Amortisation	(58)	(15)	(830)	(903)
Depreciation	(3,071)	(3,194)	(1,407)	(7,672)
Operating profit	10,164	3,385	(2,241)	11,308
Finance expense				(876)
Profit before tax				10,432

Six months ended 30 June 2018 (Unaudited)	Profiles £000	Building Plastics £000	Corporate £000	Total £000
Revenue				
Total revenue	74,123	68,960	-	143,083
Inter-segmental revenue	(23,607)	(683)	-	(24,290)
Total revenue from external customers	50,516	68,277	-	118,793
EBITDA	11,468	2,675	69	14,212
Amortisation	(79)	(35)	(657)	(771)
Depreciation	(1,959)	(455)	(243)	(2,657)
Operating profit	9,430	2,185	(831)	10,784
Finance expense				(270)
Profit before tax				10,514

Year ended 31 December 2018 (Audited)	Profiles £000	Building Plastics £000	Corporate £000	Total £000
Revenue				
Total revenue	159,496	147,345	-	306,841
Inter-segmental revenue	(51,768)	(1,382)	-	(53,150)
Total revenue from external customers	107,728	145,963	-	253,691
EBITDA	22,008	8,394	(95)	30,307
Amortisation	(158)	(53)	(1,403)	(1,614)
Depreciation	(4,074)	(908)	(499)	(5,481)
Operating profit before non-underlying costs	17,776	7,433	(1,997)	23,212
Non-underlying costs*				(326)
Finance expense				(793)
Profit before tax				22,093

* Non-underlying costs in 2018 related to acquisition expenses and contingent consideration.

Six months ended 30 June 2019 (Unaudited)	Profiles £000	Building Plastics £000	Corporate £000	Total £000
Segment assets	91,337	72,154	22,825	186,316
Segment liabilities	(31,706)	(38,965)	(7,051)	(77,722)
Borrowings				(41,439)
Corporation tax				(1,995)
Deferred tax				(2,421)
Total liabilities				(123,577)
Total net assets				62,739

Six months ended 30 June 2018 (Unaudited)	Profiles £000	Building Plastics £000	Corporate £000	Total £000
Segment assets	61,853	39,680	17,341	118,874
Segment liabilities	(23,784)	(16,211)	(1,361)	(41,356)
Borrowings				(20,884)
Corporation tax				(2,177)
Deferred tax				(2,068)
Total liabilities				(66,485)
Total net assets				52,389

Year ended 31 December 2018 (Audited)	Profiles £000	Building Plastics £000	Corporate £000	Total £000
Segment assets	75,000	46,204	16,090	137,294
Segment liabilities	(25,016)	(17,173)	(1,977)	(44,166)
Borrowings				(29,376)
Corporation tax				(1,162)
Deferred tax				(2,502)
Total liabilities				(77,206)
Total net assets				60,088

Geographical information

	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)		Year ended 31 December 2018 (Audited)	
	Revenue £000	Non-current assets £000	Revenue £000	Non-current assets £000	Revenue £000	Non-current assets £000
United Kingdom	135,698	101,567	118,250	50,254	252,533	62,749
Republic of Ireland	634	44	543	54	1,158	49
Total	136,332	101,611	118,793	50,308	253,691	62,798

As at 30 June 2019 the Group employs 1,955 people in the United Kingdom, and 7 people in the Republic of Ireland.

6. TAXATION

	Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
Current tax			
Current tax on profits for the period	1,627	1,807	2,643
Adjustments in respect of prior years	-	(15)	(40)
Total current tax	1,627	1,792	2,603
Deferred tax			
Origination and reversal of temporary differences	96	(109)	(165)
Adjustment in respect of change in rates	-	5	(21)
Adjustments in respect of prior years	(12)	2	57
Total deferred tax	84	(102)	(129)
Total tax expense	1,711	1,690	2,474

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

	Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
Profit before tax	10,432	10,514	22,093
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,982	1,998	4,198
Expenses not deductible for tax purposes	102	56	136
Patent Box claims	(361)	(356)	(1,820)
Adjustments in respect of prior years	(12)	(13)	17
Tax on share-based payments recognised in equity	-	-	(36)
Adjustment in respect of change in rates	-	5	(21)
Total tax expense	1,711	1,690	2,474

Changes in tax rates and factors affecting the future tax charge

A reduction in the mainstream rate of UK corporation tax from 19% to 17% from April 2020 was enacted during 2016. Deferred taxes at the period end have been measured using these enacted rates and reflected in the interim financial statements.

7. DIVIDENDS

	Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
Dividends paid during the period			
Interim dividend for H1 2018: 3.1p per share	-	-	3,110
Final dividend for 2018: 6.2p per share (2017: 6.0p per share)	6,219	6,008	6,008
	6,219	6,008	9,118
Dividends proposed			
Interim dividend for H1 2019: 3.2p per share (H1 2018: 3.1p per share)	3,209	3,110	-
Final dividend for 2018: 6.2p per share	-	-	6,219
	3,209	3,110	6,219

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.

	Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
Profit attributable to ordinary shareholders	8,721	8,824	19,619
	Number	Number	Number
Weighted average number of shares- basic	100,310,472	100,246,327	100,278,663
Weighted average number of shares- diluted	100,724,244	100,521,447	100,627,058
	Pence	Pence	Pence
Basic earnings per share	8.7	8.8	19.6
Diluted earnings per share	8.7	8.8	19.5

9. NON-CURRENT ASSETS (Unaudited)

	Property, plant and equipment £000	Right-of-use assets £000	Intangible assets £000
At 31 December 2018	35,003	-	27,795
Adoption of IFRS 16 on 1 January 2019	-	35,203	-
Added on acquisition	33	-	484
Additions	8,776	2,869	14
Disposals	(1)	(42)	-
Transfers	(220)	-	220
Transfer of accumulated amortisation to contract assets	-	-	52
Depreciation and amortisation	(2,782)	(4,890)	(903)
At 30 June 2019	40,809	33,140	27,662

10. RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
Profit after tax	8,721	8,824	19,619
Taxation	1,711	1,690	2,474
Finance expense	876	270	793
Operating profit	11,308	10,784	22,886
Adjustments for:			
Depreciation of property, plant and equipment	2,782	2,657	5,481
Depreciation of right-of-use assets	4,890	-	-
Amortisation of intangible assets	903	771	1,614
Profit on sale of property, plant and equipment	(2)	(24)	(33)
Share-based payments	149	199	249
Increase in inventories	(4,070)	(2,809)	(6,798)
Increase in trade and other receivables	(8,023)	(8,644)	(7,051)
Increase in trade and other payables	1,676	6,758	5,547
Decrease in provisions	(207)	(26)	(219)
Cash generated from operations	9,406	9,666	21,676

11. RELATED PARTY TRANSACTIONS

The remuneration of Executive and Non-executive Directors is disclosed in the 2018 Annual Report.

Transactions with key management personnel

Kalverboer Management UK LLP is controlled by P H L Kalverboer, a Director of Eurocell plc until his resignation from the Board on 10 May 2019. Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who is a Director of Eurocell plc.

	Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
Kellmann Recruitment Limited – recruitment services	11	10	70
Kalverboer Management UK LLP – management services	17	20	40

The following balances are outstanding at the period end:

	Six months ended 30 June 2019 £000 (Unaudited)	Six months ended 30 June 2018 £000 (Unaudited)	Year ended 31 December 2018 £000 (Audited)
Kellmann Recruitment Limited – recruitment services	7	4	-
Kalverboer Management UK LLP – management services	-	10	20

12. ACQUISITION OF SUBSIDIARIES

On 6 March 2019 the Group acquired 100% of the ordinary share capital of Trimseal Limited, a distributor of building plastic materials with annual sales of approximately £1.5 million, for a cash consideration of £0.5 million. On acquisition, customer-relationship intangible assets of £0.2 million and goodwill of £0.3 million were recognised. The fair value of the net assets acquired was not material.

13. EVENTS AFTER THE BALANCE SHEET DATE

The directors are not aware of any material events that have occurred after 30 June 2019 which would require disclosure under IAS 10.

Independent Review Report to Eurocell plc

Report on the Half Year Condensed Consolidated Financial Statements

Our conclusion

We have reviewed Eurocell plc's half year condensed consolidated financial statements (the "interim financial statements") in the half-year report of Eurocell plc for the six month period ended 30 June 2019. 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- The condensed consolidated statement of financial position as at 30 June 2019;
- The condensed consolidated statement of comprehensive income for the period then ended;
- The condensed consolidated cash flow statement for the period then ended;
- The condensed consolidated statement of changes in equity for the period then ended; and
- The explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook 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 Guidance and Transparency Rules sourcebook 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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, 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
31 July 2019