**Ecoplas Limited**

Annual Report and Financial Statements

For the Year Ended 31 December 2022

Registered Number 03418474

## Company Information

**Directors**
Ian Tippett (resigned 21 April 2023)
Mark Kelly
Michael Scott

**Company Secretary**
Paul Walker

**Registered Number**
03418474

**Registered Office**
Eurocell Head Office and Distribution Centre
High View Road
South Normanton
Alfreton
DE55 2DT

**Independent Auditors**
PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

**Bankers**
Barclays Bank plc
1 Churchill Place
Leicester
LE87 2BB

Lloyds Bank
25 Gresham Street
London
EC2V 7HN

**Contents**

**Strategic Report**
The Directors present their Strategic Report on the Company for the year ended 31 December 2022.

**Principal activities**
The principal activity for the Company during the year continued to be recycling PVC windows, operating from a single site in Selby. Following significant capital investment over the last three years, the Company is now one of the largest PVC window recyclers in the country. The recycled material produced by the Company is used by the Group to manufacture new PVC window profile. Ecoplas Limited is a subsidiary of Eurocell plc, a company listed on the London Stock Exchange. Eurocell plc and its subsidiaries are defined as the "Group".

**Business review**
The results for the year are set out in the Statement of Comprehensive Income on page 15. Turnover for the year ended 31 December 2022 was £10.4 million, compared to £11.3 million for the year ended 31 December 2021. Gross margin percentage decreased to 18% from 39% in 2021.

The loss before tax was £5.4 million for the year ended 31 December 2022 (2021: loss of £1.7 million) predominantly due to the significant increase in cost of infeed materials. The Company's position at the year-end is net liabilities of £8.3 million (2021: £3.9 million).

The Group experienced a cyber incident towards the end of July. See cyber security under principal risks and uncertainties.

**Key Performance Indicators**
The Group has two recycling plants which are managed as one recycling business, one in Selby (Ecoplas Limited) and a further plant in Ilkeston which is included in the Eurocell Profiles Limited business. The Group's key objectives for recycling is to increase the proportion of recycled material used in its primary extrusion by 1% per annum. Performance in 2022 was ahead of our target. In addition, in terms of economic benefit, in 2022 our recycling operation drove a substantial cost saving compared to the use of virgin PVC compound, reflecting higher prices for virgin compound.

**Future development**
The Directors plan for the Company to be more profitable in the future through improving reliability of the plant and developing new feedstock sources to support volume and cost pricing.

**Principal risks and uncertainties (including financial risk management)**

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

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

**Strategic Report (continued)**

**Principal risks and uncertainties (including financial risk management) (continued)**

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The key risks faced by the Company are those faced by the Group, including the macroeconomic environment, raw material supply and raw material prices and cyber security. Plant reliability is also a key risk to Ecoplas Limited.

*Macroeconomic environment*
The Group's products are used in the residential and commercial building and construction markets, both within the RMI sector, for new residential developments and for new construction projects. Our private RMI business is strongly correlated to the level of household disposable incomes. As such, our business and ability to fund ongoing operations is dependent on the level of activity and market demand in these sectors, itself often a function of general economic conditions (including interest rates and inflation) in the UK. Government economic and social policy can also have a significant impact on our business.

The UK is currently experiencing significant increases in the cost of living, driven by essentials such as, gas and electricity and food, with the war in Ukraine a key contributory factor. UK GDP is projected to fall throughout 2023 as materially tighter financial conditions weigh on consumer spending. The Construction Products Association ('CPA') now forecasts the private housing RMI market to reduce in 2023 by 9% (after remaining flat through 2022). New build activity is expected to fall 17% on the back of higher mortgage costs, with UK interest rates as at April 2023 at 4.25%, as the Bank of England acts to address inflationary pressures in the UK economy.

Notwithstanding macro conditions, we expect our strategic priorities and self-help initiatives, to support sales and profit growth and drive good cash conversion.

*Raw material supply and pricing*
The recycling feedstock supply market is fragmented and can be unpredictable, and increased competition for feedstock during 2022 has led to reduced availability and increased prices. The Company is actively working to develop new lines of supply in 2023.

Energy prices in the market have increased significantly, however we manage this risk through a progressive hedging policy.

The Group aims to recover cost inflation through selling price increases.

*Cyber security*
A breach of IT security (externally or internally) could result in an inability to operate systems effectively (e.g. viruses) or the release of inappropriate information (e.g. hackers).

The Group experienced a cyber incident towards the end of July, which resulted in some temporary disruption. The incident was efficiently resolved, with the business remaining operational throughout and trading normally from mid-August.

## Strategic Report (continued)

### Principal risks and uncertainties (including financial risk management) (continued)

*Cyber security (continued)*
Ongoing investment in cyber risk detection and prevention tools, accelerated significantly since the cyber incident in July 2022. This remains a high-profile area and continues to receive considerable management attention.

*Plant reliability*
In addition, unplanned downtime can have a significant financial impact, particularly as the Group becomes more reliant on recycled material to manufacture new PVC window profile and to mitigate the increase in PVC resin prices. This risk is mitigated by continued planned maintenance and capital investment in the recycling plant.

*Financial risks*
The Company is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated.

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

Existing credit risks associated with trade debtors are managed in line with Company policies as discussed in the financial assets section of the notes to the financial statements.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This risk is mitigated by ensuring that deposits are only made with banks and financial institutions with a good rating issued by an industry-recognised independent third party e.g., Standard and Poor's.

*Foreign exchange risk*
Foreign exchange risk is the risk that the fair value of a financial instrument or future cash flow will fluctuate because of changes in foreign exchange rates. This risk is managed on a group-wide basis. The Company's exposure to foreign exchange risk arises when the Company enters into transactions denominated in a currency other than their functional currency. The Company manages its exposure to fluctuations in currency rates by, wherever possible, negotiating both purchasing and sales to be denominated in Sterling. The effect on the Income Statement from likely changes in foreign exchange is not significant.

**Strategic Report (continued)**

**Principal risks and uncertainties (including financial risk management) (continued)**

*Liquidity risk*
Liquidity risk, which is managed on a group-wide basis, arises from the Group's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, annual cash flow models are prepared and updated on a regular basis to ensure that the Company has adequate headroom in its facilities.

The Board receives monthly updates on the liquidity position and any issues are reported by exception. At the end of the financial year, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

**Section 172 (1) statement**
The Directors understand the business and the evolving macroeconomic and local environment in which Ecoplas Limited operates.

The Directors consider our customers, employees, suppliers, finance providers, the environment and our community as our principal stakeholders in addition to our shareholders.

The Directors recognise that our focus with our customers is on high service levels and providing sustainable and quality products. We work in partnership with our customers to ensure the relevance of our business strategy and investment policies.

Employee engagement is key to the achievement of overall business targets. We want to ensure that we attract, retain and motivate the right employees.

See the Group Annual Report and Accounts for full Section 172 (1) statement.

**Environment**
The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste and recycling.

The company has taken the exemption available in relation to the SECR (Streamlined Energy and Carbon Reporting) disclosure requirements. The company is included in the disclosures made by its ultimate parent entity, Eurocell plc, on pages 40-65 of the Annual Report and Accounts, and therefore no further disclosure is made for the company alone.

**Employees**
Details of number of employees and related costs can be found in note 7 to the financial statements.

**Strategic Report (continued)**

**Employees (continued)**
Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Company continues, and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in Eurocell plc's policies and practices to keep employees informed on matters relevant to them through appropriate means, such as employee meetings and newsletters. This ensures that there is a common awareness across all employees in relation to the financial and economic factors that affect the performance of the Company. The Company also encourages and provides opportunities for employees to contribute their views.

The Group has a save as you earn scheme ("SAYE" or "Sharesave" scheme) to encourage the involvement of employees in Company performance.

This report was approved by the Board and signed on its behalf by:

Michael Scott

Michael Scott
Director
11 May 2023

**Directors' Report**
The Directors present their report and the audited financial statements for the year ended 31 December 2022. Ecoplas Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England, United Kingdom with company registration number 03418474.

**Directors' responsibilities statement**
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**
In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Results and dividends**
The loss for the year, after taxation, amounted to £4,425,000 (2021: £1,292,000). No dividends were paid during the year (2021: £nil). The Directors have not recommended a dividend for the year ending 31 December 2022 (2021: £nil).

**Directors' Report (continued)**

**Going concern**

The Company is a subsidiary of Eurocell plc which is financed through equity and debt (guaranteed by its subsidiary trading entities). This has then been invested / lent to other subsidiary companies of Eurocell plc (together the "Group"). As such the ability of the Company to operate as a going concern is inextricably linked to the ability of the Group to continue as a going concern.

A Group wide going concern assessment has been performed covering the period up unto 31 December 2024 regarding the ability of the Group to operate within its existing debt facilities, including covenant compliance.

The Group funds its activities through a £75 million Revolving Credit Facility ('RCF'), provided by Barclays Bank plc, NatWest Bank plc and Bank of Ireland, which matures in May 2026, with the option to extend for a further year. The facility includes two key financial covenants, which are tested at 30 June and 31 December each year on a pre-IFRS 16 basis. These are that net debt should not exceed three times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least four times the interest charge on the debt (Interest Cover). Adjusted EBITDA is defined as operating profit before depreciation, amortisation and non-underlying items.

No covenants were breached during the year ended 31 December 2022. For the next measurement period, being 30 June 2023, and going forward, the Group expects to comply with its covenants.

In assessing going concern, the Directors have considered financial projections for the period to December 2024, which is consistent with the Board's strategic planning horizons. These forecasts have been compiled based on the best estimates of our commercial and operational teams. This includes a plausible 'Downside' scenario for the Group, which reflects demand for our products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2023-24, the Group operates with significant headroom on its RCF facility and remains compliant with its covenants.

The Company is in a net liabilities position, due to the amounts owed to other members of the Group. A letter of support has been received from Eurocell plc, providing assurances that repayment of intercompany balances will only be demanded should the Company be able to make the requested payment without jeopardising its ability to make payments to external creditors as and when they fall due. This letter covers the period up to 31 December 2024.

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

**Directors**

The Directors who served during the year and up to the date of signing the financial statements were:

Ian Tippett (resigned 21 April 2023)
Mark Kelly
Michael Scott

**Directors' Report (continued)**

**Engagement with employees**
The maintenance of a highly trained workforce is essential to the future of the Company. Every effort is made to ensure the future career development of our existing people. The health and safety at work of all our people is constantly reviewed by the Directors to ensure the high standards set in previous years are maintained.

**Qualifying third party indemnity provisions**
All of the Directors benefited from qualifying third-party indemnity provisions in place during the year and at the date of approval of these financial statements.

**Matters covered in the strategic report**
As permitted by section 414C (11) of the Companies Act 2006, certain information required to be included in the Directors' Report has been included in the Strategic Report. Specifically, this relates to information on the likely future developments of the business, financial risk management (including information on price risk, credit risk and liquidity risk), engagement with suppliers, customers and employees.

**Independent auditors**
The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf by:

Michael Scott

Michael Scott
Director
11 May 2023

# Independent auditors' report to the members of Ecoplas Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Ecoplas Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

#### Independence

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

### Conclusions relating to going concern

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

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

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

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

## Reporting on other information

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

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

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

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

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

### Use of this report

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

# Other required reporting

## Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andrew Dymond

Andrew Dymond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
11 May 2023

## Statement of Comprehensive Income for the Year Ended 31 December 2022

| | Note | 2022<br>£000 | 2021<br>£000 |
|---|---|---|---|
| **Turnover** | 3 | 10,421 | 11,331 |
| Cost of Sales | | (8,563) | (6,886) |
| **Gross Profit** | | 1,858 | 4,445 |
| Distribution Costs | | (1,165) | (821) |
| Administrative expenses | | (5,444) | (5,162) |
| Administrative expenses – non-underlying | 4 | (283) | - |
| **Operating loss** | 5 | (5,034) | (1,538) |
| Interest receivable and similar income | 9 | 2 | 1 |
| Interest payable and similar expenses | 10 | (352) | (153) |
| **Loss before taxation** | | (5,384) | (1,690) |
| Tax on loss | 11 | 959 | 398 |
| **Loss for the financial year** | | (4,425) | (1,292) |
| **Total comprehensive expense for the year** | | (4,425) | (1,292) |

The notes on pages 18 to 38 form part of these financial statements.

**Statement of Financial Position as at 31 December 2022**

| | Note | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 12 | 1 | 2 |
| Tangible assets | 13 | 5,884 | 5,792 |
| | | 5,885 | 5,794 |
| **Current assets** | | | |
| Stocks | 14 | 1,468 | 881 |
| Trade and other receivables | 15 | 2,383 | 1,093 |
| Cash at bank and in hand | | 78 | 475 |
| | | 3,929 | 2,449 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 16 | (16,360) | (10,435) |
| **Net current liabilities** | | (12,431) | (7,986) |
| **Total assets less current liabilities** | | (6,546) | (2,192) |
| Creditors: amounts falling due after more than one year | 17 | (1,272) | (1,255) |
| **Provisions for liabilities** | | | |
| Deferred tax | 18 | (289) | (235) |
| Other provisions | 19 | (242) | (242) |
| **Net liabilities** | | (8,349) | (3,924) |
| **Capital and reserves** | | | |
| Called up share capital | 21 | 50 | 50 |
| Revaluation reserve | 22 | 81 | 81 |
| Profit and loss account | 22 | (8,480) | (4,055) |
| **Total Shareholders' Deficit** | | (8,349) | (3,924) |

The financial statements on pages 15 to 38 were approved and authorised for issue by the Board of Directors on 11 May 2023 and were signed on its behalf by:

Michael Scott

Michael Scott
Director

The notes on pages 18 to 38 form part of these financial statements.

## Statement of Changes in Equity for the Year Ended 31 December 2022

| | Called up share capital £000 | Revaluation Reserve £000 | Retained Earnings £000 | Total Shareholders' deficit £000 |
|---|---|---|---|---|
| **Balance 1 January 2021** | 50 | 81 | (2,763) | (2,632) |
| Loss for the financial year | - | - | (1,292) | (1,292) |
| **Total comprehensive expense for the year** | - | - | (1,292) | (1,292) |
| **Balance at 31 December 2021** | 50 | 81 | (4,055) | (3,924) |
| Loss for the financial year | - | - | (4,425) | (4,425) |
| **Total comprehensive expense for the year** | - | - | (4,425) | (4,425) |
| **Balance at 31 December 2022** | 50 | 81 | (8,480) | (8,349) |

The notes on pages 18 to 38 form part of these financial statements.

## Notes to the Financial Statements

### 1. Accounting policies

**1.1 Corporate information**
Ecoplas Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is disclosed on the company information page.

The Company's financial statements are presented in UK pounds sterling, which is also the Company's functional currency, and are rounded to the nearest thousand pounds, except where otherwise stated.

**1.2 Basis of preparation of financial statements**
The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The impact of climate related matters has been considered in these financial statements where applicable. Further details can be found in the Group Annual Report and Accounts pages 40 to 65.

The following principal accounting policies have been applied consistently throughout the year, unless otherwise stated.

**1.3 Exemptions**
As permitted by FRS 101 the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and related party transactions with other wholly owned members of the Group. Where required, equivalent disclosures are given in the Group financial statements of Eurocell plc. The Group financial statements of Eurocell plc are available to the public and can be obtained as set out in note 27.

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: disclosures'
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (detail of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

**Notes to the Financial Statements (continued)**

**1. Accounting policies (continued)**

**1.3 Exemptions (continued)**

  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
  - paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraphs 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The Company has taken advantage of the exemption under FRS 101 not to disclose balances and transactions between itself and other wholly owned members of the Group.

The Company has applied the following new standards and guidance for the financial reporting period commencing 1 January 2022, with no material impact:

- Property, Plant and Equipment: proceeds before intended use – amendments to IAS 16;
- Reference to the Conceptual Framework – amendments to IFRS 3;
- Onerous Contracts: cost of fulfilling a contract – amendments to IAS 37; and
- Annual Improvements to IFRS Standards 2018-20.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**Notes to the Financial Statements (continued)**

## 1. Accounting policies (continued)

### 1.4 Going concern

The Company is a subsidiary of Eurocell plc which is financed through equity and debt (guaranteed by its subsidiary trading entities). This has then been invested / lent to other subsidiary companies of Eurocell plc (together the "Group"). As such the ability of the Company to operate as a going concern is inextricably linked to the ability of the Group to continue as a going concern.

A Group wide going concern assessment has been performed covering the period up unto 31 December 2024 regarding the ability of the Group to operate within its existing debt facilities, including covenant compliance.

The Group funds its activities through a £75 million Revolving Credit Facility ('RCF'), provided by Barclays Bank plc, NatWest Bank plc and Bank of Ireland, which matures in May 2026, with the option to extend for a further year. The facility includes two key financial covenants, which are tested at 30 June and 31 December each year on a pre-IFRS 16 basis. These are that net debt should not exceed 3 times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least 4 times the interest charge on the debt (Interest Cover). Adjusted EBITDA is defined as operating profit before depreciation, amortisation and non-underlying items.

No covenants were breached during the year ended 31 December 2022. For the next measurement period, being 30 June 2023, and going forward, the Group expects to comply with its covenants.

In assessing going concern, the Directors have considered financial projections for the period to December 2024, which is consistent with the Board's strategic planning horizons. These forecasts have been compiled based on the best estimates of our commercial and operational teams. This includes a severe but plausible 'Downside' scenario, which reflects demand for our products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2023-24, 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 Company has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing these financial statements.

The Company is in a net liabilities position, due to the amounts owed to other members of the Group. A letter of support has been received from Eurocell plc, providing assurances that repayment of intercompany balances will only be demanded should the Company be able to make the requested payment without jeopardising its ability to make payments to external creditors as and when they fall due. This letter covers the period up to 31 December 2024.

**Notes to the Financial Statements (continued)**

**1. Accounting policies (continued)**

**1.5 Foreign currency translation**
Transactions entered into in a currency other than the currency of the primary economic environment in which the Company operates (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately as a finance cost or gain in the Statement of Comprehensive Income.

**1.6 Turnover**
Turnover is recognised to the extent that it is probable that economic benefits will flow to the Company and the turnover can be reliably measured, regardless of when the payment is being made.

Turnover is recognised when control of the products has transferred. Control is considered to have transferred once the customer has taken delivery of the products, has full discretion over the future use of those products, and where there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Turnover is recognised based upon the price specified on the customer's invoice. A receivable is recognised on the transfer of the products, as this is the point at which consideration is deemed to be unconditional. There are no variable elements to the consideration received that require estimation. No significant element of financing is present as sales are typically made with a credit term of 30 days end of month, which is consistent with market practice.

Due to the fact that the Company's customers typically collect or take delivery of products for immediate use in their intended purpose, the likelihood of items being returned is small. Therefore, it is highly probable that a significant reversal of turnover will not occur.

**1.7 Non-underlying items**
The Company presents some material items of income and expense as non-underlying items. This is done when, in the opinion of the Directors, the nature and expected infrequency of the circumstances merit separate presentation in the financial statements. This includes, but is not limited to, costs incurred in the act of securing debt or equity funding and non-recurring costs arising from business restructuring.

This treatment allows users of the financial statements to better understand the elements of financial performance in the year, it facilitates comparison with prior periods, and it helps in understanding trends in financial performance. Further details are provided in note 4.

**Notes to the Financial Statements (continued)**

**1. Accounting policies (continued)**

**1.8 Interest income / (expense)**

Interest income / (expense) is recognised using the effective rate method. In calculating interest income / (expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

**1.9 Pensions**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**1.10 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge or credit attributable to an item of income or expense recognised as Other Comprehensive Income or to an item recognised directly in equity, is also recognised in Other Comprehensive Income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

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

**Notes to the Financial Statements (continued)**

**1. Accounting policies (continued)**

**1.10 Current and deferred taxation (continued)**
A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

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

The significant intangibles recognised by the Company, their useful economic lives and the methods used to determine the cost of intangibles are as follows:

| Intangible asset | Useful economic life | Valuation method |
|---|---|---|
| Software | 5 years | Cost straight-line |

**1.12 Tangible fixed assets**
Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided at the following rates:

| | |
|---|---|
| Short term leasehold property and improvements | The term of the primary lease |
| Plant, machinery, motor vehicles and equipment | Between 10% and 50% |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss

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

**Notes to the Financial Statements (continued)**

**1. Accounting policies (continued)**

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

**1.14 Stocks**
Stocks are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

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

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

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

**1.16 Financial instruments**
The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

*Financial assets*
The Company classifies all of its financial assets as loans to group undertakings and debtors and cash and cash equivalents.

**Notes to the Financial Statements (continued)**

## 1. Accounting policies (continued)

### 1.16 Financial instruments (continued)

*Financial assets (continued)*

Loans and debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g., trade debtors), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company applies the simplified approach to measuring expected credit losses under IFRS 9, which uses a lifetime expected loss allowance for all financial assets. In measuring expected credit losses for trade debtors, debtors have been grouped based on shared characteristics and days past due. The loss is recognised in administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade debtor will not be collectible, the gross carrying value of the asset is written-off against the associated provision.

The Company's financial assets also include cash and cash equivalents in the Balance Sheet.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less from inception that are readily convertible to known amounts of cash with insignificant risk of change in value, and bank overdrafts. While cash at bank and in hand is also subject to the impairment requirements of IFRS 9, the identified impairment loss has to date been immaterial. Bank overdrafts are shown within current liabilities on the Balance Sheet.

*Financial liabilities*

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

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

### 1.17 Lease liabilities

The Company leases certain property and vehicles. The Company has no leases previously classified as finance leases. Liabilities for leases previously classified as operating leases have been measured in accordance with IFRS 16 using the modified retrospective approach under Paragraph C3 of IFRS 16.

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

**1.17 Lease liabilities (continued)**
In applying IFRS 16, the Company 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.

Leased assets with a value of less than £5,000 are omitted on the basis of materiality.

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

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

| | |
|---|---|
| Property | 3% - 3.2% |
| Motor vehicles, plant and machinery and IT equipment | 3.5% - 3.7% |

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

**Notes to the Financial Statements (continued)**

**1. Accounting policies (continued)**

**1.17 Lease liabilities (continued)**
Prior to the adoption of IFRS 16, operating leases were contractual arrangements conferring the right of use of an asset but where substantially all of the risks and rewards incidental to ownership were not transferred to the Group. The total rentals payable under the lease were charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. The aggregate benefit of lease incentives was recognised as a reduction of the rental expense over the lease term on a straight-line basis.

**1.18 Dividends**
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Shareholders at an Annual General Meeting.

**1.19 Share capital**
The Company's ordinary shares are classified as equity instruments.

**2. Judgements in applying accounting policies and key sources of estimation uncertainty**
The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

***Carrying value of inventories***
Management reviews the market value of, and demand for, its stock on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stock.

The key estimate is the extent to which items of inventory remain saleable as they age. Management use their knowledge of market conditions to assess future demand for the Group's products and achievable selling prices. No provision was deemed necessary on stock values at year end. An increase in the provision of 1,500 basis points would amount to £215,000.

***Recoverability of trade receivables***
The Company has adopted IFRS 9 and applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables. Expected loss rates are derived based upon a historic payment profile of sales, and the corresponding credit losses experienced. These rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables, including GDP, the rate of unemployment, new housing starts, interest rates and household disposable income.

**Notes to the Financial Statements (continued)**

## 2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

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

If future realised loss rates for current receivables were, on average, 6,900 basis points higher than current estimates, the provision for impairment would increase approximately £215,000. Further disclosures relating to trade receivables are provided in note 15.

***Determination of useful lives, residual values and carrying values of property, plant and equipment***
Depreciation is provided so as to write down assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment. The selection of these residual values and estimated lives requires the exercise of judgement.

The Company is required to see whether there is indication of impairment to the carrying values of assets. In making that assessment, judgements are made in the estimating of value in use. The Directors consider that individual carrying values of operating assets are supportable either by value in use or market values. The Company is managed as part of a wider recycling business and therefore its performance is intrinsically linked to the overall performance of the recycling business as whole.

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

A critical estimate relates to the future forecasted performance of the business. The Directors assessment has been performed based on the latest available data which has shown that volumes, margins and plant reliability should improve in 2023 and beyond.

## 3. Turnover

An analysis of turnover by class of business is as follows:

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| Sale of Goods | 10,421 | 11,331 |

## Notes to the Financial Statements (continued)

### 3. Turnover (continued)

A geographical analysis of turnover by destination is as follows:

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| United Kingdom | 10,419 | 11,124 |
| European Union | 2 | 207 |
| | 10,421 | 11,331 |

### 4. Administrative expenses - non-underlying

Non-underlying items are redundancy costs relating to a restructuring program to reduce operating costs, in preparation for tougher market conditions. One off costs of £283,000 are classified as non-underlying as they relate to roles that no longer exist within the organisation.

### 5. Operating loss

The operating loss is stated after charging:

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| Depreciation of tangible assets | 628 | 727 |
| Amortisation of intangible assets | 1 | 1 |
| Depreciation of right-of-use assets | 262 | 252 |
| Cost of inventories | 6,427 | 4,984 |
| Other variable costs | 2,136 | 1,902 |
| Short term lease rentals | 315 | - |
| Employee benefits expense | 2,778 | 2,566 |
| Foreign exchange losses | 1 | 1 |

Depreciation of tangible fixed assets and right-of-use assets are charged to administrative expenses in the Statement of Comprehensive Income.

### 6. Auditors' remuneration

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | 32 | 24 |

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the ultimate parent Company.

## Notes to the Financial Statements (continued)

### 7. Employees

Staff costs, including Directors' remuneration, were as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Wages and salaries | 2,464 | 2,291 |
| Social security costs | 258 | 226 |
| Other pension costs | 56 | 49 |
| | 2,778 | 2,566 |

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

| | 2022 Number | 2021 Number |
|---|---|---|
| Office and administration | 11 | 14 |
| Production | 48 | 41 |
| Distribution | 15 | 12 |
| | 74 | 67 |

### 8. Directors' remuneration

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Directors' emoluments | 81 | 150 |
| Amounts receivable under long-term incentive schemes | - | - |
| Company contributions to defined contribution pension schemes | 4 | 9 |
| | 85 | 159 |

The Directors were remunerated by Eurocell Group Limited and recharged based on the provided level of service.

During the year retirement benefits were accruing to 2 Directors (2021: 2) in respect of defined contribution pension schemes.

The highest paid Director was remunerated through Eurocell Group Limited and the company received a proportion through a recharge of £41,000 (2021: £82,000). The highest paid Director did not exercise any share options during the year (2021: £nil). The disclosures in relation to the highest paid Director reflect the level of services provided to the Company.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £2,000 (2021: £4,000). The pension costs were remunerated through Eurocell Group Limited.

**Notes to the Financial Statements (continued)**

## 8. Directors' remuneration (continued)

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

## 9. Interest receivable and similar income

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Interest receivable from group companies | 2 | 1 |

## 10. Interest payable and similar expenses

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Interest on loan from group undertakings | 318 | 124 |
| Interest on lease liabilities (note 20) | 33 | 29 |
| Other interest payable | 1 | - |
| | 352 | 153 |

## 11. Tax on loss

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Current tax** | | |
| Current tax on loss for the year | (1,055) | (367) |
| Adjustment in respect of prior years | 42 | (40) |
| **Total current tax** | (1,013) | (407) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 38 | 41 |
| Adjustments in respect of changes in tax rates | 10 | 40 |
| Adjustments in respect of prior years | 6 | (72) |
| **Total deferred tax (note 18)** | 54 | 9 |
| **Tax on loss** | (959) | (398) |

**Factors affecting tax credit for the year**
The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

## Notes to the Financial Statements (continued)

### 11. Tax on loss (continued)

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Loss before taxation | (5,384) | (1,690) |
| Profit multiplied by the standard rate of corporation tax in the UK 19% (2021: 19%) | (1,023) | (321) |
| Expenses not deductible for tax purposes | 11 | 4 |
| Capital allowance super deduction claimed | (14) | (18) |
| Adjustments in respect of change in tax rates | 19 | 49 |
| Adjustments in respect of prior years | 48 | (112) |
| **Total tax credit for the year** | (959) | (398) |

**Factors that may affect future tax charges**
An increase in the mainstream rate of UK corporation tax from 19% to 25% from April 2023 was enacted during 2021. Consequently, deferred taxes have been re-measured using a higher rate based on expected reversal dates and reflected in the financial statements.

There are no material uncertain tax provisions.

### 12. Intangible assets

| | Software £000 |
|---|---|
| **Cost** | |
| At 1 January 2022 | 3 |
| Additions | - |
| At 31 December 2022 | 3 |
| **Accumulated amortisation** | |
| At 1 January 2022 | 1 |
| Charge for the year | 1 |
| At 31 December 2022 | 2 |
| **Net book value** | |
| At 31 December 2022 | 1 |
| At 31 December 2021 | 2 |

**Notes to the Financial Statements (continued)**

## 13. Tangible assets

| | Short-term leasehold property £000 | Plant and machinery £000 | Motor vehicles £000 | Office Equipment £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2022 | 1,589 | 6,845 | 629 | 18 | 101 | 9,182 |
| Additions | - | 106 | 388 | - | 506 | 1,000 |
| Disposals | - | (163) | (73) | (18) | - | (254) |
| Transfers | (91) | 333 | 24 | - | (287) | (21) |
| At 31 December 2022 | 1,498 | 7,121 | 968 | - | 320 | 9,907 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2022 | 361 | 2,779 | 235 | 15 | - | 3,390 |
| Charge for the year | 169 | 598 | 120 | 3 | - | 890 |
| Disposals | - | (163) | (73) | (18) | - | (254) |
| Reclassification | (72) | 45 | 24 | - | - | (3) |
| At 31 December 2022 | 458 | 3,259 | 306 | - | - | 4,023 |
| **Net book value** | | | | | | |
| At 31 December 2022 | 1,040 | 3,862 | 662 | - | 320 | 5,884 |
| At 31 December 2021 | 1,228 | 4,066 | 394 | 3 | 101 | 5,792 |

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

The net book value of owned and leased assets included as tangible assets in the Balance Sheet is as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Tangible assets owned | 4,324 | 4,340 |
| Right-of-use assets | 1,560 | 1,452 |
| | 5,884 | 5,792 |

## Notes to the Financial Statements (continued)

### 13. Tangible assets (continued)

Information about right-of-use assets is summarised below:

| **Net book value** | **2022 £000** | **2021 £000** |
|---|---|---|
| Property | 1,040 | 1,228 |
| Motor vehicles | 520 | 221 |
| Office and computer equipment | - | 3 |
| | 1,560 | 1,452 |

| **Depreciation charge** | **2022 £000** | **2021 £000** |
|---|---|---|
| Property | 169 | 155 |
| Plant and machinery | 90 | 92 |
| Motor vehicles | 3 | 5 |
| | 262 | 252 |

| **Additions** | **2022 £000** | **2021 £000** |
|---|---|---|
| Additions to right-of-use assets | 388 | 241 |

See note 20 for details of lease liabilities.

### 14. Stocks

| | **2022 £000** | **2021 £000** |
|---|---|---|
| Raw materials | 322 | 333 |
| Work in progress | 187 | 132 |
| Finished goods and goods for resale | 959 | 416 |
| | 1,468 | 881 |

At 31 December 2022 there were no provisions against slow-moving or obsolete stock (2021: £nil).

Amounts recognised in cost of sales during the year as an expense in relation to stock was £6,427,000 (2021: £4,984,000).

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**Notes to the Financial Statements (continued)**

## 15. Trade and other receivables

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade debtors | 793 | 374 |
| Amounts owed by Group undertakings | 1 | 48 |
| Other debtors | 264 | 185 |
| Corporation tax | 1,055 | 367 |
| Prepayments and accrued income | 270 | 119 |
| | 2,383 | 1,093 |

At 31 December 2022 the provision against trade debtors was £3,000 (2021: £9,000).

Amounts owed by Group undertakings are unsecured, repayable on demand and subject to interest charges which are agreed from time to time between the companies. The average interest rate charged to the Company for the year from Group companies was 2.75% (2021: 1.43%).

## 16. Creditors: amounts falling due within one year

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade creditors | 832 | 737 |
| Amounts owed to Group undertakings | 14,682 | 9,251 |
| Other taxation and social security | 64 | 61 |
| Lease liabilities | 352 | 256 |
| Other creditors | 58 | 30 |
| Accruals and deferred income | 372 | 100 |
| | 16,360 | 10,435 |

Amounts owed to Group undertakings are unsecured, repayable on demand and subject to interest charges which are agreed from time to time between the companies. The average interest rate charged to the Company for the year from Group companies was 2.75% (2021: 1.43%).

## 17. Creditors: amounts falling due after more than one year

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Lease liabilities | 1,272 | 1,255 |

## Notes to the Financial Statements (continued)

### 18. Deferred tax

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| At beginning of year | 235 | 226 |
| Charge to profit and loss | 54 | 9 |
| At end of year | 289 | 235 |

The deferred taxation balance is made up as follows:

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| Accelerated capital allowances | 473 | 412 |
| Other temporary differences | (184) | (177) |
| | 289 | 235 |

### 19. Other provisions

| | Dilapidation and environmental provisions<br>£000 |
|---|---|
| **As at 1 January 2021** | 242 |
| Utilised | - |
| **As at 31 December 2021** | 242 |
| Utilised | - |
| **As at 31 December 2022** | 242 |

The provision is for the potential dilapidation costs likely to be incurred to restore leased properties to their original state. The provision represents the Directors' best estimate of costs to be incurred upon exit of the Company's leased properties.

**Notes to the Financial Statements (continued)**

## 20. Leases

***Company as a lessee***
Lease liabilities are due as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Not later than one year | 352 | 256 |
| Between one and five years | 954 | 786 |
| Later than five years | 318 | 469 |
| | 1,624 | 1,511 |

Contractual undiscounted cash flows are due as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Not later than one year | 357 | 290 |
| Between one and five years | 1,088 | 865 |
| Later than five years | 324 | 485 |
| | 1,769 | 1,640 |

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Interest expense on lease liabilities | 33 | 29 |

See note 13 for details of right-of-use assets.

## 21. Called up share capital

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| 50,000 (2021: 50,000) Ordinary shares of £1.00 each | 50 | 50 |

As at 31 December 2022 there were 50,000 shares authorised for issue. The Ordinary shares, which carry no right to fixed income, each carry the right to one vote at meetings of the Company.

**Notes to the Financial Statements (continued)**

**22. Reserves**

**Revaluation reserve**
The revaluation reserve includes all historical revaluation gains and losses recognised on freehold property.

**Profit and loss account**
The profit and loss account includes all prior and current year profits and losses.

**23. Contingent liabilities**
The Company has guaranteed the borrowings of other companies in the Eurocell Group, headed by Eurocell plc, of £21,000,000 (2021: £12,000,000). No liability is expected to arise from this commitment.

**24. Capital commitments**
The Company had capital commitments relating to Property, Plant & Equipment as at 31 December 2022 of £370,000 (2021: £32,000).

**25. Pension commitments**
The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £56,000 (2021: £49,000).

**26. Related party transactions**
The Company has taken advantage of the exemption within FRS101 not to disclose transactions and balances between itself and other wholly owned members of the Eurocell Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is considered to be the Directors of the Company. The Company did not enter into transactions with key management personnel or other related parties.

**27. Ultimate parent undertaking and controlling party**
The Company's immediate parent undertaking is Eurocell Profiles Limited and the ultimate parent company and controlling party is Eurocell plc (High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT), which is registered in England, United Kingdom. Eurocell plc is listed on the London Stock Exchange.

The smallest and largest group for which group financial statements are prepared is that headed by Eurocell plc and consolidated financial statements are available from investors.eurocell.co.uk.