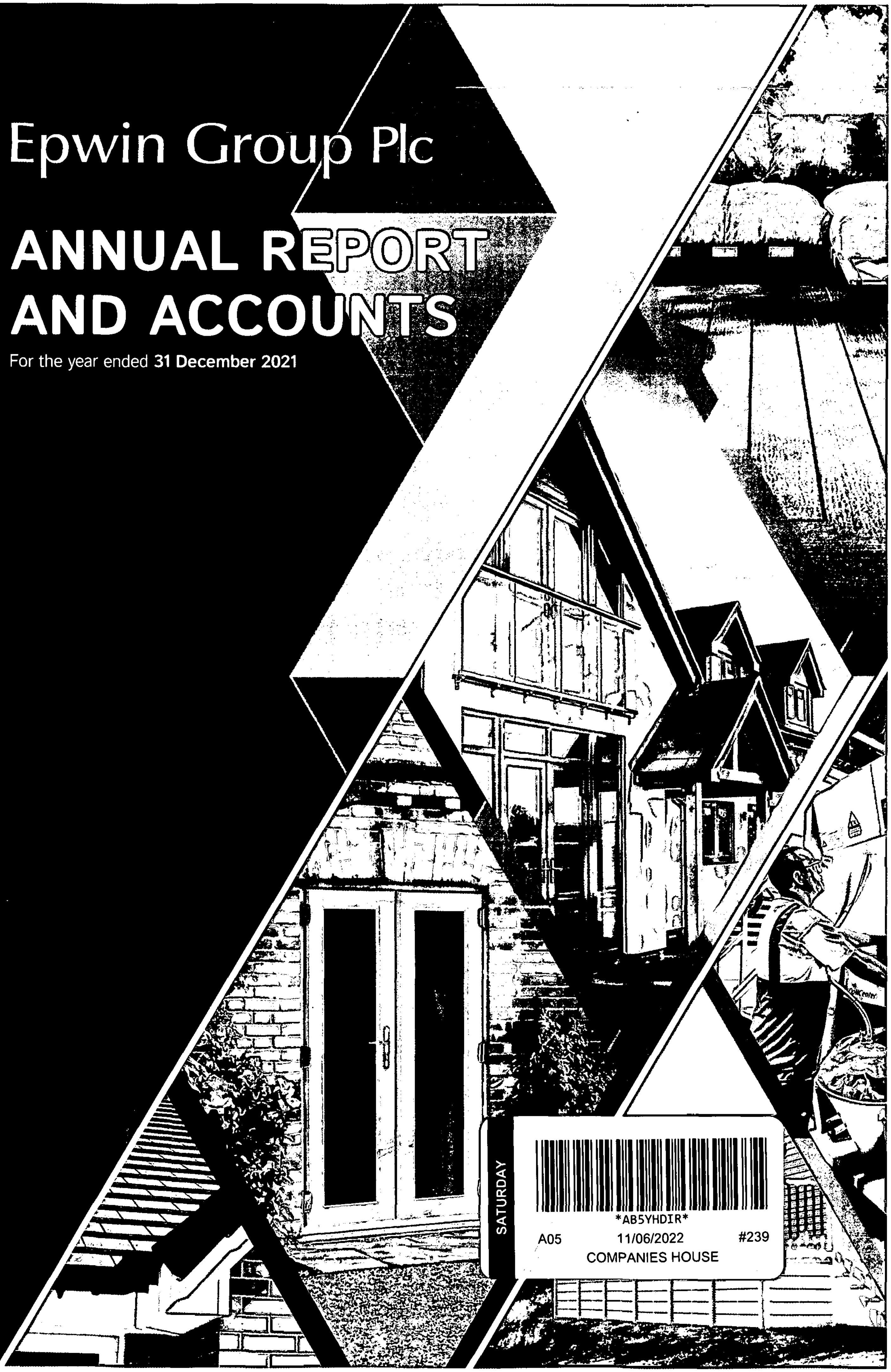
Epwin Group Plc

ANNUAL REPORT AND ACCOUNTS

For the year ended **31 December 2021**



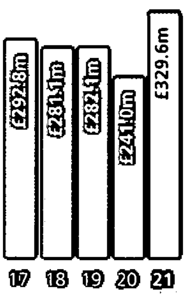
Epwin Group

Epwin Group Plc is the leading manufacturer of energy efficient and low maintenance building products for the Repair, Maintenance and Improvement ("RMI"), social housing and new build markets in the UK.

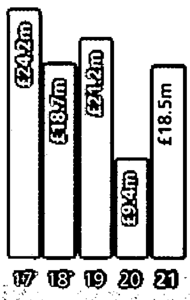
The business commands significant share in its core markets and has continually invested in its operations to improve efficiency, service and the range of products available to its customers.

Visit us online at: www.epwin.co.uk or investors.epwin.co.uk/

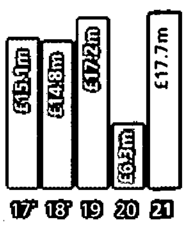
Revenue (£m)



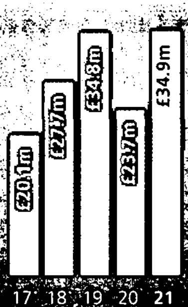
Underlying operating profit (£m)**



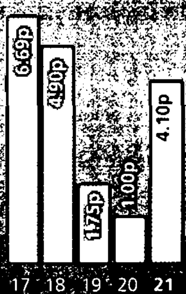
Statutory operating profit (£m)



Pre-tax operating cash flow (£m)



Dividend per share (pence)



* 2017 and 2018 results are stated prior to the impact of IFRS 16: Leases, implemented on 1 January 2019

** For a reconciliation to statutory operating profit see page 20

Investment Case

Established and robust business model

- B2B specialist provider of energy efficient and low maintenance building products
- Market-leading positions in core business lines
- Multiple established brands and routes to market
- Large and diverse customer base
- Well-positioned for sustainable growth
- Strong environmental and sustainability credentials

Read about our **business model** on page 14

Executing on strategy in a fragmented market

- Ongoing investment in innovation and new products
- Continued focus on operational improvements and medium-term margin enhancement
- Strong balance sheet and cash flow generation
- Pipeline of selective value enhancing acquisitions

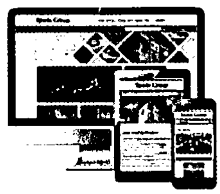
Read about our **strategy** on page 16

Medium and long-term market drivers

- Significant underinvestment in ageing UK housing stock
- Thermally efficient low maintenance products capable of reducing carbon emissions
- Growth drivers from pent-up repairs and maintenance demand, new product development, demand for new homes and social housing improvement
- Political impetus for renewed social housing activity and improving the energy efficiency of the existing housing stock
- Changing structural trends with increased time spent at home in work and leisure

Read about our **marketplace** on page 12

Contents



Visit us online at: **www.epwin.co.uk** or **investors.epwin.co.uk/**

2021 Financial Highlights

Revenue
£329.6m
2020: £241.0m
2019: £282.1m

Underlying operating profit[1]
£18.5m
2020: £9.4m
2019: £21.2m

Statutory operating profit
£17.7m
2020: £6.3m
2019: £17.2m

Profit before tax
£12.9m
2020: £1.9m
2019: £12.4m

Basic EPS
8.61p
2020: 1.82p
2019: 7.49p

Pre-tax operating cash flow
£34.9m
2020: £23.7m
2019: £34.8m

Covenant net debt[2]
£9.4m
2020: £18.5m
2019: £16.4m

Covenant net debt to adjusted EBITDA[2]
0.4x
2020: 1.3x
2019: 0.6x

Underlying operating cash conversion[3]
189%
2020: 252%
2019: 164%

Dividend per share for the year
4.10p
2020: 1.00p
2019: 1.75p

1 Adjusted for amortisation of acquired other intangible assets, share-based payments expense and other non-underlying items. For a reconciliation to statutory operating profit see page 20.

2 Covenant net debt and covenant net debt to adjusted EBITDA represent pre-IFRS 16 measures. For a reconciliation of net debt to covenant net debt and a calculation of covenant net debt to adjusted EBITDA, see note 21 to the consolidated financial statements.

3 Underlying operating cash conversion is pre-tax operating cash flow as a percentage of underlying operating profit.

Financial headlines

- Strong trading performance:
  - Record revenues of £329.6 million, 37% ahead of 2020 and 17% ahead of 2019
  - Underlying operating profit of £18.5 million (2020: £9.4 million, 2019: £21.2 million)
  - Strong cash generation with pre-tax operating cash inflow of £34.9 million (2020: £23.7 million, 2019: £34.8 million) and underlying operating cash conversion of 189%
  - Continued resilience of Group's core markets, with high RMI demand throughout 2021
- Financial position strengthened:
  - Covenant net debt significantly reduced to £9.4 million (2020: £18.5 million)
  - Covenant net debt 0.4x adjusted EBITDA after £5.3 million cash cost of acquisitions
  - Significant headroom on banking facilities, in excess of £65 million, to support growth strategy
- Proposed final dividend of 2.35 pence per share, resulting in total dividend for 2021 of 4.10 pence per share (2020: 1.00 pence per share)

Operational and strategic headlines

- Active management of pandemic-related operational and inflationary challenges:
  - Significant inflationary and availability pressure on material and labour costs
  - Successful and continued implementation of price increases and surcharges, albeit with a lag to cost inflation
- Good progress delivering on our strategy:
  - Operational improvement:
    - Construction completed on new Telford distribution and finishing facility
    - Full relocation of inventories to the new facility to be completed in 2022
  - Value enhancing acquisitions:
    - Acquired three well-established regional independent distributors of plastic building products
    - Adds 13 trade counters in Cumbria, Northumberland, Southern Scotland, Lancashire and Norfolk
  - *New product development*
    - Aluminium window system and PVC decking sales continue to see strong growth, with demand levels for these products well ahead of management's expectations
  - Continued market share gains
  - Environmental, Social and Governance ("ESG") framework and targets, building on inherent environmental and sustainability benefits of the Group's products

Current trading and outlook

- Strong RMI demand expected to continue in 2022, albeit at slower growth rate than last year
- Continued focus on actively managing ongoing supply chain and inflationary pressures
- Healthy pipeline of further M&A opportunities
- Positive medium and long-term RMI market drivers
- Current trading is in line with the Board's expectations, with 2022 revenue to date ahead of 2021. The Group is well-positioned for the rest of the year

Jon Bednall, CEO of Epwin, commented:

"I am pleased to report that our trading performance for the year as a whole was strong, despite the well-reported supply chain and inflationary pressures that presented a particular challenge to our fenestration businesses. This is testament to the hard work of our people in a year which has seen many challenges for businesses and individuals.

We are optimistic for the Group's trading prospects in 2022 and expect to make further gains in market share, whilst continuing to manage the challenges that the current environment presents. We remain confident in the strength of the medium and long-term drivers of our markets."

Business Overview and Principal Activities

Epwin is the leading, vertically integrated, UK-based manufacturer of energy efficient and low maintenance building products with significant shares in its core markets, supplying products and services with strong sustainability credentials into the Repair, Maintenance and Improvement ("RMI"), new build and social housing sectors.

The Epwin business has grown and developed both organically and by acquisition over the last 40 years to become a leading manufacturer supplying a broad range of PVC, Glass Reinforced Plastic ("GRP"), Wood Plastic Composite ("WPC") and aluminium low maintenance building products and services in the UK.

The Group has developed and acquired a portfolio of nationally recognised "B2B" brands, which are used to maximise the sales opportunities presented by the diverse markets that the Group serves.

The Board and senior management view the Group as having two distinct business segments that operate from a number of well-invested facilities located across the UK.

Extrusion and Moulding

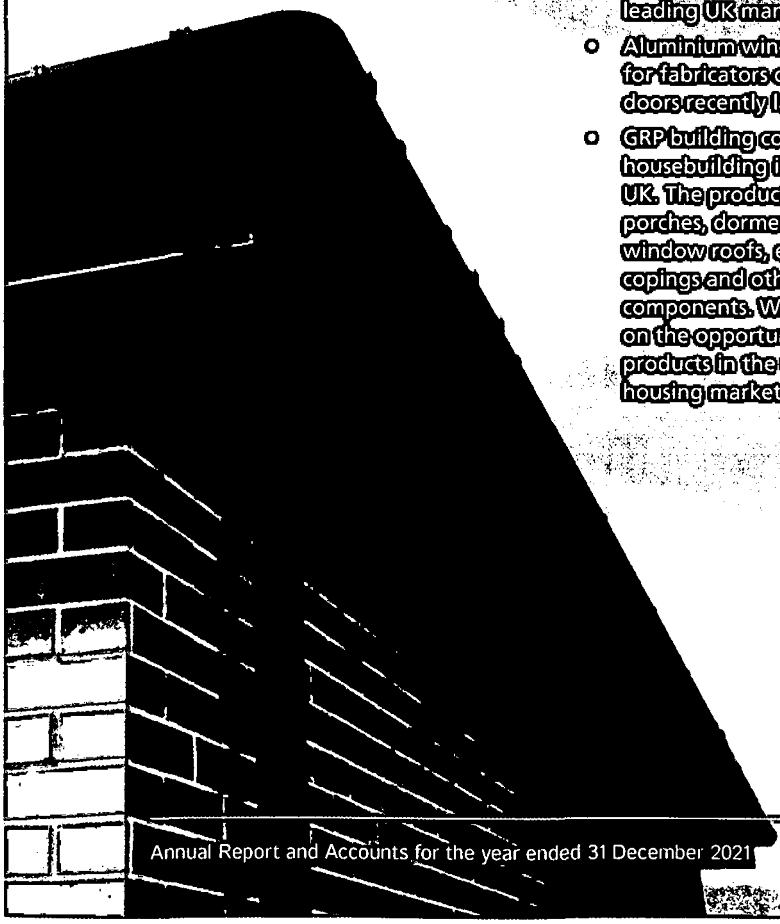
The Extrusion and Moulding business is the UK's largest manufacturer of extruded window profile, cellular roofline and cladding, rainwater, drainage, decking systems and GRP building components. These businesses include:

- Leading brands of PVC-ue extruded cellular roofline and cladding systems for the replacement and installation of fascias, soffits, barge boards and cladding. Epwin is the market leader.
- Complementary range of PVC-u rainwater and drainage products. There is considerable scope for volume and market-share growth in the coming years.
- Complete extruded PVC-u window profile systems for fabricators of windows, doors, cavity closers and curtain walling. Epwin is one of the leading UK manufacturers.
- Aluminium window profile system for fabricators of windows and doors recently launched.
- GRP building components for the housebuilding industry in the UK. The product range includes porches, dormers, chimneys, bay window roofs, entrance canopies, copings and other bespoke components. We plan to capitalise on the opportunities for these products in the RMI and social housing markets.
- WPC products, the current primary application being an environmentally friendly hardwood substitute for outdoor decking. We plan to expand the range of products and use of recycled materials over the coming years.
- PVC-u and aluminium decking products have been designed and launched to complement our existing WPC decking. This provides Epwin with the product range to address different markets and, through our PVS business, enables us to provide a full end-to-end service to customers.
- The business operates from extrusion and moulding facilities in Telford, Tamworth, Wrexham and Scunthorpe.

Fabrication and Distribution

The Fabrication and Distribution business includes the Group's national network of plastic distribution outlets and Windowstores, complementing the Group's commitment to its independent distributor customers, as well as servicing specialist customer requirements with fabricated windows and doors from the Group's own profile systems. Added value services include bespoke design and scheduling, as well as plot and installation management for social and new build housing projects. The Fabrication and Distribution business:

- Distributes the Group's products through a national network of more than 100 building plastic trade distribution centres, complementing the Group's independent distribution customers.
- Manufactures PVC windows and doors in addition to GRP and thermoplastic door sets for social housing, trade and new build customers operating from three fabrication sites located in Paignton, Telford and Upton-upon-Severn.
- Includes our decking installation business specialising in the leisure park sector.



Our Materials and Products

◇ Polyvinyl chloride: PVC

Extrusion of rigid and cellular PVC profiles from three well invested and industry-leading facilities. Rigid profiles include our Optima and Spectus window systems, with Optima providing our customers, as well as our own fabricators, with an award-winning and market-leading product. Our leading brands of cellular profile products, matched with a high standard of service, enable us to lead the market through our dedication to independent stockists as well as our own plastic distribution network.

◆ Glass Reinforced Plastic: GRP

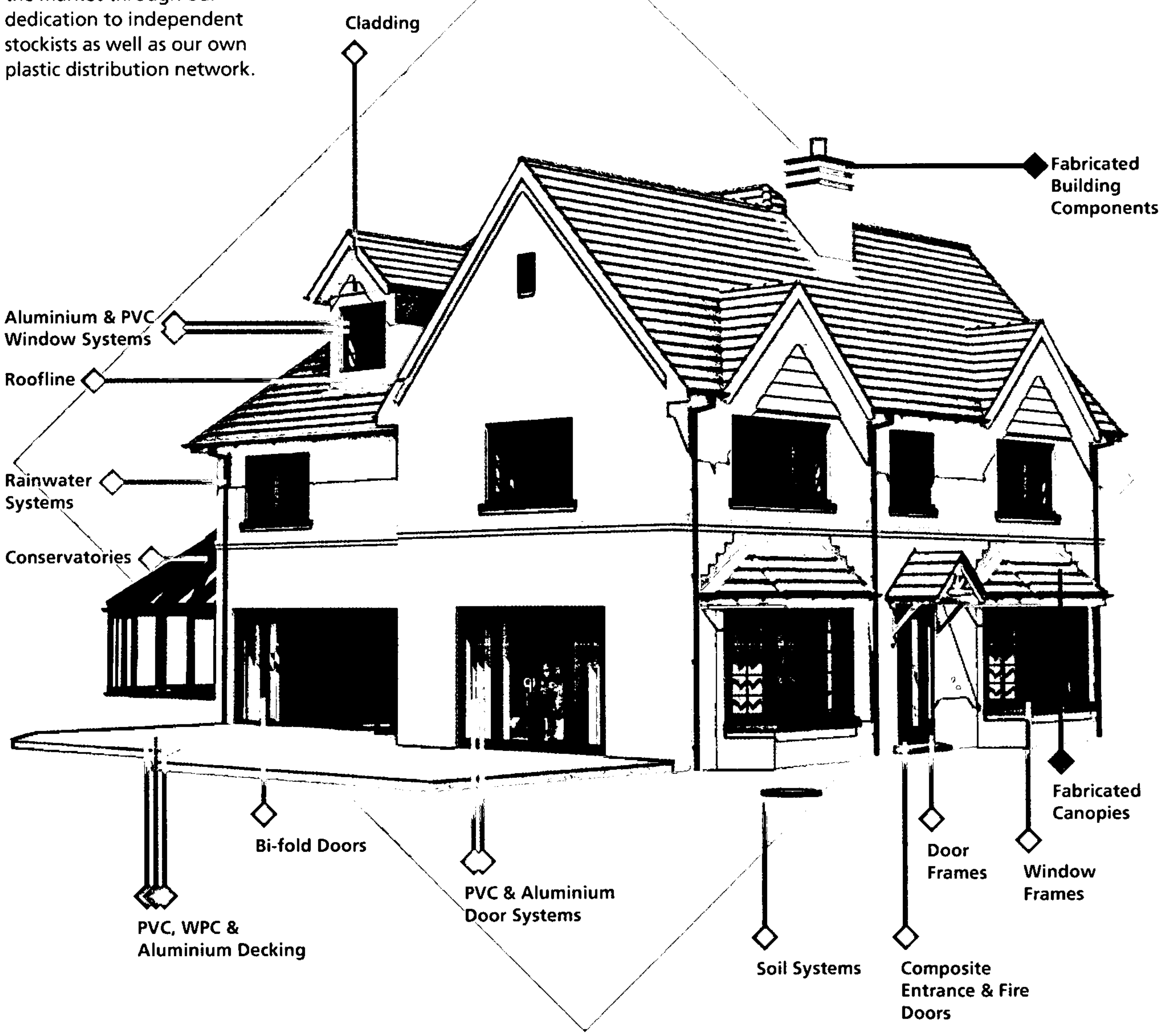
Stormking is the UK's largest GRP building product manufacturer supplying predominantly new housebuilders. The products and process allow the offsite manufacture of significant house components such as dormers, which can then be more easily installed onsite.

◆ Wood Plastic Composite: WPC

Our ecodek® business extrudes Wood Plastic Composite decking and cladding. This involves the fusion of wood pulp and polyethylene (recycled milk cartons) into long-life products undertaken by a carbon negative production process.

◇ Aluminium

The Stellar aluminium window system and Adek aluminium decking system represent the Group's newest products. Extruded aluminium profiles are powder coated and used to fabricate windows, patio doors and balcony decking.



Chairman's Statement

> "The performance of the Group during 2021 has been encouraging and it has continued to make good strategic progress."
>
> ANDREW EASTGATE
> Chairman

Encouraging performance

The performance of the Group during 2021 has been encouraging with the strong demand levels seen in the RMI market during the second half of 2020 continuing throughout the year, as revenues and EPS exceeded 2019 pre-pandemic levels.

The Group has made good strategic progress during the year, in particular completing three bolt on acquisitions and achieving significant growth with the new products launched in recent periods.

On behalf of the Board and our shareholders, I would again like to thank all our employees and their families for their efforts and the commitment they have continued to demonstrate during the Covid-19 pandemic.

Inflationary headwinds

Consistent with other industries, raw materials cost inflation has been one of the main challenges for the building products sector in 2021 and into 2022. The ongoing implications of the Covid-19 pandemic, as well as the high levels of demand from the RMI market, continue to put pressure on operations and supply chains. Increases in raw material costs, in particular PVC resin, and the ability of the Group to pass these costs on to customers have been the dominant factors during 2021. The Group is successfully passing on the increase in costs to its customer base through a mixture of price increases and surcharges, albeit with a natural timing lag and not yet recovering the full margin impact, as the Group has been cognisant that the level of increase needs to be managed in an equitable manner with customers.

As well as raw material cost inflation, further emerging themes during the course of the year have been wage inflation and staff retention, as a result of both the Covid-19 pandemic and Brexit. Our employees are critical to the performance of the Group, their expertise and commitment are what makes Epwin a market-leading business and will drive its future success. Measures have been introduced to improve both staff retention and recruitment, to manage the near-term impacts of labour availability and increasing market pay rates.

Strategic progress

The Group has made pleasing progress with its strategy of operational improvement, broadening the product portfolio and materials capabilities, selective acquisitions, cross-selling and market-share growth.

Product development

The PVC decking products and aluminium window systems continue to see significant growth with demand ahead of management's expectations, following the delay of their launch as a result of the pandemic. Stellar, our aluminium window system, has achieved good traction with both new customers and within our existing fabricator customer base. Dekboard, the Group's PVC decking system, has also seen strong growth as it has established and reinforced its routes to market.

With PVC prices at historical highs and potential future cost and supply volatility, the Group has also commenced projects to further increase the use of recycled PVC resin within its products.

Value enhancing acquisitions

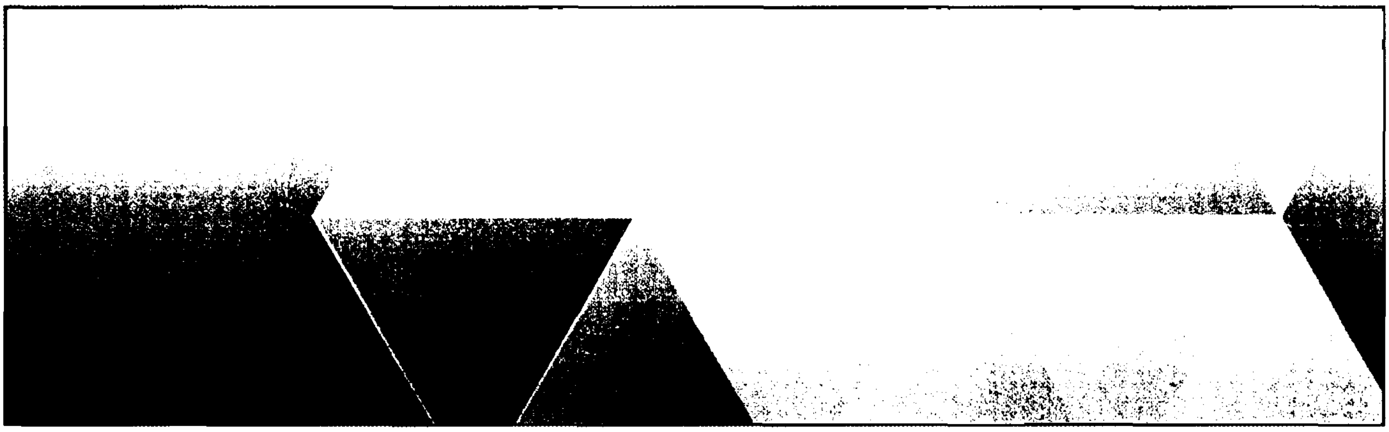
The Group completed three bolt on acquisitions during the year to further extend its network of trade counters, now in excess of 100.

On 5 January 2021, the Group acquired the trade and related assets of SBS (Cumbria) Limited ("SBS"), a well-established regional distributor of plastic building products operating across eight branches in Cumbria and Southern Scotland.

On 30 June 2021, the Group acquired the trade counter activities and related assets of Plastic Building Supplies Limited ("PBS"), an established distributor of plastic building products with four branches across Norfolk.

On 11 November 2021, the Group acquired Accrington Plastics Limited a single branch distributor of plastic building products based in the North West of England.

Total consideration for these acquisitions was £5.4 million, net of cash acquired, comprising £5.3 million paid in cash and £0.1 million deferred. These acquisitions further increase the geographical coverage of the Group's plastic distribution business and offer the opportunity for synergies and



wider expansion over time alongside the Group's partnerships with its key independent distribution partners.

Progress with site consolidation and rationalisation programme

Construction work on the purpose-built facilities in Telford, to consolidate our Window Systems warehousing and finishing operations, completed in the first half of 2021.

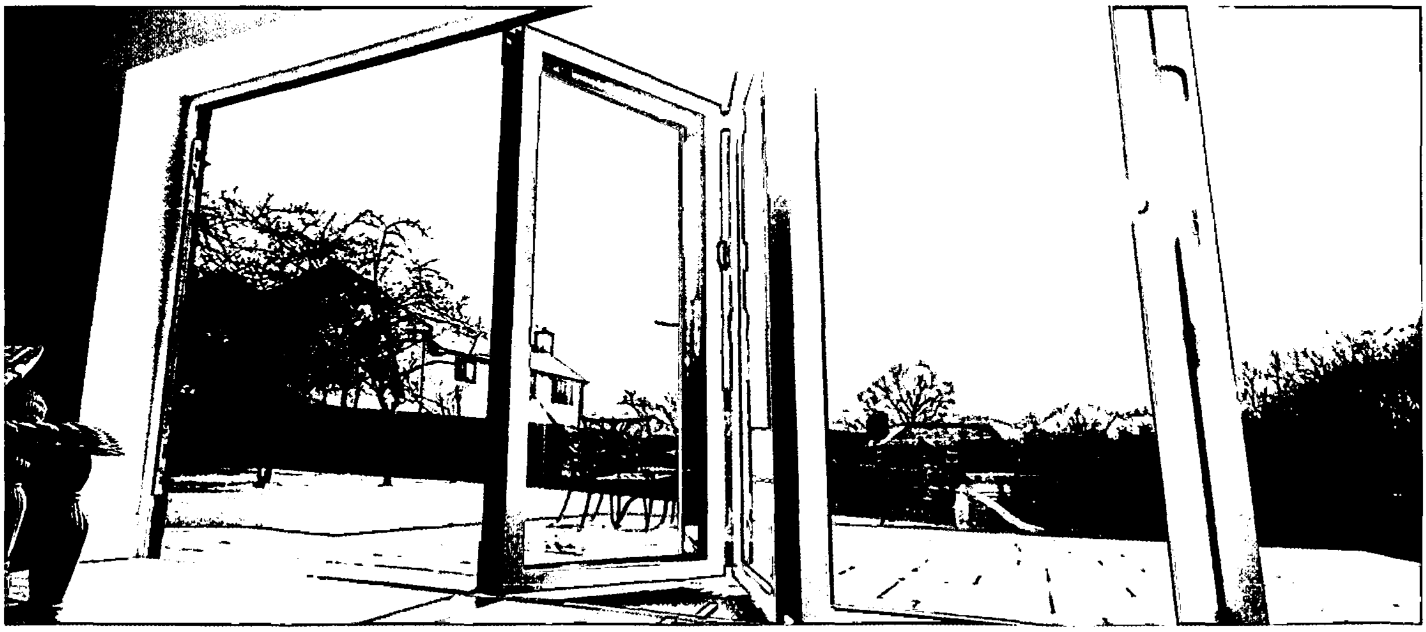
The Covid-19 pandemic and the continuation of the exceptionally high demand levels seen post lockdown and throughout 2021 has required the Window Systems operation to continue operating across its existing sites in order to maintain service levels for customers. It is now anticipated that the relocation of inventories and logistics operations to the new facility will take place in 2022, which will then allow the Group to start realising the consolidation and synergistic benefits of the new facility.

ESG

The Group continued to make progress with developing its ESG framework and targets, having aligned its operations with the United Nations Sustainable Development Goals ("UN SDGs"). Notable progress during the period included:

- Commissioning of carbon balance sheet to establish a baseline for its carbon footprint
- Commencing investment to develop and increase recycling capabilities
- 87% of revenue from recyclable products
- Achieving the Fair Tax Mark
- Appointment of an additional non-executive director
- Reduced GHG emissions per £m of gross revenue by 20% from prior year
- Gender pay gap in 2021 – women paid on average more than men

The Group has strong inherent sustainability credentials with its energy efficient and low maintenance building products and has already taken meaningful actions to reduce the Group's carbon footprint such as increasingly switching to sustainable raw materials and making improvements to energy and resource efficiency.



Chairman's Statement
continued

Within the Strategic Report, we have presented an integrated Sustainability Report bringing together all reporting relevant to ESG issues, see pages 30 to 41.

Board changes

We were pleased to welcome Shaun Smith to the Board at the beginning of January 2022. Shaun has significant and broad finance and commercial experience, having been most recently Chief Financial Officer at Norcros plc, and he will add significant insight and value to our Board.

Unfortunately, Mike O'Leary, who joined the Board shortly after the IPO, stepped down in March 2022 for health reasons. Mike made a terrific contribution to the Board, and we will miss his wise counsel. We wish Mike a full recovery. We will be seeking to appoint another non-executive director during the year.

Corporate governance and AGM

The Board of Directors, including myself as Chairman, acknowledges the importance of the ten principles set out in the QCA Code and details of our compliance with the Code can be found in the Corporate Governance section of this Annual Report as well as on the corporate website.

The Annual General Meeting ("AGM") will be held at 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT on Tuesday 24 May 2022 at 11.00 am.

Current public health guidance and legislation issued by the UK Government in relation to the Covid-19 pandemic would permit public gatherings and travel at the date of the AGM. The AGM has been arranged assuming the Company will be able to hold a physical in-person meeting. However, due to the ongoing Covid-19 situation, the Board considers it appropriate to minimise physical attendances at the AGM. Shareholders are therefore encouraged to vote by proxy. Whilst all shareholders are still legally entitled to physically attend the AGM, please consider carefully before doing so.

Further details (including in relation to shareholders' questions and proxies) are set out on pages 111 to 116.

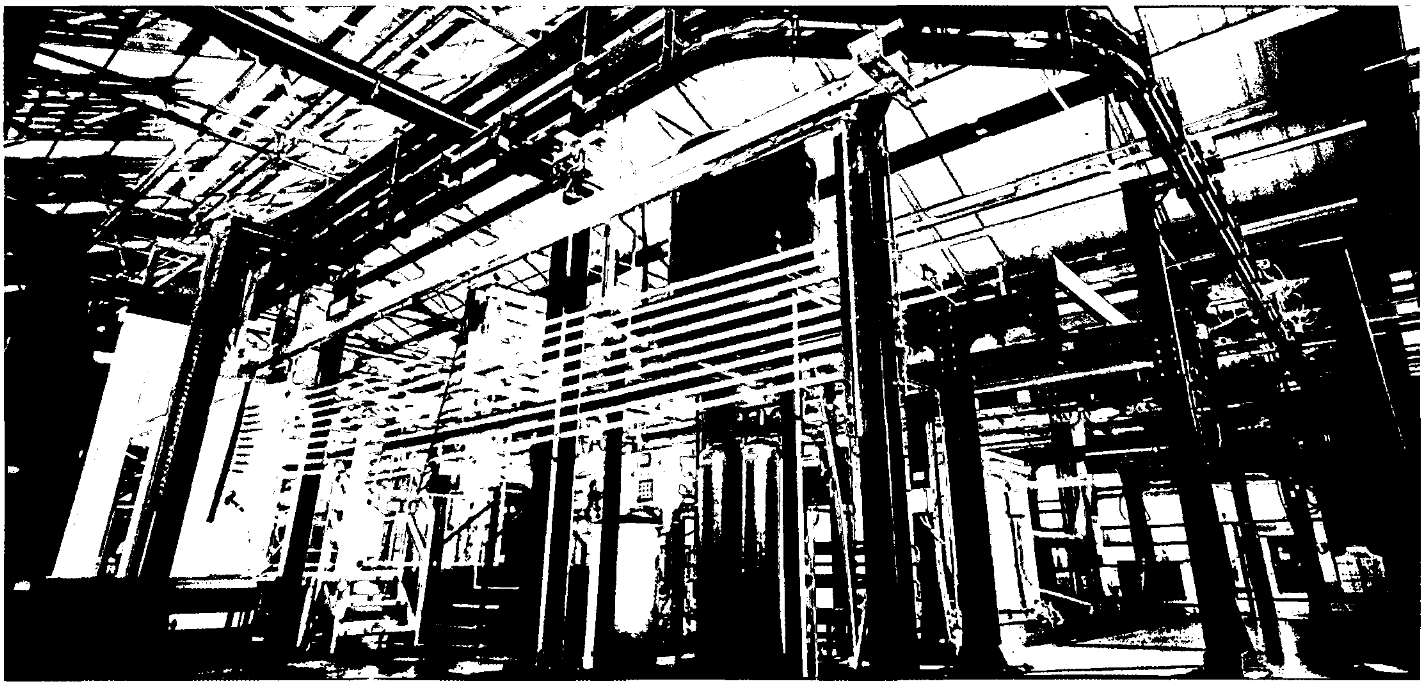
Results

Revenues were significantly higher than both their Covid-19 impacted 2020 comparatives, as well as the 2019 comparative, the last year unaffected by the Covid-19 pandemic. The increase in revenues to a record £329.6 million (2020: £241.0 million, 2019: £282.1 million) was driven by high levels of demand as well as the selling price increases and surcharges implemented as a result of cost inflation. Underlying operating profit increased to £18.5 million compared to £9.4 million in 2020, but remained behind the 2019 underlying operating profit of £21.2 million, mainly as a result of material cost inflation and the lag in passing on cost increases to customers. Statutory operating profit was £17.7 million (2020: £6.3 million, 2019: £17.2 million).

Cash generation continued to be strong with pre-tax operating cash flow of £34.9 million, returning to 2019 levels (2020: £23.7 million, 2019: £34.8 million). The Group finished the year with significantly reduced covenant net debt of £9.4 million (2020: £18.5 million, 2019: £16.4 million), representing 0.4x adjusted EBITDA and well within covenant levels.

Dividends

The Board is recommending a final dividend of 2.35 pence per share (2020: 1.00 pence per share) to be paid on 6 June 2022 to shareholders on the register on 13 May 2022. Along with the interim dividend of 1.75 pence per ordinary share, paid in October 2021, this takes the full year dividend to 4.10 pence per ordinary share (2020: 1.00 pence per share).



Summary and outlook

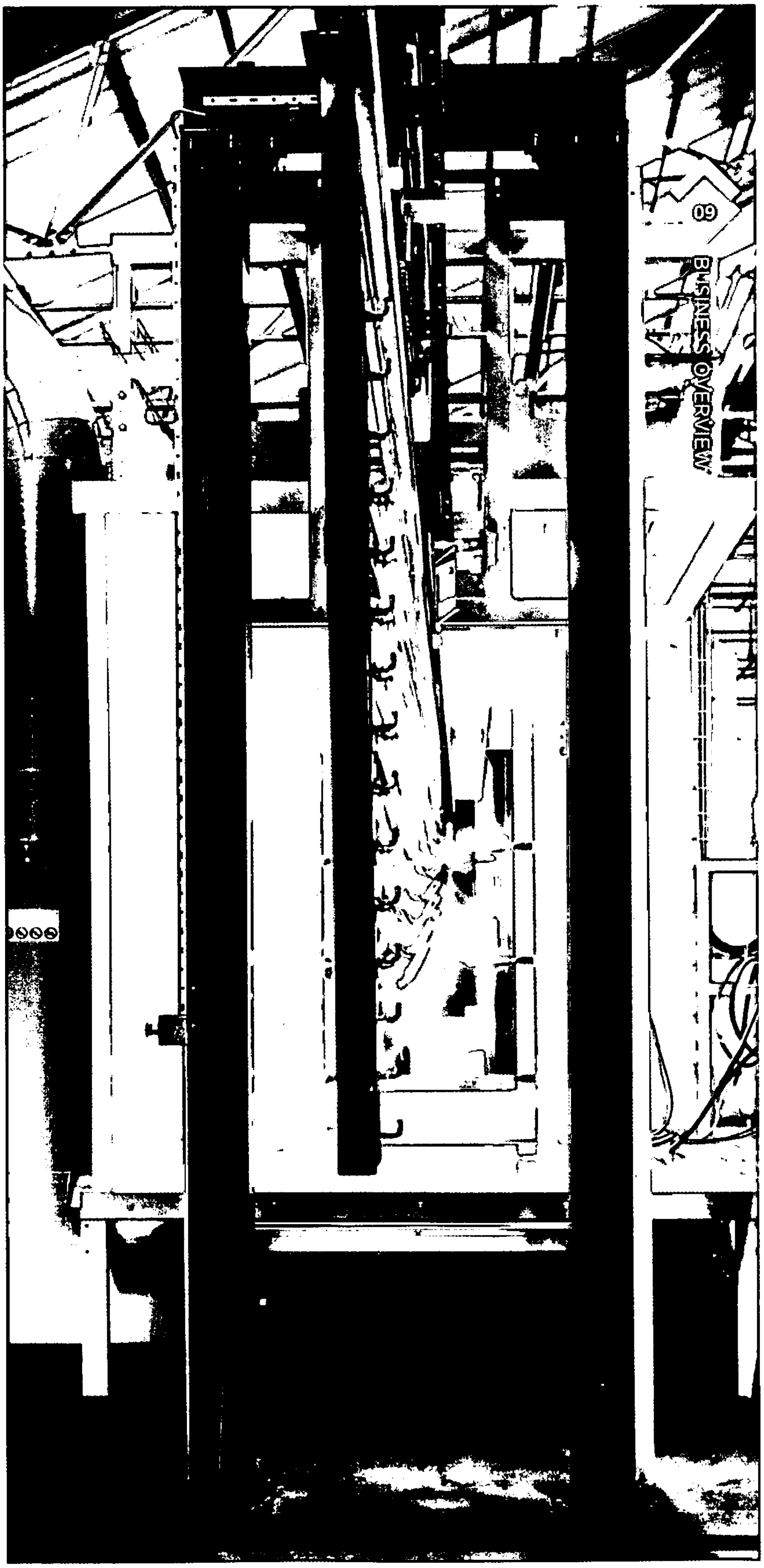
The Group's trading performance during 2021 has been encouraging and it has continued to make good strategic progress in a trading environment that has been buoyant since the second half of 2020. Customer demand, particularly from the RMI sector, remains strong. Trading in 2022 to date is in line with the Board's expectations with revenue ahead of the same period in 2021.

Supply chains remain under pressure and raw material costs continue to increase as a result of the continuing impact of the Covid-19 pandemic and, more recently, the tragic events in Ukraine. The Group's strong relationships with its PVC resin suppliers have ensured it has been able to secure material supply; albeit the market price of PVC resin has doubled since the end of 2019. The Group is passing on these increased costs to its customers in an equitable manner through price increases and surcharges and remains confident of its ability to continue to work with its customers to manage further cost inflation fairly.

Our strategy continues to be based on operational improvement, broadening the product portfolio and capabilities, value enhancing acquisitions, cross-selling and market share growth in key sectors to build a sustainable, resilient business, delivering further growth as market conditions continue to improve.

The medium to long-term drivers for the market remain positive, with an ageing and underinvested housing stock, as well as environmental and safety concerns driving new legislation and initiatives that will require improvements to homes, including in respect of energy efficiency, on a larger scale than simply essential maintenance. The pandemic has also stimulated demand for home, garden and leisure space spending, with lockdowns highlighting the need for improvements, addressing maintenance and creating workspace.

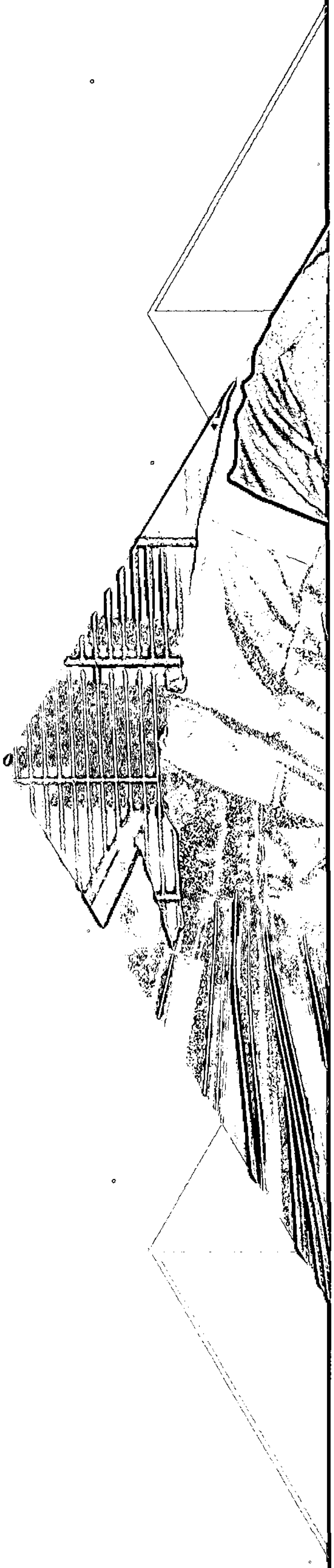
We are optimistic for the Group's trading prospects in 2022 and expect to make further gains in market share, whilst continuing to manage the challenges that the current environment presents.



ANDREW EASTGATE
Chairman
6 April 2022

STRATEGIC REPORT

Contents



Market Overview and Outlook

The strong trading conditions seen in the second half of 2020 continued throughout 2021, still predominantly driven by the RMI sector. Households that had saved through lockdown continued to prioritise expenditure on home improvements, whilst other big ticket spending options such as holidays and motor vehicles remained limited.

Demand levels are expected to remain strong through most of 2022, but the Group is cognisant of the headwinds in the form of continuing supply chain challenges, inflationary pressures and the rising cost of living, as well as continuing uncertainty around the emergence of new Covid-19 variants and the impact of the tragic events in Ukraine. These headwinds mean that while demand is expected to remain strong, growth rates like those seen in the second half of 2020 and throughout 2021 are unlikely to continue at the same pace in 2022.

The medium to long-term underlying market drivers remain strong:

- The UK's existing housing stock is ageing and underinvested in recent years, resulting in an increasing backlog of properties that will require essential repairs and maintenance.
- An increasing UK population and shortage of suitable new housing.
- Environmental and safety concerns that will continue to drive legislation and initiatives that will require improvements, including in respect of energy efficiency, to homes on a larger scale than just essential maintenance.
- Changing structural trends with an increase in time spent at home, including working from home, will lead to continued investment in home improvement.

Private housing RMI

The strong RMI demand seen throughout 2021 is expected to continue through the first half of 2022. This is a result of historical underinvestment in both home repair and maintenance, as well as the continuing desire for home improvement, driven by the increase in working from home and supported by strong household finances as a consequence of the pandemic. However, the impact of inflation, including increases in energy costs and National Insurance Contributions, will lead to a rise in the cost of living and potentially lower disposable incomes, which could moderate RMI spend in the second half of 2022 and into 2023.

Social housing RMI and new build

Having been slower to recover following the initial pandemic lockdown, social housing RMI and new build are expected to grow in 2022, with the Construction Products Association ("CPA") forecasting 7% growth in 2022 for social housing RMI, followed by 5% growth in 2023, and 3% growth in 2022 and 2023 for social housing new build. However, local authority and housing association funding is expected to remain focused on remediating legacy safety issues such as cladding on high-rise buildings, at the expense of other maintenance and new public housing. This may be to the short-term detriment of the Group's products, with our social facing window fabrication business in particular continuing to see the deferment of some contract start dates.

Private new build housing

New build demand was strong during the first-half of 2021, supported by the Government's stamp duty holiday and Help to Buy scheme. Whilst there are some headwinds in the form of supply chain and inflationary pressures, as well as the rising cost of living and interest rates, which will impact the affordability of homes, demand for private new build housing is expected to continue during 2022, supported by an underlying shortage of suitable housing, particularly for first time buyers.

Business Model

We use our key resources...

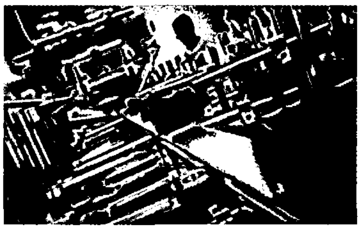
Scale
Epwin is the leading UK manufacturer of low maintenance building products, operating from eight manufacturing facilities and with a national network of over 100 stockist outlets. The scale of our operations, allied with our vertical integration, acts as a high barrier to entry in our core businesses, whilst our portfolio of national and local brands allow us to address fragmented markets.

Specialist facilities and equipment
The Group's manufacturing facilities include four well-invested extrusion and moulding operations producing in excess of 70,000 tonnes of PVC, WPC and GRP product per annum.

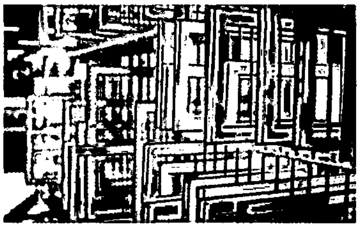
Robust financials
Highly cash generative with significant headroom on banking facilities to pursue our strategy.

Knowledge and expertise
The knowledge and technical expertise of our people is critical to the success of the Group.

...to enable our key activities...



Extrusion and moulding
The Group's upstream manufacturing facilities producing a range of market-leading window profile, roofline, cladding, rainwater, drainage, decking and GRP building components.



Fabrication and distribution
The downstream routes to market for the Group's products, including the fabrication of windows and doors and distribution of plastic building products through a national network of stockist outlets.

...to provide our customers...

Specialist plastic distributors
Distribution of the Group's manufactured plastic building products through its national network of stockist outlets, complementing the Group's commitment to its independent distributor customers.

Window and door fabricators
The conversion of the Group's award winning PVC and aluminium window systems into finished window and door products.

End users
- Homeowners
- Installers
- Housebuilders
- Social housing providers
- Contractors

We then re-inject capital to continue building scale

Our entire model is underpinned by strong, long-term market trends

...with a wide range of value-added products with a focus on sustainability...

...creating long-term value for our stakeholders

Products

- PVC cellular roofline and cladding
- PVC rainwater and drainage
- PVC and aluminium window profile
- PVC, WPC and aluminium decking
- Thermoplastic and GRP entrance doors
- GRP porches and canopies
- GRP dormers
- GRP bay window roofs
- GRP chimneys

with a greater focus on ESG

Our products have long useful lives, are typically recyclable and require less maintenance over their lives compared to alternative materials in similar applications.

The Group is investing in its recycling capabilities to use more recycled content in its products as well as to recycle post-industrial and post-consumer waste.

Customers

Providing sustainable, high-quality products and service to our customers is imperative to our reputation and long-term success.

Suppliers

Working collaboratively with our supply chain on a long-term basis is fundamental to our business model.

Employees

Our people are the foundation of our business and key to the Group's success. We always strive to provide equal opportunities, high-quality training and rewarding careers for our employees.

Shareholders

To provide a long-term sustainable return for our investors.

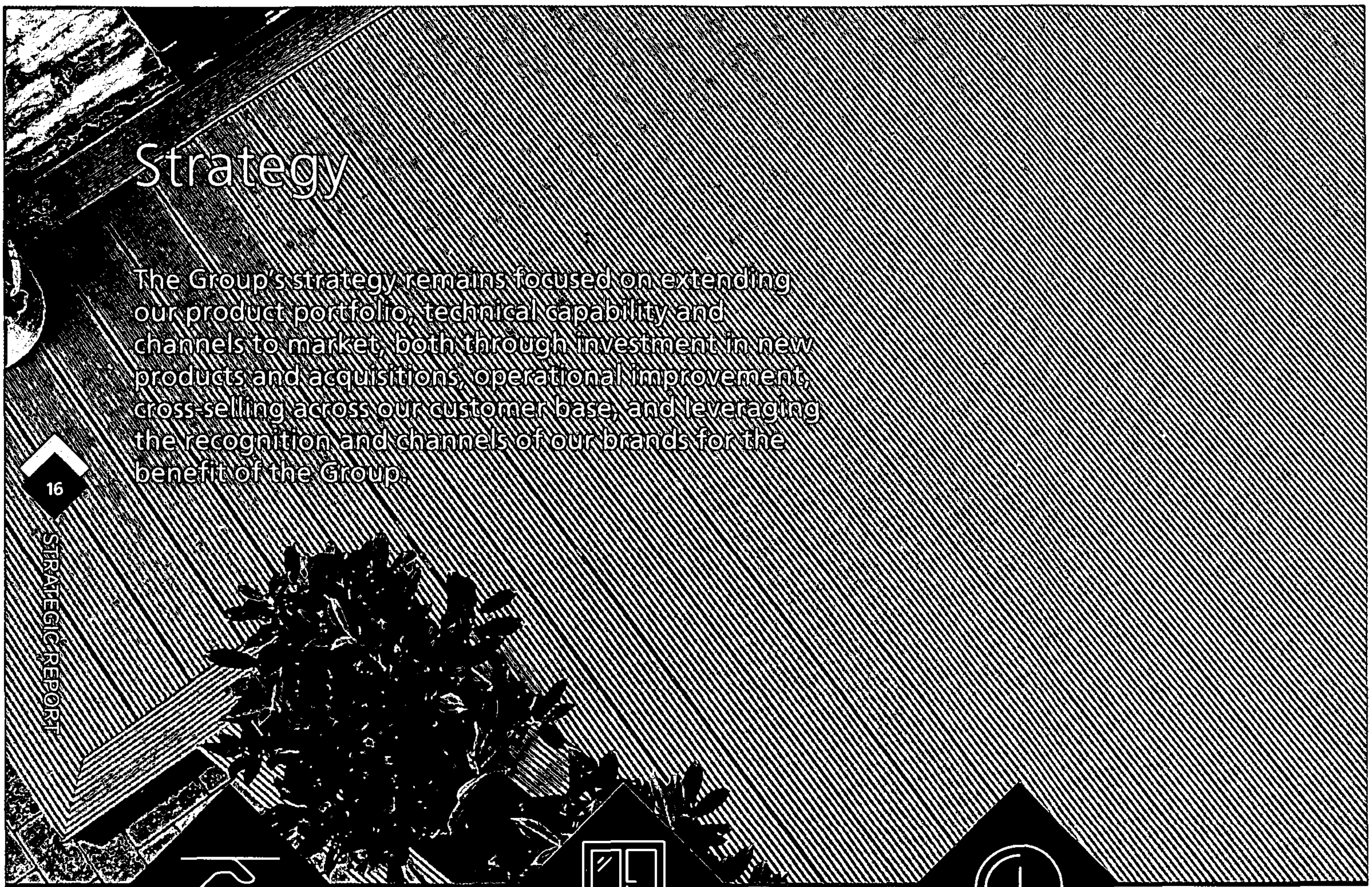
Communities and the environment

The Group aims to have a positive effect on the local communities in which it operates, whilst minimising the impact it has on the environment.

Government and regulators

The Group has policies and processes in place to ensure that its own operations, as well as those of its customers and suppliers, comply with legal and regulatory requirements.

See our market overview on page 12 for more detail



Strategy

The Group's strategy remains focused on extending our product portfolio, technical capability and channels to market, both through investment in new products and acquisitions, operational improvement, cross-selling across our customer base, and leveraging the recognition and channels of our brands for the benefit of the Group.

Acquisitions

Strategic aim

- Consolidate operations
- Consolidate markets
- Broaden product portfolio
- Widen materials and technical capabilities
- Deliver synergistic benefits

2019 and 2020 developments

- Acquisition of PVS
- Built pipeline of prospective acquisitions for future periods

2021 developments

- Acquisition of three bolt on plastic distribution chains, increasing geographical reach, securing routes to market and synergistic opportunities
- Further opportunities identified

Product and materials development

Strategic aim

- Broaden product portfolio
- Widen materials and technical capabilities
- Continuous improvement of our products and offer

2019 and 2020 developments

- Design and launch of aluminium window and decking systems
- Launch of PVC decking system

2021 developments

- Growth in volumes of aluminium window system and PVC and aluminium decking systems
- Continued development of these systems

Operational leverage and efficiency

Strategic aim

- Utilise existing spare capacity with added volumes or to deliver site consolidations
- Focus on producing and delivering our products and services more cost effectively

2019 and 2020 developments

- Completion of purpose-built warehouse and logistics facility in Telford and consolidation of foiling operations to this site
- Consolidation of trade window fabrication sites
- Installation of in-house aluminium powder coating facility

2021 developments

- Consolidation of Window Systems warehousing and logistics operations – final warehouse to be moved during 2022
- Commenced installation of second aluminium powder coating line in Telford

Cross-selling and business development

Strategic aim

- Sell more existing and new products to existing customers in different channels and markets
- Develop the use of existing brands to increase market coverage and penetration

2019 and 2020 developments

- Supply of Group decking products into PVS
- National account customers serviced through Group and third-party distribution network
- Stellar aluminium window system sold to existing and new fabricator customers, showing positive growth

2021 developments

- Successful acquisition of SBS and changeover to Epwin manufactured product

Environmental, Social and Governance

Strategic aim

- Create sustainable value
- Minimise our environmental impact
- Effectively promote the inherent sustainability credentials of Epwin products to customers
- Focus on Epwin continuing to be a safe and rewarding place of work with excellent training and development potential

2019 and 2020 developments

- Established ESG framework and aligned with UN Sustainable Development Goals
- Rolled out occupational health and wellbeing scheme to all employees

2021 developments

- Enhanced reporting of ESG matters
- Approved capital expenditure programme to facilitate the increased use of recycled material
- Initiatives undertaken to improve fleet efficiency and plant resource consumption
- Reduced GHG emissions per £m of gross revenue by 20% from 2020

Operational Review

> "The Group's strong trading performance for the year is a testament to the hard work and dedication of our employees in striving to meet the needs of our loyal and equally hard working customers and as they worked to overcome the supply chain disruption and inflation challenges that presented themselves."
>
> JON BEDNALL
> Chief Executive Officer

The strong trading conditions seen in the second half of 2020 continued throughout 2021, still predominantly driven by the RMI sector.

Households that had saved through lockdown continued to prioritise expenditure on home improvements, whilst other big ticket spending options such as holidays and motor vehicles remained limited.

Whilst positive from a volume and selling price perspective, this high market demand combined with raw materials shortages from global events and supplier issues, placed significant pressure on supply chains. This consequently resulted in inflationary headwinds. Through its strong relationships with suppliers, the Group has been able to ensure continuity in its requirements for raw materials, however, the cost of these materials has risen significantly throughout the year. The price of PVC, the Group's main input material, is now at twice the price it was at the start of the pandemic in March 2020 and over 75% higher than at the end of 2020. The Group has consequently increased selling prices and introduced surcharges to recover input cost inflation in a fair and equitable manner.

The Group has also introduced measures to improve both staff retention and recruitment to manage labour availability and increased market pay rates, which will have an impact in the near term, as a result of both the Covid-19 pandemic and Brexit.

The pandemic, and resulting supply chain and inflationary pressures, have impacted the Group's business units in different ways. This has determined the approach each has taken, and continues to take, to mitigate the cost inflation in an equitable manner through selling price increases, surcharges and other measures.

The operations within the Extrusion and Moulding segment have been particularly impacted by raw material cost inflation. Our market leading position in cellular extrusions, as well as the decision to maintain high stock holdings and a strong operational performance, have enabled the cellular businesses to ensure continuity of supply and service to our customers. We believe, as a result, that our cellular businesses have been able to take market share, whilst increasing selling prices to recover the material cost inflation, albeit not yet to a level that recovers the full margin.

Our Window Systems business has faced a number of operational challenges following the initial pandemic lockdown in 2020. As the business manufactures components for a window system, the balance of stock holding is critical. The initial lockdown hit at a crucial time, as stock levels were being built in the first half of the year and as the business was preparing to relocate its warehousing operations to the new Telford facility. The unprecedented levels of demand following lockdown, which continued through 2021, combined with supply chain pressures on key raw materials, saw longer lead times for customers. The material cost inflation has been passed on to a point, through a combination of selling price increases and surcharges, but this has been done in an equitable manner, often with a natural lag to the cost inflation impact, recognising our service levels and other market challenges faced by our longstanding customers. The level of service improved over the course of 2021 and continues to normalise in 2022.

The Fabrication and Distribution segment has performed particularly well during 2021 as a result of strong demand and a good operational performance. The result also reflects the strategic progress of the Group in recent years having made a number of acquisitions to further extend the geographical coverage of the Group's distribution network and the rationalisation programme undertaken to streamline the fabrication operations. The segment has achieved record revenues, operating profit and margins in the year.

We believe that demand in our new build facing operations was influenced by the end of the Government's temporary extension to the nil rate stamp duty band. The nil rate band increase was initially set to reduce from £500,000 on the 31 March 2021 but was extended through to 30 June 2021. As a result of this, the Group's new build facing operations saw the high levels of demand from the housebuilders initially seen in Q4 2020 continue throughout Q1 2021. Subsequently, demand levels remained robust, but not at the levels seen earlier in the year and slightly behind 2019 levels. As a consequence of their more labour-intensive manufacturing processes, the output of our new build facing operations has also been impacted by the widely reported labour challenges, particularly in the second half of the year. As described above, we have taken actions to support staff retention and recruitment initiatives.

Demand from the social housing sector has been slower to return from the initial lockdown in March 2020 with contract start dates continuing to be delayed. However, demand is recovering to 2019 levels and order books continue to build.

Strategic progress

Value enhancing acquisitions

The Group completed three bolt on acquisitions during the year to further extend its network of trade counters.

On 5 January 2021, the Group acquired the business of SBS (Cumbria) Limited ("SBS"), a well-established regional distributor of plastic building products operating across eight branches in Cumbria and Southern Scotland. Including synergistic benefits, we anticipate achieving an EBITDA multiple of four times, with the full benefits of the acquisition being realised from the end of 2021.

On 30 June 2021, the Group acquired the trade counter business of Plastic Building Supplies Limited ("PBS"), an established distributor of plastic building products from four branches across Norfolk. We anticipate achieving an EBITDA multiple, including synergies, of three times from the end of 2021.

On 11 November 2021, the Group acquired Accrington Plastics Limited, a single branch distributor of plastic building products.

Total consideration for these acquisitions was £5.4 million, net of cash acquired, comprising £5.3 million paid in cash and £0.1 million deferred. These acquisitions further increase the geographical coverage of the Group's plastic distribution business and offer the opportunity for synergies and wider expansion over time alongside the Group's partnerships with its key independent distribution partners.

New product development

The Group has seen strong demand for the new products launched during 2019 and 2020, in particular the aluminium window system, Stellar, and the PVC decking product, Dekboard, which have seen demand well ahead of management's expectations. This is particularly pleasing given the impact the Covid-19 lockdown had on the initial phase of their launch.

Reflecting both the continual need to operate in an ever more environmentally sustainable manner, as well as the current highly inflated cost of raw materials, the Group has commenced investment to increase the utilisation of recycled materials in its PVC extrusion operations. Due to the long lead times for plant and tooling, this is anticipated to come on stream in the second half of 2022.

Progress with site consolidation and rationalisation programme

Construction work on the purpose-built facilities in Telford, to consolidate Window Systems warehousing and finishing operations, has been successfully completed on time and on budget.

The Covid-19 pandemic and the continuation of the exceptionally high demand levels seen post lockdown and throughout H1 2021 has required the Window Systems business to continue operating across its existing sites. It is now anticipated that the relocation of inventories and logistics operations to the new facility will be completed in 2022, which will allow the Group to start realising the consolidation and synergistic benefits of the new facility.

Health and safety

As a manufacturing business the Group is committed to ensuring a safe, clean and healthy working environment for all its employees and promotes continuous improvement in health and safety standards across all operations.

Our operational KPIs, listed on page 25, include health and safety metrics. There has been a slight increase in accident frequency and reportable injuries during the period. This was primarily due to increased operational activity and staffing challenges, both leading to an increase in use of temporary labour, which can present challenges resulting from a lack of familiarity with the Group's safe operating procedures when compared to more experienced permanent members of staff. An exercise has been undertaken to reduce the reliance on temporary labour and to reinforce the importance of adherence to established operating procedures. The KPIs continue to be monitored closely by the main and divisional Boards to ensure that appropriate and timely action is taken to maintain a safe operating environment.

Throughout the Covid-19 pandemic, the health, safety and wellbeing of our employees, as well as their families, has remained the primary concern. Our overriding principle has been to follow the Government's guidance, whilst ensuring that the Group is protected and can continue trading in order to secure employment for our committed workforce.

Covid-19 safe and compliant working practices have remained in place throughout 2021 and into 2022, as well as work from home measures when Government guidance has advised and where feasible for the employee and business.

ESG

ESG is a core part of the Group strategy, and the Group continues to develop its reporting in relation to ESG as a matter of increasing importance to investors and other key stakeholders. Within this Strategic Report, we have presented an integrated Sustainability Report bringing together all reporting relevant to ESG issues, see pages 30 to 41. During the year the Group has approved a capital expenditure programme to facilitate the increased use of recycled material in its PVC extrusion operations and has undertaken initiatives to improve fleet efficiency and reduce plant energy and water consumption.

Financial Review

"The results represent a strong recovery from the Covid-19 impacted 2020 with the Group taking action to mitigate significant inflationary pressures."

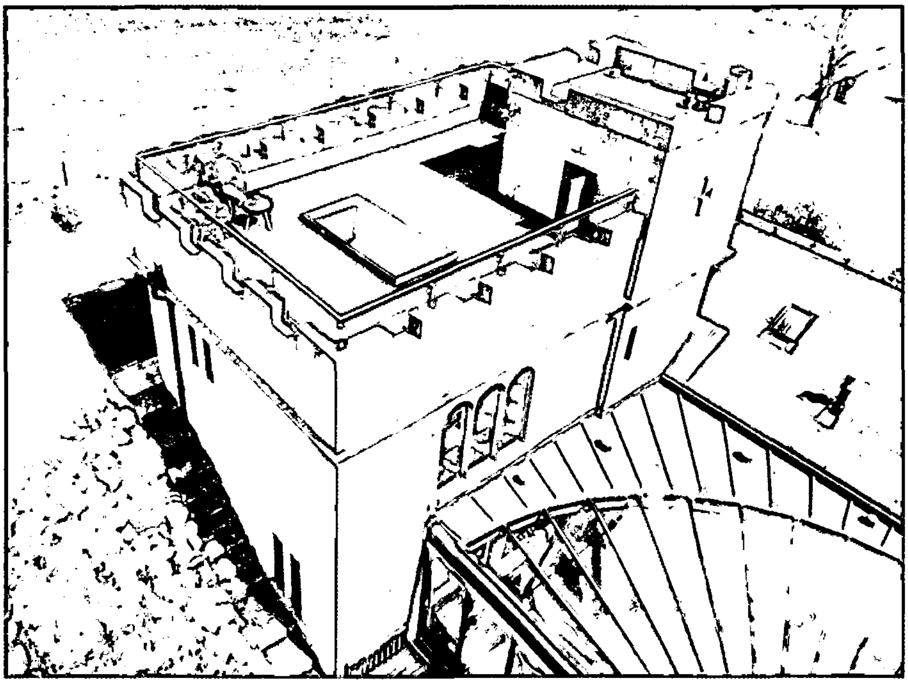
CHRIS EMPSON
Group Finance Director

Total revenue for the year ended 31 December 2021 was a record £329.6 million (2020: £241.0 million, 2019: £282.1 million). The increase in revenue over 2020 was in part as a consequence of the pandemic related business closure at the end of March 2020, but also the strong levels of RMI demand seen since the second half of 2020 and throughout 2021, as well as the impact of selling price increases and surcharges required to combat the significant raw material and other cost inflation experienced since Q4 2020. The increase in revenue over 2019 is predominantly as a result of strong RMI demand and selling price increases and surcharges in response to material cost inflation. The three acquisitions completed in 2021 contributed £9.5 million of revenue.

Underlying operating profit increased significantly to £18.5 million in the period (2020: £9.4 million) as a result of a full year of trading and strong demand from the RMI sector. Underlying operating profit remains slightly below 2019 levels, as a consequence of unprecedented material cost inflation, inF2020 particular in relation to PVC resin, which has increased in price by 75% during the course of 2021 and is now more than double the prevailing pre-pandemic price. Underlying operating margin trails 2019 by 1.9% as the Group has sought to pass on the material price increases in an equitable manner to its customers, albeit with an unavoidable lag. As at December 2021, the business has communicated and implemented selling price increases and surcharges that recover the material cost increases, but these do not yet recover the full margin impact. Operating profit for the year was £17.7 million (2020: £6.3 million, 2019: £17.2 million) driven by strong trading and lower non-underlying costs than in previous years.

Key financials	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue	**329.6**	241.0	282.1
Underlying operating profit (*)	**18.5**	9.4	21.2
Amortisation of acquired other intangible assets	**(0.3)**	(0.3)	(0.3)
Other non-underlying items	**(0.1)**	(2.8)	(2.3)
Share-based payments expense	**(0.4)**	–	(1.4)
Operating profit	**17.7**	6.3	17.2
Underlying operating margin (*)	**5.6%**	3.9%	7.5%
Operating margin	**5.4%**	2.6%	6.1%

(*) Stated before amortisation of acquired other intangible assets, share-based payments and other non-underlying items



Reportable segments	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue			
Extrusion and Moulding	**202.3**	154.3	177.6
Fabrication and Distribution	**127.3**	86.7	104.5
Total	**329.6**	241.0	282.1
Underlying segmental operating profit			
Extrusion and Moulding	**12.2**	8.3	18.7
Fabrication and Distribution	**8.4**	3.2	4.6
Underlying segmental operating profit before corporate costs	**20.6**	11.5	23.3
Corporate costs	**(2.1)**	(2.1)	(2.1)
Underlying operating profit	**18.5**	9.4	21.2
Amortisation of acquired other intangible assets	**(0.3)**	(0.3)	(0.3)
Other non-underlying items	**(0.1)**	(2.8)	(2.3)
Share-based payments expense	**(0.4)**	–	(1.4)
Operating profit	**17.7**	6.3	17.2

Extrusion and Moulding

- Revenue increased by 31% in comparison to 2020, to a record £202.3 million, as a result of the bounce back following the lockdown in March 2020 and the heightened RMI demand levels seen in H2 2020 that have continued throughout 2021, as well as selling price increases and surcharges
- In comparison to 2019, revenues increased by 14% as a result of strong customer demand and the selling price increases and surcharges required to combat material cost inflation, particularly in relation to PVC resin
- Supply chain disruption and increases in raw material costs have impacted margins. By the nature of its activities, the Extrusion and Moulding segment has borne the majority of the impact of the supply chain issues and raw material cost increases. The business has taken, and continues to take, steps to mitigate these equitably through price increases, surcharges and other measures; albeit this process naturally lags the continuing increase in input costs

Fabrication and Distribution

- Revenue increased by 47% in comparison to 2020, to a record £127.3 million, mainly as a result of the bounce back following the lockdown in March 2020 in addition to selling prices and the contribution of acquisitions during the year
- In comparison to 2019, revenues have increased by 22%, of which 13% is through increased volumes and selling price increases, with the balance due to acquisitions
- Underlying Fabrication and Distribution segmental operating profit increased by 83% from 2019
- The improvement in profitability and margin, to record levels, reflects increased volumes, successful passing on of price increases and the benefits from the site consolidation and rationalisation activities over recent years

Non-underlying items

To assist users of the financial statements, the Group reports certain performance measures as underlying as it believes they provide better information on the ongoing trading performance of the business. Items excluded from operating profit in arriving at underlying operating profit are non-cash items such as amortisation of acquired other intangible assets and share-based payments expense as well as significant one-off incomes or costs that are *not part of the underlying trading* performance of the business.

Financial Review
continued

Non-underlying items that have been excluded from operating profit in arriving at underlying operating profit include:

i) **Amortisation of acquired other intangible assets**
Amortisation of £0.3 million was charged during the year (2020: £0.3 million), relating to the brand and customer relationship intangible assets recognised on acquisitions.

ii) **Other non-underlying items**
Other non-underlying items relate to legal and professional fees associated with the purchase of the trade and assets of SBS (Cumbria) Limited ("SBS") and Plastic Building Supplies ("PBS") as well as the acquisition of Accrington Plastics Limited.

In 2020, other non-underlying items include business reorganisation costs as a result of Covid-19 and the consolidation of Window Systems warehousing and finishing operations into the new Telford development. These costs are partially offset by a further profit on the sale and leaseback transaction undertaken in 2019, which completed in 2020.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Acquisition costs	**(0.1)**	–	(0.1)
Profit on sale and leaseback	–	1.1	0.6
Site consolidation and redundancy	–	(3.9)	(2.8)
Other non-underlying items	**(0.1)**	(2.8)	(2.3)

iii) **Share-based payments expense**
Share-based payments include the IFRS 2: Share-based Payment charge in respect of the Long-Term Incentive Plan ("LTIP") and Save As You Earn ("SAYE") scheme. A new LTIP scheme was launched in May 2021 for the Executive Directors and certain senior employees, and there was also a further issue of options under the Group's SAYE scheme during the period. The charge for 2020 was £nil as a result of the expiry of the previous LTIP scheme in 2019.

Cash flow

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Pre-tax operating cash flow	**34.9**	23.7	34.8
Tax paid	**(0.5)**	(0.8)	(3.3)
Acquisitions	**(5.3)**	–	(2.2)
Net capital expenditure	**(5.4)**	(3.2)	(8.6)
Net site development cash flow	**4.8**	(4.8)	10.1
Interest on borrowings	**(1.5)**	(1.4)	(1.6)
Net (repayment)/drawdown of borrowings	**(2.1)**	(15.1)	1.3
Lease payments	**(13.4)**	(13.4)	(12.3)
Issue/purchase of shares	**0.1**	–	–
Dividends	**(4.0)**	–	(7.1)
Increase/(decrease) in cash and cash equivalents	**7.6**	(15.0)	11.1
Opening cash and cash equivalents	**2.2**	17.2	6.1
Closing cash and cash equivalents	**9.8**	2.2	17.2
Borrowings	**(15.1)**	(17.3)	(32.3)
Lease assets	**2.2**	2.4	5.7
Lease liabilities	**(81.6)**	(84.2)	(71.0)
Closing net debt	**(84.7)**	(96.9)	(80.4)
Covenant net debt*	**(9.4)**	(18.5)	(16.4)

(*) Covenant net debt represents a pre-IFRS 16 measure. For a reconciliation of net debt to covenant net debt see note 21 to the consolidated financial statements

Covenant net debt reduced to £9.4 million at 31 December 2021 (2020: £18.5 million, 2019: £16.4 million), representing a covenant net debt to adjusted EBITDA ratio of 0.4x, as a result of strong cash generation during the period. Pre-tax operating cash flow recovered to pre-pandemic levels at £34.9 million (2020: £23.7 million, 2019: £34.8 million) through improved profitability. Working capital remained relatively consistent, increasing by £1.4 million as a result of a significant increase in the value of inventories, as a consequence of higher stock holding and material price inflation, offset by a corresponding increase in trade payables.

Tax paid

Tax payments during the year of £0.5 million (2020: £0.8 million, 2019: £3.3 million) were lower than previous years due to lower profits in 2020 as a result of the pandemic.

Net capital expenditure

Net capital expenditure of £5.4 million represents ongoing replacement expenditure as well as investment in plant, fixtures and fittings.

Site development

The net site development cash inflow of £4.8 million represents the receipt in 2021 of the final £5.2 million due from the landlord on completion of the Telford development, net of final retention payments related to construction. The £4.8 million cash outflow in 2020 represented costs of construction.

Financing

The Group has banking facilities on a two bank, syndicated basis with Barclays and HSBC through to June 2024. The facilities comprise a revolving credit facility of £65.0 million and an overdraft of £10.0 million. The Group has in excess of £65 million headroom at 31 December 2021, providing the Group with the facilities to pursue its strategy.

Net interest paid for the period comprises £1.5 million interest payments on borrowings and arrangement fees relating to the extension of facilities through to June 2024 (2020: £1.4 million).

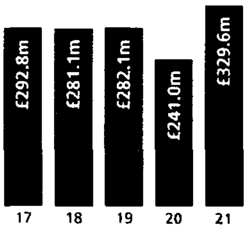
Key Performance Indicators

The Group has a range of performance indicators, both financial and non-financial, that allow the Board to monitor the performance of the Group as well as manage the business.

The Group has financial KPIs that it monitors on a regular basis at Board level and, where relevant, at operational management meetings as follows:

Revenue (£m)

£329.6m

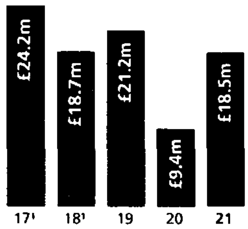


Definition

Revenue is the value of goods and services supplied net of taxes and discounts. See Financial Review on pages 20 to 23 for further details on performance.

Underlying operating profit (£m)

£18.5m

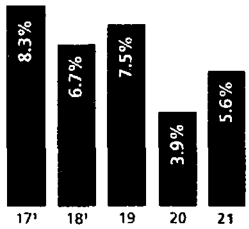


Definition

Underlying operating profit is operating profit before amortisation of acquired other intangible assets, share-based payments expense and other non-underlying items. See Financial Review on pages 20 to 23 for further details on performance.

Underlying operating margin (%)

5.6%

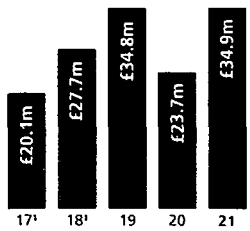


Definition

Underlying operating margin is underlying operating profit as a percentage of revenue.

Pre-tax operating cash flow (£m)

£34.9m

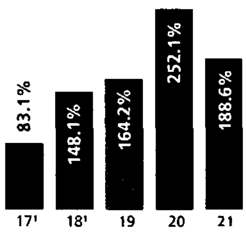


Definition

Pre-tax operating cash flow is the net cash flow from operating activities before tax paid.

Cash conversion (%)

188.6%

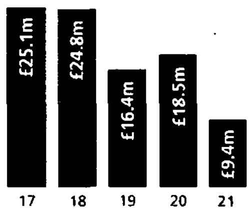


Definition

Underlying operating cash conversion is pre-tax operating cash flow as a percentage of underlying operating profit.

Covenant net debt (£m)

£9.4m



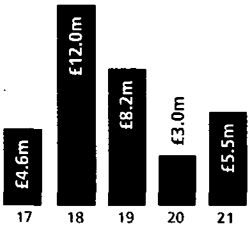
Definition

Covenant net debt represents pre-IFRS 16 net debt, as used in the Group's banking facilities, and comprises net debt excluding lease assets and lease liabilities but including finance lease liabilities.

[1] 2017 and 2018 comparatives are stated prior to the impact of IFRS 16: Leases, implemented on 1 January 2019

Capital expenditure (£m)

£5.5m

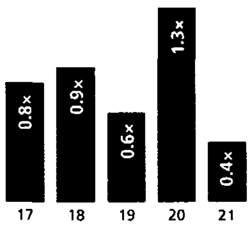


Definition

Capital expenditure is the cash outflow associated with the acquisition of land, buildings, plant, fixtures and equipment.

Leverage ratio

0.4x



Definition

The leverage ratio is the ratio of covenant net debt to adjusted EBITDA. A reconciliation of statutory operating profit to adjusted EBITDA is presented in note 21 to the financial statements.

Operational KPIs

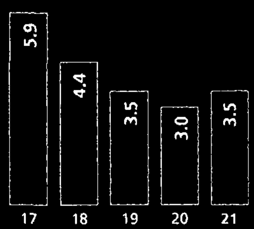
The Group uses a range of operating KPIs specific to the extrusion, moulding, fabrication and distribution operations. The operational KPIs are focused on production output and the customer experience in terms of quality and service, as well as key cost drivers such as input prices and material and labour efficiency.

Epwin actively promotes health and safety and the continuous improvement in health and safety standards across all operations.

The Group closely monitors health and safety KPIs, which include RIDDORs, accident frequency rates, injury types and causes on a Group, divisional and business basis. Health and Safety statistics, initiatives and strategy are the first agenda item at every divisional and corporate monthly Board meeting.

Accident frequency rate

3.5

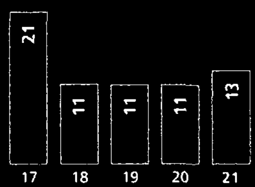


Definition

The number of accidents per 100,000 hours worked.

RIDDOR

13



Definition

RIDDOR is the number of accidents required to be reported to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 ("RIDDOR").

Management of Risk

Risk management is a key priority for Epwin Group in order to maintain a sustainable business. A bottom-up and top-down approach is taken to the identification of risks and the assessment of the impact they could have on our business model and strategic objectives.

Risk management framework

The Board

The Board is responsible for the establishment and review of the Group's risk management policy, ensuring that risk assessment procedures, as well as appropriate mitigating measures, are put in place and determining the amount of risk the Group is willing to tolerate and accept.

Audit Committee

The Audit Committee reviews and challenges the principal risks and mitigating measures/controls on an annual basis.

Business level operational risk identification

Each individual business unit is responsible for identifying, evaluating and managing risk in accordance with Group policy. In order to support this objective, business units maintain a risk register, which is reviewed and updated on a periodic basis, or as new risks emerge. The business unit risk registers are consolidated and reviewed by the Group finance team and, in conjunction with the business units teams, the likelihood, impact and mitigations for each risk assessed.

Internal control

The Group has well defined systems of internal control, which include Group policies and procedures, defined authority levels and a robust process of financial planning and monitoring.

Budgets are prepared on an annual basis and include detailed income, balance sheet and cash flow statements as well as financial covenant testing. Alongside the budget, a three-year plan is also prepared on an annual basis.

Performance against budget, and subsequent quarterly reforecasts, is reported and challenged on a monthly basis at a Board, Divisional and business unit level. This monthly review also includes performance against operating, health and safety and other key performance indicators.

Daily operations are supported by Group policies and procedures and authority limits for approving material decisions, to ensure all transactions are approved at the appropriate level of management. The policies and authority limits are reviewed on a periodic basis to ensure they continue to be aligned with business needs.

Risk appetite

The Board considers risks throughout the year and formally reviews the Group risk register on an annual basis. The risk management framework is designed to manage risk down to an acceptable level. However, having assessed the impact and likelihood of each risk, and having taken into consideration mitigating controls, there are certain areas where the Board is prepared to accept some level of risk if the reward is commensurate with the level of risk being taken.

Principal risks and uncertainties

Epwin is affected by a number of risks and uncertainties, not all of which are wholly within its control, which could have a material impact on the Group's long-term performance.

The Board has identified several specific risks and uncertainties that potentially impact the ongoing business, including:

Area of risk	Description of risk	Potential impact	Mitigation
Inflationary pressure	A supply and demand imbalance as a result of Covid-19 and other global events has resulted in significant inflationary pressure on raw materials, labour and power costs. Government policy, the drive to reduce carbon emissions and geopolitical tensions are driving significant increases in the cost of power.	Adverse movements in raw material prices such as PVC and power will impact profit margins if the business is unable to pass the costs onto customers. To date the Group has been successful at challenging inflationary cost increases and passing on those incurred to our customer base through selling price increases and surcharges. There is a risk that further cost inflation cannot be passed on to the Group's customers or that customers are lost due to competitors offering lower prices.	The Group provides a high-quality product and service to its customers, with which it has strong relationships. The inflationary pressure on the Group will also be experienced by its competitors. The size of the Group provides it with the economies of scale to ensure the prices charged by suppliers are highly competitive and the investment in its operations ensure it can deliver a high-quality product and service at a market competitive price. In order to partly mitigate increasing energy costs, the Group seeks to fix its gas and electricity costs, which provides it some security in the short to medium-term.
UK economy	One of the key risks to the business is any deterioration in the UK economy, which may impact consumer confidence and expenditure on housing. Factors such as unemployment rates, wage growth, interest rates and inflation are all considered to have a potential impact for the Group.	The position of the UK economy determines the level of activity in the RMI, new build and social housing sectors, which has a direct impact on the levels of revenue, profitability and cash generation for the Group.	The Group monitors the market closely and takes action where possible in response to any deterioration to ensure that the business is aligned to market conditions.
Labour shortages	Changes to workforce composition and expectations as a result of both the Covid-19 pandemic and Brexit have reduced the size of the UK workforce increasing the risk of staff shortages.	Both the retention of existing employees and the recruitment of new employees has become more challenging resulting in staff shortages in operational areas of the business.	The regular turnover of staff in operational roles requires the Group to have processes in place and relationships with recruiters to ensure roles are filled. Salary and pay rates are regularly reviewed to ensure they remain locally competitive to attract and retain employees. Reward schemes, as well as share schemes and employee welfare programmes, are in place to retain and reward high performing employees.

Management of Risk
continued

Area of risk	Description of risk	Potential impact	Mitigation
Supply chain disruption	The Group relies upon certain key suppliers, particularly those supplying raw materials such as PVC resin.	The Group is exposed to a number of risks, including the risk of supply disruption, the risk of key suppliers increasing prices and the risk of key suppliers suffering a quality issue, which impacts upon the quality of the Group's products. Covid-19, as well as other global events, has led to increasing supply chain disruption during 2020 and 2021.	The Group maintains good relationships with its key suppliers and has continued to receive supply during times of disruption. Epwin endeavours to source product from more than one supplier to ensure security of supply, where possible. However, in certain key areas, such as PVC supply, the Group has limited ability to multi-source. Events during 2020 and 2021 have strained supply chains of the Group and globally. However, the mitigating actions outlined above have ensured the Group has been able to procure the materials it needs, albeit sometimes at higher costs due to the supply and demand dynamics in the market.
Loss of key customers	Our customers are fundamental to the continued success of our business.	The inability to service and retain key customers or collect our receivables may cause the Group's financial performance to suffer.	The Group is not exposed to single significant large customers, with the largest customer being less than 5% of revenue. The Group focuses considerable effort on maintaining relationships with customers and also on the collection of receivables. The Group has a credit insurance policy which adds robustness to the credit process.
Retention of key personnel	Our people are fundamental to our operations and business model.	If we fail to attract and retain highly qualified key personnel, our ability to execute our business model and strategy could be impaired.	The Group seeks to reward employees appropriately and has in place a number of measures to achieve this. Executive Directors and certain senior management have the opportunity to participate in a Long-Term Incentive Plan.

Area of risk	Description of risk	Potential impact	Mitigation
Climate change	There is a risk that regulations introduced to combat climate change could impact the Group's operations or products. Climate change could lead to increasing energy prices that the Group is unable to pass on to customers. There is a risk that through not seeking to reduce emissions the Group suffers reputational damage or is unable to attract investment.	The Group manufactures windows and doors that are able to achieve high energy efficiency ratings. There is a risk that regulations are changed that would mean the Group's current products do not meet the highest ratings and as a result are no longer attractive to the market. This would result in a reduction in revenues and profit and the requirement to further invest in our products. The Group is reliant on financial institutions, including banks and lenders, to fund its operations. These institutions increasingly have ESG-related requirements. If the Group is unable to meet these evolving requirements it could result in difficulty obtaining credit.	ESG is a core part of the Group's strategy and the Group continues to take meaningful actions to reduce its carbon emissions and energy usage. All capital expenditure approval requires an assessment of the energy savings achievable. The Group invests in R&D and new products to ensure its products can achieve the highest energy efficiency ratings.
Cybersecurity	Cybersecurity risks continue to increase globally. A breach of IT security either externally or internally may result in an inability to use key systems, loss of information, financial loss or penalties.	A breach in the Group's IT systems could result in key operational and manufacturing systems being taken offline for a period of time, the loss of sensitive information such as intellectual property, or employee, customer or supplier data or financial loss through fraudulent payments or ransomware.	The Group continues to develop its response to cybersecurity risks in the face of increasing threats. Of primary importance to the Group is employee awareness of cybersecurity risks and, therefore, the Group maintains IT security policies, including password and safe-use policies, underpinned by regular training and reminders around cybersecurity matters. The Group has an ongoing investment plan to maintain and upgrade its cyber risk detection and prevention tools, including recent improvements made to email security. The Group performs regular cybersecurity risk audits, using third-party specialists where necessary to perform reviews and make recommendations.

SUSTAINABILITY REPORT

This report sets out how we approach Environmental, Social and Governance ("ESG") issues at Epwin, leveraging our relationships with stakeholders to create sustainable value and deliver our strategy. Sustainable behaviour will help us continue to grow in a way that preserves our values, supports our business model, mitigates our risks and addresses the needs of our stakeholders.

Our sustainability strategy

Our sustainability journey on page 32 sets out the steps taken by the Group so far in developing our ESG framework and strategy, in addition to setting out milestones for further progress, acknowledging that the Group's activities and reporting will develop over time.

Environmental

As a manufacturing business of scale, we are energy and resource intensive. Therefore, a key part of both our existing core strategy and developing sustainability strategy is a continual focus on optimising the efficiency of our production processes and wider operations and increasing the use of recycled resources in our manufacturing plants, to mitigate the impact on climate change and the environment.

Another key element of our sustainability strategy is based on continual innovation to maximise the performance of our products and the environmental benefits they deliver. The Group's portfolio of products brings significant environmental benefits either through improving the energy efficiency of homes, replacing more resource-intensive alternatives or being recyclable at the end of their lives, in all instances being high-quality, low maintenance, long-life products. For more detail on our products, see pages 34 to 35.

Social

The Group believes that engaging with our key stakeholders, in particular our employees, is crucial to ensuring our long-term success. Pages 36 to 37 of this Sustainability Report provide further details about engagement with our key stakeholders during the year.

Governance

As a UK-based, market-listed organisation, Epwin Group Plc has high standards of governance and is constantly striving to improve these. The Group places significant value on high-quality and transparent reporting, being accountable to its key stakeholders and seeking consistent improvement in all results, both financial and non-financial, recognising that strong financial performance and stewardship of the Group is essential if wider long-term goals are to be achieved. Financial performance has been discussed elsewhere in the Strategic Report. See the Section 172 statement on page 40, for further details around governance and key Board considerations during the year.

In 2020, the Group aligned its ESG strategy with the United Nations Sustainable Development Goals ("UN SDGs"), pages 38 to 39 provide further details of the SDGs that we believe have most relevance to the Group and how we align with them.

Sustainability Report
continued

Our sustainability journey

1

2

Stage 1 – Identifying a framework and aligning with UN SDGs

In 2020, we identified the sustainability goals that we believe are most relevant and material to the Group and provide a suitable sustainability framework. To ensure the Group strategy is aligned with international sustainability priorities, we evaluated our business operations and strategy against the UN SDGs. The following four development goals were identified as the most relevant to Epwin and were incorporated into our ESG strategy and reporting:

- Decent work and economic growth
- Sustainable cities and communities
- Responsible consumption and production
- Climate action

Stage 2 – Integrating ESG into our existing strategy and reporting

In 2021, we have continued to strengthen our ESG reporting, presenting an integrated Sustainability Report that brings together all reporting relevant to ESG issues. ESG has been included as a key strand of our Group strategy and presented within the Strategic Report, see pages 16 to 17.

4

3

Stage 4 – Refining strategy

Based on the outcome of this exercise we will revisit and refine our ESG strategy and goals to reflect the areas that are most material to the Group. This will include setting appropriate metrics, targets and milestones alongside implementing a monitoring framework and establishing responsibilities and reporting lines.

Stage 3 – Establishing a base position

Work is underway with a third party on developing a carbon balance sheet that establishes a base position from which we can refine our strategy and set milestones and targets to help monitor progress towards our goals.

An important part of this is accurately capturing our Scope 3 emissions and looking at ways to adequately incorporate the carbon savings to the end consumer of our windows and doors, as we see each of these as key to presenting a holistic view of the real climate impact of the Group.

5

6

Stage 5 – Monitoring progress and revisiting strategy and goals

As sustainability is a core concern and an area requiring continual focus and improvement, the next step on our journey will be monitoring progress towards our goals. Based on the results of our monitoring, we will revisit our strategy and goals, strengthening our targets where necessary or implementing an action plan where progress is below expectation.

Stage 6 – Route to net zero

We acknowledge the Government's ambitions to reach net zero carbon emissions for the UK economy by 2050, recognising that it is an important step in tackling climate change. Therefore, a key part of our sustainability strategy will be establishing a route to net zero for the Group. We are committed to minimising the environmental impact of both our manufacturing processes and our products. As an energy and resource intensive manufacturer of scale, even with the most responsible approach, some emissions will be released into the atmosphere as a result of our activities. Therefore, we acknowledge that some offsetting will be required to reach net zero.

Streamlined Energy and Carbon Reporting ("SECR")

Improvement in our energy intensity metric of 20%, although gross emissions have increased by 8.5% in 2021 due to increased activity.

This is the second year for which the Group is reporting carbon emissions. Greenhouse gas ("GHG") emissions for the year to 31 December 2021 have been measured and reported as required under the Companies and Limited Liability Partnerships Energy and Carbon Regulations 2018.

The methodology applied to the calculation of GHG emissions is the most recent "GHG Protocol Corporate Accounting and Reporting Standard". An "operational control" boundary has been applied. Carbon factors from Defra's 2021 UK *Government GHG Conversion Factors for Company Reporting* are used to convert energy use to emissions of CO_2e. Carbon emission factors for purchased electricity have been calculated according to the "location-based grid average" method.

The table below shows GHG emissions and total energy consumption for the Group:

	2021	2020
Total energy consumption	**101,399,236 kWh**	89,726,462 kWh
Emissions from combustion of gas (Scope 1)	**2,699 tCO_2e**	3,211 tCO_2e
Emissions from combustion of fuel for the purpose of transport (Scope 1)	**8,852 tCO_2e**	7,670 tCO_2e
Emissions from oil used for heating (Scope 1)	**78 tCO_2e**	84 tCO_2e
Emissions from purchased electricity (Scope 2)	**11,011 tCO_2e**	9,905 tCO_2e
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (Scope 3)	**37 tCO_2e**	22 tCO_2e
Total gross emissions	**22,677 tCO_2e**	20,892 tCO_2e
Emissions per £m external revenue	**69 tCO_2e**	87 tCO_2e
Emissions per £m gross revenue (internal and external revenues)	**59 tCO_2e**	74 tCO_2e

Intensity ratio

Epwin Group Plc and its subsidiaries undertake a number of different operations and business types from the extrusion of rigid and cellular PVC and WPC, GRP moulding, fabrication of windows and doors and distribution of these products. Due to the varied nature of the operations, we have chosen to report our gross emissions against revenue as this best reflects the scale of the operations and their level of activity. Due to the vertically integrated nature of the operations, we have reported our intensity ratio as the gross emissions against the audited and disclosed external revenue for the year to 31 December 2021 as well as the gross revenue for the same period, which includes both external and internal revenues, as we feel this better represents the overall level of activity of the individual operations that comprise the Group.

Energy efficiency measures

The Group is committed to reducing the environmental impact of its operations. As a significant cost to the Group, the energy consumption and intensity of our operations, in particular our buildings, plant and fleet, is constantly under review. The operations also maintain and work towards recognised standards, including ISO 50001 Energy Management Systems, and continue to review and implement the recommendations made in the Energy Savings Opportunity Scheme ("ESOS") reports. Energy consumption is considered as part of the Group's capital expenditure approval process in order to drive continuous improvement across the operations. During the year, progress has been made to improve the energy efficiency of our extrusion plant and fleet and we have seen a reduction in emissions per £m gross revenue of 20% compared to 2020. This included the introduction of a wider range of hybrid and electric vehicles to our employee vehicle offering and installation of charging points at our main offices. Elsewhere, leased HGVs were replaced with more efficient examples, in addition to the introduction of an improved route planning system and speed restrictions in vehicles.

Sustainability Report continued

Our products

We are proud of our market-leading range of high-quality, low maintenance, long-life products which have strong inherent sustainability credentials. We have set out the key benefits of our products below:

Window profile systems

Our PVC-u window profile systems, supplied to in-house and external fabricators servicing the RMI, new build and social housing sectors are our flagship products. Our market-leading PVC-u brands, including Profile 22, Optima and Spectus, have recently been joined by our aluminium window profile system, Stellar.

As well as the sustainability benefits of PVC as a construction material, outlined in the Cellular roofline & cladding section, our window systems have significant other environmental and related benefits for the end consumer, primarily the high standards of insulation they provide leading to lower energy usage in homes.

In the UK, households are responsible for close to one-fifth[1] of all UK carbon dioxide emissions and a house loses a significant amount of its heat through its windows. Therefore, ensuring all UK homes have high-quality energy efficient double or triple-glazed windows will be a crucial step towards the UK achieving net zero by 2050. Through both our own fabrication operations, as well as those of our third-party fabricator customers, our window systems are supplied to major housebuilders, ensuring that new buildings meet the higher energy efficiency standards required. However, 80% of the anticipated housing stock in 2050 has already been built and is under-invested, therefore considering the maintenance requirements and improvements to the existing housing stock is crucial to the UK's net zero ambitions. Currently, 66% of homes achieve an energy performance rating certificate (EPC) of D or worse, with the government targeting all homes having a minimum EPC of C by 2035.

Our windows achieve some of the highest energy efficiency ratings on the market, with the majority having Window Energy Ratings of A to A++ and a typical u-value of 1.2 W/m²K (improving to 0.8 W/m²K on triple-glazed units) and have expected useful lives of 20 years or more and will therefore contribute to significant carbon emissions savings over their lifetimes. PVC window systems installed before building regulation changes implemented in 2002, are significantly less efficient with u-values of 1.9-2.6 W/m²K. Therefore, improving the energy efficiency of windows through replacing single-glazed or first-generation PVC windows will be a key part of the UK's journey to net zero.

Approximately 30% of our PVC windows sold last year replaced single-glazed units or first-generation PVC windows, equating to more than 500,000 windows across the UK replaced by far superior versions, helping households to save energy and reduce bills, crucial at a time when energy costs for households are rising. A further 55% were replacing those installed post-2002 but in many cases still representing a significant improvement in energy efficiency or correcting issues such as poorly fitting windows resulting in drafts.

Our award-winning aluminium window system, Stellar, delivers the same high standards of energy efficiency as our PVC windows. In addition, Stellar is at least 30% slimmer than the main competing systems for comparably sized windows. This reduces the amount of aluminium needed in the manufacturing process, while allowing more natural light into buildings, reducing reliance on artificial lighting. Aluminium is a recyclable material, has a long lifespan and needs very little maintenance, with the paint finish coming with a 25-year guarantee.

66% of existing homes have EPC D or worse[2]

PVC products can be recycled up to 10 times

UK aiming to build 300,000 new homes per year

Cellular roofline, cladding and rainwater/drainage systems

We are the UK market leader in PVC-ue extruded cellular roofline and cladding systems. Our products are exposed to the elements, often in a physically inaccessible part of the house.

In these applications, PVC has several advantages over alternative materials such as timber in terms of longevity, maintenance, lifetime costs and recycling potential. The Building Research Establishment ("BRE") currently quotes a minimum reference service life of 35 years for PVC roofline products.

[1] 2020 UK Greenhouse Gas Emissions, Department for Business, Energy & Industrial Strategy

[2] UK Government Energy White Paper (December 2020)

Internal audits undertaken by the Group on cellular products installed over 30 years ago have shown that most are still performing to a high standard, therefore we estimate the life in many instances to be significantly longer. Our PVC products do not warp, crack, peel, flake or rot, are waterproof and are heat- and UV-stable. Alternative materials typically require regular and considerable upkeep to maintain their appearance and functionality. This can result in additional costs and emissions over their product life cycle, for example, from the production and application of preservatives and gloss paints as well as transportation of labour and materials to and from site.

Post-industrial and post-consumer PVC scrap and products can be recycled, by granulating and pulverising before re-using. Across the Epwin Group we have reduced our post-industrial waste by recycling close to 100% of the manufacturing scrap from our PVC extrusion process using on-site machinery before re-using it as raw material within the Group. Our PVC products can be recycled at the end of their lives, typically up to ten times. Therefore, a key part of our sustainability strategy is to increase the use of post-consumer recycled materials in our production process, with planned capital expenditure in place to achieve this.

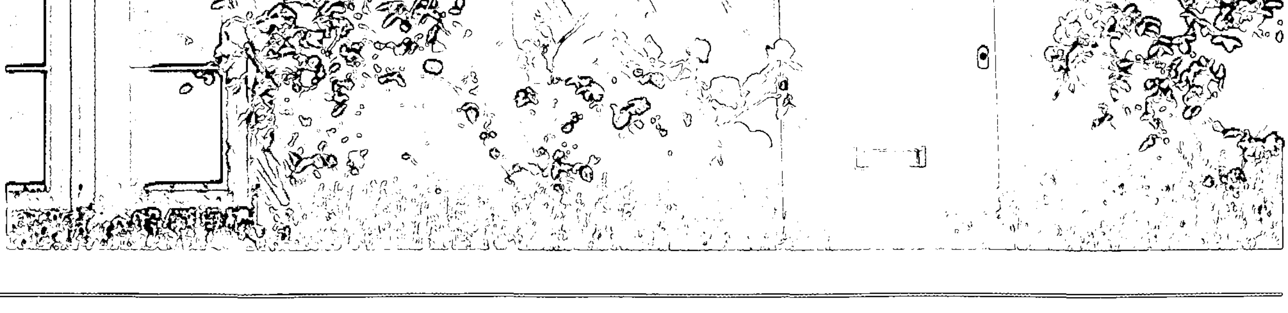
Glass-reinforced plastic ("GRP") building components

Stormking is the UK's largest GRP building product manufacturer supplying predominantly housebuilders. The product range includes porches, dormers, chimneys, bay window roofs, entrance canopies, copings and other bespoke components. The products are supplied to site pre-manufactured, which reduces health and safety risk for our customers, as well as helping to speed up the house building process, supporting the UK government target of building 300,000 new homes each year.

GRP products are significantly lighter than equivalent products, for example brick or steel, resulting in lower emissions from transportation and glass fibre production is typically less energy intensive than production of alternative materials such as steel and concrete. Due to the high-quality resins that are used in our manufacturing process, many GRP products have a service life of more than 50 years with several routes to recycling of post-consumer waste and alternatives to landfill.

Decking systems

The Group delivers a range of decking systems across our Dekboard, ecodek® and Adek brands, made from PVC, Wood Plastic Composite ("WPC") and aluminium. All are long-life products that are simple to install and require minimal maintenance compared to timber alternatives, which require treatments such as painting and rot repairs. Our leading decking product, ecodek®, is made from a minimum of 95% recycled materials in a carbon negative production process. Our ecodek® decking is manufactured from sustainably sourced wood and recycled milk bottles, with our production process saving the same amount of carbon as approximately 300,000 trees annually. Our aluminium decking system, Adek, is one of the Group's newest products. It is the first aluminium decking system in the UK to be manufactured from 100% recycled aluminium and meets the enhanced safety requirements for high rise buildings, with all profiles achieving an A2 (non-combustible) fire rating. This enables residents to have safe access to valuable outdoor space, helping to improve their quality of life in city and town environments.



Sustainability Report

Stakeholder Engagement

At Epwin, our relationships with stakeholders enable us to create sustainable value and deliver our strategy. We maintain and develop these relationships to look after our employees, best serve our customers, generate shareholder returns and benefit wider society.

Shareholders

Why do we engage?

Our shareholders are the owners of our business and our core purpose is to deliver a sustainable return on their investment. We engage with them to ensure we understand their needs and that they understand the Group's strategy and business model, as well as how we are performing against our objectives.

Our shareholders want us to:

- Deliver a sustainable return on their investment through payment of dividends and capital growth
- Perform against our market guidance and long-term strategy
- Keep them informed of the Group's performance through our clear and transparent reporting

How do we engage?

It is essential the Group has fair and transparent communication with investors, the owners of the business. The Chief Executive Officer and Group Financial Director meet regularly with major shareholders to discuss the Group's performance and progress against strategic objectives in order to maximise shareholder return, including holding investor and non-holder roadshows during the year. All shareholders are welcome at the Annual General Meeting, where questions can be asked of the Board. As was the case throughout the Covid-19 pandemic, shareholders will be notified, as detailed in the notices on pages 111 to 116, of any alternative arrangements required by specific circumstances.

Employees

Why do we engage?

Our people are the foundation of our business and imperative to its success. The Group promotes a positive working environment for all employees.

Our employees want us to:

- Provide a safe and rewarding working environment
- Provide stable employment, career opportunities, development and training
- Reward performance with fair and competitive pay and benefits

How do we engage?

Our overriding principle during the pandemic has been to keep our employees safe whilst protecting the business and following Government guidance. As the Covid-19 pandemic continued through 2021, the support provided to our workforce to make sure our employees felt safe was critical. Our manufacturing operations remained open throughout the year, in line with guidance. As a result, maintaining social distancing and safe operating procedures was a priority. Economy-wide labour shortages highlighted the need to attract and retain staff at all levels of our organisation and employee satisfaction and pay has therefore been a key consideration of our Board and senior management. Employees are entitled to participate in our SAYE scheme further aligning their interests with those of the Group.

The Group keeps its employees informed of matters affecting them, such as health and safety, cybersecurity and how the Group is performing, through regular team briefings throughout the year, including working closely with union representatives and running employee forums, town hall events and toolbox talks. Recognising that our employees have invaluable first-hand experience of our processes and procedures, they are encouraged to make suggestions where opportunities for improvements or efficiencies are identified, particularly in respect of health and safety risks and energy and resource consumption.

Customers

Why do we engage?

Our customers are paramount to the success of the business in both growing our revenues and optimising cash flow. We aim to exceed customer expectations in terms of our products and service levels by working closely and collaboratively with them.

Our customers want us to:

- Provide high-quality energy efficient and low maintenance products that meet their needs at a fair price
- Deliver a consistent and reliable service
- Maintain consistently high standards of manufacturing to maximise product performance

How do we engage?

Providing sustainable, high-quality products to our customers is imperative to the Group's reputation and long-term success. We invest in advancing technologies and rigorous testing to guarantee the very best performance of our products with negligible maintenance. We continue to work with installers to raise standards across the industry by delivering an end-to-end high standard customer experience.

During the year, in what has been a challenging operating environment, we have had to implement selling price increases and surcharges in response to unprecedented material cost inflation. However, we have carefully considered our customers when making decisions on pricing to ensure that this can be done in an equitable manner and that our customers are also able to pass on price increases and can continue in business. In periods of significant demand and supply chain disruption during this past year and the previous year, when certain operations were not able to fulfil all customer orders in full, we worked closely with our customers in an effort to minimise disruption.

Suppliers

Why do we engage?

Our suppliers are fundamental to our business model and the efficiency of our operations as they enable us to meet the demand of our operations and customers with high-quality and sustainable products. Our supplier relationships and regular review procedures ensure the robustness of our supply chain, that we are paying a fair price and that our products are responsibly sourced, complying with standards and legislation, as well as meeting our ethical, quality and sustainability expectations.

Our suppliers want us to:

- Pay them in line with our agreed terms
- Work collaboratively with them around ordering and lead times
- Manage our business responsibly to provide long-term reliable custom

How do we engage?

The focus of supplier interactions during the year has been to ensure continuity of supply at a fair price, in an inflationary environment and at a time when supply chains are under unprecedented pressure. Through regular communication, acting in accordance with the terms and spirit of our supplier agreements and actively managing our stock levels, we were able to achieve a fair price and minimise disruption caused by availability of key raw materials such as PVC resin.

Communities, the environment, government and regulators

Why do we engage?

The Group aims to have a positive impact on the local communities in which we operate as well as on the wider UK economy. As a listed business, we have a duty to operate with the highest standards of ethical conduct and to invest in clear and transparent reporting.

Our communities, the government and regulators want us to:

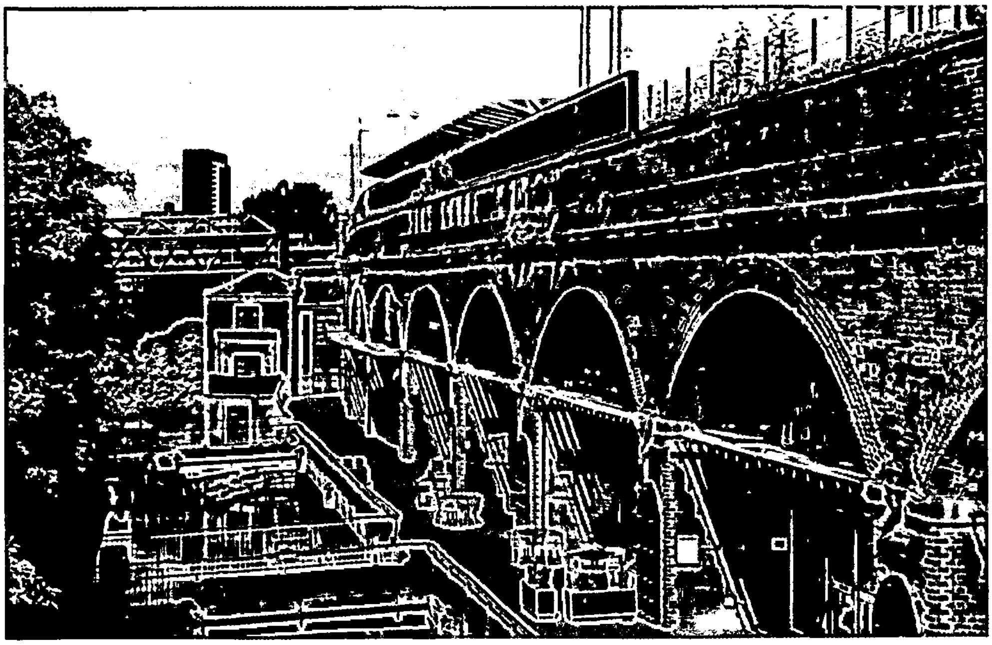
- Act ethically, comply with all relevant laws and regulations and to be a trusted and reliable company
- Protect the environment through tackling climate change and other environmental challenges
- Make a fair contribution to society through tax contributions

The Group has policies and processes in place to ensure that its own operations, as well as those of its customers and suppliers, comply with legal and regulatory requirements. This includes key areas such as data protection, responsible sourcing, health and safety, quality, modern slavery and equal opportunities.

As a responsible business that is committed to transparency and contributing to society, we always seek to pay the right amount of corporation tax. We do not undertake aggressive tax planning and apply tax rules in good faith and in the spirit that they were intended. In recognition of this, we were awarded the Fair Tax Mark during the year.

Fair Tax® accredited

Minimising our impact on the environment is a priority for the Group with many of our manufacturing businesses having ISO accreditations. The Group has a dedicated Environmental Manager to ensure compliance with legislation through training, development, auditing and risk management. As well as compliance, the Group works across the supply chain to maximise production efficiency, recycle where possible and reduce packaging, waste, power and water consumption and emissions.

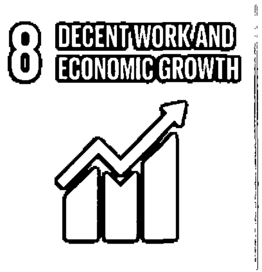


Sustainability Report continued

The United Nations Sustainable Development Goals

The Sustainable Development Goals ("SDGs") were launched by the UN in 2015. The UN SDGs call for worldwide action among governments, businesses, and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. The 17 SDGs define global sustainable development priorities and assumptions for 2030 and seek to mobilise global efforts around a common set of goals and targets.

We have outlined the key UN SDGs that we believe have most relevance to the Group and that we can impact the most.



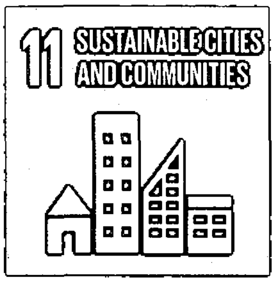
Decent work and economic growth (SDG targets: 8.4, 8.5, 8.6, 8.7 and 8.8)

Description: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

The Group is focused on delivering sustainable value creation that enables the business to trade successfully in the longer term and provide stable jobs for our staff. To meet this objective, the Group is selective about investment and who we trade with, particularly to protect our reputation for ethics, standards and quality. The Group is continuously reviewing innovative ways and technologies to increase profitability by manufacturing more efficiently and sustainably.

Our people are the foundation of our business and imperative to its success. As a manufacturing business of scale, providing a healthy and safe environment is an absolute priority in our business. It is the first item on the agenda at Board meetings where metrics are monitored. Health & Safety is part of a continuous training programme across the Group.

The Group promotes a positive working environment for all employees with rigorous policies and procedures that protect, develop and satisfy our existing and future employees. We are an inclusive employer and value diversity in our workforce, regularly reviewing our policies, procedures and reward programmes to ensure barriers to progression for any groups are removed where they are found. The Group is proud to announce a negative gender pay gap this year, driven in part by the prevalence of female staff among the senior management of the Group.

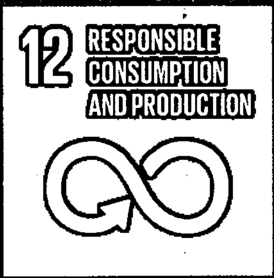


Sustainable cities & communities (SDG targets: 11.1 and 11.6)

Description: Make cities and human settlements inclusive, safe, resilient and sustainable.

Epwin manufactures sustainable building products that have a long life and can improve the thermal rating of properties, reducing the end-user's energy consumption and carbon emissions as well as improving their quality of life. For example, our high-quality, modern windows and doors, have the benefits of noise reduction, draft reduction, temperature control, better home security, lower energy usage and bills and they add value to homes. We support the government's Decent Homes agenda and supply social housing providers with window and door systems through our in-house and external fabricators.

Improving the sustainability of our cities and communities requires addressing the shortage of affordable housing across the UK, in addition to the quality of existing housing stock. Our GRP building components, which we supply to housebuilders, are typically less resource-intensive and, therefore, more cost effective than equivalent components made from timber, tile, bricks, slate or lead, helping to deliver more affordable homes. Our Adek decking product, also supplied to new house builders, is suitable for use on high rise buildings due its fire resistance rating, which helps to provide urban residents with safe, valuable outdoor space.



Responsible consumption & production (SDG targets: 12.2, 12.5 and 12.6)

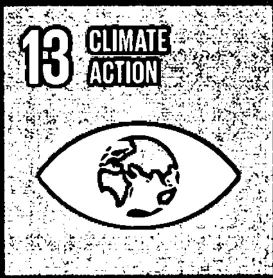
Description: Ensure sustainable consumption and production patterns.

The Group's strong supplier relationships and regular review procedures ensure materials, products and labour are responsibly sourced, complying with standards and legislation, as well as meeting ethical, quality and sustainability expectations. The operations maintain and work towards recognised standards and accreditations, including ISO 14001 Environmental Management, ISO 50001 Energy Management Systems and BES 6001 Responsible Sourcing.

We support sustainable consumption and production patterns by producing long-life products, typically lasting 30 years or more, and requiring low levels of maintenance during their lives. The Group recycles where possible, including a large volume of manufacturing scrap, and continues to increase the volume of recycled materials used in our production plants.

Our leading decking product, ecodek®, is manufactured from sustainably sourced wood and recycled milk bottles and has been independently verified by the BioComposites Centre at Bangor University as having a negative carbon footprint. The product is made from 95% recycled materials and is fully recyclable at the end of its life, with 100% of any ecodeck® material returned to the Group recycled into production, including material sourced through the waste buy back scheme.

The majority of our products can be recycled and reused many times, contributing towards a circular economy and reducing waste and landfill. In total, 87% of the Group's 2021 revenues were from products capable of being recycled and repurposed.



Climate action (SDG target: 13.2)

Description: Take urgent action to combat climate change and its impacts.

Key to tackling climate change and its impacts is reducing carbon emissions to enable the UK to meet its net zero targets. The UK has an ageing and underinvested housing stock, much of which has an energy performance rating certificate ("EPC") below the UK target minimum of EPC Band C, meaning that energy is wasted through poor insulation. Improving the insulation of existing housing is increasingly being seen as a national priority and this is directly supported through our energy efficient window and door systems, supplied to the RMI and social housing markets in addition to house builders.

In addition to producing products which help to reduce end-user energy consumption and carbon emissions, Epwin works within its supply chain and its own manufacturing and distribution operations to recycle and reduce packaging, waste, power and water consumption where feasible. Energy consumption is a key consideration in approving any capital expenditure projects and the Group is constantly looking for ways to streamline our operations and improve energy efficiency and resource consumption. See our Streamlined Energy and Carbon reporting on page 33, for details of our energy intensity metrics and progress made during the year.

Sustainability Report
Section 172 Statement

The directors are aware of their duty under Section 172 of the Companies Act 2006 ("s172"), a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors must have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and other key stakeholders;
- the impact of the Company's operations on communities and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In accordance with the QCA code, as well as what is most likely to promote the success of the Group in the long term, the Board considers the interests of the Group's employees and other stakeholders in its decision-making and understands the importance of taking into account their views and considers the impact of the Group's activities on the community, environment and its reputation. See pages 36 to 37 for details of our key stakeholders and how we engage with them. Information on Governance and how the Board has discharged its duties is included in the Corporate Governance section on pages 46 to 49.

Key Board discussions

Decisions taken by the Board consider the interests of our key stakeholders, the impacts of these decisions and the need to foster the Company's business relationships with customers, suppliers and other stakeholders.

We have set out some examples below of how the Directors have had regard to the matters set out in section 172 (1) (a)–(f) of the Companies Act 2006 when discharging their section 172 duties and the considerations given to stakeholder interests and impacts. In addition, pages 32 to 39 of this Sustainability Report contain details of how the Group, under the direction of the Board, considers the impact of our operations on communities and the environment in key decisions and outlines our long-term sustainability strategy. Page 19 of this Strategic Report outlines the impact of the in-year acquisitions, which were undertaken in line with our strategic plan.

Key areas discussed by the Board during the year included:

Operating during the Covid-19 pandemic

During 2021, in line with the Government's guidance, our manufacturing operations remained open. Consequently, the Group did not need to make use of the Coronavirus Job Retention Scheme ("CJRS") in 2021, with the majority of non-production staff working from home at times during the year. When deciding how to direct our employees the Board considered a number of factors including UK Government guidance and the health and safety and wellbeing of our staff, which was the principal consideration. The Board considered how social distancing and safe working practices could be maintained, balancing the benefits of working at our offices and production plants (such as increased efficiency, collaborative working and the mental health benefits of being together), with the need to ensure all employees felt safe and supported.

Staff retention and recruitment

Economy-wide labour shortages, as widely reported in the media, highlighted the need to attract and retain staff at all levels of our organisation and employee satisfaction, pay and recruitment were key considerations of the Board during the year.

Decision to recommence payment of dividends

When deciding to declare a final dividend in respect of 2020 and an interim dividend in respect of 2021 during the year, the Board considered several factors including the resilience of our operations through the pandemic, which have delivered strong profit and cash generation. The Board also considered the fact that the Group was no longer making use of any government support schemes such as the Coronavirus Job Retention Scheme (which was not used during 2021) and VAT deferral (which was repaid in late 2020) and was up to date with supplier payments on usual trading terms. Considering these factors, and the significant headroom on the Group's banking facilities, the Board concluded that recommencement of the dividend was appropriate.

Inflation and pricing

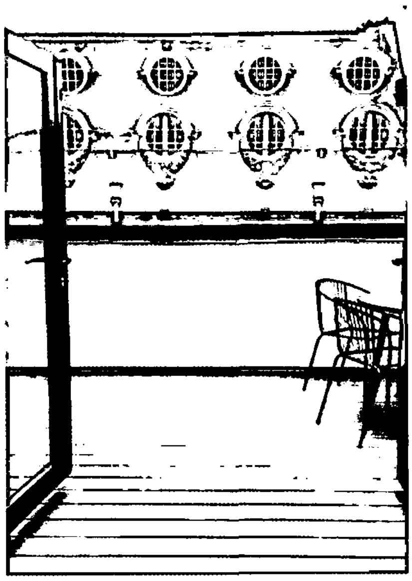
During a year of unprecedented material cost inflation, and with emerging payroll and energy cost inflationary pressures, the Board considered how to appropriately pass on these cost increases to customers in an equitable and fair manner, recognising that due to supply chain disruption and significantly increased demand, our service levels in parts of the Group sometimes fell short of customer expectations in normal times but that passing on no cost increases would not be feasible for the Group.

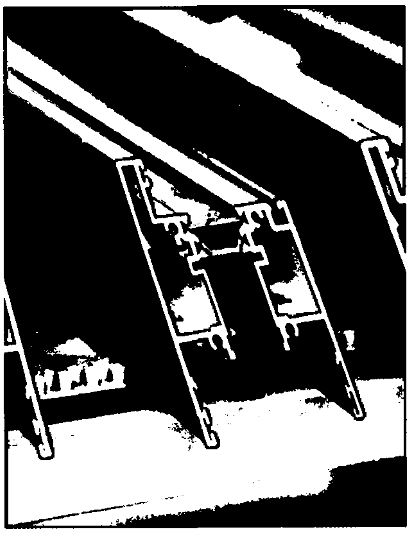
The Strategic Report has been approved by the Board of Directors and has been signed on its behalf by:

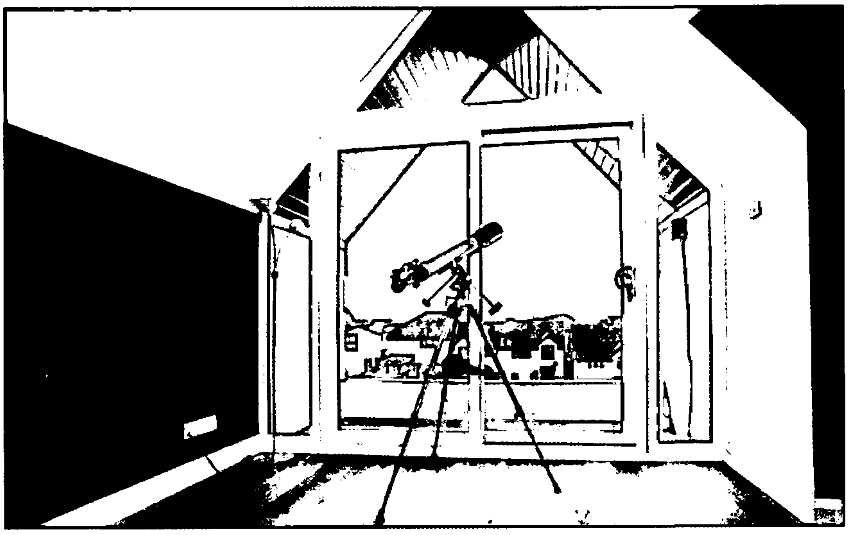
JONATHAN BEDNALL
Chief Executive Officer

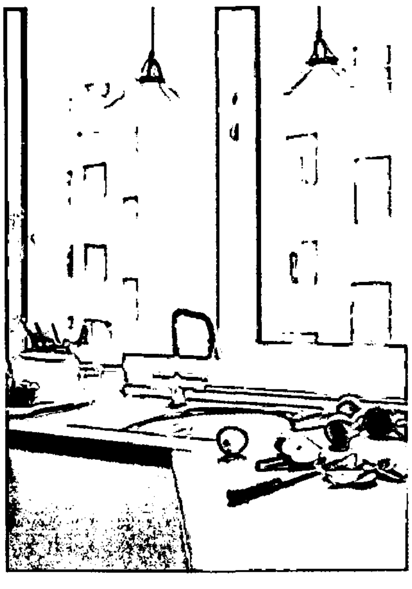
CHRISTOPHER EMPSON
Group Finance Director

6 April 2022



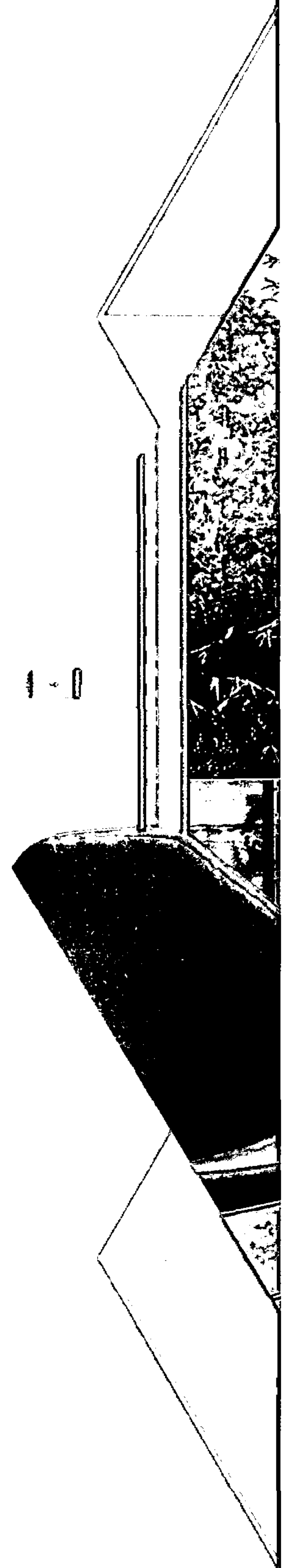


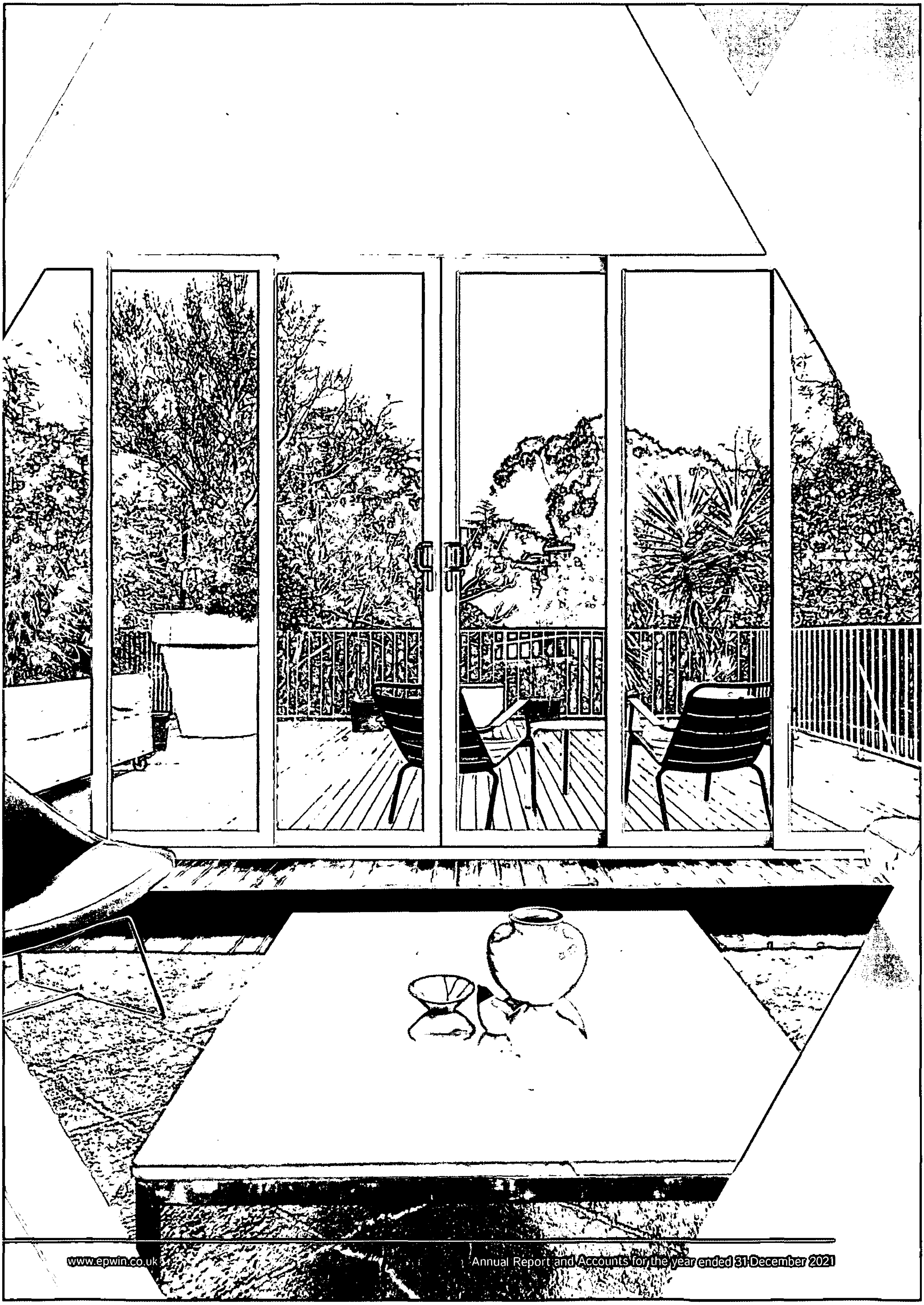




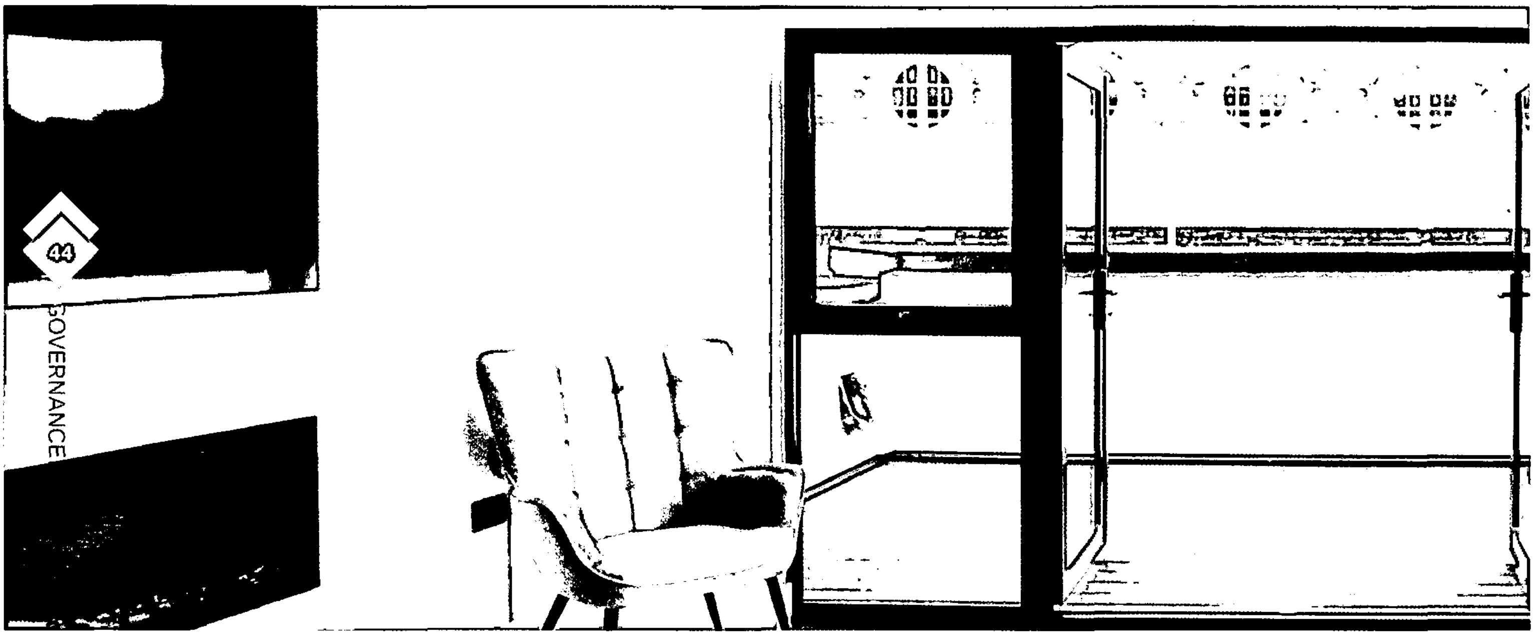
GOVERNANCE

Contents





Directors and Advisors



Andrew Eastgate

Non-Executive Chairman

Appointment date: 14 July 2014

Committee membership: Audit (Chairman), Nomination (Chairman), Remuneration

Skills and experience: Andrew was formerly a Partner at Pinsents where he practised for more than 20 years and was head of Pinsents' corporate practice in Birmingham. Andrew has a broad experience of advising quoted companies, particularly in connection with transactions and compliance issues, and is currently a non-executive director of Castings Plc. Andrew was a director of the old Epwin holding company between 2008 and 2012 and resigned on the merger with the Latium businesses. Andrew joined the Board on admission to AIM and became Chairman in December 2014.

Jonathan Bednall

Chief Executive Officer

Appointment date: 16 January 2012

Committee membership: Executive, Nomination

Skills and experience:

Jon joined Epwin Group in 2008, becoming Group Finance Director in 2009 and was appointed Chief Executive Officer in 2013. Jon has been responsible for the significant restructuring of Epwin in that time, as well as devising and managing the merger with Latium in 2012 and the subsequent IPO in July 2014. Jon has considerable group managerial experience, including acquisitions and disposals, having previously spent ten years at BI Group, a Kuwaiti-owned engineering group, becoming Group Finance Director and then Chief Operating Officer. Prior to that, Jon qualified as an ACA at KPMG in Birmingham, where he spent six years in a number of roles.

Christopher Empson

Group Finance Director

Appointment date: 17 June 2014

Committee membership: Executive

Skills and experience:

Chris has been with Epwin since 2012, having joined to support the business integration and development post the Latium merger and the subsequent IPO. Before this, Chris was a divisional Finance Director within Rentokil Initial Plc, having previously worked at BI Group as Group Finance Director. Chris also spent five years with 3i after qualifying as an ACA at PricewaterhouseCoopers. Chris has considerable group management experience, including corporate transactions, financial reporting, treasury and corporate taxation.

Shaun Hanrahan

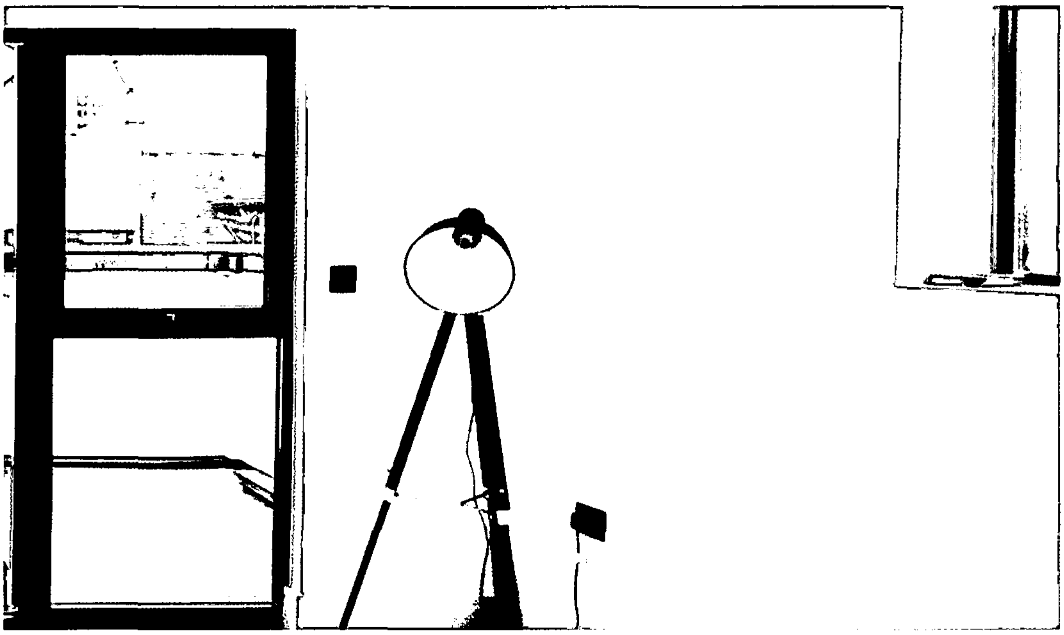
Executive Director

Appointment date: 17 June 2014

Committee membership: Executive

Skills and experience:

Shaun has been with Epwin since the Group acquired Swish Building Products from Williams Holdings in 2000. Shaun has overseen the growth of Swish Building Products to a position of market strength. Prior to his time at Swish, Shaun was a Business Analyst at Baco, British Alcan and Williams Holdings, working on post-acquisition projects in the UK and Europe.



Michael O'Leary

Non-Executive Director

Appointment date: 2 March 2015

Resignation date: 3 March 2022

Committee membership: Audit, Nomination, Remuneration (Chairman)

Skills and experience:

Mike was appointed to the Board as a Non-Executive Director in March 2015. Mike was joint Chief Operating Officer at Misys Plc between 1986 and 2000, running both its UK Insurance Division and US Healthcare Division. He was then Chief Executive Officer of Huon Corporation and also Marlborough Stirling Plc. Since 2005 he has undertaken a number of non-executive roles including Non-Executive Chairman for Dotdigital Group Plc. He is currently Chairman of Ipswich Town Football Club. On 3 March 2022, Mike retired from the Board with immediate effect for health reasons.

Shaun Smith

Non-Executive Director

Appointment date: 4 January 2022

Committee membership: Audit, Nomination, Remuneration

Skills and experience:

Shaun was appointed to the Board as a Non-Executive Director in January 2022. Shaun began his career in retail management and corporate treasury at Marks and Spencer plc before joining Glynwed International Plc in 1989 and subsequently becoming Group Finance Director at AGA Rangemaster Group plc (formerly Glynwed International Plc) until its takeover in 2015. He then joined Norcros plc as Chief Financial Officer until July 2021. He was also previously a Non-Executive Director and Audit & Risk Committee Chair of AirPartner plc. Shaun is a qualified Corporate Treasurer and has a degree in economics.

Andrew Rutter

Company Secretary

Appointment date: 1 June 2015

Skills and experience:

Andrew joined Epwin in August 2014, following the IPO, and was appointed Company Secretary in June 2015. Andrew was previously a Senior Manager at KPMG, where he was responsible for a range of listed and non-listed audit clients, building significant financial reporting experience. Since joining the Group, he has gained significant operational and corporate transaction experience.

Registered office

1b Stratford Court
Cranmore Boulevard
Solihull
B90 4QT

Company number

07742256

Auditors

RSM UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Nominated advisor and joint broker

Shore Capital
Cassini House
57 St James's Street
London
SW1A 1LD

Joint broker

Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

Bankers

Barclays Bank Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GN

HSBC Bank Plc
1 Centenary Square
Birmingham
B1 1HQ

Registrars

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Financial PR

MHP Communications
60 Great Portland Street
London
W1W 7RT

Corporate Governance

The Board of Directors acknowledges the importance of the ten principles set out in the QCA Code. The Board's compliance with the Code is set out in the disclosures in this Annual Report and on the Corporate Governance section of the corporate website.

Board structure and composition

As at the date of this report, the Board comprised three Executive and two Non-Executive Directors, each of whom brings a different experience set and background. Andrew Eastgate is Chairman of the Board of Directors and also Chairman of the Audit Committee and Nomination Committee. Shaun Smith joined the Board as a Non-Executive Director on 4 January 2022 and will become Chairman of the Audit Committee following the finalisation of the audit for the year ended 31 December 2021. Mike O'Leary retired from the Board in March 2022 for health reasons. Mike was Chairman of the Remuneration Committee, which position has been assumed by Andrew Eastgate until an additional Non-Executive Director is appointed.

Biographies of all the Directors at the date of this report are set out on pages 44 to 45.

The Directors maintain their current knowledge through a combination of reading of technical and market bulletins, and attendance at seminars. The Company Secretary has the responsibility for bringing new legal and regulatory developments to the attention of the Board.

Andrew Eastgate and Shaun Smith are considered by the Board to be "independent" Non-Executive Directors, having taken into consideration length of service, remuneration and shareholdings in the Company. Neither Andrew Eastgate nor Shaun Smith has any connection with any customer, supplier or major shareholder of the Company or the Group. A suitable time commitment is required from the Non-Executive directors, including attendance at Board and Committee meetings, as appropriate, and regular communication with the Executive Directors.

Details of the terms of appointment and remuneration of both the Executive and Non-Executive Directors are set out in the Remuneration Committee Report on pages 54 to 56.

Chairman

The Chairman is responsible for leadership of the Board, ensuring its effectiveness, setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items.

The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns.

Chief Executive Officer

The Chief Executive Officer has day-to-day responsibility, within the authority delegated by the Board, for implementing the Group's strategy and running the Group.

The Board is supported by the Company Secretary who, under the direction of the Chairman, ensures good communication and information flows within the Board, including between Executive and Non-Executive Directors, and between the Board and its Committees.

The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board responsibilities

The Board of Directors is responsible to shareholders for effective direction and control of the Group. This report describes the framework for corporate governance and internal control that the Directors have established to enable them to carry out this responsibility.

The Board's main responsibilities are:

- Providing leadership of the Group within a framework that enables risk to be assessed and managed
- Reviewing and approving the overall Group strategy and direction
- Approving communications to shareholders
- Reviewing operational and financial performance
- Determining, maintaining and overseeing controls, audit processes and risk management policies
- Approving the year end and interim financial statements
- Approving the annual budget
- Approving material agreements and contracts
- Reviewing and approving acquisitions and disposals
- Reviewing and approving significant items of capital expenditure
- Reviewing the environmental and health and safety performance of the Group
- Reviewing and approving remuneration policies
- Approving appointments to the Board
- Monitoring and maintaining the Group's financing relationships

The Board is supplied, in a timely manner, with the appropriate information to enable it to discharge its duties, including providing constructive challenge to, and scrutiny of, management. Further information is obtained by the Board from the Executive Directors and other relevant senior executives as the Board, particularly its Non-Executive members, considers appropriate.

Procedures are in place for Directors to take independent professional advice, when necessary, at the Company's expense. No such advice was sought during the year under review.

If Directors have concerns that cannot be resolved regarding the running of the Group or a proposed action, they are encouraged to make their views known and these are recorded in the Board minutes.

Board Committees and Attendance

The Board is supported by Audit, Remuneration and Nomination Committees. Their specific responsibilities are set out below.

Audit Committee

During the year, the Audit Committee comprised two independent Non-Executive Directors: Andrew Eastgate (Chairman) and Michael O'Leary. Christopher Empson attends Audit Committee meetings, as necessary, by invitation. Shaun Smith was appointed to the Audit Committee on 4 January 2022.

The Committee's principal responsibilities include:

- reviewing and challenging the risk identification and risk management processes across the business;
- managing relations with the external auditors to ensure the annual audit is effective, objective, independent and of high quality; and
- reviewing the Company's corporate reporting.

During the period to 31 December 2021, the Audit Committee met four times. Its activities included:

- reviewing the Annual Report and full year announcement, and meeting with auditors to consider audit findings, for the year ended 31 December 2020;
- reviewing the half-year announcement for the period ended 30 June 2021;
- considering the outcome of quarterly reviews of internal controls effectiveness during the year;
- consideration of the audit plan for the year ended 31 December 2021; and
- conducting a competitive tender process for the appointment of the Group's external auditor.

Remuneration Committee

During the year, the Remuneration Committee comprised Michael O'Leary (Chairman) and Andrew Eastgate. Shaun Smith was appointed to the Remuneration Committee on 4 January 2022.

The Committee's principal responsibilities include:

- setting the remuneration policy for Executive Directors; and
- reviewing the level and structure of remuneration for senior management.

Full details of the role, policies and activities of the Remuneration Committee are set out in the Remuneration Committee Report on pages 54 to 56

During the period to 31 December 2021, the Remuneration Committee met on two occasions to consider remuneration policies and set Directors' remuneration. In particular, the Remuneration Committee met to agree the terms of the Group's new Long-Term Incentive Plan.

Nomination Committee

During the year, the Nomination Committee comprised Andrew Eastgate (Chairman), Jonathan Bednall and Michael O'Leary. Shaun Smith was appointed to the Nomination Committee on 4 January 2022.

The Committee's principal responsibilities include:

- keeping under review the structure, size and composition of the Board and making recommendations to the Board with regard to any changes;
- identifying and nominating candidates to fill Board vacancies; and
- considering succession planning for Directors and other senior management.

The Committee meets as and when required and met three times during the year to review the structure, size and composition of the Board, as well as running a recruitment process leading to the appointment of Shaun Smith to the Board as Non-Executive Director.

There were 11 scheduled Board meetings held during the year. Details of attendance at scheduled Board and Board Committee meetings during the period to 31 December 2021 are as follows:

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Andrew Eastgate	11	11	4	4	2	2	3	3
Michael O'Leary	11	11	4	4	2	2	3	3
Jonathan Bednall	11	11	n/a	n/a	n/a	n/a	3	3
Christopher Empson	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Shaun Hanrahan	11	9	n/a	n/a	n/a	n/a	n/a	n/a

Corporate Governance
continued

Board performance

The Chairman is responsible, with the assistance of the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, expertise and experience.

The performance of Directors, as well as the performance and composition of the Board as a whole, is evaluated on an annual basis. In 2021, the performance of the Directors and the Board as a whole was the subject of consideration and review by the Non-Executive Directors. Following a review of the composition of the Board and consideration of the ratio of Executive Directors to Non-Executive Directors, a search process was undertaken to recruit a further Non-Executive Director. As a result of this process, Shaun Smith was appointed Non-Executive Director on 4 January 2022.

Directors' conflicts of interest

Under the Companies Act 2006 (the "Act"), a Director must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Group's interests. The requirement is considered very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, provided that the articles of association contain a provision to this effect. The Company's articles of association authorise the Directors to approve such situational conflicts.

There are safeguards that will apply when Directors decide whether to authorise a conflict or potential conflict.

First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and, second, in taking the decision, the Directors must act in a way that they consider, in good faith, will be most likely to promote the Group's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Directors are required to notify the Company Secretary of any additional conflict situation or if there is a material change in a conflict situation previously notified, giving sufficient details of the situation to allow the Board to make an informed decision when considering authorisation.

Internal controls

The Board is responsible for maintaining a sound internal control environment to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment.

Epwin is committed to conducting its business responsibly and in accordance with all applicable laws and regulations. Employees are encouraged to raise concerns about fraud, bribery and other matters through a whistleblowing procedure.

Relations with shareholders

The Board is committed to maintaining good communications with shareholders. The Chief Executive Officer and the Group Finance Director are the Company's principal contact for investors, fund managers, the press and other interested parties. Other than during closed periods, the Chief Executive Officer and Group Finance Director maintain a regular dialogue with institutional shareholders and give presentations to them and analysts immediately after the announcement of the Group's half year and full year results. The Group also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings.

The Chief Executive Officer and the Group Finance Director also meet with the Company's brokers during the year to ensure that they are aware of the views of major shareholders. Additionally, at the Annual General Meeting, investors are given the opportunity to question the entire Board.

The Chairman offers to meet with major institutional shareholders periodically in order to provide a channel of communication in addition to that provided by the Executive Directors.

The Group maintains a corporate website (investors.epwin.co.uk), which complies with AIM Rule 26 and contains a range of information of interest to institutional and private investors, including the Group's annual and half year reports, trading statements and all regulatory announcements relating to the Group.

The Board wishes to encourage the constructive use of the Company's AGM for shareholder communication.

Corporate culture

Epwin's corporate culture runs through all of its different business units, many of which have been added to the Group through acquisition. This culture is based on allowing each business unit to thrive on its own initiative, whilst benefitting from being part of a larger whole, buttressing Epwin's routes to market by increasing vertical integration. Local management teams and employees are actively encouraged to suggest efficiency improvements. In addition, Epwin employees are encouraged to suggest ways to improve the Company's product portfolio and build on their technical expertise. The Company's senior team holds regular meetings with employees and spends time on manufacturing sites with key staff to monitor this corporate culture.

A. K. Eastgate

ANDREW EASTGATE
Chairman
6 April 2022

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2021.

Financial results and dividends

The audited accounts for the Group and Company for the year ended 31 December 2021 are set out on pages 67 to 110. The Group profit for the year was £12.5 million (2020: £2.6 million). The Board is recommending a final dividend of 2.35 pence per share (2020: 1.00 pence per share) to be paid on 6 June 2022 to shareholders on the register on 13 May 2022. Along with the interim dividend of 1.75 pence per ordinary share, paid in October 2021, this takes the full year dividend to 4.10 pence per ordinary share.

Directors and Directors' interests

The Directors who held office during the year and to the date of this report were as follows:

A K Eastgate
J A Bednall
C A Empson
S P Hanrahan
M K O'Leary (resigned 3 March 2022)
S M Smith (appointed 4 January 2022)

Full biographical details of the Company's Directors as at the date of this report are given on pages 44 to 45.

The Directors' remuneration and their interests in the share capital of the Company are detailed on pages 54 to 56.

Directors' and officers' liability insurance

The Company has purchased insurance to cover its Directors and officers against costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings. The insurance does not provide cover where the Director has acted fraudulently or dishonestly.

Supplier payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group seeks to treat all suppliers fairly, but it does not have a Group-wide standard or code of practice that deals specifically with payments to suppliers. Trade payables at 31 December 2021 represented on average 73 days' credit, based on actual invoices received (2020: 74 days' credit).

Share capital

The issued share capital of the Company at 31 December 2021 was £72,653, comprising 145,305,993 ordinary shares of 0.05 pence each, of which 388,000 (representing 0.3% of issued share capital) are held in treasury. The ordinary shares held in treasury were purchased at a price of 93.0p and will be utilised to satisfy the vesting of awards made under the Group's SAYE scheme and Long-Term Incentive Plan. The aggregate consideration paid by the Group to acquire these shares was £360,840.

The Directors will be seeking authority at the forthcoming Annual General Meeting to renew their authority to allot and repurchase shares. Full details of these resolutions, together with explanatory notes, are contained in the Notice of the Annual General Meeting on pages 111 to 116.

Substantial shareholdings

As at 28 February 2022, the Company had the following substantial shareholdings:

	% of issued share capital	Number of shares
Ruffer LLP	16.03	23,229,645
AJ Rawson	13.97	20,250,000
Kennedy Capital Investments Limited	13.97	20,250,000
Unicorn Asset Management	7.67	11,114,000
Otus Capital Management	7.38	10,694,428
Janus Henderson Investors	5.07	7,352,068
Chelverton Asset Management	4.25	6,151,969
AXA Investment Managers	4.08	5,918,500

Extracted from a share register maintained by Link Group.

Charitable and political donations

The Group made no charitable or political donations during the year (2020: none).

Research and development activities

The Group undertakes research and development activities relating primarily to new product development and innovations to improve production process efficiency.

Going concern

The financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Detailed disclosure on going concern is included in the Basis of Preparation section of the notes to the accounts on page 72.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report on pages 12 to 41. In addition, note 25 to the Accounts details the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk.

Streamlined Energy and Carbon Reporting ("SECR")

The Streamlined Energy and Carbon Regulations came into force on 1 April 2019 in order to provide a simplified energy and carbon reporting framework. All large UK companies are required to report annually on their energy consumption, associated greenhouse gas emissions, energy efficiency measures and an intensity metric. Our Streamlined Energy and Carbon Reporting for the year ended 31 December 2021 is presented in the Sustainability Report within the Strategic Report on page 33.

Financial risk management

The Group uses financial instruments to manage capital and to mitigate certain types of risks. The Group's objectives and policies on financial risk management can be found in note 25 of the financial statements.

Annual General Meeting

The AGM will be held at 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT on Tuesday 24 May 2022 at 11.00 am.

Current public health guidance and legislation issued by the UK Government in relation to the Covid-19 pandemic would permit public gatherings and travel at the date of the Annual General Meeting. The AGM has been arranged assuming the Company will be able to hold a physical in-person meeting. However, due to the ongoing Covid-19 situation, the Board considers it appropriate to minimise physical attendances at the AGM. Shareholders are, therefore, encouraged to vote by proxy. Whilst all shareholders are still legally entitled to physically attend the AGM, please consider carefully before doing so.

Further details (including in relation to shareholders' questions and proxies) are set out on pages 111 to 116.

Auditor appointment

Following a competitive tender process RSM UK Audit LLP were appointed as auditors and a resolution proposing their reappointment will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to the auditors

As required by Section 418 of the Companies Act 2006, each Director serving at the date of approval of the financial statements confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps 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.

Employees

Our people are the foundation of our business and imperative to its success. The Group promotes a positive working environment for all employees with rigorous policies and procedures that protect, develop and satisfy our existing and future employees.

Health and safety ("H&S")

Providing a healthy and safe environment for people is an absolute priority in our business. It is the first item on the agenda at Board meetings where metrics are monitored. H&S is part of a continuous training programme across the Group.

Employee satisfaction

We aim to recruit, develop and retain our employees by providing training and personal development, engagement through local working groups, reviewing reward, incentive and benefit programmes, whilst also recruiting apprentices to build the pipeline of talent for the future.

Equality, diversity and inclusion

Our employment policies, including a commitment to equal opportunity, are designed to attract and retain high calibre individuals, regardless of age, sex, religion, disability, marital status, race, ethnicity, nationality or sexual orientation. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue.

We take measures to ensure good working conditions. Employees are expected at all times to act honestly, respectfully and in accordance with our Group policies. The Group does not tolerate misconduct or harassment in any form and will diligently investigate and, where necessary, take action following any complaints, including those of confidential "whistleblowers".

The Group keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year. We value employees' opinions and seek to actively consult them in the decision-making process and keep them appraised of Group news.

Further details on employee engagement, including principal decisions taken during the financial year, have been included as part of the section 172 statement within the Sustainability Report section of the Strategic Report on page 40. Details of the Group's engagement with suppliers, customers and other key stakeholders have been included within the same section on pages 36 to 37.

The average number of employees within the Group is shown in note 7 to the consolidated financial statements.

By order of the Board

CHRISTOPHER EMPSON

Group Finance Director
6 April 2022

Audit Committee Report

The Audit Committee has primary responsibility for monitoring the quality of internal financial controls, ensuring that the financial performance of the Group is properly measured and reported on, and reviewing the work of and reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. During 2021, the Audit Committee met four times.

Internal financial controls

The Group's financial reporting processes are detailed and regularly reviewed. The detailed reporting is reviewed at least at each month-end by the members of the Group finance team, highlighting areas of concern and checking/confirming that the reasons for variations are valid. Quarterly reviews of each of the businesses are performed by the Executive Directors, covering both historic and forthcoming financial and business performance, as well as anticipating key future events.

In addition, each business unit is required to submit a quarterly controls checklist, which is signed locally to say that controls and reviews have been carried out both during the quarter and as part of each month end close. These reports are used to follow up on any non-compliance points identified and are reviewed by the relevant divisional Financial Directors, as well as the Group finance team.

At this stage, the Audit Committee and Board do not consider an internal audit function to be a cost-effective source of additional assurance over the control environment but will keep this matter under annual review.

Financial reporting

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application to the Group's financial statements.

The significant financial risks considered by the Committee in relation to the 2022 financial statements are outlined below.

Going concern

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the ongoing anticipated impact of input cost inflation on the operations and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

The Board continues to monitor the evolving status of the Covid-19 pandemic and the ongoing events in Ukraine. The Group balance sheet remains robust with significant financial headroom on committed banking facilities through to June 2024. The banking facilities comprise a £65 million Revolving Credit Facility and £10 million overdraft facility. Note 21 to the financial statements sets out more detail on the undrawn facility headroom and financial covenants. The Group has traded profitably throughout 2021, and to the date of this report, and strengthened its financial position during 2021, reducing net debt and maintaining significant headroom on its covenants.

The Group prepares, and the Board reviews, detailed budgets and forecasts which it has confidence in achieving in a normal business environment. The Directors have prepared cash flow, facility headroom and financial covenant forecasts for a period of at least 12 months from the date of approval of these financial statements. The Directors considered the financial resources of the Group, as well as its forecasts and severe but plausible stress test scenarios.

The Group starts 2022 with significant headroom on its banking facilities and the forecasts show that there is sufficient liquidity and headroom to ensure compliance with all covenants throughout the going concern period.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and, therefore, have prepared the financial statements on a going concern basis.

Revenue recognition and related customer support provisions

Revenues are recognised at the fair value of goods sold to external customers, net of value added tax, discounts, rebates and other sales taxes or duty. Customer support is a predetermined sales incentive for certain branded products that falls due when the Group's customer sells the relevant products to a specified end-user. A deduction is made from revenue and a provision booked relating to relevant products sold to customers for which customer support has yet to be claimed. This deduction includes an estimate of the proportion of sales that are expected to be sold to specified end-users and that will result in a customer support claim.

The Audit Committee considered the basis, consistency of application and adequacy of the customer support provision and concluded that the provision, as well as the value and timing of revenues recognised, was appropriate.

Inventory

As a manufacturer, inventory is one of the most significant items on the balance sheet. There is a potential risk that the value of inventory may be in excess of its net realisable value. A deduction is made from inventory for obsolete and slow-moving lines of inventory. This deduction includes judgement in identifying slow-moving and obsolete lines as well as an estimate of the recoverable amount.

The Audit Committee considered the basis, consistency of application and adequacy of the slow-moving and obsolete inventory provision and concluded that the provision was adequate to ensure inventories are held at the lower of cost and net realisable value.

Goodwill and Parent Company investments

As an acquisitive Group, the balance sheet of the Group includes a significant value of goodwill. Similarly, the Parent Company balance sheet includes a significant balance relating to the investments it holds in subsidiary undertakings. There is a potential risk that the carrying value of these assets is not recoverable.

The goodwill and Parent Company investments are assessed for impairment when there is an indicator of impairment or at least annually. This assessment involves identification of Cash Generating Units ("CGUs"), calculating the value in use of each CGU and comparing this to the goodwill allocated to that CGU. The value in use calculation includes a number of estimates, including revenue, profit and cashflow forecasts for each CGU, the growth rate into perpetuity beyond this period and the discount rate, which depend on future expectations of the Group and Company and its markets.

The Audit Committee was satisfied that the assumptions used in the impairment testing were appropriate and that there was sufficient headroom in the calculations to conclude that no impairment is required.

External audit effectiveness

A key responsibility of the Audit Committee is evaluating the performance and ensuring the continued effectiveness of the external audit.

Following the completion of the 2020 Group audit, the Audit Committee determined that a competitive tender process should be undertaken for external audit services, following which RSM UK Audit LLP ("RSM") were appointed.

Auditor independence

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in their reporting to shareholders. The audit partner and senior manager are present at Audit Committee meetings as required to ensure full communication of matters relating to the audit. The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and feedback will be provided where necessary to senior members of RSM unrelated to the audit. This activity will also form part of RSM's own system of quality control. The Audit Committee also has discussions with the auditors on the adequacy of controls and on any areas requiring judgement. These discussions have proved satisfactory to date. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are approved by the Audit Committee after discussions between the Group Finance Director and RSM.

Rotation of the audit partner's responsibilities within RSM is required by their profession's ethical standards. There will be rotation of the audit partner and key members within the audit team as appropriate.

Assignments of non-audit work have been and are subject to controls by management that have been agreed by the Audit Committee so that auditor independence is not compromised.

Other than audit, the Board is required to give prior approval of work carried out by RSM and its associates in excess of £20,000. Part of this review is to determine that other potential providers of the services have been adequately considered. These controls provide the Audit Committee with confidence in the independence of RSM in their reporting on the financial statements and audit of the Group.

ANDREW EASTGATE
Chairman of the Audit Committee
6 April 2022

Remuneration Committee Report

The Remuneration Committee reviews the Group's policy on the remuneration and terms of engagement of the Executive Directors and senior management team. Executive Directors attend by invitation only, when appropriate, and are not present when decisions are taken on their own remuneration.

The members of the Remuneration Committee and details of attendance at the meetings are disclosed in the Corporate Governance Report on page 47.

The Committee members have no personal financial interest, other than as shareholders, in the matters to be decided. They have no conflicts of interest arising from cross-directorships or from being involved in the day-to-day business of the Group. The Committee members do not participate in any bonus, share awards or pension arrangements.

Remuneration policy

The Group operates in a highly competitive environment. The Board and Remuneration Committee of Epwin aim to ensure the Group has the best possible team to drive continued success and creation of shareholder value. For the Group to continue to compete successfully, it is essential that the level of remuneration and benefits offered achieves the objectives of attracting, retaining, motivating and rewarding the necessary high calibre of individuals at all levels across the Group.

The Group, therefore, sets out to provide competitive remuneration to all its employees, appropriate to the business environment and the market in which it operates. To achieve this, the remuneration package is based upon the following principles:

- total rewards should be set to provide a fair and attractive remuneration package;
- appropriate elements of the remuneration package should be designed to reinforce the link between performance and reward; and
- Executive Directors' incentives should be aligned with the interests of shareholders.

Remuneration of Executive Directors

Elements of remuneration

The Group's remuneration policy contains the following remuneration components:

Fixed remuneration components

Fixed remuneration components play a key role in attracting, retaining and motivating high calibre and higher performing executives. Fixed remuneration consists of three components:

BASIC SALARY OR FEES
Basic salaries or fees are approved by the Remuneration Committee on an annual basis after taking into consideration the performance of the individuals, their levels of responsibility and rate of salary or fees for similar positions in comparator companies.

PENSIONS
The Group makes defined contributions on behalf of the Directors into their individual pension plans based on a percentage of basic salary or payment in lieu of these benefits net of employer's national insurance contributions and are at no additional cost to the Group.

OTHER TAXABLE BENEFITS
These principally comprise car benefits, life assurance and membership of the Group's healthcare insurance scheme or payment in lieu of these benefits. These benefits do not form part of pensionable earnings.

Variable remuneration components

Variable remuneration components directly link an individual's reward, over both the short and long term, to their contributions to the success of the Group. The schemes ensure that only high performance is rewarded with high reward and that failure is not rewarded.

ANNUAL PERFORMANCE-RELATED BONUSES
Performance-related bonuses for the Executive Directors are contractual and are primarily determined by reference to performance targets based on the Group's financial results set at the beginning of the financial year. Awards are capped at a maximum of 100% of the individual's basic pay. Terms and conditions are based on the recommendations of the Remuneration Committee.

Long-term incentive arrangements

The Group strongly believes that employee share ownership strengthens the link between employees' personal interests and those of the Group and its shareholders, as well as encouraging employee retention and motivation.

The Company's previous long-term incentive plan ran from 2017 to 2019. The Remuneration Committee introduced a new long-term incentive plan in May 2021. The Epwin Long-Term Incentive Plan ("2021 LTIP") is designed to retain, incentivise and reward the senior management team and increase alignment with our shareholders in a manner consistent with the market practice. The key terms of the LTIP are as follows:

- The Remuneration Committee intends to grant share awards under the LTIP annually, which are normally expected to be structured as nominal cost options;
- Awards may be structured as:

(i) "Performance Share Awards", which will normally vest three years from grant subject to continued service and challenging sliding scale performance conditions; and/or

(ii) "Restricted Share Awards", which will normally vest three years from grant subject to continued service and the satisfactory Remuneration Committee assessment against one or more underpins;

- Award levels will be capped at 100% of salary per individual where awards are structured as Performance Share Awards and no more than 50% of salary per individual where awards are structured as Restricted Share Awards;
- Market standard good leaver, change of control and malus and clawback provisions will operate;
- Non-Executive Directors will not be eligible to participate in the LTIP; and
- Awards under the LTIP and under any other employees' share scheme shall not exceed 10% of the Company's issued share capital in any ten-year period.

On 25 May 2021, the following restricted awards over ordinary shares were granted under the 2021 LTIP; Jonathan Bednall 116,550 shares; Christopher Empson 79,254 shares; and Shaun Hanrahan 88,578 shares.

The Group also operates a Save As You Earn Scheme, which is open to all employees of the Group, including the Executive Directors.

Details of all existing schemes are provided in note 8 to the consolidated financial statements.

Non-Executive Directors' remuneration

The Non-Executive Directors receive fees set at a level commensurate with their experience and ability to make a contribution to the Group's affairs and are set by the Board as a whole. No other incentives, pensions or other benefits are available to the Non-Executive Directors.

Details of the Directors' emoluments, share awards and shareholdings are given below and form part of the audited financial statements.

	Salary and fees 2021 £000	Other taxable benefits 2021 £000	Bonus 2021 £000	Pension contributions 2021 £000	Total 2021 £000
Executive					
J A Bednall	**250**	**11**	**250**	**28**	**539**
C A Empson	**170**	**18**	**170**	**19**	**377**
S P Hanrahan	**190**	**25**	**190**	**35**	**440**
Non-Executive					
A K Eastgate	**80**	**–**	**–**	**–**	**80**
M K O'Leary	**40**	**–**	**–**	**–**	**40**
Total	**730**	**54**	**610**	**82**	**1,476**

	Salary and fees 2020 £000	Other taxable benefits 2020 £000	Bonus 2020 £000	Pension contributions 2020 £000	Total 2020 £000
Executive					
J A Bednall	250	11	–	26	287
C A Empson	170	18	–	18	206
S P Hanrahan	190	27	–	35	252
Non-Executive					
A K Eastgate	65	–	–	–	65
M K O'Leary	40	–	–	–	40
Total	715	56	–	79	850

Remuneration Committee Report
continued

Save As You Earn ("SAYE") scheme

On 21 October 2020, a further grant of options was made under the Group's SAYE scheme with the savings contract commencing from 1 January 2021. Christopher Empson and Shaun Hanrahan were each granted 33,333 SAYE options. The options can be exercised at 54 pence per ordinary share between 1 January 2024 and 30 June 2024.

Directors' service agreements

The service agreements of the Executive Directors entitle them on termination to payments in lieu of notice equal to salary, benefits and pension contributions for a period of 12 months, or less if the Director finds alternative full-time employment. There will be no compensation for loss of office due to misconduct or resignation by the Director.

Non-Executive Directors are appointed for an initial period of three years, subject to reappointment at the following AGM.

Directors' shareholdings

The interests of the Directors who held office at 31 December 2021 in the ordinary share capital of the Company are as shown in the table below.

	As at 31 December 2021 Number of shares	As at 31 December 2020 Number of shares
Executive		
Jonathan Bednall	**873,201**	873,201
Christopher Empson	**284,865**	284,865
Shaun Hanrahan	**323,293**	323,293
Non-Executive		
Andrew Eastgate	**5,000**	5,000
Michael O'Leary	**1,000**	1,000
Shaun Smith	**–**	–

This report has been approved by the Remuneration Committee and has been signed on its behalf by:

ANDREW EASTGATE
Chairman of the Remuneration Committee
6 April 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, comprising the Strategic Report, the Directors' Report and the Group and Parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law, the 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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

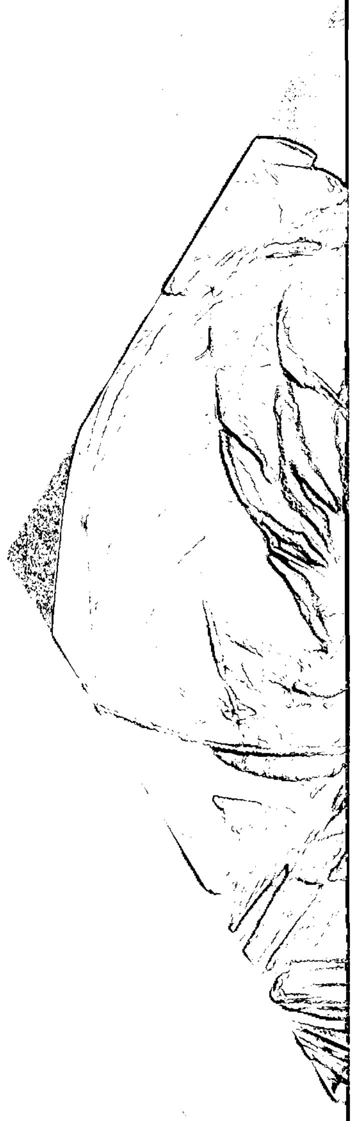
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

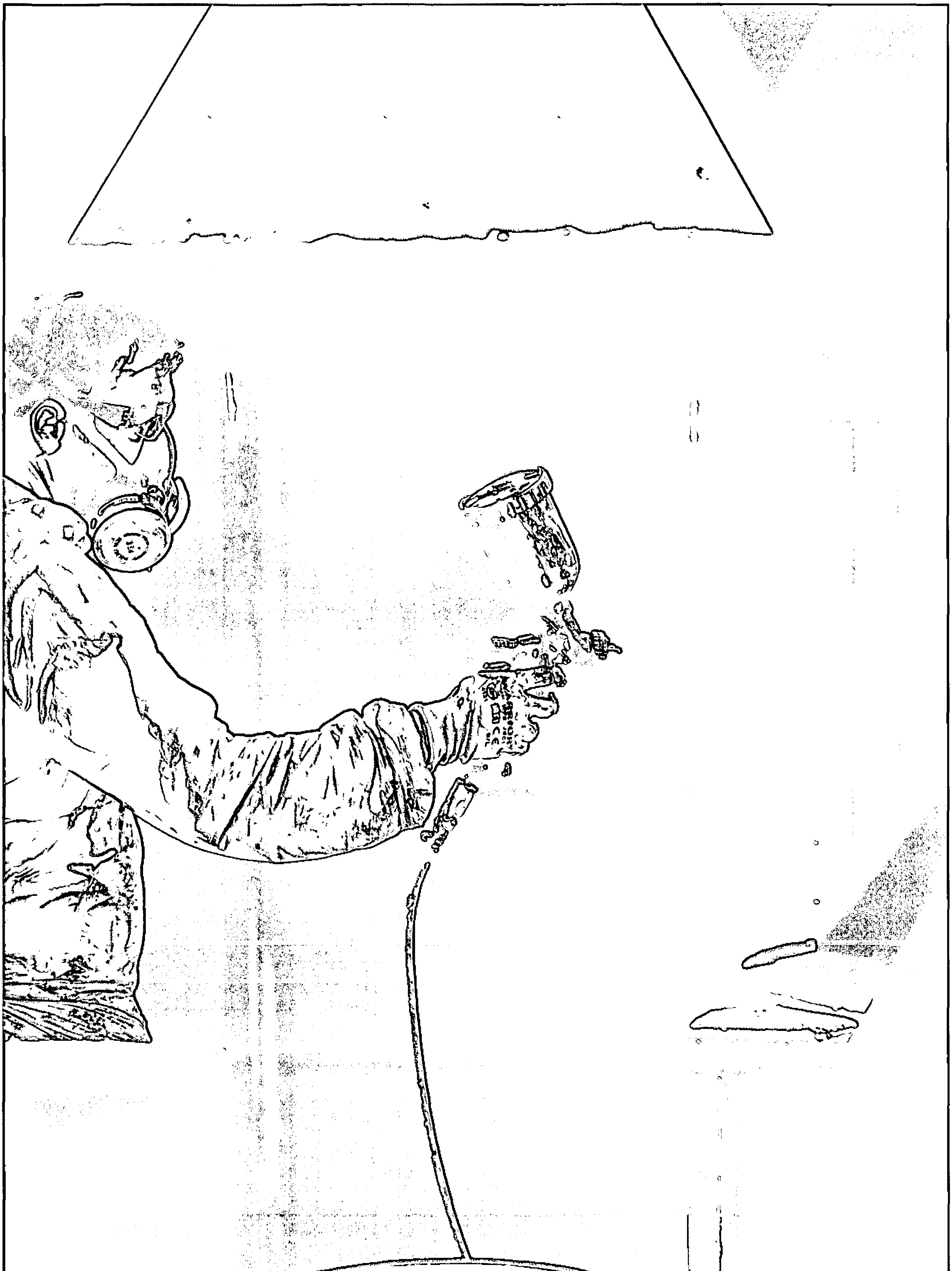
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

Contents





Independent Auditor's Report
to the members of Epwin Group Plc

Opinion

We have audited the financial statements of Epwin Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Income Statement and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** • Customer support liability • Revenue recognition • Inventory provision **Parent Company** There were no key audit matters specifically related to the parent company.
Materiality	**Group** Overall materiality: £576,000 Performance materiality: £403,000 Parent Company Overall materiality: £81,000 Performance materiality: £56,700
Scope	Our audit procedures covered 85% of revenue, 80% of total assets and 82% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Customer support liability	
Key audit matter description	Refer to the accounting policy on page 76, note 1.14, together with critical judgements and estimates in applying the group's accounting policies in note 2 on pages 78 and 79. The group provides sales incentives to its end customers for certain branded products. The group estimates the likely customer support claim at the point of sale. There can be a significant period of time between qualifying sales being made and the subsequent claims being received. In some instances, no claim is received. Relatively small changes in the assumptions and estimates used would have a significant effect on the overall customer support liability recognised. The effect of these matters is that, as part of our risk assessment, we determined that the customer support liability has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than materiality for the financial statements as a whole, and, as a result, was determined to be a key audit matter.
How the matter was addressed in the audit	We selected and agreed a sample of claims received during 2021 to the underlying sales data, claim and credit note documentation. We performed test of details on claims received post year end to identify any claims which related to 2021 and had not been adequately recognised at the balance sheet date. We performed sensitivity analysis over the key assumptions to assess the level of estimation uncertainty associated with the estimate. We performed retrospective analysis in order to assess the historical accuracy of the estimation of the customer support liability recognised in the prior periods to assess the level of claims expected to be received in 2022 relating to 2021 for qualifying sales which were not settled at the balance sheet date.

Independent Auditor's Report continued

to the members of Epwin Group Plc

Revenue recognition	
Key audit matter description	Refer to the accounting policy on page 76, note 1.14. The group recognises revenue at a point in time when it has satisfied its performance obligations to its customers whether this be on delivery, or upon completion of its supply and fitting arrangements. The group delivers its products from multiple locations across its divisions. There is a presumption of a significant risk in revenue recognition. As a profit-oriented business, we considered the risk of fraud in the recognition of revenue. We identified that there was a heightened risk of misstatement around the year end through inappropriate application of the group's revenue recognition policies and revenue transactions being recognised in the wrong period. We also noted that journal entries impacting revenue might be subject to fraud or error. Revenue recognition, including the associated identified fraud risk, was one of the matters that had the greatest effect on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team in order to conclude.
How the matter was addressed in the audit	We reviewed and understood the group's accounting policy and how this satisfied the requirements of IFRS15 'Revenue from contracts with customers'. In addressing the identified risk of fraud, we performed tests of detail for transactions recognised either side of the year end to determine whether revenue had been recorded in the correct financial period. In addition, we performed substantive analytical review procedures to reconcile cash to sales recognised throughout the period, and, for a selection of transactions throughout the year, determined whether these were recognised appropriately. We reviewed a number of journal entries which impacted revenue and through review of supporting documentation, assessed whether revenue had been recognised appropriately.

Inventory provision	
Key audit matter description	Refer to the accounting policy on page 75, note 1.10, together with critical judgements and estimates in applying the group's accounting policies in note 2 on pages 78 and 79. The group holds a significant amount of inventory across its distribution network and its manufacturing and warehousing facilities. The valuation of inventory involves judgement, relating to potential obsolescence and saleability, to determine the net realisable value. The saleability of inventory is dependent on current trends and customer demands, which can vary and change over time. The group has in place an established process for addressing this risk and recognising provisions accordingly. The effect of these matters is that, as part of our risk assessment, we determined that the inventory provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than materiality for the financial statements as a whole, and, as a result, was determined to be a key audit matter.
How the matter was addressed in the audit	We reviewed and understood the group's accounting policy and how this satisfied the requirements of IAS2 'Inventories'. We assessed and challenged the basis, methods and model on which provisions for obsolete and slow-moving inventory have been established. This was undertaken at a component level and took account of the nature of each business and its products. We challenged the year-end inventory provisions recognised, performing recalculations based on management's methodology, sales information and assumptions including those relating to expected usage, determination of net realisable value and obsolescence risk. We performed testing to ensure that inventory was valued at the lower of cost and net realisable value by comparing sales values of the products to their actual cost.

Our application of materiality

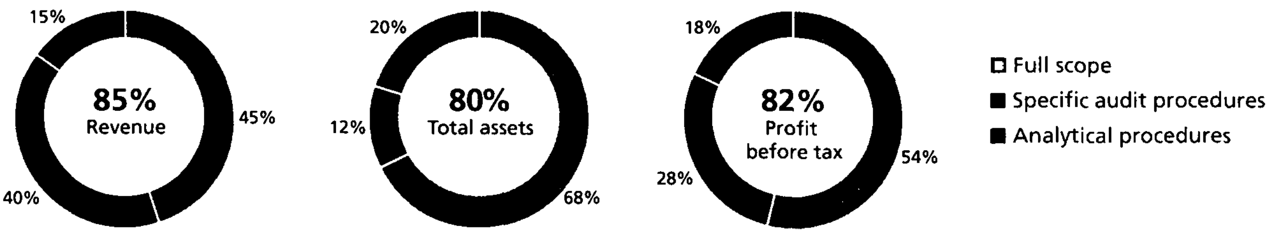
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£576,000	£81,000
Basis for determining overall materiality	4.5% of profit before tax	1% of total assets, this materiality is the restricted value as a component for the group audit
Rationale for benchmark applied	Profit before tax is considered to be the metric used by users of the financial statements to review the performance of the group	Holding company
Performance materiality	£403,000	£56,700
Basis for determining performance materiality	70% of overall materiality	70% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £28,800 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £4,100 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 25 components, all of which are based in the UK.

The coverage achieved by our audit procedures was:



Full scope audits were performed for 4 components, specific audit procedures for 12 components and analytical procedures at group level for the remaining 9 components.

Of the above, full scope audits for 3 components and specific audit procedures for 12 components were undertaken by an engagement team from RSM UK Audit LLP as component auditors.

Specific audit procedures were performed in order to obtain sufficient and appropriate coverage over the group's results and address the identified significant risks of material misstatement at a group level.

Independent Auditor's Report continued

to the members of Epwin Group Plc

Conclusions relating to going concern

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. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Understanding how the cash flow forecasts for the going concern period had been prepared and the assumptions adopted;
- Determining the funding arrangements and facilities in place to check the cash and covenant assumptions applied in management's assessment;
- Testing the integrity of the forecast model to ensure its mathematical accuracy;
- Challenging the key assumptions within the forecast with agreement to supporting data where appropriate; and
- Reviewing and challenging the appropriateness of the sensitivity analysis performed by management, supplemented by our own stress testing, followed by consideration of the need for available actions should performance be behind expectations.

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 group's or the parent 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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 57, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our audit approach.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
UK-adopted IAS, FRS101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	Inspection of advice received from external tax advisors

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we ~~have~~ formed.

IAN WALL (Senior Statutory Auditor) RSM UK Audit LLP
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

6 April 2022

Consolidated Income Statement and Other Comprehensive Income

for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Revenue	3	**329.6**	241.0
Cost of sales		**(236.9)**	(168.8)
Gross profit		**92.7**	72.2
Distribution expenses		**(38.7)**	(30.7)
Administrative expenses		**(36.3)**	(35.2)
Underlying operating profit		**18.5**	9.4
Amortisation of acquired other intangible assets	6	**(0.3)**	(0.3)
Other non-underlying items	6	**(0.1)**	(2.8)
Share-based payments expense	6, 8	**(0.4)**	–
Operating profit	4	**17.7**	6.3
Finance costs	9	**(4.8)**	(4.4)
Profit before tax		**12.9**	1.9
Taxation	10	**(0.4)**	0.7
Profit for the year and total comprehensive income		**12.5**	2.6

Earnings per share		pence	pence
Basic	11	**8.61**	1.82
Diluted	11	**8.52**	1.82

There are no items of other comprehensive income other than those included above and therefore no separate statement of other comprehensive income has been presented.

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2021

	Note	2021 £m	2020 (restated, see note 1) £m
Assets			
Non-current assets			
Goodwill	13	**75.5**	72.2
Other intangible assets	14	**2.4**	2.8
Property, plant and equipment	15	**28.5**	29.5
Right of use assets	16	**64.0**	66.4
Lease assets	16	**2.0**	2.2
Deferred tax	23	**4.6**	3.8
		177.0	176.9
Current assets			
Inventories	17	**41.0**	29.6
Trade and other receivables	18	**43.6**	44.3
Lease assets	16	**0.2**	0.2
Income tax receivable		**–**	0.5
Cash and cash equivalents (excluding bank overdrafts)	19	**9.8**	13.1
		94.6	87.7
Total assets		**271.6**	264.6
Liabilities			
Current liabilities			
Bank overdraft	19	**–**	10.9
Other interest-bearing loans and borrowings	21	**0.5**	–
Lease liabilities	16	**9.4**	9.3
Trade and other payables	20	**71.5**	57.6
Income tax payable		**0.4**	–
Provisions	22	**1.2**	1.2
		83.0	79.0
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**14.6**	17.3
Lease liabilities	16	**72.2**	74.9
Contingent consideration	25	**1.1**	1.0
Provisions	22	**2.4**	3.1
		90.3	96.3
Total liabilities		**173.3**	175.3
Net assets		**98.3**	89.3
Equity			
Ordinary share capital	24	**0.1**	0.1
Share premium	24	**13.0**	12.5
Merger reserve	24	**25.5**	25.5
Retained earnings		**59.7**	51.2
Total equity		**98.3**	89.3

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 April 2022.

They were signed on its behalf by:

JONATHAN BEDNALL
Chief Executive Officer

CHRISTOPHER EMPSON
Group Finance Director

Company number: 07742256

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance as at 1 January 2020	0.1	12.5	25.5	50.7	88.8
Comprehensive income:					
Profit for the year	–	–	–	2.6	2.6
Total comprehensive income	–	–	–	2.6	2.6
Transactions with owners recorded directly in equity:					
Settlement of share-based payments	–	–	–	(2.1)	(2.1)
Share-based payments expense	–	–	–	–	–
Dividends	–	–	–	–	–
Total transactions with owners	–	–	–	(2.1)	(2.1)
Balance as at 31 December 2020 and 1 January 2021	**0.1**	**12.5**	**25.5**	**51.2**	**89.3**
Comprehensive income:					
Profit for the year	–	–	–	12.5	12.5
Total comprehensive income	–	–	–	12.5	12.5
Transactions with owners recorded directly in equity:					
Issue of shares	–	0.5	–	–	0.5
Acquisition of treasury shares	–	–	–	(0.4)	(0.4)
Share-based payments expense	–	–	–	0.4	0.4
Dividends	–	–	–	(4.0)	(4.0)
Total transactions with owners	–	0.5	–	(4.0)	(3.5)
Balance as at 31 December 2021	**0.1**	**13.0**	**25.5**	**59.7**	**98.3**

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit for the year		**12.5**	2.6
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	14, 15, 16	**17.8**	19.2
Loss on disposal of fixed assets		**0.4**	1.1
Gain on sale and leaseback	6	**–**	(1.1)
Net finance costs	9	**4.8**	4.4
Taxation	10	**0.4**	(0.7)
Share-based payments expense	8	**0.4**	–
Operating cash flow before movement in working capital		**36.3**	25.5
(Increase)/decrease in inventories		**(10.0)**	0.7
(Increase) in trade and other receivables		**(2.9)**	(0.7)
Increase/(decrease) in trade and other payables		**12.4**	(1.6)
(Decrease) in provisions		**(0.9)**	(0.2)
Pre-tax operating cash flow		**34.9**	23.7
Tax paid		**(0.5)**	(0.8)
Net cash inflow from operating activities		**34.4**	22.9
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	5	**(5.3)**	–
Acquisition of property, plant and equipment	15	**(5.5)**	(3.0)
Acquisition of other intangible assets	14	**–**	(0.2)
Proceeds on sale and leaseback, net of development costs		**4.8**	(4.8)
Proceeds on disposal of property, plant and equipment		**0.1**	–
Net cash outflow from investing activities		**(5.9)**	(8.0)
Cash flow from financing activities			
Interest on borrowings		**(1.5)**	(1.4)
Repayment of borrowings		**(15.1)**	(48.1)
Drawdown of borrowings		**13.0**	33.0
Interest on lease liabilities		**(3.5)**	(2.9)
Repayment of lease liabilities		**(9.9)**	(10.5)
Proceeds of share issue		**0.5**	–
Acquisition of treasury shares		**(0.4)**	–
Dividends paid	12	**(4.0)**	–
Net cash outflow from financing activities		**(20.9)**	(29.9)
Net increase/(decrease) in cash and cash equivalents		**7.6**	(15.0)
Cash and cash equivalents at the beginning of year		**2.2**	17.2
Cash and cash equivalents at end of year	19	**9.8**	2.2
Secured bank loans	21	**(15.1)**	(17.3)
Lease assets	16	**2.2**	2.4
Lease liabilities	16	**(81.6)**	(84.2)
Net debt at end of year		**(84.7)**	(96.9)

The accompanying notes form an integral part of these financial statements.

Notes to the Accounts
for the year ended 31 December 2021

1. Accounting policies

1.1 Basis of preparation

Epwin Group Plc (the "Company") is a company incorporated and domiciled in the United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards.

The financial statements of the Parent Company have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101") and are presented from page 104.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements.

Judgements and estimates made by the Directors in the application of these accounting policies, which have a significant effect on the financial statements and estimates with a significant risk of material adjustment in both the current year and subsequent year, are discussed in note 2.

The financial statements are prepared on the historical cost basis except where UK-adopted International Accounting Standards require an alternative treatment.

Amounts presented in the notes to the financial statements are rounded to the nearest £0.1 million unless otherwise stated.

PRIOR YEAR RESTATEMENT

During 2021, the Financial Reporting Council ("FRC") submitted a request for further information on the Group's Annual Report and Accounts for the year ended 31 December 2020. The review conducted by the FRC was based solely on the Group's published Annual Report and Accounts and does not provide an assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Following completion of this review, the Directors have concluded that although the Group's banking facilities allow the offset of cash balances held with the bank with overdraft balances with the same bank, the overdraft balances of Group entities should be separately presented gross on the Consolidated Balance Sheet, rather than netted off against cash and cash equivalents held by other Group entities, with the same bank. As a result, the Consolidated Balance Sheet as at 31 December 2020 has been restated as follows:

	2020 (reported) £m	Restatement £m	2020 (restated) £m
Current assets			
Cash at bank and in hand	2.2	10.9	13.1
Current liabilities			
Bank overdraft	–	(10.9)	(10.9)
Net assets	**2.2**	**–**	**2.2**

The impact on the opening Consolidated Balance Sheet as at 31 December 2019 is as follows:

	2019 (reported) £m	Restatement £m	2019 (restated) £m
Current assets			
Cash at bank and in hand	17.2	0.6	17.8
Current liabilities			
Bank overdrafts	–	(0.6)	(0.6)
Net assets	17.2	–	17.2

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2020 Annual Report and Accounts.

1.2 Going concern

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides and the ongoing anticipated impact of input cost inflation on the operations and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

The Board continues to monitor the evolving status of the Covid-19 pandemic and the ongoing events in Ukraine. The Group balance sheet remains robust with significant financial headroom on committed banking facilities through to June 2024. The banking facilities comprise a £65 million Revolving Credit Facility and £10 million overdraft facility. Note 21 to the financial statements sets out more detail on the undrawn facility headroom and financial covenants. The Group has traded profitably throughout 2021, and to the date of this report, and strengthened its financial position during 2021, reducing net debt and maintaining significant headroom on its covenants.

The Group has not made use of the Coronavirus Job Retention Scheme ("CJRS") grants during 2021 and all deferred payment arrangements with suppliers and HMRC were fully cleared by 31 December 2020.

The Group prepares, and the Board reviews, detailed budgets and forecasts which it has confidence in achieving in a normal business environment. The Directors have prepared cash flow, facility headroom and financial covenant forecasts for a period of at least 12 months from the date of approval of these financial statements. The Directors considered the financial resources of the Group, as well as its forecasts and severe but plausible stress test scenarios.

The Group starts 2022 with significant headroom on its banking facilities and the forecasts show that there is sufficient liquidity and headroom to ensure compliance with all covenants throughout the going concern period.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

SUBSIDIARIES
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1.4 Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Group, pound sterling, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

1.5 Financial instruments

CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE GROUP
Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy.

FINANCIAL ASSETS
The Group's financial assets include cash and cash equivalents, and trade receivables. All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument.

i) Trade receivables
Trade receivables are recognised and carried at amortised cost less expected credit loss.

A provision for impairment of trade receivables is established using an expected credit loss model, taking into account a number of factors such as historic losses experienced by the Group and forward-looking measures such as projected credit ratings and default rates. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the consolidated income statement in administrative expenses.

ii) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits held at call with banks. For the purpose of the consolidated cash flow statement, cash and cash equivalents includes bank overdrafts in addition to the definition above.

FINANCIAL LIABILITIES
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities comprise trade and other payables, lease liabilities, contingent consideration and borrowings.

iii) Bank borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Financial expenses comprise interest expense on borrowings.

iv) Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

v) Contingent consideration
Contingent consideration is measured at fair value.

1.6 Leases

IFRS 16: Leases became effective on 1 January 2019.

On initial application, the Group applied the practical expedients to: grandfather the definition of a lease on transition, applying IFRS 16: Leases to all contracts entered into before 1 January 2019 that meet the definition of a lease in accordance with the previously applied standard, IAS 17: Leases; and in relation to short-term leases and leases of low-value items, recognising the remaining lease rental payments in the income statement on a straight-line basis over the remaining terms of the lease.

LESSEE ACCOUNTING
Upon lease commencement the Group recognises a right of use asset and lease liability.

Right of use assets recognised upon transition to IFRS 16 were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments in relation to all leases previously recognised under IAS 17.

Post transition to IFRS 16, right of use assets are initially measured at the corresponding lease liability and adjusted for:

- lease payments made on or before the commencement day, less any lease incentives;
- any initial direct costs incurred; and
- any costs to be incurred in dismantling and removing the underlying asset.

For leases acquired as part of a business combination, the right of use asset is measured at the same amount of the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared to market terms.

The lease liability is initially measured at the present value of the cash flows payable from commencement of the lease, discounted using the interest rate implicit in the lease. Where it is not possible to determine a rate implicit in the lease, the discount rate is based on the Group's incremental borrowing rate. The lease liability is subsequently remeasured to reflect changes in lease term or amounts payable, with a corresponding adjustment to the right of use asset.

Notes to the Accounts continued

for the year ended 31 December 2021

LESSOR ACCOUNTING
The Group acts as a lessor in relation to properties it subleases. It determines at sublease inception whether it is a finance or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The Group accounts for its interests in the head lease and the sublease separately. Upon sublease commencement, the Group derecognises the related right of use asset and recognises a lease asset as a receivable at an amount equal to the net investment in the lease.

SALE AND LEASEBACK TRANSACTION
To determine whether the transfer of an asset is accounted for as a sale, the Group applies the requirements of IFRS 15: Revenue from Contracts with Customers. If an asset transfer satisfies the requirements to be accounted for as a sale, the Group measures the right of use asset at the proportion of the previous carrying amount that relates to the right of use retained.

If the fair value of the sale consideration received does not equal the asset's fair value, or if the lease payments are not market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. The estimated useful lives are as follows:

Land and buildings	Land not depreciated. Buildings and improvements depreciated over the shorter of 50 years or the estimated useful life.
Plant, equipment and motor vehicles	3 to 15 years

Assets under construction are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the fair value of any contingent or deferred consideration; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs relating to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration, outside of the measurement period, are recognised in the consolidated income statement.

1.9 Intangible assets and goodwill

GOODWILL
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

OTHER INTANGIBLE ASSETS
Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

AMORTISATION

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Brand	10 years
Customer relationships	3 years
Computer software	8 years

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in, first out ("FIFO") principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. An inventory provision is recognised to ensure that inventory is stated at the lower of cost and net realisable value, see note 2 for details.

1.11 Impairment excluding inventories and deferred tax assets

FINANCIAL ASSETS

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

The Group has applied the simplified approach to measuring expected credit losses. For trade receivables, the Group recognises expected lifetime losses at initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. Payment profiles of sales over a five-year period before 31 December 2021 and their historical credit losses experienced are used to estimate the expected credit losses. Historical credit losses are determined based on trade receivables that are considered uncollectable due to administration or liquidation of customer or length of time passed. As well as historical credit loss experience, consideration is also given to potential future credit losses by taking into consideration changes in credit ratings and default rates.

NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Employee benefits

DEFINED CONTRIBUTION PLANS
A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement in the periods during which services are rendered by employees.

SHARE-BASED PAYMENTS EXPENSE
The Group grants share options to certain employees, which may, if certain performance criteria are met, allow these employees to acquire shares in the Company. The specific schemes are detailed in note 8 to the accounts.

The share options are measured at fair value at the date of grant and recognised as an employee expense, with a corresponding increase in equity, on a straight-line basis over the vesting period. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

SHORT-TERM BENEFITS
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.13 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation, as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting, where material, the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14 Revenue recognition

Revenue is recognised and payment is due at a point in time when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Control is considered to have passed to the customer once the goods have been delivered to the customer for supply only contracts or once the goods have been installed for supply and fit service contracts. There is no financing element to the revenues recognised. The transaction price is based on the stand-alone selling price as set out in the contractual documentation.

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and value added tax. Variable consideration is recognised only to the extent it is highly improbable to reverse.

Due to the nature of the Group's products and their subsequent conversion by the customer to finished goods for the end user, the likelihood of items being returned is small. Therefore, it is highly probable that a significant reversal of revenue will not occur. The Group's obligations to repair or replace faulty manufactured products under the standard warranty terms is recognised as a provision, see note 22. The Group has assessed its warranty to be of an assurance type.

1.15 Financial income and expense

Financial expenses comprise interest payable and the unwinding of the discount on lease liabilities and provisions. Financial income comprises interest receivable on funds invested and the unwinding of discount on lease assets.

Interest income and interest payable are recognised in the consolidated income statement as they accrue, using the effective interest method.

1.16 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the temporary difference can be utilised.

1.17 Income from Government grants

During the period April 2020 to October 2020, the Group received grants under the UK Government's Coronavirus Job Retention Scheme. The £8.6 million received under the scheme was recognised as a credit against the related staff costs. As of November 2020, the Group was no longer using the Coronavirus Job Retention Scheme and did not make use of the scheme during 2021.

1.18 Alternative performance measures

The Group uses a range of performance measures which are non-IFRS measures to monitor the performance of the business. The Group believes these KPIs provide better information on the ongoing trading of the business to help investors and other stakeholders evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses KPIs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group.

The Group uses the following financial KPIs on a consistent basis and they are defined and reconciled as follows:

Adjusted EBITDA – underlying operating profit before interest, taxation, depreciation and amortisation. See below for definition of underlying operating profit.

Adjusted PBT – profit before tax after adding back amortisation of acquired other intangible assets, share-based payments expense and other non-underlying items.

Covenant net debt – net debt as defined under the Group's banking facility agreement before the impact of IFRS 16: Leases.

Dividend per share – the interim dividend per share plus the proposed final dividend per share for a given period.

Leverage ratio – the ratio of covenant net debt to adjusted EBITDA.

Operating margin – operating profit as a percentage of revenue.

The Group reports certain performance measures as underlying as it believes they provide better information on the ongoing trading performance of the business. Items excluded from underlying measures are non-cash items such as amortisation of acquired other intangible assets and share-based payments expense, and significant one-off incomes or costs that are not part of the underlying trading performance of the business.

Pre-tax operating cash conversion – pre-tax operating cash flow as a percentage of underlying operating profit.

Underlying operating cash conversion – pre-tax operating cash flow as a percentage of underlying operating profit.

Underlying operating margin – underlying operating profit as a percentage of revenue.

Underlying operating profit – key measure used by management to monitor the underlying performance of the business and is defined as operating profit before amortisation of acquired other intangible assets, share-based payments and other non-underlying items.

Notes to the Accounts continued

for the year ended 31 December 2021

1.19 New and amended standards adopted by the Group

A number of new standards or amendments to existing standards and interpretations became applicable for the current reporting period:

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

The above standards and amendments did not have a material impact on the Group or Parent Company financial statements.

1.20 Adopted IFRS not yet applied

At the date of approval of these financial statements, the following standards and interpretations have been published, but have not yet been applied by the Group in these financial statements:

- IFRS 17: Insurance Contracts
- 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
- Annual Improvements to IFRS Standards 2018–2020
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (not yet endorsed or effective)

Based on initial assessments, the above standards and amendments are not expected to have a material impact on the Group or Parent Company financial statements.

2. Critical judgements and estimations in applying the Group's accounting policies

The preparation of the consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods impacted.

The critical 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 addressed below:

Estimates

REVENUE RECOGNITION AND RELATED CUSTOMER SUPPORT

Revenues are recognised at the fair value of goods sold to external customers, net of value added tax, discounts, rebates and other sales taxes or duty. Customer support is a pre-determined retrospective sales incentive for certain branded products that falls due when the Group's customer sells the relevant products to a specified end user. A deduction is made from revenue, and a provision recognised, relating to relevant products sold to customers for which customer support has yet to be claimed. This deduction includes an estimate, based on historical claims, of the proportion of sales that are expected to be sold to specified end users and that will result in a customer support claim. If the level of customer supported revenues claimed was a reasonably possible 10% lower or higher, then this would reduce or increase the liability at 31 December 2021 by approximately £0.8 million. The degree of uncertainty associated with the estimation is expected to reduce significantly within six months of the period end as claims for the period up to that point are received and settled.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

On an annual basis, the Group is required to perform an impairment review to assess whether the carrying value of goodwill and other intangible assets is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in the impairment of goodwill and other intangible fixed assets are detailed in note 13.

ALLOWANCES AGAINST THE CARRYING AMOUNT OF FINISHED GOODS INVENTORIES
The Group provides against the carrying amount of finished goods inventories, based on expected demand for its products, to ensure that inventory is stated at the lower of cost and net realisable value. The inventory provision involves a degree of estimation and is calculated with reference to the saleability of the product lines, based on recent sales trend and quantity held. The inventory provision held at 31 December 2021 is £7.3 million (2020: £7.0 million) and is sensitive to changes in customer demand. If 10% of the inventory requiring provision based on recent sales trends were subsequently to be sold, it would impact the amount of the inventory provision by £0.7 million.

Judgements

The following are the judgements made in applying the accounting policies of the group that have the most significant effect on the amounts recognised in the financial statements:

DEFERRED TAX ASSETS
The Group recognises deferred tax assets in relation to tax losses. The Group has £7.1 million of tax losses whose utilisation is restricted against specific acquired trades. On reviewing business forecasts, the Directors have concluded that it is probable that future taxable profit will be available to utilise the full amount of the tax losses.

3. Segmental reporting

Segmental information is presented in respect of the Group's reportable operating segments in line with IFRS 8: Operating Segments, which requires segmental information to be disclosed on the same basis as it is viewed internally by the Chief Operating Decision Maker. The Chief Operating Decision Maker is considered to be the Board of Directors.

Operating segments	***Operations***
Extrusion and Moulding	Extrusion and marketing of PVC and aluminium window profile systems, PVC cellular roofline and cladding, decking, rigid rainwater and drainage products as well as Wood Plastic Composite ("WPC") and aluminium decking products. Moulding of Glass Reinforced Plastic ("GRP") building components.
Fabrication and Distribution	*Fabrication, marketing and distribution of windows and doors, cellular roofline, cladding, rainwater, drainage and decking products.*

	2021 £m	2020 £m
Revenue from external customers		
Extrusion and Moulding – total revenue	**240.8**	181.2
Inter-segment revenue	**(38.5)**	(26.9)
Extrusion and Moulding – external revenue	**202.3**	154.3
Fabrication and Distribution – total revenue	**127.3**	86.7
Inter-segment revenue	**–**	–
Fabrication and Distribution – external revenue	**127.3**	86.7
Total revenue from external customers	**329.6**	241.0
Segmental operating profit		
Extrusion and Moulding	**12.2**	8.3
Fabrication and Distribution	**8.4**	3.2
Segmental operating profit before corporate costs	**20.6**	11.5
Corporate costs	**(2.1)**	(2.1)
Underlying operating profit	**18.5**	9.4
Amortisation of acquired other intangible assets	**(0.3)**	(0.3)
Other non-underlying items	**(0.1)**	(2.8)
Share-based payments expense	**(0.4)**	–
Operating profit	**17.7**	6.3

Notes to the Accounts continued
for the year ended 31 December 2021

Balance sheet 2021

	Extrusion and Moulding £m	Fabrication and Distribution £m	Total £m
Total assets	**189.0**	**77.4**	**266.4**
Total liabilities	**(113.3)**	**(38.4)**	**(151.7)**
Segment net assets	**75.7**	**39.0**	**114.7**
Group and other balances			**(16.4)**
Net assets			**98.3**

Balance sheet 2020

	Extrusion and Moulding £m	Fabrication and Distribution £m	Total £m
Total assets	194.1	62.8	256.9
Total liabilities	(106.3)	(34.8)	(141.1)
Segment net assets	87.8	28.0	115.8
Group and other balances			(26.5)
Net assets			89.3

Other material items 2021

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	**5.0**	**0.5**	**–**	**5.5**
Depreciation	**11.6**	**4.6**	**0.1**	**16.3**
Impairment	**0.8**	**–**	**–**	**0.8**

Other material items 2020

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	2.5	0.5	–	3.0
Depreciation	12.2	4.2	0.1	16.5
Impairment	1.5	0.6	–	2.1

Capital expenditure consists of additions of property, plant and equipment (excluding assets under construction) during the year.

Geographical information

	2021 £m	2020 £m
Revenue from external customers		
UK	**311.1**	224.9
Europe	**16.9**	14.5
Rest of World	**1.6**	1.6
	329.6	241.0

There are no customers that individually account for more than 5% of the Group's revenue (2020: none).

	2021 £m	2020 £m
Revenue from external customers, recognised at a point in time under IFRS 15		
Sale of goods	**295.2**	215.8
Sale of goods with variable consideration element	**29.1**	21.4
Fitting and installation	**5.3**	3.8
	329.6	241.0

Sale of goods with variable consideration element relates wholly to the Extrusion and Moulding segment, whereas fitting and installation revenue relates wholly to Fabrication and Distribution.

4. Operating profit

Operating profit is stated after charging:

	2021 £m	2020 £m
Amortisation of other intangible assets	**0.7**	0.6
Depreciation of property, plant and equipment	**6.4**	6.9
Depreciation of right of use assets	**9.9**	9.6
Impairment of property, plant and equipment	**0.8**	2.1
Loss on disposal of intangible assets, property, plant and equipment and right of use assets	**0.4**	0.8
Loss on disposal of lease asset	**–**	0.3
Gain on sale and leaseback	**–**	(1.1)

The analysis of auditor's remuneration is as follows:

	2021 £000	2020 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**84**	63
The audit of the Company's subsidiaries pursuant to legislation	**269**	300
Total audit fees	**353**	363
Non-audit fees		
All other services	**17**	–
Total non-audit fees	**17**	–
	370	363

5. Acquisitions

Acquisitions in the year ended 31 December 2021

On 5 January 2021, the Group acquired the trade and related assets of SBS (Cumbria) Limited ("SBS") for cash consideration of £3.8 million on a cash and debt-free basis.

On 30 June 2021, the Group acquired the trade counter and related assets of Plastic Building Supplies Limited ("PBS") for initial cash consideration of £0.8 million and deferred consideration of £0.1 million.

On 11 November 2021, the Group acquired Accrington Plastics Limited ("AP") for cash consideration of £1.2 million.

All acquisitions are of established regional distributors of plastic building products and form part of the Fabrication and Distribution segment. The acquired businesses contributed revenues of £9.5 million and profit before tax of £1.1 million to the Group during the year ended 31 December 2021. Disclosure of information on revenue and profit or loss for the Group as though the acquisitions of SBS, PBS and AP had been completed on 1 January 2021 is impracticable. As the acquisitions were on a trade and assets basis, comparable pre-acquisition information is not readily available for in-year acquisitions.

The following table summarises the consideration paid for SBS, PBS and AP and the provisional fair values of the assets and liabilities acquired at the acquisition date.

	SBS, PBS and AP provisional fair values on acquisition £m
Recognised amounts of identifiable assets and liabilities acquired:	
Acquired intangibles – brand	0.4
Property, plant and equipment	1.0
Right of use assets	2.4
Inventories	1.4
Trade and other receivables	1.2
Cash and cash equivalents	0.5
Lease liabilities	(2.4)
Trade and other payables	(1.5)
Corporation tax liability	(0.1)
Deferred tax liability	(0.1)
Provisions	(0.2)
Fair value of assets acquired	2.6
Goodwill (see note 13)	3.3
Total consideration	5.9
Consideration	
Cash consideration	5.8
Deferred consideration	0.1
Total consideration	5.9

On acquisition, other intangible fixed assets of £0.4 million were recognised, representing the SBS, PBS and AP brands.

The goodwill recognised of £3.3 million represents the know-how of the workforce, plus the potential for cross-selling and synergies that exist as a result of the vertical integration with, and the larger scale of, the Epwin Group.

6. Non-underlying items

Non-underlying items included within operating profit:

	2021 £m	2020 £m
Amortisation of acquired other intangible assets	(0.3)	(0.3)
Other non-underlying items	(0.1)	(2.8)
Share-based payments expense	(0.4)	–
Non-underlying expense	**(0.8)**	(3.1)

Amortisation of acquired other intangible assets

£0.3 million (2020: £0.3 million) amortisation of brand and customer relationship intangible assets acquired through business combinations.

Other non-underlying items

Other non-underlying items are significant one-off incomes or costs that are not part of the underlying trading performance of the business.

Other non-underlying items include:

	2021 £m	2020 £m
Profit on sale and leaseback transaction (note 16)	–	1.1
Site consolidation and redundancy	–	(3.9)
Acquisition costs	(0.1)	–
Other non-underlying items	**(0.1)**	(2.8)

Included in site consolidation and redundancy is £nil (2020: £2.1 million) of plant, equipment and fixtures impairment relating to sites exited as part of the Window Systems site consolidation.

Share-based payments expense

The share-based payment expense of £0.4 million (2020: £nil) comprises IFRS 2: Share-based Payment charges of £0.1 million (2020: £nil) in respect of the Long-Term Incentive Plan, which was launched in May 2021, and SAYE schemes of £0.3 million (2020: £nil).

7. Staff costs

	2021 Number	2020 Number
Average number of employees		
Production and distribution	1,439	1,519
Marketing and administration	533	511
	1,972	2,030

	2021 £m	2020 £m
Aggregate payroll costs		
Gross wages and salaries	58.9	57.7
Receipts under the Coronavirus Job Retention Scheme	–	(8.6)
Social security costs	5.9	5.2
Contributions to defined contribution plans	1.7	1.7
Share-based payments	0.4	–
	66.9	56.0

Key management personnel have been identified as the Corporate and Operations Boards. Remuneration of key management personnel is as follows:

	2021 £m	2020 £m
Key management personnel costs		
Short-term employee benefits	**2.1**	1.1
Post-employment benefits	**0.1**	0.1
Share-based payment charges	**0.1**	–
	2.3	1.2

The remuneration of individual Non-Executive and Executive Directors is detailed in the table on page 55.

8. Share-based payments

The Group operates a Long-Term Incentive Plan for Executive Directors and certain senior management, the terms of which are disclosed in the Directors' Remuneration Report, as well as a Save As You Earn ("SAYE") scheme available to all employees.

In 2017, the Group established a Long-Term Incentive Plan for Directors and senior management. Awards issued under the equity-based Long-Term Incentive Plan should vest three years from the date of the grant based on service and certain non-market performance criteria being met. Awards are settled in equity. The number of shares to be awarded is variable based on the employee meeting performance criteria in each year of the scheme.

Vesting of the 2017–19 Long-Term Incentive Plan was due on the finalisation of the results for the year ended 31 December 2019. Although the scheme closed at 31 December 2019, in light of the Covid-19 pandemic, the awards were deferred. The awards were subsequently made in December 2020, at which point a modification was made to the terms. The intention at grant was that the scheme would be fully settled in equity and as such accounted as an equity-settled share-based payment. The Group would issue the gross number of share awards, with the recipients receiving shares equal to the award net of employment taxes. The Group would sell the remaining shares in the market to settle the corresponding payroll taxes liability.

On award, in order to minimise shareholder dilution and the ongoing dividend requirement, rather than issue the gross number of shares to settle the awards, the Remuneration Committee modified the terms of the plan and settled the awards by issuing shares equal to the net award value (net of employment taxes) to each award holder, with the income tax and National Insurance due in respect of the awards being settled in cash by the Group. It was also decided that a small number of the awards would be settled in cash. This was a modification to the original intention of the scheme and the accounting treatment. As a result, at 31 December 2020, an adjustment of £2.1 million was made to retained earnings, with a corresponding adjustment to trade and other payables in relation to a payroll tax liability of £1.8 million and liability for rewards to be settled in cash of £0.3 million. The awards were settled, net of taxation, in equity at an exercise price of 89.1 pence per share. The total number of shares awarded was 1,594,108.

Following the deferred settlement of the 2017–2019 Long-Term Incentive Plan in December 2020, a new scheme was set up in May 2021, the 2021 Long-Term Incentive Plan ("2021 LTIP"). Under the 2021 LTIP, the Executive Directors and certain senior employees can purchase shares at nominal value subject to satisfactorily completing three years' service and achieving certain underpin conditions. The Remuneration Committee has discretion to reduce the potential level of awards vesting where it considers that full vesting is not justified by the individual's or Company's performance over the vesting period, as well as the overall shareholder experience.

On 21 October 2020, a further grant of options was made under the Group's SAYE scheme with the savings contract commencing from 1 January 2021. The options can be exercised during a six-month period following the completion of a three-year savings period.

	SAYE	LTIP
Date of grant	21 October 2020	25 May 2021
Earliest year in which options are exercisable	2023	2024
Option pricing model used	Black–Scholes	Black–Scholes
Number of options granted	2,437,632	558,671
Aggregate fair value of options granted at date of grant	£1.0m	£0.5m
Expected volatility	62.2%	61.3%
Risk-free interest rate	0.76%	0.76%
Exercise price (per share)	54.0p	0.05p
Share price at grant date	64.9p	107.3p
Expected dividend yield	6.0%	6.0%
Expected term (years)	3 years	3 years
Expected departures	–	–
Settlement	Equity	Equity

The expected price volatility is based on the three-year historical share price volatility in line with the life of share options granted.

In July 2014, the Group also issued warrants to Zeus Capital for services related to the IPO. The warrant is for 3% of the share capital of the Company at IPO. The warrant is exercisable, at the IPO share price, any time between the first and tenth anniversary of admission to AIM. The fair value of the warrant has been determined by reference to the estimated value of services provided using a Black–Scholes valuation model and was charged in full as an IPO expense in the year ended 31 December 2014.

The total expense recognised in the income statement for each of these schemes was as follows:

	2021 £m	2020 £m
Long-Term Incentive Plan	**0.1**	–
SAYE	**0.3**	–
	0.4	–

	2021 Average exercise price per share option	2021 No.	2020 Average exercise price per share option	2020 No.
Number of options at 1 January	**64.0p**	**757,800**	67.0p	1,361,440
Options granted	**52.0p**	**2,996,303**	–	–
Options lapsed	**54.0p**	**(297,617)**	71.0p	(575,711)
Options exercised	**64.0p**	**(758,783)**	64.0p	(27,929)
Number of options at 31 December	**51.0p**	**2,697,703**	64.0p	757,800

All share options exercised during the year were in respect of the Group's SAYE scheme, at a price of 64.0 pence. The weighted average remaining contractual life of share options outstanding at the end of the period is 755 days. The number of options exercisable at the end of the period is nil.

	2021 No.	2020 No.
Options outstanding at 31 December 2021		
Options under SAYE 2018–2020	–	757,800
Options under SAYE 2021–2023	2,139,032	–
Options under LTIP 2021–2024	558,671	–
Options outstanding	**2,697,703**	757,800

9. Finance costs

	2021 £m	2020 £m
Interest expense on borrowings	1.1	1.4
Amortisation of loan fees	0.2	0.1
Net interest on lease liabilities	3.5	2.9
Total finance costs	**4.8**	4.4

10. Taxation

	2021 £m	2020 £m
Current tax		
Current period	1.4	–
Prior period	(0.1)	(0.7)
Total current tax charge/(credit)	**1.3**	(0.7)
Deferred tax		
Current period	(0.5)	(0.5)
Prior period	(0.4)	0.5
Total deferred tax credit	**(0.9)**	–
Total tax charge/(credit)	**0.4**	(0.7)

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

The Group's total income tax charge/(credit) is reconciled with the standard rates of UK corporation tax for the year of 19% (2020: 19%) as follows:

	2021 £m	2020 £m
Profit before tax	12.9	1.9
Tax at standard UK corporation tax rate of 19% (2020: 19%)	2.4	0.4
Factors affecting the charge for the period:		
Expenses not deductible	0.3	0.2
Losses utilised for which no deferred tax previously recognised	(0.5)	(0.5)
Difference in tax rate	(1.2)	(0.6)
Super deduction benefit	(0.2)	–
Prior period	(0.4)	(0.2)
Total tax charge/(credit)	**0.4**	(0.7)

Factors that may affect future current and total tax charges

In the Spring Budget 2020, the UK Government announced that, from 1 April 2020, the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). In the Budget held on 3 March 2021, the Government announced that the corporation tax rate will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in the financial statements.

The effective tax rate in the current year of 3.1% is primarily driven by the impact of the upcoming increase in corporation tax rate on the value of deferred tax assets, as well as the impact of the capital expenditure super deduction which came into force in April 2021.

11. Earnings per share

Basic earnings per share ("EPS") are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares has been adjusted for the issue and cancellation of shares during the period.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, plus the dilutive potential ordinary shares arising from share options in issue at the end of the period.

EPS summary	2021 Pence	2020 Pence
Basic EPS	**8.61**	1.82
Diluted EPS	**8.52**	1.82

Number of shares	2021 No.	2020 No.
Weighted average number of ordinary shares (basic)	**145,237,438**	143,004,710
Effect of share options in issue	**1,550,649**	139,770
Weighted average number of ordinary shares (diluted)	**146,788,087**	143,144,480

12. Dividends

	2021 £m	2021 Pence per share	2020 £m	2020 Pence per share
Previous year final dividend	**1.5**	**1.00**	–	–
Current year interim dividend	**2.5**	**1.75**	–	–
	4.0		–	

The Board is recommending a final dividend of 2.35 pence per share in respect of the financial year ending 31 December 2021.

Notes to the Accounts continued
for the year ended 31 December 2021

13. Goodwill

	Goodwill £m
Cost	
At 1 January 2020	72.2
Acquisitions through business combinations in 2020	–
At 31 December 2020	72.2
Acquisitions through business combinations in 2021	**3.3**
At 31 December 2021	**75.5**
Accumulated impairment losses	
At 31 December 2019, 2020 and 2021	–
Net book value	
At 31 December 2021	**75.5**
At 31 December 2020	72.2
At 31 December 2019	72.2

Impairment testing

The goodwill of £75.5 million arose on the merger that formed the Epwin Group (£24.5 million) in 2012 and the acquisitions of:

- Ecodek (£7.2 million) and Stormking (£24.4 million) in 2015
- National Plastics (£9.6 million) in 2016
- Amicus (£4.5 million) in 2018
- PVS (£2.0 million) in 2019
- SBS (£2.1 million), PBS (£0.4 million) and Accrington Plastics (£0.8 million) in 2021

The Directors have considered it appropriate to allocate goodwill and test for impairment based on the acquisitions through which it arose.

Goodwill is not amortised but tested annually for impairment on the basis of value in use calculations using discounted cash flows. The value in use exceeded the carrying value for each of the cash-generating units ("CGUs"). Therefore, no impairment loss was recognised in any of the periods.

In assessing the value in use, the 2022 budget and three-year plan used for the purposes of the Group's going concern assessment were used to provide revenue, profit and cash flow projections for the period to 31 December 2024. For periods after 31 December 2024, a long-term growth rate of 1.00% was used to determine a terminal value. Discount rates are based on the weighted average cost of capital of a market participant and adjusted for risk in the cash flow forecasts.

The impairment calculations are subject to key assumptions in respect of cash flows, discount rates and growth rates. The table below sets out the key assumptions for CGUs where no reasonably possible change to the key assumptions would result in an impairment:

CGU	2021 Goodwill £m	2021 Pre-tax discount rate	2021 Long-term growth rate
Merger	**24.5**	**9.8%**	**1.0%**
Amicus	**4.5**	**11.2%**	**1.0%**
Stormking	**24.4**	**11.0%**	**1.0%**
National Plastics	**9.6**	**11.2%**	**1.0%**
PVS	**2.0**	**10.0%**	**1.0%**
SBS	**2.1**	**10.8%**	**1.0%**
PBS	**0.4**	**11.1%**	**1.0%**
Accrington Plastics	**0.8**	**11.2%**	**1.0%**

The table below sets out the key assumptions for CGUs where reasonably possible changes in the key assumptions could trigger an impairment:

	2021 Ecodek	2020 Ecodek
Goodwill (£m)	7.2	7.2
Pre-tax discount rate	10.7%	12.2%
Long-term growth rate	1.0%	1.0%
Short-term growth rate	26.4%	13.1%
Headroom (£m)	4.9	5.8

In order to trigger an impairment, the key assumptions would need to be stressed as follows:	
Short-term growth rate reduction to trigger impairment	–37.5%
Discount rate increase to trigger an impairment	28.5%

The goodwill impairment assessment involves calculating the value in use of each CGU and comparing this to the goodwill allocated to that CGU. The value in use calculation includes a number of estimates, including revenue, profit and cash flow forecasts for each CGU, the growth rate into perpetuity beyond this period and the discount rate, which depend on future expectations of the Company and its markets.

The goodwill associated with the acquisition of Ecodek is sensitive to changes in assumptions. A reasonably possible 40% reduction in short-term growth rate would lead to a £0.2 million impairment of the goodwill associated with Ecodek. There is no reasonably possible reduction in long-term growth rate that would trigger an impairment.

Notes to the Accounts continued
for the year ended 31 December 2021

14. Other intangible assets

	Customer relationships £m	Brands £m	Computer software £m	Total £m
Cost				
At 1 January 2020	7.8	2.7	2.7	13.2
Additions	–	–	0.2	0.2
Disposals	–	–	(0.5)	(0.5)
At 31 December 2020	7.8	2.7	2.4	12.9
On acquisition (see note 5)	–	**0.4**	–	**0.4**
Disposals	–	–	**(0.3)**	**(0.3)**
At 31 December 2021	**7.8**	**3.1**	**2.1**	**13.0**
Accumulated amortisation				
At 1 January 2020	7.7	1.1	0.9	9.7
Charge for the year	–	0.3	0.3	0.6
Disposals	–	–	(0.2)	(0.2)
At 31 December 2020	7.7	1.4	1.0	10.1
Charge for the year	–	**0.3**	**0.4**	**0.7**
Disposals	–	–	**(0.2)**	**(0.2)**
At 31 December 2021	**7.7**	**1.7**	**1.2**	**10.6**
Net book value at 31 December 2021	**0.1**	**1.4**	**0.9**	**2.4**
Net book value at 31 December 2020	0.1	1.3	1.4	2.8

Amortisation

Amortisation is recognised in administrative expenses in the consolidated income statement:

	2021 £m	2020 £m
Customer relationships	–	–
Brands	**0.3**	0.3
Computer software	**0.4**	0.3
Amortisation	**0.7**	0.6

15. Property, plant and equipment

	Land and buildings £m	Plant, fixtures and equipment £m	Asset under construction £m	Total £m
Cost				
At 1 January 2020	3.2	53.9	10.1	67.2
Additions	–	3.0	4.8	7.8
Disposals	–	(1.3)	(14.9)	(16.2)
At 31 December 2020	3.2	55.6	–	58.8
On acquisition (see note 5)	**–**	**1.0**	**–**	**1.0**
Additions	**0.2**	**5.3**	**–**	**5.5**
Disposals	**–**	**(3.7)**	**–**	**(3.7)**
At 31 December 2021	**3.4**	**58.2**	**–**	**61.6**
Accumulated depreciation				
At 1 January 2020	0.1	21.0	–	21.1
Charge for the year	0.1	6.8	–	6.9
Impairment	–	2.1	–	2.1
Disposals	–	(0.8)	–	(0.8)
At 31 December 2020	0.2	29.1	–	29.3
Charge for the year	**0.1**	**6.3**	**–**	**6.4**
Impairment	**–**	**0.8**	**–**	**0.8**
Disposals	**–**	**(3.4)**	**–**	**(3.4)**
At 31 December 2021	**0.3**	**32.8**	**–**	**33.1**
Net book value at 31 December 2021	**3.1**	**25.4**	**–**	**28.5**
Net book value at 31 December 2020	3.0	26.5	–	29.5

The Group has made the decision to phase out certain products and, as a result, has written the carrying value of the related tooling down to its recoverable amount. This has resulted in an impairment charge of £0.8 million.

16. Leases

Right of use assets

	Leasehold land and buildings £m	Plant, equipment and motor vehicles £m	Total £m
At 1 January 2020	39.5	11.9	51.4
Additions	18.0	7.5	25.5
Disposals	(0.9)	–	(0.9)
Depreciation	(4.3)	(5.3)	(9.6)
At 31 December 2020	52.3	14.1	66.4
On acquisition (see note 5)	**2.4**	**–**	**2.4**
Additions	**2.6**	**2.6**	**5.2**
Disposals	**(0.1)**	**–**	**(0.1)**
Depreciation	**(5.2)**	**(4.7)**	**(9.9)**
At 31 December 2021	**52.0**	**12.0**	**64.0**

Lease liabilities

	Leasehold land and buildings £m	Plant, equipment and motor vehicles £m	Total £m
At 1 January 2020	59.6	11.4	71.0
Additions	17.2	7.5	24.7
Disposals	(0.9)	–	(0.9)
Repayment of lease liabilities	(7.6)	(6.1)	(13.7)
Interest on lease liabilities	2.7	0.4	3.1
At 31 December 2020	71.0	13.2	84.2
On acquisition (see note 5)	**2.4**	**–**	**2.4**
Additions	**2.6**	**2.6**	**5.2**
Repayment of lease liabilities	**(8.7)**	**(5.0)**	**(13.7)**
Interest on lease liabilities	**3.1**	**0.4**	**3.5**
At 31 December 2021	**70.4**	**11.2**	**81.6**

Lease liabilities	**2021 £m**	2020 £m
Current	**9.4**	9.3
Non-current	**72.2**	74.9
Total lease liabilities	**81.6**	84.2

Maturity analysis – contractual undiscounted cash flows

Lease liabilities	2021 £m	2020 £m
Less than one year	12.4	12.6
One to five years	37.6	37.5
More than five years	52.2	57.8
Undiscounted lease liabilities at 31 December	**102.2**	**107.9**

Contractual cash flows due in more than five years relate wholly to property leases with lease terms of up to 20 years.

Lease assets

	Leasehold land and buildings £m
At 1 January 2020	5.7
Disposals	(3.1)
Receipts from lease assets	(0.3)
Interest on lease assets	0.1
At 31 December 2020	2.4
Receipts from lease assets	**(0.3)**
Interest on lease assets	**0.1**
At 31 December 2021	**2.2**

During 2020, an unrelated third party that sublet one of the Group's leasehold properties entered administration. Following the administration process the leasehold property was returned to the Group. As a result, the remaining lease asset of £3.1 million was derecognised. The Group considered alternative uses for the property and as such a right of use asset of £2.8 million was recognised and a loss of £0.3 million taken to the income statement. As at the 31 December 2020 and 31 December 2021, the most likely use for the property was considered to be within the Group.

Lease assets	2021 £m	2020 £m
Current	0.2	0.2
Non-current	2.0	2.2
Total lease assets	**2.2**	**2.4**

Maturity analysis – contractual undiscounted cash flows

Lease assets	2021 £m	2020 £m
Less than one year	0.3	0.3
One to five years	1.1	1.1
More than five years	1.4	1.7
Undiscounted lease asset at 31 December	**2.8**	**3.1**
Impact of discounting	(0.6)	(0.7)
Fair value of lease asset at 31 December	**2.2**	**2.4**

Contractual cash flows due in more than five years relate wholly to property leases with lease terms of up to 20 years.

Notes to the Accounts continued
for the year ended 31 December 2021

Sale and leaseback transaction

During 2019, the Group acquired and, by 31 December 2019, had made substantial progress developing a 20-acre site in Telford. A series of linked transactions was undertaken whereby the Group agreed to the sale and leaseback of an existing property on the site and for the development and then sale and leaseback of a second property on the site for total proceeds of £28.0 million. The consideration was allocated to each element of the transaction based on its relative fair value. At 31 December 2019, the sale and leaseback of the existing property had completed and a non-underlying profit of £0.6 million recognised. The development of the second property completed in 2020 realising an additional profit of £1.1 million, see note 6.

17. Inventories

	2021 £m	2020 £m
Raw materials	10.7	7.4
Work in progress	0.3	0.4
Finished goods	30.0	21.8
	41.0	29.6

Inventory purchased in the period recognised as an expense was £187.0 million (2020: £137.5 million).

The Group provides for obsolete and slow-moving inventory based on historic and anticipated future usage. At 31 December 2021, there was an inventory provision of £7.3 million (2020: £7.0 million). During 2021, inventory with a value of £1.2 million was written off against the provision and £1.5 million of additional provision was created, with a corresponding charge to the income statement.

18. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	44.0	37.1
Less: expected credit loss	(2.0)	(2.2)
Trade receivables net of provision	42.0	34.9
Prepayments and accrued income	1.0	7.5
Other receivables	0.6	1.9
Trade and other receivables	43.6	44.3

19. Cash and cash equivalents

	2021 £m	2020 (restated, see note 1) £m
Cash at bank and in hand	9.8	13.1
Cash and cash equivalents (excluding bank overdraft)	9.8	13.1
Bank overdraft	–	(10.9)
Cash and cash equivalents	9.8	2.2

20. Trade and other payables

Current	2021 £m	2020 £m
Trade payables	**52.1**	37.0
Other taxation and social security	**4.1**	6.8
Other payables	**2.3**	2.9
Accruals and deferred income	**13.0**	10.9
Trade and other payables	**71.5**	57.6

21. Other interest-bearing loans and borrowings

	2021 £m	2020 £m
Secured bank loans		
Current	**0.5**	–
Non-current	**14.6**	17.3
	15.1	17.3

The facilities available to the Group at 31 December 2021 were a £65.0 million revolving credit facility and a £10.0 million overdraft, secured on the assets of the Group. The term of the revolving credit facility runs through to June 2024. The banking facility requires financial covenants to be tested on a quarterly basis: leverage ratio of less than 3.0 times and interest cover of greater than 5.0 times. The Group has remained within covenant levels at all times during the year.

Facility arrangement costs of £0.4 million (2020: £0.3 million) are set off against the amount owing at year end.

The term of the revolving credit facility was extended in March 2021 through to June 2024, at which point interest charges switched from a LIBOR basis to Sterling Over Night Index Average ("SONIA"). The revolving credit facility carries an interest rate of 2.7% above SONIA. The margin above SONIA is dependent on the level of borrowings relative to EBITDA.

	2021			2020	
	Year of maturity	Face value £m	Carrying amount £m	Face value £m	Carrying amount £m
Revolving credit facility	**2024**	**15.0**	**15.0**	17.0	17.0
		15.0	**15.0**	17.0	17.0

The Group had the following undrawn committed borrowing facilities available at each balance sheet date in respect of which all conditions precedent have been met:

	2021 £m	2020 £m
Expiring within one year	**10.0**	10.0
Expiring between one and two years	**–**	–
Expiring between two and five years	**50.0**	48.0
Expiring after five years	**–**	–
	60.0	58.0

Notes to the Accounts continued
for the year ended 31 December 2021

Net debt reconciliation

	At 1 January 2021 £m	Cash movement £m	Non-cash movement £m	At 31 December 2021 £m
Cash and cash equivalents	2.2	7.6	–	**9.8**
Secured bank loans	(17.3)	3.6	(1.4)	**(15.1)**
Lease assets	2.4	(0.3)	0.1	**2.2**
Lease liabilities	(84.2)	13.7	(11.1)	**(81.6)**
Net debt	(96.9)	24.6	(12.4)	**(84.7)**
Add back: Lease liabilities	84.2	(13.7)	11.1	**81.6**
Deduct: Lease assets	(2.4)	0.3	(0.1)	**(2.2)**
Deduct: Finance lease liabilities	(3.4)	0.9	(1.6)	**(4.1)**
Covenant net debt	(18.5)	12.1	(3.0)	**(9.4)**

Covenant net debt to adjusted EBITDA

	2021 £m	2020 £m
Operating profit	**17.7**	6.3
Add back:		
Depreciation and amortisation	**17.0**	17.1
Other non-underlying items	**0.1**	2.8
Share-based payments	**0.4**	–
Finance lease payments	**0.9**	1.4
Less:		
Net repayment in respect of leases	**(13.4)**	(13.4)
Adjusted EBITDA	**22.7**	14.2
Covenant net debt to adjusted EBITDA	**0.4x**	1.3x

22. Provisions

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
At 1 January 2021	1.9	1.2	1.2	4.3
On acquisition (see note 5)	**0.2**	**–**	**–**	**0.2**
Created/(released) during the year	**0.3**	**(0.3)**	**(0.2)**	**(0.2)**
Utilised during the year	**(0.1)**	**–**	**(0.6)**	**(0.7)**
At 31 December 2021	**2.3**	**0.9**	**0.4**	**3.6**

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
Non-current	**1.7**	**0.7**	**–**	**2.4**
Current	**0.6**	**0.2**	**0.4**	**1.2**
At 31 December 2021	**2.3**	**0.9**	**0.4**	**3.6**

The expected future cash flows have not been discounted as the effect would not be material.

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
At 1 January 2020	1.9	1.3	1.3	4.5
Created during the year	–	–	0.5	0.5
Utilised during the year	–	(0.1)	(0.6)	(0.7)
At 31 December 2020	1.9	1.2	1.2	4.3

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
Non-current	1.5	1.0	0.6	3.1
Current	0.4	0.2	0.6	1.2
At 31 December 2020	1.9	1.2	1.2	4.3

Leasehold dilapidations

The Group leases a number of properties with terms of up to 20 years remaining. Under the terms of these leases, Group companies, as tenants, are required to return the property to its original condition prior to the termination of the lease. As a contractual obligation exists, the Group provides for the dilapidation costs based on management's experience of historical dilapidation settlements.

Warranties

Group companies offer warranties, typically of between five and ten years, on certain products. As such, a provision is estimated to cover the cost of any future replacement and reinstallation on these products based on the Directors' best estimate of the average warranty period, failure rates and remediation costs.

Site consolidation and rationalisation

Site consolidation and rationalisation provisions comprise onerous property cost provisions relating to sites the Group has closed, or committed to close, as at 31 December 2021.

Notes to the Accounts continued

for the year ended 31 December 2021

23. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2021 Assets £m	2021 Liabilities £m	2020 Assets £m	2020 Liabilities £m
Property, plant and equipment	**0.5**	**–**	0.5	–
Intangible assets	**–**	**(0.4)**	–	(0.3)
Other timing differences	**1.0**	**–**	1.1	–
Right of use assets/lease liabilities	**1.9**	**–**	1.4	–
Tax value of loss carry-forwards	**1.6**	**–**	1.1	–
Deferred tax assets/(liabilities)	**5.0**	**(0.4)**	4.1	(0.3)
Net of deferred tax liabilities	**(0.4)**		(0.3)	
Net deferred tax asset	**4.6**		3.8	

Movement in deferred tax during the periods:

	At 1 January 2021 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2021 £m
Property, plant and equipment	0.5	–	–	**0.5**
Intangible assets	(0.3)	–	(0.1)	**(0.4)**
Other timing differences	1.1	(0.1)	–	**1.0**
Right of use assets/lease liabilities	1.4	0.5	–	**1.9**
Tax value of loss carry-forwards	1.1	0.5	–	**1.6**
	3.8	0.9	(0.1)	**4.6**

	At 1 January 2020 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2020 £m
Property, plant and equipment	0.6	(0.1)	–	**0.5**
Intangible assets	(0.3)	–	–	**(0.3)**
Other timing differences	0.7	0.4	–	**1.1**
Right of use assets/lease liabilities	2.5	(1.1)	–	**1.4**
Tax value of loss carry-forwards	0.3	0.8	–	**1.1**
	3.8	–	–	**3.8**

Deferred tax assets have not been recognised in respect of the following items:

	2021 £m	2020 £m
Gross tax losses	–	4.9

The Group has £7.1 million of tax losses that are potentially restricted in their use. On reviewing business forecasts, the Directors have concluded that it is probable that future taxable profit will be available to utilise the full amount of the tax losses.

As at 31 December 2020, the Group had £10.7 million of such tax losses, of which the Directors concluded that it would be probable that future taxable profit would be available to utilise £5.8 million.

24. Share capital and reserves

	2021 Number of shares	2021 £	2020 Number of shares	2020 £
Allotted and called up:				
Ordinary shares of 0.05p each	**145,305,993**	**72,653**	144,547,210	72,274
		72,653		72,274

Share capital

During the year, the Company issued 758,783 ordinary shares of 0.05p each to employees who had elected to exercise their options pursuant to the Group's Save As You Earn ("SAYE") employee share scheme.

The Company purchased 388,000 ordinary shares at a price of 93.0 pence. These ordinary shares are held in treasury and will be utilised to satisfy the vesting of awards made under the Group's SAYE scheme and Long-Term Incentive Plan.

Share premium

The share premium arose on the issue of the Company's shares at a premium to the nominal value of the shares, less any expenses of issue incurred in issuing equity.

Merger reserve

The merger reserve arose on the share for share exchange on the acquisition of subsidiaries and settlement of deferred contingent consideration.

Outstanding options

Outstanding options have been granted to the Directors and employees of the Group under the Long-Term Incentive Plan and SAYE scheme. Further details are included within note 8.

Share warrants for 3% of the fully diluted share capital of the Company were issued to Zeus Capital for services related to the IPO in 2014. The warrants are exercisable, at the IPO share price, any time between the first and tenth anniversary of admission to AIM.

Notes to the Accounts continued

for the year ended 31 December 2021

25. Financial instruments and related disclosures

Financial risk management

The Directors have overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risks is maintained and reviewed by the Directors, who also monitor the status of agreed actions to mitigate key risks.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparties to a financial instrument fail to meet contractual obligations and arises principally from the Group's receivables from customers.

Revenue is recognised and payment is due at a point in time when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. As the principal business of the Group is credit sales, the Group trade receivables are large and therefore contain exposure to credit risk. The carrying amount of trade receivables recorded in the financial statements represents the Group's principal exposure to credit risk other than cash and cash equivalents held with financial institutions. The Group holds credit insurance, where available.

Trade receivables are presented net of customer support of £2.7 million (2020: £2.1 million).

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2021 £m	2020 £m
UK	**41.3**	34.8
Europe	**2.6**	2.0
Rest of World	**0.1**	0.3
	44.0	37.1

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

	2021		2020	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	**28.3**	**0.8**	23.0	1.5
Past due 0–30 days	**12.3**	**0.4**	10.8	0.1
Past due 31–120 days	**2.1**	**0.2**	2.1	0.1
More than 120 days	**1.3**	**0.6**	1.2	0.5
	44.0	**2.0**	37.1	2.2

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021 £m	2020 £m
Balance at 1 January	**2.2**	2.4
Impairment loss recognised	**–**	0.8
Impairment loss utilised	**(0.2)**	(1.0)
Balance at 31 December	**2.0**	2.2

For the purpose of IFRS 15: Revenue from Contracts with Customers, trade receivables are considered to be the only asset or liability related to contracts with customers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there are sufficient cash or working capital facilities to meet the liquidity requirements of the Group.

The risk is measured by review of forecast cash flows each month to determine whether there are sufficient credit facilities to meet forecast requirements and by monitoring covenants on a regular basis to ensure there are no expected significant breaches. Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the strong cash-generating ability of the business and its ability to operate within existing agreed banking facilities. There have been no breaches of covenants during the reported periods.

The Group has a £10.0 million overdraft and a £65.0 million revolving credit facility to support short and medium-term liquidity. The term of the revolving credit facility runs through to June 2024. At 31 December 2021, the amount outstanding on the revolving credit facility was £15.0 million (2020: £17.0 million).

Contractual cash flows

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted and include contractual interest payments.

2021		Contractual cash flows				
	Carrying amount £m	**Less than 12 months £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**	**Total £m**
Contingent consideration	**1.1**	**–**	**1.1**	**–**	**–**	**1.1**
Secured bank loans	**15.1**	**0.5**	**–**	**15.0**	**–**	**15.5**
Lease liabilities	**81.6**	**12.4**	**11.0**	**26.6**	**52.2**	**102.2**
Trade and other payables*	**67.4**	**67.4**	**–**	**–**	**–**	**67.4**
	165.2	**80.3**	**12.1**	**41.6**	**52.2**	**186.2**

* Excluding non-financial liabilities

2020		Contractual cash flows				
	Carrying amount £m	Less than 12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Contingent consideration	1.0	–	1.0	–	–	1.0
Secured bank loans	17.3	–	–	17.0	0.6	17.6
Lease liabilities	84.2	12.6	11.2	26.3	57.8	107.9
Trade and other payables*	50.8	50.8	–	–	–	50.8
	153.3	63.4	12.2	43.3	58.4	177.3

*Excluding non-financial liabilities

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income.

Notes to the Accounts continued
for the year ended 31 December 2021

Foreign currency risk

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	2021			2020		
	Euro £m	USD £m	GBP £m	Euro £m	USD £m	GBP £m
Trade receivables	**2.1**	**–**	**39.9**	1.5	–	42.8
Cash and cash equivalents	**0.5**	**–**	**9.3**	0.5	–	1.7
Interest-bearing loans and borrowings	**–**	**–**	**(15.1)**	–	–	(17.3)
Trade payables	**(0.2)**	**(0.3)**	**(51.6)**	–	–	(37.0)
	2.4	**(0.3)**	**(17.5)**	2.0	–	(9.8)

As at 31 December 2021, the Group had net monetary assets and liabilities denominated in Euro of positive £2.4m and USD of negative £0.3m. A reasonably possible strengthening or weaking of Sterling against either currency would not have had a material impact on the year end position in the current or prior years.

Interest rate risk

The Group's bank borrowings incur variable interest rate charges linked to SONIA plus a margin. The Group's policy aims to manage the interest cost within the constraints of its financial covenants and forecasts.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Group views its capital as share capital, term loans, revolving credit facility, overdraft, finance leases and operating cash flow. The Board's policy is to retain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth. The Directors regularly monitor the level of capital in the Group to ensure that this can be achieved.

Fair value disclosures

The fair values of financial assets and liabilities are as follows:

	2021 £m	2020 (restated, see note 1) £m
Cash at bank and in hand	**9.8**	13.1
Trade receivables	**42.0**	34.9
Total financial assets	**51.8**	48.0

	2021 £m	2020 (restated, see note 1) £m
Bank overdraft	**–**	10.9
Borrowings at amortised cost	**15.1**	17.3
Trade and other payables*	**67.4**	50.8
Lease liabilities	**81.6**	84.2
Contingent consideration	**1.1**	1.0
Total financial liabilities	**165.2**	164.2

* Excluding non-financial instruments

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables and short-term borrowings	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The contingent consideration of £1.0 million created on the acquisition of PVS was carried at fair value measured using a Level 3 valuation method based on a contractual multiple of the forecast EBITDA of the respective business during a post-acquisition period.

	2021 £m	2020 £m
Balance at 1 January	1.0	1.0
Created on acquisition (see note 5)	0.1	–
Settled in year	–	–
Credited to income statement	–	–
Balance at 31 December	**1.1**	1.0

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) if interest rates were to change by +/- 1%. The impact on the result in the income statement would be:

	2021 Impact on profit before tax £m	2020 Impact on profit before tax £m
+1 percentage point movement in interest rates	0.3	(0.4)
-1 percentage point movement in interest rates	(0.3)	0.4

26. Related party transactions

All transactions with Directors are included in the Remuneration Committee Report on pages 54 to 56.

Balances and transactions between the Parent Company and its wholly-owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Company Balance Sheet
as at 31 December 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Investments in subsidiaries	4	71.4	71.0
		71.4	71.0
Current assets			
Trade and other receivables	5	15.4	32.1
		15.4	32.1
Total assets		86.8	103.1
Liabilities			
Current liabilities			
Bank loans and overdrafts	6	–	10.0
		–	10.0
Non-current liabilities			
Bank loans and overdrafts	6	14.6	16.7
		14.6	16.7
Total liabilities		14.6	26.7
Net assets		72.2	76.4
Equity			
Ordinary share capital	7	0.1	0.1
Share premium	7	13.0	12.5
Merger reserve	7	25.5	25.5
Retained earnings		33.6	38.3
Total equity		72.2	76.4

The accompanying notes form an integral part of these financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting its own profit and loss account. The Company loss for the year ended 31 December 2021 was £0.7 million (2020: £0.5 million).

The financial statements were approved by the Board of Directors and authorised for issue on 6 April 2022.

They were signed on its behalf by:

JONATHAN BEDNALL
Chief Executive Officer

CHRISTOPHER EMPSON
Group Finance Director

Company number: 07742256

Company Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance as at 1 January 2020	0.1	12.5	25.5	40.9	79.0
Comprehensive income:					
Loss for the year	–	–	–	(0.5)	(0.5)
Total comprehensive income	–	–	–	(0.5)	(0.5)
Transactions with owners recorded directly in equity:					
Settlement of share-based payments	–	–	–	(2.1)	(2.1)
Dividends	–	–	–	–	–
Total transactions with owners	–	–	–	(2.1)	(2.1)
Balance as at 31 December 2020	0.1	12.5	25.5	38.3	76.4
Comprehensive income:					
Loss for the year	–	–	–	(0.7)	(0.7)
Total comprehensive income	–	–	–	(0.7)	(0.7)
Transactions with owners recorded directly in equity:					
Issue of shares	–	0.5	–	–	0.5
Acquisition of treasury shares	–	–	–	(0.4)	(0.4)
Share-based payment expense	–	–	–	0.4	0.4
Dividends	–	–	–	(4.0)	(4.0)
Total transactions with owners	–	0.5	–	(4.0)	(3.5)
Balance as at 31 December 2021	**0.1**	**13.0**	**25.5**	**33.6**	**72.2**

The accompanying notes form an integral part of these financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

1. Basis of preparation

Epwin Group Plc (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account and related notes.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements of Epwin Group Plc include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following disclosures:

IFRS 2: Share-based Payment in respect of Group-settled share-based payments

IFRS 7: Financial Instruments: Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Company financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Please see note 1 to the consolidated financial statements for the detailed disclosures on going concern for both the Group and Parent Company.

1.3 Investments

Investments in subsidiary undertakings are stated at cost less accumulated impairment losses recognised where, in the opinion of the Directors, there has been a diminution in the value of the investment.

1.4 Bank borrowings and financing costs

Interest-bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs, where the intention is to hold the debt instrument to maturity. Financing costs are amortised over the expected term of the loan so as to produce a constant rate of return over the period to the date of expected redemption.

1.5 Share-based payments

The Company operates a Long-Term Incentive Plan and a Save As You Earn ("SAYE") scheme and issued share warrants in 2014 as part of the IPO.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly in equity.

The fair value of the share options, SAYE and warrants is measured at grant date using an option pricing model, taking into account the terms and conditions upon which the options were granted.

1.6 Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of differences between the treatment of certain items for taxation and accounting purposes.

2. Critical judgements and estimations in applying the Parent Company's accounting policies

The preparation of the Parent Company financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The critical 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 addressed below:

The Parent Company holds a significant balance of £71.4 million (2020: £71.0 million), representing investments in subsidiary companies. The subsidiary companies' investment balances are held at cost less any impairment. An impairment exists when their recoverable amount is less than the cost of investment held in the accounts. There are a number of factors that could impact the recoverable amount, which creates a risk of this recoverable amount being lower than the investment balance held. The discounted cash flows used to assess the recoverable amount align to those used in testing goodwill; please see note 13 to the Group accounts for more detail.

No critical judgements were applied in the preparation of the Parent Company accounts.

3. Staff costs

The Company has no employees (2020: none). Please see disclosures relating to the Group in note 7 to the consolidated financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 54 to 56.

4. Investments in subsidiaries

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2021	71.0
Additions	**0.4**
At 31 December 2021	**71.4**
Impairment	
At 1 January 2021 and 31 December 2021	–
Net book value	
At 31 December 2021	**71.4**
At 31 December 2020	71.0

Fixed asset investments represent holdings in the ordinary share capital of wholly owned subsidiaries.

The Group's subsidiary undertakings are as follows:

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2021	Country of incorporation
Held directly by the Company			
Specialist Building Products Limited	The extrusion of PVC-u and PVC-ue, the manufacturer of windows and doors, related building materials and the retail, trade and public sector sales of these products	100%	England
Winep 62 Limited	Holding company	100%	England
Building Plastics Holdings Limited	Holding company	100%	England
Winep 60 Limited	Holding company	100%	England

Notes to the Company Accounts continued

for the year ended 31 December 2021

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2021	Country of incorporation
The Entrance Fire Door Company Limited	Dormant	100%	England
Vannplastic Limited	Dormant	100%	England
Stormking Plastics Limited	Dormant	100%	England
Held indirectly by the Company			
Specialist Building Distribution Limited	Supply of plastic building products	100%	England
Specialist Building Contracting Limited	Fabrication and installation of windows and doors	100%	England
Premier Distribution (Gt. Yarmouth) Limited	Supply and installation of decking products	100%	England
Accrington Plastics Limited	Distributor of plastic building products	100%	England
Epwin Logistics Limited	Group property development	100%	England
Amicus Building Products Limited	Holding Company	100%	England
Winep 61 Limited	Holding Company	100%	England
Winep 63 Limited	Holding Company	100%	England
Winep 67 Limited	Holding Company	100%	England
Amazon Civils Limited	Dormant	100%	England
Celuform Building Products Limited	Dormant	100%	England
Churchley Bros. Limited	Dormant	100%	England
Churchley Builders Plastics Limited	Dormant	100%	England
Crown Architectural Aluminium (UK) Limited	Dormant	100%	England
Ecodek Limited	Dormant	100%	England
Epwin Glass Limited	Dormant	100%	England
Epwin Secretaries Limited	Dormant	100%	England
HIS Systems Limited	Dormant	100%	England
Kestrel BCE Limited	Dormant	100%	England
Magden Limited	Dormant	100%	England
Masterglaze Limited	Dormant	100%	England
National Plastics (Building Products) Limited	Dormant	100%	England
National Plastics Limited	Dormant	100%	England
Nu*Stock Limited	Dormant	100%	England
Permadoor Limited	Dormant	100%	England
Plastal Commercial Limited	Dormant	100%	England
Plastic Building Supplies Limited	Dormant	100%	England
Profile 22 Systems Limited	Dormant	100%	England
Safedoors Limited	Dormant	100%	England
Saltire Trade Plastics Limited	Dormant	100%	Scotland
SBS (Cumbria) Limited	Dormant	100%	England
Schnicks Limited	Dormant	100%	England
Silplas Building Products Limited	Dormant	100%	England

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2021	Country of incorporation
Spectus Systems (Dormant) Limited	Dormant	100%	England
Spectus Systems Limited	Dormant	100%	England
Stellar Aluminium Limited	Dormant	100%	England
Swish Building Products Limited	Dormant	100%	England
TP Distribution Limited	Dormant	100%	England
Trade BP Limited	Dormant	100%	England
Trentham Logistics Limited	Dormant	100%	England
UPVC Distributors Limited	Dormant	100%	England
Venture Building Plastics Limited	Dormant	100%	England
Winep3 Limited	Dormant	100%	England
Winep 5 Limited	Dormant	100%	England
Winep 50 Limited	Dormant	100%	England
Winep 51 Limited	Dormant	100%	England
Winep 52 Limited	Dormant	100%	England
Winep 53 Limited	Dormant	100%	England
Winep 54 Limited	Dormant	100%	England
Winep 55 Limited	Dormant	100%	England
Winep 56 Limited	Dormant	100%	England
Winep 57 Limited	Dormant	100%	England
Winep 69 Limited	Dormant	100%	England
Winep 693 Limited	Dormant	100%	England
Wrekin Windows Limited	Dormant	100%	England

All investments are in the ordinary share capital of the subsidiaries.

All subsidiaries are included in the consolidated results of the Group.

All subsidiaries, with the exception of TP Distribution Limited, Trade BP Limited and Saltire Trade Plastics Limited, have the following registered address: 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT. The registered address of TP Distribution Limited and Trade BP Limited is Zone K Unit 1 Foxes Lane, Oakdale Business Park, Blackwood, Wales, NP12 4AB. The registered address of Saltire Trade Plastics Limited is 3 Melville Street, Edinburgh, EH3 7PE.

5. Trade and other receivables

	2021 £m	2020 £m
Amounts due from subsidiary undertakings	**15.4**	32.1
	15.4	32.1

Amounts due from subsidiary undertakings are interest free and repayable on demand. The expected credit loss on amounts due from subsidiary undertakings is immaterial.

6. Bank loans and overdrafts

	2021 £m	2020 £m
Amounts falling due after more than one year		
Secured bank loans	**14.6**	16.7
	14.6	16.7
Amounts falling due within one year		
Bank overdraft	–	10.0
	–	10.0

Notes to the Company Accounts continued
for the year ended 31 December 2021

The facilities available to the Group at 31 December 2021 were a £65.0 million revolving credit facility and a £10.0 million overdraft, secured on the assets of the Group. The term of the revolving credit facility runs through to June 2024.

Facility arrangement costs of £0.4 million (2020: £0.3 million) are set off against the amount owing at year end.

The term of the revolving credit facility was extended in March 2021 through to June 2024, at which point interest charges switched from a LIBOR basis to Sterling Over Night Index Average ("SONIA"). The revolving credit facility carries an interest rate of 2.7% above SONIA.

Analysis of bank loans and borrowings:

	2021 £m	2020 £m
Repayable:		
Within one year	–	10.0
Between one and two years	–	–
Between two and five years	14.6	16.7
	14.6	26.7

7. Share capital and reserves

	2021 Number of shares	2021 £	2020 Number of shares	2020 £
Allotted and called up:				
Ordinary shares of 0.05p each	145,305,993	72,653	144,547,210	72,274
		72,653		72,274

Share capital

During the year, the Company issued 758,783 ordinary shares of 0.05 pence each to employees who had elected to exercise their options pursuant to the Group's Save As You Earn ("SAYE") employee share scheme.

The Company purchased 388,000 ordinary shares at a price of 93.0 pence. These ordinary shares are held in treasury and will be utilised to satisfy the vesting of awards made under the Group's SAYE scheme and Long-Term Incentive Plan.

Share premium

The share premium arose on the issue of the Company's shares at a premium to the nominal value of the shares, less any expenses of issue incurred in issuing equity.

Merger reserve

The merger reserve arose on the share for share exchange on the acquisition of subsidiaries and settlement of deferred contingent consideration.

Outstanding options

Outstanding options have been granted to the Directors and employees of the Group under the Long-Term Incentive Plan and SAYE scheme. Further details are included within note 8 to the consolidated financial statements.

Share warrants for 3% of the fully diluted share capital of the Company were issued to Zeus Capital for services related to the IPO in 2014. The warrants are exercisable, at the IPO share price, any time between the first and tenth anniversary of admission to AIM.

Notice of Annual General Meeting

The Annual General Meeting ("AGM") will be held at 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT on Tuesday 24 May 2022 at 11.00 am.

Current public health guidance and legislation issued by the UK Government in relation to the Covid-19 pandemic would permit public gatherings and travel at the date of the AGM. The AGM has been arranged assuming the Company will be able to hold a physical in-person meeting. However, due to the ongoing Covid-19 situation, the Board considers it appropriate to minimise physical attendances at the AGM. Shareholders are therefore encouraged to vote by proxy. Whilst all shareholders are still legally entitled physically to attend the AGM, please consider carefully before doing so. If you do wish to attend the AGM in person, please pre-register your intention to do so by emailing epwin@mhpc.com. Please state 'Epwin Group Plc: AGM' in the subject line of the email and include your full name and Shareholder Reference Number (if available), by no later than 10.30 am on 20 May 2022.

To facilitate the answering of any questions that shareholders have, or would normally raise, during the course of the AGM, a designated questions and answers page has been created by the Company, which can be found at investors.epwin.co.uk. Any questions will be addressed as set out in explanatory note 16 at the end of this notice. Shareholders are requested to submit any questions that they may have via email, in good time, ahead of the meeting, to epwin@mhpc.com. Please include your full name and Shareholder Reference Number in any correspondence.

The Company will continue to monitor the developing impact of Covid-19, including any changes to the applicable law or guidance from the UK Government. Should it become necessary or appropriate to revise the current arrangements, the Company will notify shareholders via its website and, where appropriate, via a Regulatory Information Service.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Epwin Group Plc (the "Company") will be held at 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT on Tuesday 24 May 2022 at 11.00 am for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the year ended 31 December 2021, together with the report of the Directors and the auditors on those accounts.
2. To declare a final dividend of 2.35 pence per ordinary share in respect of the financial year ended 31 December 2021.
3. To approve the reappointment of RSM UK Audit LLP as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
4. To authorise the Directors to determine the remuneration of the auditors of the Company.
5. To re-elect Jonathan Bednall, who retires by rotation, as a Director.
6. To re-elect Christopher Empson, who retires by rotation, as a Director.
7. To elect Shaun Smith as a Director.

Special business

As special business, to consider and, if thought fit, pass the following resolutions which will be proposed as to resolution 8 as an ordinary resolution and as to resolutions 9 and 10 as special resolutions:

8. That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the Directors be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

   (a) up to an aggregate nominal amount of £48,435.33 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below) in connection with an offer whether by way of a rights issue, open offer or otherwise:

      (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and

      (ii) to holders of other equity securities in the capital of the Company as required by the rights of those securities or as the Directors consider necessary, but subject to exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) in any other case, up to a nominal amount of £24,217.67 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (a) above in excess of £24,217.67).

Such authorities shall apply until the close of business on 30 June 2023 or, if earlier, the end of the next AGM of the Company, unless previously varied or revoked by the Company in general meeting, save that, in each case, the Company may make offers or agreements which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of any such offer or agreement as if the authority had not ended.

9. That, subject to the passing of resolution 8, pursuant to section 570 of the Act, the Directors be and are hereby unconditionally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 8 as if section 561(1) of the Act did not apply to such allotment, provided that such power shall be limited to:

(a) the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £3,632.65,

and (unless previously revoked, varied or renewed) shall expire on 30 June 2023 or at the conclusion of the next AGM of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

10. That, pursuant to section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 0.05 pence each in the capital of the Company (the "Shares"), provided that:

(a) the maximum number of Shares which may be purchased is 14,530,599;

(b) the minimum price (exclusive of expenses) that may be paid for a share is 0.05 pence;

(c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the higher of: (i) 105% of the average of the middle market quotations for the Shares as derived from the Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;

(d) unless previously revoked, varied or renewed, this authority shall expire on 30 June 2023 or at the conclusion of the next AGM of the Company, whichever is the earlier; and

(e) the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the authority conferred by this resolution had not expired.

An explanation of each of the resolutions being proposed at the AGM is set out on the following pages.

By Order of the Board

ANDREW RUTTER
Company Secretary
6 April 2022

Company number: 07742256

Registered Office
1b Stratford Court
Cranmore Boulevard
Solihull
B90 4QT

Explanatory notes to the notice of meeting:

Ordinary business

Resolutions 1 to 7 will be proposed as ordinary resolutions, and will be passed if more than 50% of shareholders' votes cast are in favour.

Resolution 1: To receive the 2021 Report and Accounts

The Directors of the Company ("the Directors") must present their Annual Report and Accounts of the Company for the year ended 31 December 2021 (the "Annual Report") to shareholders. Shareholders are invited to adopt the Annual Report and Accounts.

Resolution 2: To declare a final dividend

A final dividend of 2.35 pence per ordinary share is proposed. If approved, the final dividend will be paid on 6 June 2022 to shareholders on the register at close of business on 13 May 2022.

Resolutions 3 and 4: To approve the reappointment of the auditors and also authorise the Board to determine their remuneration

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. During the year, the Company undertook a competitive tender process for the Group audit and, as a result of this process, RSM UK Audit LLP were appointed by the Board as statutory auditors for the financial year ending 31 December 2021. Consequently, KPMG LLP resigned as the Company's auditor. RSM UK Audit LLP have indicated their willingness to stand for reappointment as auditors of the Company until the conclusion of the AGM in 2023. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, RSM UK Audit LLP, on behalf of the Board.

Following the Audit Committee's review of the effectiveness of the external auditor referred to above, the Board has decided to put RSM UK Audit LLP forward to be reappointed as auditors. Resolution 4 also authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

Resolution 5: To re-elect Jonathan Bednall as Director of the Company

Jonathan Bednall was re-elected as Director of the Company at the AGM in 2019 and is proposed for re-election at the forthcoming AGM.

Resolution 6: To re-elect Christopher Empson as Director of the Company

Christopher Empson was re-elected as Director of the Company at the AGM in 2019 and is proposed for re-election at the forthcoming AGM.

Resolution 7: To elect Shaun Smith as Director of the Company

Shaun Smith was appointed as Director of the Company on 4 January 2022 and is proposed for election at the forthcoming AGM.

Special business

As well as the ordinary business of the meeting outlined above, special matters will be dealt with at the AGM. Resolution 8 will be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions. For these special resolutions to be passed, 75% or more of shareholders' votes cast must be in favour.

Resolution 8: Directors' authority to allot shares

This resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £24,217.67. This amount represents one-third of the issued ordinary share capital of the Company as at 5 April 2022, the last practicable date prior to the publication of this document. The resolution would also give the Directors authority to allot equity securities in connection with a rights issue up to an aggregate nominal amount of £48,435.33.

The Directors have no present intention to allot new shares other than in connection with employee share and incentive plans and share warrants.

Notice of Annual General Meeting continued

Resolution 9: Disapplication of pre-emption rights

If directors of a company wish to allot shares in the company for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

The purpose of Resolution 9 is to authorise the Directors to allot ordinary shares in the Company for cash (i) in connection with a rights issue; and, otherwise, (ii) up to a nominal value of £3,632.65, equivalent to 5% of the total issued ordinary share capital of the Company as at 5 April 2022, without the shares first being offered to existing shareholders in proportion to their existing holdings. This level of authority is required in order to give the Company flexibility in the event of acquisition opportunities and major shareholders will be consulted in advance of the authority being exercised.

Resolution 10: Authority to purchase own shares

Under the Companies Act 2006 (the "Act"), the Company requires authorisation from shareholders if it wishes to purchase its own shares.

Resolution 10 specifies the maximum number of shares that may be purchased (10% of the Company's issued share capital) and the highest and lowest prices at which they may be bought.

Under the Act, the Company can hold the shares which have been repurchased as treasury shares and either resell them for cash, cancel them, either immediately or at a point in the future, or use them for the purposes of its employee share schemes. The Directors believe that it is desirable for the Company to have this choice and therefore intend to hold any shares purchased pursuant to this authority as treasury shares. Holding the repurchased shares as treasury shares will give the Company the ability to resell or transfer them in the future, and so provide the Company with additional flexibility in the management of its capital base. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will need to reassess at the time of any actual purchase whether to hold the shares in treasury or cancel them.

The Directors have no present intention of exercising this authority. The Directors intend to keep under review the Company's potential to buy back its shares, taking into account other investment and funding opportunities. The authority will only be used if in the opinion of the Directors this will result in an increase in earnings per share or would otherwise be in the best interests of shareholders generally.

1. To be entitled to vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on 20 May 2022. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the Meeting.
2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Meeting.
5. You can vote either:
   - by logging on to www.signalshares.com and following the instructions; if you need help with voting online, please contact our Registrars, Link Group, on 0371 664 0300 or by emailing shareholderenquiries@linkgroup.co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
   - You may request a hard copy form of proxy directly from our Registrar, Link Group, on 0371 664 0300 or by emailing shareholderenquiries@linkgroup.co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

6. To be effective, the completed and signed form of proxy must be lodged at the office to PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) by no later than 11.00 am on 20 May 2022. Alternatively, you may send any document or information relating to proxies to the electronic address indicated on the form of proxy.
7. To appoint more than one proxy using a hard copy form of proxy, you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If possible, all forms should be returned together in the same envelope.
8. If you return more than one proxy appointment, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00 am on 20 May 2022. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 5 April 2022 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 145,305,993 ordinary shares, carrying one vote each, of which a total of 388,000 ordinary shares were held in treasury. Therefore, the total voting rights in the Company as at 5 April 2022 are 144,917,993.
14. Under section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Notice of Annual General Meeting continued

15. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting, but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
16. Questions from shareholders may also be submitted via email (including a Shareholder Reference Number), in good time ahead of the meeting, to epwin@mhpc.com. Subject to normal considerations, written answers in respect of frequently asked questions will be posted on the Company's website following the meeting.
17. The following documents are available for inspection during normal business hours, via secure electronic means only, on any business day from the date of this Notice until the time of the Meeting and, may also be inspected via secure electronic means from 10.45 am on the day of the Meeting until the conclusion of the Meeting:

    a. copies of the Directors' letters of appointment or service contracts.
18. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website at www.epwin.co.uk.

Consultancy, design and production by:
jonesandpalmer.co.uk

Epwin Group

1b Stratford Court
Solihull
Birmingham
B90 4QT

0121 746 3700

info@epwin.co.uk
www.epwin.co.uk