3 September 2021

EUROCELL PLC (Symbol: ECEL)

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

Strong first half, a further increase in full year expectations and reinstating dividend payments

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

	H1 2021	H1 2020	Change	H1 2019	Change
Key financial performance measures					
Revenue (£ million)	168.1	93.6	80%	136.3	23%
Gross margin %	50.2%	46.8%	340bps	51.1%	(90)bps
Profit/(loss) before tax (£ million)	14.2	(16.5)	n/a	10.4	37%
Basic earnings/(losses) per share (pence)	9.9	(11.1)	n/a	8.7	14%
Adjusted profit/(loss) before tax (£ million) (1)	14.2	(8.6)	n/a	10.4	37%
Adjusted basic earnings/(losses) per share (pence) (1)	9.9	(5.0)	n/a	8.7	14%
Capital investment (£ million)	7.3	4.6	2.7	8.8	(1.5)
Net debt (£ million) (2)	52.3	75.6	23.3	69.3	17.0
Net (cash)/debt, pre-IFRS 16 (£ million) (2)	(1.3)	23.5	24.8	36.7	38.0
Interim dividend per share (pence)	3.2	–	n/a	3.2	level

For the purposes of this report, where appropriate we have compared financial and operating performance to 2020 and 2019, with the latter a more meaningful comparator given the disruption in 2020 due to the COVID-19 pandemic.

Financial headlines

- Continued successful deployment of commercial strategies, with sales up 23% vs H1 2019, including:
  - Profiles up 19%: good contribution from trade fabricators (substantially focused on the RMI(3) market) and new build fabricators, as well as a very strong performance from Vista doors
  - Building Plastics up 27%: excellent performance across full range of own-manufactured products and traded goods
  - c.5% from selling price increases and a surcharge implemented to mitigate raw material price inflation
- Surcharge successfully recovering higher raw material costs, but dilutive to gross margin percentage
- Profit before tax up 37% vs H1 2019, driven by higher sales volumes and the impact of operational gearing
- Capex of £7.3 million includes c.£2 million to expand extrusion capacity
- Strong balance sheet and liquidity, with pre-IFRS 16 net cash of £1.3 million (H1 2020: net debt of £23.5 million)
- Interim dividend reinstated at 3.2 pence per share (£3.6 million), payable on 8 October 2021

Operational headlines

- Strong on sustainability as the leading UK-based recycler of PVC windows
  - Further improvement in proportion of recycled material used to 28% (full year 2020: 25%)
  - Commitment to substantial further progress on sustainability, with KPIs published covering the circular economy (including recycling), emissions and energy management, and social targets
- Fit-out of new state-of-the-art warehouse now complete – key to increasing capacity and delivering anticipated improvements in operating efficiencies
- 4 new branches opened in H1, with a further 8 planned for H2 (of which 4 are new larger format)

Mark Kelly, Chief Executive of Eurocell plc said:

“We entered 2021 well placed to take advantage of the continued recovery in our markets and we have delivered strong financial results for H1.

“A very good sales performance has been underpinned by the success of our commercial strategies and high levels of demand in the RMI(3) market. We believe we are also continuing to take market share.

“Although high demand has put sector supply chains under pressure, to date we have secured most of the raw materials we require, and we are mitigating cost inflation with selling price increases, a surcharge and through our market-leading recycling plants. As a result, we are very pleased to report strong profit growth for the first half and to confirm a return to dividend payments.

“Trading performance in July and August has continued to be robust. With the industry close to capacity and lead times growing, we are becoming more confident that these market conditions will continue for the foreseeable future. Reflecting these factors, and notwithstanding very tight supply chains, labour and transport availability, the Board is now again raising its expectations for the full year.”

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Notes

(1) Adjusted measures are stated before non-underlying items(4) and the related tax effect.

(2) Net debt is cash and cash equivalents less bank overdrafts, borrowings and lease liabilities. Pre-IFRS 16 net debt excludes lease liabilities.

(3) RMI is repair, maintenance and improvement.

(4) Non-underlying items for H1 2020 of £7.9 million includes a goodwill impairment charge of £5.8 million, trade receivable impairment charges of £0.8 million, right-of use asset impairment charges of £0.5 million and warehouse dual-running costs of £0.8 million. There were no non-underlying items in 2021 and 2019.

Analyst presentation

There will be an audiocast presentation for analysts and investors at 9am today.

To register for the audiocast, please contact Teneo on eurocell@teneo.com.

Following the presentation, a recording of the audiocast will be made available on the Group’s website: https://investors.eurocell.co.uk/investors/

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

Our results in 2020 reflected the major impact of COVID-19 on the first half, which led to the closure of the business between the end of March and middle of May, followed by a good recovery in H2, when the Repair, Maintenance and Improvement ('RMI') market was better than we had first anticipated and our operating performance was good. We therefore entered 2021 well placed to take advantage of the continued strength in our markets.

So far in 2021, the RMI market has remained very robust. House building activity has also been increasing, supported by high levels of mortgage approvals. Our products have continued to resonate well with customers seeking, possibly as a result of the pandemic, to improve their homes and create more usable space, both inside and outside of their properties. Conservatories, warm roofs, fencing and decking have all been particularly strong, alongside new products such as garden rooms. Current demand appears undiminished, and with the industry close to capacity and lead times growing, we are becoming more confident that these market conditions will continue for the foreseeable future.

We have experienced significant raw material cost increases this year, due to a combination of strong demand and supply chain pressures in our sector. However, we have been able to mitigate successfully most of this cost inflation through a combination of selling price increases, a surcharge and through our market-leading recycling plants.

As a result, we are very pleased to report strong financial performance and profit growth for the first half.

Fit-out of our new state-of-the-art warehouse is now complete. We expect customer service levels to improve further as the new plant, systems and processes are embedded. As well as being central to increasing capacity, this facility is key to delivering anticipated improvements in operating efficiencies.

FINANCIAL RESULTS

For the purposes of this half year report, where appropriate we have compared financial and operating performance to 2020 and 2019, with the latter a more meaningful comparator given the disruption in 2020 due to COVID-19.

Sales for H1 were £168.1 million, 80% higher than H1 2020 and 23% up on H1 2019. Profit before tax for H1 was £14.2 million, compared to £10.4 million in H1 2019, up 37% driven by higher sales volumes and the impact of operational gearing.

Financial performance in 2020 was affected significantly by the first UK COVID-19 lockdown. As a result, in H1 2020 the adjusted loss before tax was £8.6 million and the reported loss before tax was £16.5 million.

Further information on our financial performance is included in the Divisional and Chief Financial Officer's Reviews.

STRATEGY

Strategic priorities

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

- Grow market share in Profiles
- Expand the branch network
- Increase the use of recycled materials
- Deliver sustained operational excellence
- Develop innovative new products
- Explore potential bolt-on acquisition opportunities
- Develop a sector-leading digital proposition

We have made good progress with our strategic priorities in H1, with the key aspects described throughout this report.

Sustainability strategy and KPIs

Earlier this year we announced the intention to develop our sustainability strategy for the whole business.

Our objective is to continue to improve the sustainability of the Group. We have defined a suite of environmental and social targets and KPIs against which to measure our progress, which are set out in the following table.

Central to our environmental targets, which cover both the circular economy as well as emissions and energy management, is reducing the carbon footprint of the business and our products. Our social objectives are broad and cover areas such as health & safety, diversity and education. In addition to the matters covered by these KPIs, we are progressing similar work on related topics such as transport emissions, employee well-being and community engagement. Our objectives align well with several relevant UN Sustainable Development Goals, as well the UK's transition towards a net zero carbon economy. We intend to report our progress against these KPIs on an annual basis.

	KPI	2020 Base	Target
Environmental – circular economy			
Recycled material used in production	% used	25%	1% increase per year
CO_2 saved by recycling operation	Tonnes saved	36kt	Year-on-year increase
Waste recycled	% recycled	79%	Year-on-year increase
Environmental – emissions and energy management			
Greenhouse gas (GHG) emissions	GHG intensity ratio	70t CO_2 / £m sales	5% reduction by 2025
Energy consumption	Energy use intensity ratio	267 MWh / £m sales	5% reduction by 2025
Renewable energy	Renewable energy used	19% total energy	50% increase by 2025
Social			
Health & safety	Lost Time Injury Rate	0.7 per 100,000 hours	50% reduction by 2025
Employee engagement & recruitment	Labour turnover	21%	Year-on-year reduction
Employee satisfaction	Annual survey response rate and overall satisfaction level	60% and 78%	Year-on-year increase
Diversity	Female employees	13%	Year-on-year increase
Remuneration	National Living Wage (NLW)	All employees at or above NLW	All employees above NLW by 2023
Education	Apprenticeships / Kickstarters	32	20% increase by 2025

Recycling

Our KPIs recognise the breadth of the sustainability, or Environmental, Social and Governance ('ESG') agenda. Increasing our use of recycled PVC compound in the manufacture of co-extruded rigid profiles has and will always be at the heart of sustainability for Eurocell.

Expanding recycling improves product and business sustainability, with less plastic going to landfill. Closed-loop recycling (where windows being replaced are recycled into the new product) is attractive to decision makers such as local authorities and architects, which helps us develop tight specifications for our products. Recycling also increases our profits, because the cost of recycled compound is typically lower through the cycle than the price of virgin material, and it reduces our exposure to volatile commodity prices. This is particularly important at the moment, with the price of virgin resin reaching historic high levels in 2021.

We have been investing to increase our recycling capability through the expansion of our two market-leading recycling plants and by investment in new co-extrusion tooling, which allows a greater proportion of recycled material to be used in our products.

We have become the leading UK-based recycler of PVC windows. As well as keeping pace with increased demand, we have continued to improve the proportion of recycled material consumed in our primary extrusion operations. Usage increased from 9% of materials consumed (or 4.1k tonnes) in 2015 to 25% of consumption (or 12.4k tonnes) in 2020. In doing so, in 2020 we saved the equivalent of c.3 million window frames from landfill and estimate that overall our recycling operation saved approximately 36k tonnes of carbon in the year compared to the use of virgin PVC (equivalent to the annual CO_2 output of over 6,000 UK homes).

We have made further progress in H1 2021, with usage increasing to 28% of materials consumed (or 8.5k tonnes), compared to 26% (or 4.7k tonnes) in H1 2020 and 22% (or 6.4k tonnes) in H1 2019. In addition, substantially all scrap generated in extrusion is recycled back into our production processes, further reducing waste sent to landfill.

OPERATIONAL PERFORMANCE

Health & 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, with safe working practices for COVID-19 operating well across the business.

Our Lost Time Injury Rate ('LTIR') was 0.7 in H1 2021, compared to 0.7 and 0.9 for the whole of 2020 and 2019 respectively. 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 (full year 2020 and 2019: 19 and 17 minor injuries respectively).

Production

In the first half of 2021 we manufactured approximately 28.5k tonnes of rigid and foam PVC profiles, 72% higher than H1 2020 and 7% above H1 2019. This reflects the sales for each period, as well as, in 2019, higher production to increase stock holding at our branches and to mitigate the possibility of raw material supply interruption due to Brexit. Overall Equipment Effectiveness ('OEE', a measure which takes into account machine availability, performance and yield) was 73% in H1 2021, (full year 2020 and 2019: 75% and 73% respectively), with the latter part of H1 2021 impacted by labour availability (see below).

Raw material supply chain, labour and transport

Strong demand in our markets has put sector supply chains under pressure, and this shows no sign of abating. We are experiencing tighter supply and an inflationary environment, with prices of certain raw materials, particularly PVC resin, rising significantly in 2021.

To date we have secured most of the raw materials we require, and we are mitigating cost inflation with selling price increases and a surcharge adjusted monthly in response to price changes. Higher resin costs are also partially offset by our market-leading recycling plants. As described above, these plants supplied a record 28% of our raw material consumption in the first half, which drives a substantial cost saving of c.£4 million compared to the cost of virgin material.

Availability of the incremental operational labour we need to service strong demand is very tight. We have also experienced an elevated level of absence since June, due to employees being required to self-isolate. In addition, in the light of a well-publicised shortage of HGV drivers in the UK, our outsourced transport provider has faced challenges providing the required number of vehicles to service higher than expected sales.

PROFILES DIVISION REVIEW

Profiles strategy

In 2018 we became the leading supplier of rigid PVC profile to the UK market, with a share of c.15%. We continue to consolidate our position and believe we now have a share of around 18%. Our strategic objective is to increase this to >20% over the next few years.

There is a compelling case for larger trade fabricators to switch to Eurocell. This includes a strong product range and continued product development e.g. better aesthetics (such as flush windows), a more contemporary look to roofing and door products and improved environmental characteristics. In addition, the benefits of pull-through profile and hardware specifications and increasing opportunities to supply our branches, all delivered via improving service, remain attractive to prospective fabricator accounts.

In the Profiles division, new build represents approximately one-third of sales. Expanding our share of the new build market has been a key driver of recent growth, driven by sales of cavity closures where we are the clear market leader, and we believe favourable market dynamics are set to continue. We have strong relationships with large and medium-sized housebuilders, maintained by our specification and technical teams. Building regulations for windows are becoming increasingly complicated and our technical teams are working with our larger customers to enable them to conform to the regulations, including development of new product applications to meet changing requirements. In addition, with a focus on sustainability, we believe our use of recycled material is becoming increasingly attractive to housebuilders.

In the commercial sector, energy efficiency and lower cost underpin a strong case for the benefits of using PVC profile over aluminium, particularly in sub-sectors such as private rentals, build-to-rent, purpose-built student accommodation, education and local authority refurbishment – all habitual users of aluminium.

Profiles summary income statement

	H1 2021 £m	H1 2020 £m	Change %	H1 2019 £m	Change %
Third-party revenue	**68.5**	**36.4**	**88**	**57.6**	**19**
Inter-segmental revenue	35.9	19.0	89	28.2	27
Total revenue	**104.4**	**55.4**	**88**	**85.8**	**22**
Operating profit/(loss)	**11.6**	**(10.1)**	**n/a**	**10.2**	**14**
Adjusted operating profit/(loss)(1)	**11.6**	**(2.3)**	**n/a**	**10.2**	**14**

(1) Before non-underlying items (see alternative performance measures).

Third-party revenue for H1 was £68.5 million, 88% higher than H1 2020 and 19% up on H1 2019. We have seen good contributions from trade fabricators, who are substantially focused on the RMI market, and a very strong performance from Vista doors. New build has also enjoyed good sales, with increasing housing market activity supported by continued high levels of mortgage approvals and demand.

During the last four years we have added c.75 new accounts, and our prospect pipeline remains good.

Adjusted operating profit for H1 was £11.6 million, up £1.4 million on H1 2019 as a result of increased sales volumes and the impact of operational gearing. The adjusted operating loss in H1 2020 of £2.3 million reflects the impact of the first UK COVID-19 lockdown and is stated net of support received under the Coronavirus Job Retention Scheme (£3.4 million), partly offset by an increase to the IFRS 9 impairment charge (bad debts) in respect of certain fabricator customers (£1.6 million).

BUILDING PLASTICS DIVISION REVIEW

Building Plastics strategy

Our strategic objective for Building Plastics is to achieve world class operations from 270-300 sites. The growth will come mostly from independent operators, who currently have more than 80% market share.

Our goal is to be recognised as first for service for the tradesperson, seamlessly connecting the customer shopping journey from online through to the branches, with clear data-driven customer engagement plans (including targeting lapsed customers) and through the development of a sector-leading digital platform.

In terms of products, we intend to create the market leading proposition, including a redesigned best in class conservatory offering, and to exploit a significant market opportunity to extend our outdoor living product range, including decking, fencing and garden rooms.

In the existing estate, we are now testing an improved format for standard size branches, which better showcases the breadth of our range. We will also continue to identify opportunities for large format stores, with an expanded trade counter and showroom-style displays designed to engage customers and drive big-ticket purchases, such as windows and doors. This follows successful trials of this format in 2019/20.

We also continue to test an opportunity to develop and implement a sector-leading consumer online windows and doors proposition, using the branch network to provide infrastructure where needed (e.g. delivery point for installers). We began a trial in the North West in H2 2020 and will provide an update on our progress at the end of this year. This proposition aligns well with our commercial strategy of continuing to create pull-through demand for our products.

Building Plastics summary income statement

	H1 2021 £m	H1 2020 £m	Change %	H1 2019 £m	Change %
Third-party revenue	**99.6**	**57.2**	**74**	**78.7**	**27**
Inter-segmental revenue	0.7	0.5	40	0.7	–
Total revenue	**100.3**	**57.7**	**74**	**79.4**	**26**
Operating profit/(loss)	**6.1**	**(4.0)**	**n/a**	**3.4**	**79**

Third-party revenue for H1 was £99.6 million, 74% higher than H1 2020 and 27% up on H1 2019, equivalent to like-for-like sales growth of 23% on 2019, representing a strong performance across our full range of own-manufactured products and traded goods. Like-for-like excludes acquisitions and new branches opened in 2019/20/21.

We opened 4 new standard format branches in the first half, and we plan to open a further 8 new sites in H2, 4 of which are the new larger format. We are also making good progress reducing the time taken to reach break-even in new stores. At 30 June 2021, we had a total of 212 branches providing national coverage across the UK, which offers a significant competitive advantage. Branches opened in 2019/20/21 added £2.4 million to sales in H1 2021.

Operating profit for H1 was £6.1 million, compared to £3.4 million in H1 2019, driven by strong sales and good cost control. The operating loss in H1 2020 of £4.0 million reflects the impact of the first UK COVID-19 lockdown and is stated net of support received under the Coronavirus Job Retention Scheme (£2.9 million) and retail grants / business rates relief (£1.0 million), offset by an increase to the IFRS 9 impairment charge (bad debts) to reflect higher risk in the Building Plastics receivables book (£1.3 million).

OUTLOOK

We entered 2021 well placed to take advantage of the continued recovery in our markets and we have delivered strong financial results for H1.

A very good sales performance has been underpinned by the success of our commercial strategies and high levels of demand in the RMI market. We believe we are also continuing to take market share.

Although high demand has put sector supply chains under pressure, to date we have secured most of the raw materials we require, and we are mitigating cost inflation with selling price increases, a surcharge and through our market-leading recycling plants. As a result, we are very pleased to report strong profit growth for the first half and to confirm a return to dividend payments.

Trading performance in July and August has continued to be robust. With the industry close to capacity and lead times growing, we are becoming more confident that these market conditions will continue for the foreseeable future. Reflecting these factors, and notwithstanding very tight supply chains, labour and transport availability, the Board is now again raising its expectations for the full year.

Mark Kelly
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

	H1 2021 £m	H1 2020 £m	H1 2019 £m
Revenue	**168.1**	**93.6**	**136.3**
Gross profit	84.4	43.8	69.7
Gross margin %	50.2%	46.8%	51.1%
Overheads	(58.3)	(38.4)	(49.8)
IFRS 9 impairments	0.5	(2.9)	–
Adjusted(1) EBITDA	**26.6**	**2.5**	**19.9**
Depreciation and amortisation	(11.3)	(9.9)	(8.6)
Adjusted(1) operating profit/(loss)	**15.3**	**(7.4)**	**11.3**
Finance costs	(1.1)	(1.2)	(0.9)
Adjusted(1) profit/(loss) before tax	**14.2**	**(8.6)**	**10.4**
Tax	(3.2)	3.3	(1.7)
Adjusted(1) profit/(loss) after tax	**11.0**	**(5.3)**	**8.7**
Adjusted(1) basic earnings/(losses) per share (pence)	**9.9**	**(5.0)**	**8.7**
Non-underlying items	–	(7.9)	–
Tax on non-underlying items	–	1.5	–
Reported profit/(loss) before tax	**14.2**	**(16.5)**	**10.4**
Reported profit/(loss) after tax	**11.0**	**(11.7)**	**8.7**
Total basic earnings/(losses) per share (pence)	**9.9**	**(11.1)**	**8.7**

(1) See alternative performance measures.

INTRODUCTION

Our financial performance in 2020 reflected the major impact of COVID-19 on the first half, when the business reported a loss for the period. However, the decisive actions taken at the outset of the pandemic secured our financial position, underpinning a good recovery and financial performance in H2 2020. Subsequently, our continued focus on mitigating inflation, controlling costs, preserving cash and improving liquidity, have allowed the business to capitalise on the continued recovery in the RMI market and report strong financial results for H1 2021.

REVENUE

Revenue for H1 was £168.1 million, 80% higher than H1 2020 (£93.6 million) and 23% up on H1 2019 (£136.3 million). This is equivalent to like-for-like sales growth of 21% compared to 2019, representing a strong performance right across the business. Like-for-like excludes acquisitions and new branches opened in 2019/20/21.

Sales growth compared to 2019 includes approximately 5% from selling price increases implemented during February and a surcharge levied progressively from April, to mitigate raw material price inflation (see below).

GROSS MARGIN

Our gross margin was 50.2% in H1, up from 46.8% in H1 2020, reflecting increased production volumes and therefore a better recovery of direct costs.

Gross margin reduced from 51.1% in H1 2019 due to the impact of raw material cost increases. We are experiencing an inflationary environment, with prices for certain raw materials, particularly PVC resin increasing significantly in 2021. We are mitigating higher costs with selling price increases, a surcharge adjusted monthly in response to price changes and through our market-leading recycling plants. The surcharge has successfully recovered most of the higher material costs, and is therefore broadly neutral to profit, but it is dilutive to the margin percentage.

DISTRIBUTION AND ADMINISTRATIVE EXPENSES (OVERHEADS)

Underlying overheads for H1 were £58.3 million, 52% higher than H1 2020 (£38.4 million) and 17% up on H1 2019 (£49.8 million), reflecting higher production and sales volumes.

Overheads in H1 2020 include COVID-related UK Government support of £7.3 million, comprising receipts under the Job Retention Scheme of £6.3 million, retail grants of £0.7 million and retail rates relief of £0.3 million. Overheads in H1 2021 include retail rates relief of £1.0 million.

IFRS 9 IMPAIRMENTS

The first COVID-19 lockdown had a significant impact on our customers, with several finding it difficult to bring their accounts into terms. We assessed the level of credit risk to have increased materially as a direct impact of COVID. As a result, IFRS 9 impairment charges of £2.9 million were reflected in the underlying income statement in H1 2020.

Subsequently, cash receipts have been good and the ageing profile in our ledgers has improved, and consequently an IFRS 9 credit of £0.5 million has been recorded in H1 2021.

DEPRECIATION AND AMORTISATION (D&A)

D&A for H1 was £11.3 million, compared to an underlying charge of £9.9 million in H1 2020 (reported: £10.4 million) and £8.6 million in H1 2019.

ALTERNATIVE PERFORMANCE MEASURES

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

Adjusted EBITDA, adjusted operating profit and adjusted profit before tax all exclude non-underlying items. Adjusted profit after tax and adjusted earnings per share exclude non-underlying items and the related tax effect.

Pre-IFRS 16 EBITDA is stated inclusive of operating lease rentals under IAS 17 Leases. Pre-IFRS 16 net debt is defined as total borrowings and lease liabilities less cash and cash equivalents, excluding the impact of IFRS 16 Leases.

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

NON-UNDERLYING ITEMS

No non-underlying items were recognised in H1 2021 and H1 2019.

Non-underlying items for H1 2020 of £7.9 million includes a non-cash goodwill impairment charge of £5.8 million, a trade receivable impairment charge of £0.8 million, a right-of use asset impairment charge of £0.5 million and warehouse dual-running costs of £0.8 million.

FINANCE COSTS AND TAXATION

Finance costs for H1 were £1.1 million (H1 2020: £1.2 million).

A tax charge of £3.2 million was recognised for H1 (H1 2020: tax credit of £4.8 million). The effective tax rate on the profit before tax for H1 2021 of 22% is higher than the standard corporation tax rate of 19% for the period due to the impact of the change in the standard rate that will take effect in 2023 on the measurement of deferred taxes, offset by the benefit of Patent Box relief. The effective tax credit rate on the loss before tax of H1 2020 of 29% was greater than the standard rate of 19%, due to the benefit of Patent Box relief.

PROFIT/(LOSS) BEFORE TAX AND EARNINGS/(LOSSES) PER SHARE

Adjusted and reported profit before tax for H1 was £14.2 million, compared to an adjusted loss before tax of £8.6 million in H1 2020 and an adjusted and reported profit before tax of £10.4 million in H1 2019. Improved profits compared to 2019 reflect higher volumes and the impact of operational gearing. The reported loss before tax for H1 2020 was £16.5 million.

Adjusted and reported basic earnings per share for H1 were 9.9 pence (H1 2020: adjusted losses per share of 5.0 pence; reported basic losses per share 11.1 pence and H1 2019: adjusted and reported basic earnings per share 8.7 pence). Diluted earnings per share for H1 2021 were 9.8 pence. For H1 2020 losses per share, share options are not considered to have a dilutive effect.

DIVIDENDS

On 2 September 2021, the Board approved an interim dividend for the six months ended 30 June 2021 of 3.2 pence per share (£3.6 million). No dividends were paid in respect of 2020. The interim dividend for 2019 was 3.2 pence per share (£3.2 million).

The interim dividend will be paid on 8 October 2021 to shareholders on the register at the close of business at 17 September 2021 and shares will be marked ex-dividend on 16 September 2021. We will now revert to a dividend cover target of 2x through the cycle, with approximately one-third of the total paid as an interim.

CAPITAL EXPENDITURE

Capital expenditure for H1 2021 was £7.3 million (H1 2020: £4.6 million). 2021 includes c.£1 million for the new warehouse and c.£2 million to expand extrusion capacity across a number of key product lines. Other capital expenditure in the period of c.£4 million includes recycling, new / refurbished branches, IT and maintenance capex.

CASH FLOW

Net cash generated from operating activities was £24.2 million for the period, compared to £4.8 million in H1 2020.

This includes a net outflow from working capital for H1 2021 of £0.9 million, comprised of an increase in stocks (£3.1 million), an increase in trade and other receivables (£9.6 million) and an increase in trade and other payables (£11.8 million). This compares to a net inflow from working capital of £4.8 million in H1 2020. It also includes net tax paid of £1.9 million (H1 2020: £1.9 million). Higher stocks, receivables and payables reflect our strong trading performance and seasonality.

Other items include payments for capital investments of £7.3 million (H1 2020: £4.9 million) and financing costs of £0.3 million (H1 2020: £0.5 million).

No dividends were paid in either period.

The principal elements of lease payments of £5.0 million (H1 2020: £5.3 million) are presented within cash flows arising from financing activities. The finance elements of lease payments were £0.6 million (H1 2020: £0.7 million).

NET DEBT

Net cash on a pre-IFRS 16 basis at 30 June 2021 was £1.3 million (30 June 2020: net debt £23.5 million, 31 December 2020: net debt £9.9 million). Reported net debt on a post-IFRS 16 basis at 30 June 2021 was £52.3 million (30 June 2020: £75.6 million, 31 December 2020: £58.3 million).

BANK FACILITIES

We have an unsecured Revolving Credit Facility ('RCF') of £75 million which matures in 2023. In 2020 we converted the facility into a Sustainable RCF, where modest adjustments to the margin will be applied based on our achievement against annual recycling targets. We were pleased to meet our target for 2020, and plan to invest the interest saved in sustainability-related initiatives.

We operate comfortably within the terms of the facility and in compliance with our financial covenants, which are measured on a pre-IFRS 16 basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the 2020 Annual Report (pages 58-62). These risks remain unchanged and are as follows:

- Macroeconomic conditions
- Cyber security
- Regulatory risks, including health & safety
- Raw material supply
- Raw material and traded goods prices
- Customer credit risk
- Sustainability
- Manufacturing capacity constraints
- Warehousing and distribution capacity constraints
- Unplanned plant downtime
- Ability to attract and retain key personnel and highly skilled individuals
- Shortages or increased costs of appropriately skilled labour
- Failure to develop new products
- Competitor activity
- Failure to identify, complete and integrate acquisitions
- Digital and IT systems development

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 UK-adopted International Accounting Standard 34 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
2 September 2021

Michael Scott
Chief Financial Officer
2 September 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021

		Six months ended 30 June 2021 (Unaudited)			Six months ended 30 June 2020 (Unaudited)			Year ended 31 December 2020 (Audited)		
	Note	**Underlying £m**	**[1] Non-underlying £m**	**Total £m**	**Underlying £m**	**[1] Non-underlying £m**	**Total £m**	**Underlying £m**	**[1] Non-underlying £m**	**Total £m**
Revenue	5	**168.1**	**–**	**168.1**	**93.6**	**–**	**93.6**	**257.9**	**–**	**257.9**
Cost of sales		(83.7)	–	(83.7)	(49.8)	–	(49.8)	(130.5)	–	(130.5)
Gross profit		**84.4**	**–**	**84.4**	**43.8**	**–**	**43.8**	**127.4**	**–**	**127.4**
Distribution costs		(10.6)	–	(10.6)	(6.5)	–	(6.5)	(15.8)	–	(15.8)
Administrative expenses		(59.0)	–	(59.0)	(41.8)	(1.3)	(43.1)	(97.6)	(3.8)	(101.4)
Impairment of goodwill[2]		**–**	–	**–**	–	(5.8)	(5.8)	–	(5.8)	(5.8)
IFRS 9 impairments[2]		0.5	–	0.5	(2.9)	(0.8)	(3.7)	(3.7)	–	(3.7)
Operating profit/(loss)	5	**15.3**	–	**15.3**	**(7.4)**	**(7.9)**	**(15.3)**	**10.3**	**(9.6)**	**0.7**
Finance expense		(1.1)	–	(1.1)	(1.2)	–	(1.2)	(1.8)	(0.4)	(2.2)
Profit/(loss) before tax		**14.2**	–	**14.2**	**(8.6)**	**(7.9)**	**(16.5)**	**8.5**	**(10.0)**	**(1.5)**
Taxation	7	(3.2)	**–**	(3.2)	3.3	1.5	4.8	(1.5)	0.8	(0.7)
Profit/(loss) for the period and total comprehensive income		**11.0**	–	**11.0**	**(5.3)**	**(6.4)**	**(11.7)**	**7.0**	**(9.2)**	**(2.2)**
Basic earnings/(losses) per share	8	**9.9p**		**9.9p**	**(5.0)p**		**(11.1)p**	**6.5p**		**(2.0)p**
Diluted earnings/(losses) per share	8	**9.8p**		**9.8p**	**(5.0)p**		**(11.1)p**	**6.5p**		**(2.0)p**

(1) Non-underlying items are detailed in Note 6.

(2) The impairment of goodwill and IFRS 9 impairments have been disclosed on the face of the Consolidated Statement of Comprehensive Income due to the material nature of the charges.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	30 June 2021 (Unaudited) £m	30 June 2020 (Unaudited) £m	31 December 2020 (Audited) £m
Assets				
Non-current assets				
Property, plant and equipment	9	54.0	45.4	50.8
Right-of-use assets	9	50.9	50.1	47.0
Intangible assets	9	19.0	20.4	19.9
Total non-current assets		**123.9**	**115.9**	**117.7**
Current assets				
Inventories		41.2	33.9	38.1
Trade and other receivables		47.9	32.6	38.5
Corporation tax		0.1	4.5	–
Cash and cash equivalents		7.9	2.9	7.1
Total current assets		**97.1**	**73.9**	**83.7**
Total assets		**221.0**	**189.8**	**201.4**
Liabilities				
Current liabilities				
Trade and other payables		(54.8)	(31.4)	(42.8)
Lease liabilities		(9.9)	(9.4)	(8.9)
Bank overdrafts		–	–	(4.5)
Provisions		(0.5)	(0.6)	(0.8)
Corporation tax		–	–	(0.7)
Total current liabilities		**(65.2)**	**(41.4)**	**(57.7)**
Non-current liabilities				
Borrowings		(6.6)	(26.4)	(12.5)
Trade and other payables		(0.3)	(0.1)	(0.3)
Lease liabilities		(43.7)	(42.7)	(39.5)
Provisions		(0.6)	(0.6)	(0.7)
Deferred tax		(5.6)	(2.1)	(3.5)
Total non-current liabilities		**(56.8)**	**(71.9)**	**(56.5)**
Total liabilities		**(122.0)**	**(113.3)**	**(114.2)**
Net assets		**99.0**	**76.5**	**87.2**
Equity attributable to equity holders of the Parent				
Share capital		0.1	0.1	0.1
Share premium account		21.5	20.0	21.1
Share-based payment reserve		1.0	0.6	0.5
Retained earnings		76.4	55.8	65.5
Total equity		**99.0**	**76.5**	**87.2**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the period ended 30 June 2021

	Note	Six months ended 30 June 2021 (Unaudited) £m	Six months ended 30 June 2020 (Unaudited) £m	Year ended 31 December 2020 (Audited) £m
Cash generated from operations	11	**26.1**	**6.7**	**33.9**
Income taxes paid		(1.9)	(1.9)	(1.0)
Net cash generated from operating activities		**24.2**	**4.8**	**32.9**
Investing activities				
Purchase of property, plant and equipment		(7.0)	(4.9)	(13.8)
Purchase of intangible assets		(0.3)	–	(0.2)
Net cash used in investing activities		**(7.3)**	**(4.9)**	**(14.0)**
Financing activities				
Proceeds from issue of ordinary share capital		0.3	17.6	19.2
Costs relating to the issuance of new shares		–	–	(0.5)
Repayment of bank borrowings		(6.0)	(13.0)	(27.2)
Principal elements of lease payments		(5.0)	(5.3)	(10.7)
Finance elements of lease payments		(0.6)	(0.7)	(1.3)
Finance expense paid		(0.3)	(0.5)	(0.7)
Net cash used in financing activities		**(11.6)**	**(1.9)**	**(21.2)**
Net increase/(decrease) in cash and cash equivalents		**5.3**	**(2.0)**	**(2.3)**
Cash and cash equivalents at beginning of period		2.6	4.9	4.9
Cash and cash equivalents at end of period		**7.9**	**2.9**	**2.6**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 (Unaudited)	Share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2021	**0.1**	**21.1**	**0.5**	**65.5**	**87.2**
Comprehensive income for the period					
Profit for the period	–	–	–	11.0	11.0
Total comprehensive income for the period	**–**	**–**	**–**	11.0	11.0
Contributions by and distributions to owners					
Share capital issued	–	–	–	–	–
Share-based payments	–	–	0.7	–	0.7
Exercise of share options	–	0.4	(0.2)	(0.1)	0.1
Total transactions with owners recognised directly in equity	–	0.4	0.5	(0.1)	0.8
Balance at 30 June 2021	**0.1**	**21.5**	**1.0**	**76.4**	**99.0**

For the six months ended 30 June 2020 (Unaudited)	Share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020	**0.1**	**2.4**	**0.9**	**67.1**	**70.5**
Comprehensive expense for the period					
Loss for the period	–	–	–	(11.7)	(11.7)
Total comprehensive expense for the period	**–**	**–**	**–**	**(11.7)**	**(11.7)**
Contributions by and distributions to owners					
Share capital issued	–	17.1	–	–	17.1
Exercise of share options	–	0.5	(0.4)	0.4	0.5
Deferred tax on share-based payments	–	–	0.1	–	0.1
Total transactions with owners recognised directly in equity	**–**	**17.6**	**(0.3)**	**0.4**	**17.7**
Balance at 30 June 2020	**0.1**	**20.0**	**0.6**	**55.8**	**76.5**

For the year ended 31 December 2020 (Audited)	Share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020	**0.1**	**2.4**	**0.9**	**67.1**	**70.5**
Comprehensive expense for the year					
Loss for the year	–	–	–	(2.2)	(2.2)
Total comprehensive expense for the year	**–**	**–**	**–**	**(2.2)**	**(2.2)**
Contributions by and distributions to owners					
Share capital issued	–	17.1	–	–	17.1
Exercise of share options	–	1.6	(0.6)	0.6	1.6
Share-based payments	–	–	0.3	–	0.3
Deferred tax on share-based payments	–	–	(0.1)	–	(0.1)
Total transactions with owners recognised directly in equity	**–**	**18.7**	**(0.4)**	**0.6**	**18.9**
Balance at 31 December 2020	**0.1**	**21.1**	**0.5**	**65.5**	**87.2**

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Eurocell plc (the 'Company') and its subsidiaries (together the 'Group') is a publicly listed company incorporated and domiciled in the United Kingdom. The registered office is Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT.

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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There were no changes in accounting policies arising from the transition, and therefore no impact on recognition, measurement or disclosure in the periods reported.

The half year report for the six months ended 30 June 2021 reflects the results of the Company and its subsidiaries. It has been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority, and includes the condensed consolidated interim 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 2020 Annual Report, which was prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The comparative figures for the year ended 31 December 2020 have been extracted from the Group's audited financial statements for that year. Those financial statements are included in the 2020 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 half year report was approved by the Board of Directors on 2 September 2021.

2 GOING CONCERN

The interim financial statements have been prepared on a going concern basis.

The Group funds its activities through a £75 million Revolving Credit Facility, provided by Barclays and HSBC, which matures in December 2023. The facility includes two key financial covenants, which are tested at 30 June and 31 December on a pre-IFRS 16 basis. These are that net debt should not exceed 3 times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least 4 times the interest charge on the debt (Interest Cover).

At 30 June 2021 the Group has complied with all of its covenants, and it expects to do so for the next measurement period, being 31 December 2021, and going forward.

In assessing going concern, the Directors have considered financial projections for the period to December 2023, which is consistent with the Board's strategic planning horizons and reflects a period of at least 12 months from the date of approval of these interim financial statements. These forecasts have been compiled based on the best estimates of our commercial and operational teams. The various scenarios take into consideration a wide range of severe but plausible downside risk factors, such as a sustained period of lower sales and severe cost price inflation that cannot be recovered in the form of price increases. In all scenarios tested, the Group operates with significant headroom on its RCF facility and remains compliant with its covenants.

After reviewing the Group's projected financial performance and financing arrangements, the Directors consider that the Group has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing this half year 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 2020.

The following new standards, amendments or interpretations have been adopted by the Group, with no material impact:

- Amendments to IFRS 16 – COVID-19-related Rent Concessions; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform, Phase 2.

In regard to interest rate reform, the Group has agreed with the lenders of its Revolving Credit Facility to transition from the current reference rate (LIBOR) to SONIA before the end of 2021. As there are historical differences between the two rates, a fixed credit-adjustment spread has been agreed, which aligns very closely the future reference rate with current LIBOR rates. The Group expects there to be no material impact on the future interest charge as a result of this change.

IAS 12 Income Taxes (effective from 1 January 2023) is not expected to have a material impact on the Group's future financial statements.

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

Critical accounting estimates and judgements

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 127 to 129 of the 2020 Annual Report.

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; and
- Lease liabilities

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 129 to 132 of the 2020 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 operating segments into three reported segments, as these business units have similar products, production processes, types of customer, methods of distribution, regulatory environments and economic characteristics:

- Profiles – extrusion and sale of PVC window and building products to the new and replacement window market across the UK. This segment includes Vista Panels, S&S Plastics and Eurocell Recycle North.

- Building Plastics – sale of building plastic materials across the UK. This segment includes Security Hardware, Kent Building Plastics and Trimseal.

- Corporate – represents costs relating to the ultimate parent company and includes amortisation in respect of acquired intangible assets.

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

Six months ended 30 June 2021 (Unaudited)

	Profiles £m	Building Plastics £m	Corporate £m	Total £m
Revenue				
Total revenue	104.4	100.3	–	204.7
Inter-segmental revenue	(35.9)	(0.7)	–	(36.6)
Total revenue from external customers	**68.5**	**99.6**	**–**	**168.1**
Adjusted EBITDA	**16.9**	**9.5**	**0.2**	**26.6**
Amortisation of intangible assets	–	–	(1.2)	(1.2)
Depreciation of property, plant and equipment	(3.0)	(0.5)	(0.3)	(3.8)
Depreciation of right-of-use assets	(2.3)	(2.9)	(1.1)	(6.3)
Operating profit/(loss)	**11.6**	**6.1**	**(2.4)**	**15.3**
Finance expense				(1.1)
Profit before tax				**14.2**

Six months ended 30 June 2020 (Unaudited)

	Profiles £m	Building Plastics £m	Corporate £m	Total £m
Revenue				
Total revenue	55.4	57.7	–	113.1
Inter-segmental revenue	(19.0)	(0.5)	–	(19.5)
Total revenue from external customers	**36.4**	**57.2**	**–**	**93.6**
Adjusted EBITDA(1)	**1.9**	**(0.6)**	**1.2**	**2.5**
Amortisation of intangible assets	–	–	(0.8)	(0.8)
Depreciation of property, plant and equipment	(2.5)	(0.5)	(0.4)	(3.4)
Depreciation of right-of-use assets	(1.7)	(2.9)	(1.1)	(5.7)
Adjusted operating loss	**(2.3)**	**(4.0)**	**(1.1)**	**(7.4)**
Impairment of goodwill	(5.8)	–	–	(5.8)
Non-underlying operating expenses	(2.0)	–	(0.1)	(2.1)
Operating loss	**(10.1)**	**(4.0)**	**(1.2)**	**(15.3)**
Finance expense				(1.2)
Loss before tax				**(16.5)**

(1) Included within adjusted EBITDA are IFRS 9 impairment and bad debt charges of £2.9 million (Profiles £1.6 million; Building Plastics £1.3 million).

Year ended 31 December 2020 (Audited)	Profiles £m	Building Plastics £m	Corporate £m	Total £m
Revenue				
Total revenue	156.1	159.5	–	315.6
Inter-segmental revenue	(56.4)	(1.3)	–	(57.7)
Total revenue from external customers	**99.7**	**158.2**	**–**	**257.9**
Adjusted EBITDA[(2)]	**16.5**	**12.7**	**0.6**	**29.8**
Amortisation of intangible assets	–	–	(1.6)	(1.6)
Depreciation of property, plant and equipment	(5.1)	(1.1)	(0.6)	(6.8)
Depreciation of right-of-use assets	(3.5)	(7.6)	–	(11.1)
Adjusted operating profit	**7.9**	**4.0**	**(1.6)**	**10.3**
Impairment of goodwill	(5.8)	–	–	(5.8)
Non-underlying operating expenses	(3.1)	(0.6)	(0.1)	(3.8)
Operating (loss)/profit	**(1.0)**	**3.4**	**(1.7)**	**0.7**
Finance expense				(2.2)
Loss before tax				**(1.5)**

(2) Included within adjusted EBITDA are IFRS 9 impairment and bad debt charges of £3.7 million (Profiles £1.7 million; Building Plastics £2.0 million).

As at 30 June 2021 (Unaudited)	Profiles £m	Building Plastics £m	Corporate £m	Total £m
Segment assets	**133.8**	**74.1**	**13.1**	**221.0**
Segment liabilities	(61.3)	(40.4)	(8.1)	(109.8)
Borrowings				(6.6)
Deferred tax				(5.6)
Total liabilities				**(122.0)**
Total net assets				**99.0**

As at 30 June 2020 (Unaudited)	Profiles £m	Building Plastics £m	Corporate £m	Total £m
Segment assets	**107.2**	**66.5**	**16.1**	**189.8**
Segment liabilities	(47.9)	(34.3)	(2.6)	(84.8)
Borrowings				(26.4)
Deferred tax				(2.1)
Total liabilities				**(113.3)**
Total net assets				**76.5**

As at 31 December 2020 (Audited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Segment assets	**110.9**	**59.6**	**30.9**	**201.4**
Segment liabilities	(57.6)	(32.9)	(7.0)	(97.5)
Borrowings				(12.5)
Corporation tax				(0.7)
Deferred tax				(3.5)
Total liabilities				**(114.2)**
Total net assets				**87.2**

	Six months ended 30 June 2021 (Unaudited)		**Six months ended 30 June 2020 (Unaudited)**		**Year ended 31 December 2020 (Audited)**	
	Revenue £m	**Non-current assets £m**	**Revenue £m**	**Non-current assets £m**	**Revenue £m**	**Non-current assets £m**
United Kingdom	167.5	123.9	93.1	115.9	256.3	117.7
Republic of Ireland	0.6	–	0.5	–	1.6	–
Total	**168.1**	**123.9**	**93.6**	**115.9**	**257.9**	**117.7**

As at 30 June 2021 the Group employed 2,035 people in the UK, and 8 people in the Republic of Ireland.

6 NON-UNDERLYING ITEMS

There are no non-underlying items included in the Condensed Consolidated Statement of Comprehensive Income in 2021.

The following non-underlying items were recorded in 2020:

	Six months ended 30 June 2020 £m	**Year ended 31 December 2020 £m**
Impairment of goodwill	5.8	5.8
Impairment of right-of-use assets	0.5	0.9
Impairment of trade receivables	0.8	–
Warehouse dual-running costs	0.8	2.3
Restructuring costs	–	0.6
Non-underlying operating expenses	**7.9**	**9.6**
Finance expense	–	0.4
Total non-underlying expenses	**7.9**	**10.0**
Tax on non-underlying expenses	(1.5)	(0.8)
Impact on profit after tax	**6.4**	**9.2**

Goodwill impairment charge

The goodwill in respect of Eurocell Recycle North ('ERN', formerly Ecoplas) was impaired in full in 2020, leading to a non-underlying charge of £5.8m. This charge arose as a result of lower projected short-term cash flows than previously expected, reflecting the impact of COVID-19 on selling prices, customer demand and production volumes (and therefore profitability) of the ERN Cash Generating Unit.

Right-of-use assets impairment charge

Right-of-use assets impairment charges were made in respect of a small number of loss-making branches and a number of leased assets no longer required following transition to the new warehouse. In total, right-of-use asset impairment charges amounted to £0.9 million in 2020.

Warehouse dual-running costs

In January 2020 the Group entered into a lease arrangement for a new warehouse and head office facility close to its primary manufacturing operations. The warehouse was fitted-out during the year, and was brought into active service in early 2021. Certain costs incurred during the fit-out process in 2020, such as IFRS 16 lease charges (including the related IFRS 16 finance expense), rates and other property-related costs were classified as non-underlying, as the warehouse was not operational in 2020, and therefore not contributing to the underlying performance of the business in that period.

Restructuring costs

Restructuring costs in 2020 relate to redundancies, with 35 roles impacted at a one-off cost of £0.6 million in the second half of 2020. These costs were classified as non-underlying as they related to roles that no longer exist within the organisation and therefore would not re-occur in future reporting periods.

7 TAXATION

	Six months ended 30 June 2021 (Unaudited) £m	Six months ended 30 June 2020 (Unaudited) £m	Year ended 31 December 2020 (Audited) £m
Current tax			
Current tax on profit/(loss) for the period	1.1	(4.4)	(0.1)
Adjustments in respect of prior years	–	–	–
Total current tax expense/(credit)	**1.1**	**(4.4)**	**(0.1)**
Deferred tax			
Origination and reversal of temporary differences	1.1	(0.4)	0.5
Adjustment in respect of change in rates	1.0	–	0.1
Adjustment in respect of prior years	–	–	0.2
Total deferred tax	**2.1**	**(0.4)**	**0.8**
Total tax expense/(credit)	**3.2**	**(4.8)**	**0.7**

The reasons 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 2021 (Unaudited) £m	Six months Ended 30 June 2020 (Unaudited) £m	Year ended 31 December 2020 (Audited) £m
Profit/(loss) before tax	**14.2**	**(16.5)**	**(1.5)**
Expected tax expense/(credit) based on the standard rate of corporation tax in the UK of 19% (2020: 19%)	2.7	(3.1)	(0.3)
Expenses not deductible for tax purposes	(0.2)	(1.1)	0.4
Impairment of goodwill not deductible for tax purposes	–	–	1.1
Patent Box claim	(0.3)	(0.4)	(0.7)
Adjustments to tax charge in respect of prior years	–	–	0.2
Tax on share-based payments recognised in equity	–	(0.1)	(0.1)
Adjustment in respect of change in rates	1.0	(0.1)	0.1
Total tax expense/(credit)	**3.2**	**(4.8)**	**0.7**

Changes in tax rates and factors affecting the future tax charge

An increase in the mainstream rate of UK corporation tax from 19% to 25% from April 2023 was enacted during 2021. Consequently, deferred taxes at the period end have been re-measured using the higher rate and reflected in the interim financial statements.

In calculating the half year tax charge, the expected effective tax rate for the full year has been applied to the half year underlying profit, with the exception of the remeasurement of deferred tax liabilities, which has been applied in full.

Tax included in Other Comprehensive Income

The tax credit arising on share-based payments within Other Comprehensive Income is £nil (H1 2020: £nil; FY 2020: £110,000).

Based on the current investment plans of the Group, and assuming the rates of capital allowances on capital expenditure continue into the future, there is little prospect of any significant part of the deferred tax liability becoming payable over the next three years.

8 EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share is calculated by dividing the net profit/(loss) for the period attributable to ordinary shareholders by the weighted average 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. In the event that a loss is recorded for the period, share options are not considered to have a dilutive effect.

	Six months ended 30 June 2021 (Unaudited) £m	Six months ended 30 June 2020 (Unaudited) £m	Year ended 31 December 2020 (Audited) £m
Total profit/(loss) attributable to ordinary shareholders	11.0	(11.7)	(2.2)
Underlying profit/(loss) attributable to ordinary shareholders	11.0	(5.3)	7.0
	Number	**Number**	**Number**
Weighted average number of shares- basic	111,538,140	105,431,314	108,218,827
Weighted average number of shares- diluted	112,057,161	105,431,314	108,218,827

	Six months ended 30 June 2021 (Unaudited) Pence	Six months ended 30 June 2020 (Unaudited) Pence	Year ended 31 December 2020 (Audited) Pence
Basic earnings/(losses) per share	9.9	(11.1)	(2.0)
Underlying basic earnings/(losses) per share	9.9	(5.0)	6.5
Diluted earnings/(losses) per share	9.8	(11.1)	(2.0)
Underlying diluted earnings/(losses) per share	9.8	(5.0)	6.5

9 NON-CURRENT ASSETS (Unaudited)

	Property, plant and equipment £m	Right-of-use assets £m	Intangible assets £m
At 31 December 2020	**50.8**	**47.0**	**19.9**
Additions	7.0	10.5	0.3
Impairment of right-of-use assets	–	(0.1)	–
Disposals	–	(0.2)	–
Depreciation and amortisation	(3.8)	(6.3)	(1.2)
At 30 June 2021	**54.0**	**50.9**	**19.0**

10 DIVIDENDS

	Six months ended 30 June 2021 (Unaudited) £m	Six months ended 30 June 2020 (Unaudited) £m	Year ended 31 December 2020 (Audited) £m
Dividends proposed			
Interim dividend for H1 2021 3.2p per share	3.6	–	–
	3.6	**–**	**–**

No dividends have been paid to date in 2021, and none were paid in 2020.

11 RECONCILIATION OF PROFIT/(LOSS) AFTER TAX TO CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2021 (Unaudited) £m	Six months ended 30 June 2020 (Unaudited) £m	Year ended 31 December 2020 (Audited) £m
Profit/(loss) after tax	**11.0**	**(11.7)**	**(2.2)**
Taxation	3.2	(4.8)	0.7
Finance expense	1.1	1.2	2.2
Operating profit/(loss)	**15.3**	**(15.3)**	**0.7**
Adjustments for:			
Depreciation of property, plant and equipment	3.8	3.4	6.8
Depreciation of right-of-use assets	6.3	6.2	12.4
Amortisation of intangible assets	1.2	0.8	1.6
Impairment of goodwill	–	5.8	5.8
Impairment of right-of-use assets	0.1	0.5	0.9
Share-based payments	0.7	–	0.3
(Increase)/decrease in inventories	(3.1)	3.4	(0.8)
(Increase)/decrease in trade and other receivables	(9.6)	8.6	2.4
Increase/(decrease) in trade and other payables	11.8	(7.2)	3.1
(Decrease)/increase in provisions	(0.4)	0.5	0.7
Cash generated from operations	**26.1**	**6.7**	**33.9**

12 RELATED PARTY TRANSACTIONS

The remuneration of Executive and Non-executive Directors is disclosed in the 2020 Annual Report.

Transactions with key management personnel

Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who is a Director of Eurocell plc. The following amounts were paid to Kellman Recruitment for services provided during the period:

	Six months ended 30 June 2021 (Unaudited) £000	Six months ended 30 June 2020 (Unaudited) £000	Year ended 31 December 2020 (Audited) £000
Kellmann Recruitment Limited – recruitment services	60	25	48

Amounts outstanding at the period end were £23,000 (H1 2020: £nil; 31 December 2020: £3,000).

13 CAPITAL COMMITMENTS

The Group is committed to a further c.£5 million of capital investment in 2021.

14 EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any material events that have occurred after 30 June 2021 which would require disclosure under IAS 10.

Independent Review Report to Eurocell plc
Report on the Condensed Consolidated Interim Financial Statements

Our conclusion
We have reviewed Eurocell plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report of Eurocell plc for the 6 month period ended 30 June 2021 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' 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 2021;
- 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 of Eurocell plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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
2 September 2021