Epwin Group

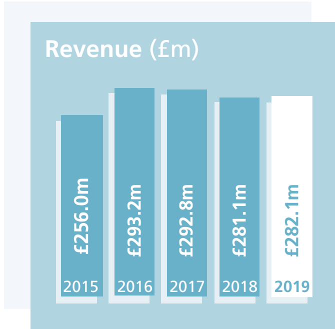
ANNUAL REPORT AND ACCOUNTS

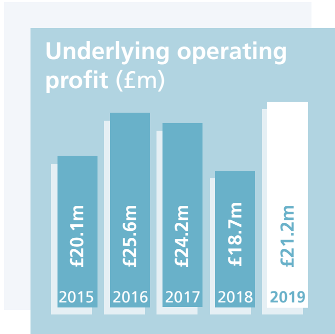
For the year ended **31 December 2019**

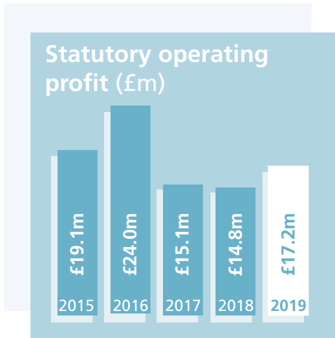
INTRODUCTION

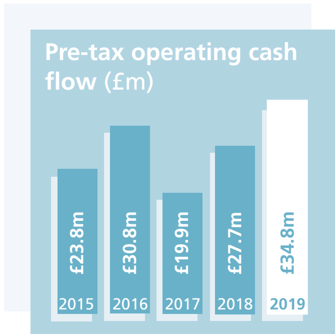
Epwin Group Plc is a leading manufacturer of low maintenance building products for the Repair, Maintenance and Improvement ("RMI"), social housing and new build markets in the UK. The business commands significant market share in its core products and has continually invested in its operations to improve efficiency, service and the range of products available to its customers.

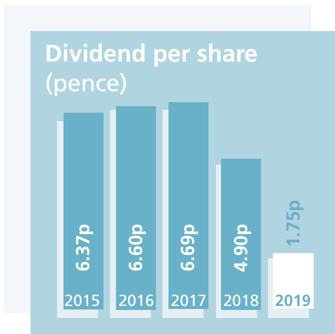
Visit us online at: **www.epwin.co.uk**
or **investors.epwin.co.uk/**











* 2019 figures are stated on a post-IFRS 16 basis, whilst previous years are stated before the impact of IFRS 16

Our Investment Case

ESTABLISHED AND ROBUST BUSINESS MODEL

- B2B specialist provider of low maintenance building products
- Market-leading positions in core business lines
- Multiple established brands and routes to market
- Large and diverse customer base

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
- Undertaking selective acquisitions

Read about our strategy on page 15

LONG-TERM MARKET DRIVERS

- Significant underinvestment in ageing UK housing stock
- Thermally efficient products capable of helping reduce carbon emissions
- Growth drivers in new areas such as Glass Reinforced Plastic, aluminium and other materials
- Strong new build demand cycle
- Political impetus for renewed social housing activity

Read about our marketplace on page 12

CONTENTS

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HIGHLIGHTS

Revenue

£282.1m

2018: £281.1m

Underlying operating profit[1]

£21.2m

2018: £18.7m

Underlying operating margin[1]

7.5%

2018: 6.7%

Statutory operating profit

£17.2m

2018: £14.8m

Profit before tax

£12.4m

2018: £13.3m

Basic EPS

7.49p

2018: 4.06p

Dividend per share

1.75p

2018: 4.90p

Net debt (pre-IFRS 16)

(£16.4m)

2018: (£24.8m)

Underlying operating cash conversion[4]

164%

2018: 148%

(1) Underlying operating profit and margin are before amortisation of acquired other intangible assets, share-based payments expense, other non-underlying items and discontinued operations.
(2) Adjusted profit before tax is before amortisation of acquired other intangible assets, share-based payments expense, other non-underlying items and discontinued operations.
(3) Adjusted EPS is calculated based on profit after tax adding back amortisation of acquired other intangible assets, share-based payments expense, other non-underlying items and discontinued operations.
(4) Underlying operating cash conversion is pre-tax operating cash flow as a percentage of underlying operating profit.

ENCOURAGING FINANCIAL PERFORMANCE

- Results in line with expectations
- Continued market share gains in core product areas despite weaker market conditions in H2
- Underlying operating profit (on a pre-IFRS 16 basis) ahead year on year at £19.1 million
- Continued strong cash generation from operations
- Purchase, development and sale and leaseback of new Telford logistics and finishing facility:
  - » Generating year end cash surplus of £10.1 million
  - » On practical completion, this will have generated an anticipated post-tax net cash surplus of £8.0 million by the end of H1 2020 after final construction costs are recognised
- New improved banking facilities, providing significant operating flexibility:
  - » Revolving credit facility of £65.0 million (up from £37.5 million) and overdraft of £10.0 million
  - » Leverage ratio 0.6x adjusted EBITDA (on a pre-IFRS 16 basis), down from 0.9x at YE 2018

DELIVERING ON OUR STRATEGY

- Substantial progress with the Group's site consolidation programme:
  - » Development of purpose-built logistics and finishing plant in Telford progressing to plan, consolidating Window Systems sites from seven to two – the build is now substantially complete
  - » As previously reported, disposed of non-core, loss-making glass sealed unit manufacturing operation in early January 2019
- Continued investment in enhancing Epwin's product portfolio to further develop the Group's long-term market position:
  - » Launch of award-winning "Stellar" aluminium window system in H1 2019
  - » Successful launch of "Dekboard" PVC decking system in Q1 2019
  - » Development of "Adek" aluminium decking system, launched in Q1 2020
  - » Ongoing product development to broaden existing ranges
- Acquisition of PVS:
  - » Completed in February 2019, PVS is a decking installation business and enhances our capabilities and routes to market whilst establishing Epwin as the only end-to-end, vertically integrated supplier in this market

COVID-19 OVERVIEW, CURRENT TRADING AND OUTLOOK

- Group traded well in the early part of 2020 pre COVID-19 and following a successful 2019:
  - » Until the middle of March trading was slightly ahead of the Board's expectations
- Group operations paused with effect from 25 March in response to COVID-19:
  - » Focus on cost reduction and cash management measures, including the deferral of capital expenditure and tax payments, with the agreement of HMRC
  - » The Group is also making use of the Coronavirus Job Retention Scheme ("CJRS") in order to help to retain our valuable and skilled staff through this period of inactivity
  - » The impact of COVID-19 and our decision to temporarily cease activity on 25 March 2020 will inevitably have a material impact on trading for the year ending 31 December 2020
- Strong balance sheet; Group financial modelling suggests we can remain within existing bank facilities:
  - » Net debt at the start of the year was 0.6x EBITDA at £16.4 million
  - » At 31 March 2020, the Group had c.£45 million of headroom from its £75 million of banking facilities, including cash on the balance sheet
  - » Whilst the Board believes that the Group is well positioned to withstand a period of uncertainty, such as is associated with this pandemic, it believes that it would be imprudent to recommend the payment of a final dividend for the year ended 31 December 2019
- Continuing to monitor market activity and developments in the situation:
  - » The Group is unable to accurately forecast trading in the short to medium term. In line with other businesses in the sector, the Group has withdrawn all market guidance and forecasts for the foreseeable future
- Medium-term drivers for the RMI market remain positive:
  - » An ageing and underinvested housing stock, as well as environmental and safety concerns driving legislation and initiatives that will require improvements to homes on a larger scale than just essential maintenance. New build is anticipated to grow through underlying demand and government incentives. Social new build is also likely to see growth





GROUP OVERVIEW

BUSINESS OVERVIEW AND PRINCIPAL ACTIVITIES

Epwin is a leading vertically integrated, UK-based manufacturer of low maintenance building products with significant market shares in its core businesses, supplying products and services to 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") and Wood Plastic Composite ("WPC") 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 largest manufacturer of extruded window profile, cellular roofline and cladding, rainwater, drainage, decking systems and GRP building components in the UK. 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.
- 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 Wood-Plastic Composite decking. This provides Epwin with the product range to address all parts of the market and with the PVS acquisition 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 the specialist requirements of social, trade and new build customers 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.

- Manufactures PVC window frames and GRP and Thermoplastic door sets for Social Housing, trade and New build customers.
- Operates from three window and door fabrication sites in Paignton, Telford and Upton-upon-Severn.
- The business also distributes the Group's products through a national network of 73 building plastic trade distribution centres and, separately, 13 Windowstores complementing the Group's independent distribution customers.
- PVS decking installation business.

CHAIRMAN'S STATEMENT

> **"Another year of substantial strategic progress as well as an encouraging trading performance in what were challenging market conditions"**
>
> **Andrew Eastgate**
> **Chairman**

SUBSTANTIAL STRATEGIC PROGRESS ON ALL FRONTS

2019 represented another year of substantial strategic progress for the Group on all fronts. At the same time, we delivered an encouraging trading performance, despite challenging market conditions in the second half of the year which saw the Group's key markets soften after a stronger first half due to uncertainty around the timing of Brexit and the General Election. Against this background of what were widely acknowledged to have been declining markets, flat year-on-year revenues indicate the Group continues to take market share in its key product areas.

Significant progress has been made with the consolidation of the Group's operating footprint. The construction of the new, purpose-built warehousing and finishing facility in Telford is now substantially complete, despite the disruption from COVID-19, with the Window Systems warehousing operations relocation due to be completed during the second half of 2020. This will streamline the logistics operations and improve customer service, as well as adding capacity for continued growth. This major project is the final significant piece in the footprint consolidation that we have undertaken in the last two years; we anticipate taking progressive advantage of the more efficient operating platform that we have put in place in terms of growth and margin upside potential in the coming years.

The Group has continued to broaden its product portfolio with the launch of a new aluminium window system, Stellar, in May 2019, and also the launch of two new decking systems, "Dekboard" in PVC, successfully launched in H1 2019, and "Adek" in aluminium, launched in Q1 2020, complementing the Group's existing wood plastic composite decking range and responding to more challenging dynamics in this market. The new and existing decking products will be supported by the acquisition of PVS, a decking installation business, in February 2019 which provides further routes to market for the Group's decking products.

Variable market conditions

Trading conditions in 2019 were mixed with a stronger first half followed by weakening conditions in the second half of the year, with the key trading months of September, October and November impacted by poor weather conditions and heightened uncertainty caused by revised Brexit deadlines and a General Election.

The impact of COVID-19 and the decision to temporarily cease activity will have a material impact on trading for the year to 31 December 2020. We have focussed in the short term on taking actions to protect the business and enhance our liquidity to withstand this period of uncertainty.

In addition, with the form of Brexit and in particular the trading relationship with the EU still to be determined, uncertainty and consumer confidence both remain a potential drag on the economy.

EXECUTING OUR STRATEGY

Operational improvement

The construction of the new, purpose-built warehousing and finishing facility in Telford is now substantially complete, despite the disruption from COVID-19, with the Window Systems warehousing operations relocation due to be completed during the second half of 2020. Therefore, the whole build and relocation project is anticipated to be completed in the second half of 2020 to budget.

Combined with the consolidation of our Macclesfield extrusion site during 2018, the footprint of the Window Systems business will have been consolidated from seven sites into two. This will streamline the logistics operations and improve customer service, whilst increasing capacity and providing a base for our new aluminium operation.

As previously reported, the purchase, development and sale and leaseback of the new Telford facility is expected to generate a post-tax net cash surplus of at least £8.0 million, the effect of which is principally reflected in the Group's reduced net debt position as at 31 December 2019. The leases are on an arm's length basis at commercial market rates.

Product development

The Group has continued to invest in and broaden its product portfolio. In May 2019, the Window Systems business launched its new aluminium window system, "Stellar", to a positive reception from its existing customer base as well as a good level of interest from new potential customers and securing a significant industry award for new product of the year. Whilst it is a smaller part of the market than PVC window systems, aluminium window systems are a growing sector; particularly for domestic property improvements and in light commercial applications.

Further products were also introduced to the Group's decking range with the introduction of a PVC decking system "Dekboard" in early 2019 to complement the existing wood plastic composite decking range, and the launch of an aluminium decking product in Q1 2020 in response to changes in fire regulations. Additional products enhancing the existing ranges continue to be added to further develop the Group's market leading position.

Acquisitions

In February 2019, the Group acquired Premier Distribution (Gt. Yarmouth) Limited, trading as "PVS". PVS supplies and installs PVC decking and related products to the holiday park and park home markets as well as to residential customers and local authorities. The acquisition of PVS opens up further routes to market for Epwin's existing and new PVC decking products. Initial consideration was £2.5 million with the potential to increase, subject to the performance of the business over an extended earnout period.

In January 2019, the Group also completed the disposal of its non-core, loss-making glass-sealed unit manufacturing business for consideration of £0.1 million.

Financing

In July 2019, the Group renegotiated its existing banking facilities onto a two bank, syndicated basis. The new facilities comprise a revolving credit facility of £65.0 million (up from £37.5 million) and an overdraft of £10.0 million, for an initial term of three years with the option to extend for a

further two years. The terms are materially improved from the previous facility. With pre-IFRS 16 net debt to adjusted EBITDA of 0.6x at 31 December 2019, down from 0.9x in prior year, these new facilities provide the Group with significant flexibility to pursue its strategy.

RESULTS

IFRS 16: Leases became effective for accounting periods commencing on or after 1 January 2019. The new standard introduces a single lease accounting model that requires the recognition on the balance sheet of right of use assets and lease liabilities in relation to almost all leases. While IFRS 16 has no impact on the cash flows of the business, it does have a fundamental impact on the presentation of the Group's financial statements as well as certain financial measures such as EBITDA, operating profit, interest and net debt.

These financial statements to 31 December 2019 are the first set of full year results to be presented under this new leasing model. As permitted under IFRS 16, comparatives for 2018 have not been restated and the impact on net assets has been recognised within retained earnings at 1 January 2019. To aid understanding of these financial statements the results for 2019 in the Strategic Report section of this Annual Report are set out on an IFRS 16 and pre-IFRS 16 basis.

Underlying operating profit was £21.2 million. On a comparable pre-IFRS 16 basis, underlying operating profit was £19.1 million (2018: £18.7 million). The Board considers this a pleasing performance in markets which are widely acknowledged to have been down year-on-year. Statutory operating profit was £17.2 million (2018: £14.8 million).

Cash generation remained strong, with pre-tax operating cash flow, on a comparable pre-IFRS 16 basis, of £23.4 million (2018: £27.7 million). Cash flow and net debt, on a pre-IFRS 16 basis, were further bolstered by £10.1 million of net cash surplus from the purchase, development and sale and leaseback, at market rates, of our new Window Systems warehousing and finishing facility. It is anticipated that after tax and final construction costs the post-tax net surplus will be in excess of £8.0 million.

The Group finished the year with significantly reduced net debt of £16.4 million, on a pre-IFRS 16 basis, (2018: £24.8 million), 0.6x adjusted EBITDA and well within covenant levels.

DIVIDENDS

Due to the uncertainty around COVID-19, the Board is not recommending the payment of a final dividend. The interim dividend paid in October 2019 was 1.75 pence per ordinary share. Once the extent and duration of any disruption is better understood the Board fully intends to recommence dividend payments.

CORPORATE GOVERNANCE

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.

SUSTAINABILITY

Minimising our impact on the environment is a priority for the Group – in terms of compliance with relevant legislation and accreditations, as well as working across our supply chain to maximise production efficiency, recycle where possible and reduce packaging, waste, power and water consumption and emissions.

The Group will continue to use its influence and resources to challenge outdated industry attitudes to drive the move from high maintenance unsustainable products to sustainable long-life alternatives like Epwin's.

PEOPLE

On behalf of the Board and our shareholders I would like to thank all of our employees for the levels of commitment shown to the Group during both 2019 and in 2020 to date, particularly their commitment and response to the COVID-19 situation.

SUMMARY AND OUTLOOK

Our trading performance in 2019 was encouraging despite market conditions becoming increasingly challenging.

The Group continued to make significant progress with its site consolidation and rationalisation programme. The development of the new Telford site, combined with the consolidation of the Macclesfield extrusion site during 2018, will streamline the Window Systems logistics operations and improve customer service, whilst increasing capacity and providing a base for our new aluminium operation.

When these actions are completed during 2020, the Group will be in a still stronger position, allowing it to focus on servicing its customers from well invested core operations where it has market leading positions and there are significant barriers to entry.

Our strategy continues to be based on operational improvement, broadening the product portfolio and capabilities, selective acquisitions, cross-selling and market share growth in key sectors to build a sustainable, resilient business, prepared for growth as market conditions improve and pent-up demand takes effect.

2020 started well, following the deferral of investment decisions in Q4 2019 as a result of the heightened uncertainty around the timing of Brexit and the General Election. Up to the middle of March, trading was slightly ahead of the Board's expectations despite the poor weather experienced in the second half of February.

Since the outbreak of the COVID-19 pandemic, the Board has been closely monitoring the evolving and rapidly changing situation, with the health, safety and wellbeing of our employees, their families, our customers and suppliers our overriding priority. In anticipation of significantly reduced demand levels and in the interest of customer and employee safety, we took the decision on 25 March 2020 to implement a controlled shutdown of Epwin's operating sites for a temporary period. The subsequent reduction in order and enquiry levels has shown this to be well judged and we will restart the business as soon as it is safe and socially responsible to do so and when demand makes operations economically viable.

Whilst the Board believes that the Group is well positioned to withstand a period of uncertainty such as is associated with this pandemic, it believes that it would be imprudent to recommend the payment of a final dividend for the year ended 31 December 2019. The Board believes that it is in the best interests of all stakeholders to conserve cash reserves until there is a greater level of visibility over the full impact of COVID-19 on the business and subsequently on the wider economy.

Epwin remains an inherently cash generative business and once the extent and duration of any disruption is better understood, the Board fully intends to recommence dividend payments.

In the longer term, the outlook remains favourable, driven by an ageing and underinvested housing stock and environmental and safety concerns driving legislation and initiatives that will require improvements to homes on a larger scale than just essential maintenance.

Andrew Eastgate
Chairman

22 April 2020

STRATEGIC REPORT

COVID-19

SUMMARY POSITION

- Group trading well in the early part of 2020 pre COVID-19 and following a successful 2019
- Group operations paused with effect from 25 March for safety of staff and customers
- Strong balance sheet; net debt at the start of the year was 0.6× EBITDA at £16.4 million
- At 31 March 2020, the Group had c.£45 million of headroom from its £75 million of banking facilities, including cash on the balance sheet
- Group financial modelling suggests we can remain within existing bank facilities
- Continuing to monitor market activity and developments in the situation

CURRENT SITUATION

Up to the middle of March, trading was slightly ahead of the Board's expectations. However, the impact of COVID-19 and our decision to temporarily cease activity will inevitably have a material impact on trading for the year ending 31 December 2020.

In anticipation of significantly reduced demand levels and in the interest of customer and employee safety, we took the decision on 25 March 2020 to implement a controlled shutdown of Epwin's operating sites for a temporary period. Subsequent reduction in order and enquiry levels has shown this to be well judged. We will restart the business as soon as it is safe and socially responsible to do so and when demand makes operations economically viable.

BALANCE SHEET, LIQUIDITY AND DIVIDEND

The Group enters the period of expected volatility and uncertainty with a robust balance sheet and significant financial headroom on committed banking facilities which it renewed in June 2019 for an initial period of three years to June 2022, comprising a £65 million Revolving Credit Facility and £10 million overdraft facility. The Group is maintaining a close relationship with its bankers, Barclays and HSBC.

Assuming that the coming months will be volatile and uncertain with disruption in the Group's end markets, the Board is actively focussed on cost reduction and cash management measures, including the deferral of capital expenditure and tax payments, with the agreement of HMRC. Management acted swiftly in taking these steps in early March when it became apparent that the developing situation would most likely present businesses with a significant liquidity squeeze.

The Group is also making use of the Coronavirus Job Retention Scheme ("CJRS") in order to help to retain our valuable and skilled staff through this period of inactivity as well as mitigating some of the costs to the business of taking the socially responsible approach and following the Government guidance. It is anticipated that this will mitigate circa £3.3 million per month of the Group's payroll cost and will avoid the immediate need for aggressive staffing reductions.

Whilst the Board believes that the Group is well positioned to withstand a period of uncertainty, such as is associated with this pandemic, it believes that it would be imprudent to recommend the payment of a final dividend for the year ended 31 December 2019. The Board believes that it is in the best interests of all stakeholders to conserve cash reserves until there is a greater level of visibility over the full impact of COVID-19 on the business and subsequently the wider economy. The impact of this is £4.6 million of cash retained in the Group.

Epwin remains an inherently cash generative business and once the extent and duration of any disruption is better understood, the Board fully intends to recommence dividend payments.

COVID-19 FORECASTS AND GOING CONCERN

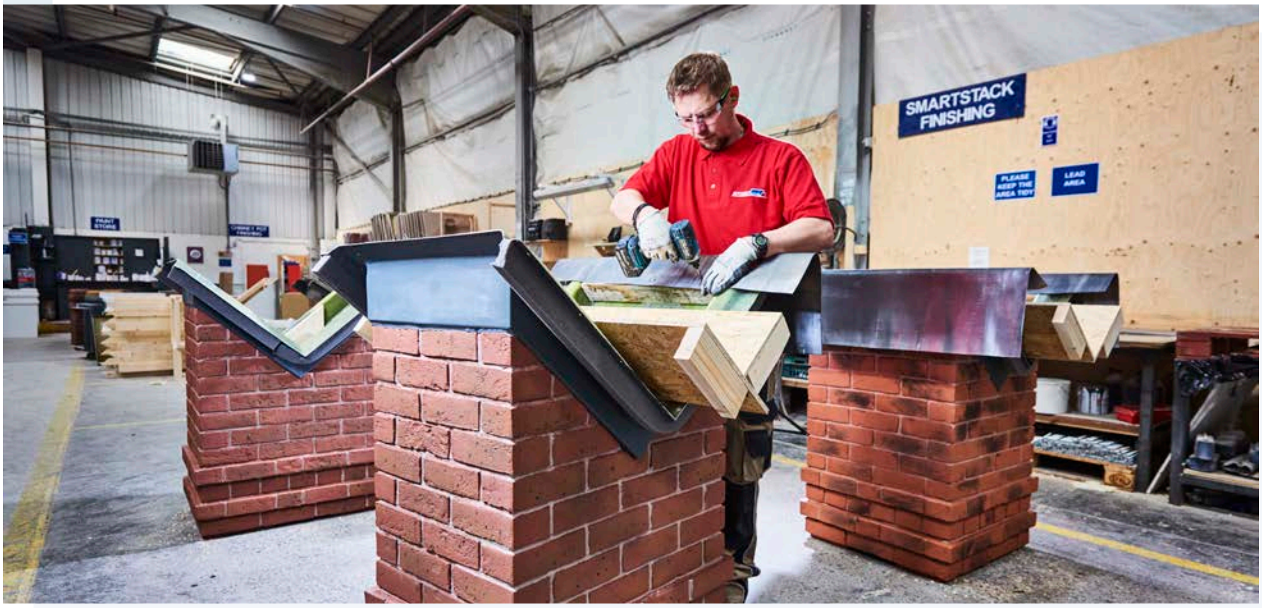
Net debt at year end was 0.6x EBITDA (on a pre IFRS-16 basis). At 31 March 2020, the Group had over £45 million of headroom on its facilities, including cash on the balance sheet.

The unprecedented events, which are still evolving, are likely to have a short to medium-term impact on the Group's financial performance, though are not easily forecasted. The Group has produced a number of financial models which range from the reasonably optimistic through to an assumed worst-case scenario.

At the optimistic end, the model assumes a loss of all of April revenue, 50% of revenue for May and 25% of revenue for June. Under this scenario the Group would remain within both its facility headroom and its banking covenants.

At the worst-case end of the scenarios, the Group has modelled the loss of six full months of revenue followed by a phased return of revenue across the remaining months of 2020. Under this scenario, the Group still remains within its facility headroom, assuming cost saving measures are successfully implemented and the CJRS grants are utilised. At this extreme, leverage and interest cover covenants would be breached, however, the Group's bankers have indicated that they remain committed to supporting the Group through this situation and would at this time be minded to waive such breaches.

Given the fluidity of the current situation, we continue to refine and develop our modelling as shareholders would expect, however, our current belief is that the business can sustain a significant loss of revenue within its current facility arrangements and by utilising the Government's CJRS support.


SMARTSTACK
FINISHING

MARKETPLACE

MARKET OVERVIEW AND OUTLOOK

Our low maintenance building products are primarily sold into the private housing RMI market, but with sales also into the social housing new build sector, social housing RMI contracts and the new build housing market.

Trading conditions in 2019 saw a positive first half offset by weakening conditions in the second half of the year, with the key trading months of September, October and November impacted by poor weather conditions and heightened uncertainty caused by revised Brexit deadlines and a General Election. Overall, revenues were flat on a like for like basis, which as the Group's markets are widely considered to have declined during 2019, indicates the Group is continuing to take market share in its key product areas.

The decisive result of the General Election in December 2019 indicated the potential to provide a boost to confidence in 2020. In the more medium term, with the form of Brexit and the trading relationship with the EU still to be determined, uncertainty and consumer confidence both remain a potential drag on the economy.

Private Housing RMI market

Following a positive start to 2019, the private housing RMI market declined sharply in the second half of the year with both private property transactions and spend on big ticket purchases declining year on year. ONS data indicates the private sector RMI market was down approximately 2%. Economic uncertainty and the consequent weakening in the housing market are considered to be the main drivers impacting homeowner confidence and holding back spend on big ticket expenditure of repairs, maintenance and home improvements. This has added further to the significant backlog of RMI expenditure as the condition of the UK's housing stock continues to decline and despite the growing need to address carbon emissions.

Social Housing New Build

Spending should increase as the Government responds to pressure and implements measures to increase the supply of affordable rented and shared ownership social housing. Longer term prospects are more positive following the removal of constraints on local authority borrowing in respect of housing delivery.

Social Housing RMI

Spending by the Government has been depressed for several years, although this is expected to return to growth in the medium term as the pressure to improve social housing stock increases. In the short term, this market is expected to remain flat for the Group's products as local authorities and housing associations prioritise budgets and redirect spend towards fire safety works and cladding remediation instead of routine repairs, maintenance and improvements works.

Private New Build Housing

Private housing completions are estimated to have increased in 2019, however, starts are estimated to have decreased as housebuilders took a cautious approach to the political and economic uncertainty around the multiple Brexit dates and General Election. Private new build housing starts are forecast to continue to decline in the near-term as potential buyers remain cautious and house price growth is patchy.

OUTLOOK

Up to the middle of March, trading was slightly ahead of the Board's expectations despite the poor weather experienced in the second half of February. The Board is closely monitoring the evolving and rapidly changing status of COVID-19. The unprecedented events, which are still evolving, are likely to have a short to medium-term impact on the Group's financial performance, though are not easily forecasted. Please see the COVID-19 statement on pages 10 and 11.

The longer-term outlook remains favourable, driven by the following:

- The UK's existing housing stock is ageing and the underinvestment in recent years is building up an increasing backlog of properties that will require essential repairs and maintenance in the future
- Increasing UK population driving demand for new houses that will require maintaining
- Environmental and safety concerns will continue to drive legislation and initiatives that will require improvements to homes on a larger scale than just essential maintenance. The Committee on Climate Change has stated that it wants the Government to treat renovating the UK's housing stock as a national infrastructure priority, with insulation being key, the installation of new windows with better thermal properties would support this goal

BUSINESS MODEL

WE UTILISE OUR KEY RESOURCES

Specialist facilities and equipment

Robust financial position

Knowledgeable workforce

AND KEY STRENGTHS

- Customer focus
- High barriers to entry in core business
- Technical expertise
- National and local brands
- Economies of scale
- Large range of complementary building products
- Vertically integrated

TO ENABLE OUR KEY ACTIVITIES

Extrusion and Moulding
Manufacture of market leading window profile, roofline, cladding, rainwater, drainage, decking and GRP building components

Fabrication and Distribution
Fabrication of windows and doors and distribution of plastic building products through a national network of stockist outlets

WE SELL TO OUR FIRST LINE CUSTOMERS

Specialist roofline distributors

Window and door fabricators

WHO PROVIDE TO THE END USER

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

IN ORDER TO DELIVER VALUE TO OUR STAKEHOLDERS

Shareholders
- Sustainable dividend
- Strong cash generation
- Long term capital growth

Customers
- Large range of complementary building products
- Focus on high quality product and service delivery
- Ability to match customer requirements

End users
- Quality products
- Products matched to the requirements of the end user

Employees
- Equal opportunities
- Training
- Career progression

Suppliers
- Partnership
- Ability to form long term relationships

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. The Group's financial position remains strong with net debt less than one times adjusted EBITDA and with significant funding headroom to continue to invest in the business.

Focus	Strategic aim	2018 Developments	2019 Developments
Acquisitions, product and materials development	• Consolidate operations. • Consolidate markets. • Broaden product portfolio. • Widen materials and technical capabilities.	• Acquisition of Amicus Building Products Limited. • Design and investment for aluminium window system. • Optima window system delivering further customer wins.	• Acquisition of PVS. • Launch of aluminium window system. • Launch of PVC decking system. • Design and launch of aluminium decking system.
Operational Leverage	• Utilise existing spare capacity with added volumes or site consolidations.	• Disposal of glass-sealed unit manufacturing operations. • Closure of Cardiff window fabrication plant. • Consolidation of Window Systems extrusion onto Telford site.	• Consolidation of foiling operations onto new Telford site. • Consolidation of trade window fabrication in Paignton.
Operational Efficiency	• Focus on producing and delivering more cost effectively.	• Completed move into new logistics facility in Scunthorpe. • New facility planned to consolidate Window Systems warehousing and finishing activities in Telford.	• Development of purpose-built warehouse and logistics facility in Telford. • Installation of in-house aluminium powder coating facility.
Cross Selling/ Business Development	• Sell more existing and new products to existing customers. • Develop the use of existing brands.	• Significant proportion of end-user sales redirected to alternative stockists following the sale of SIG's plastic distribution business to a competitor.	• 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.

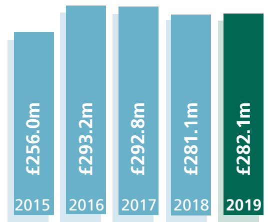
KEY PERFORMANCE INDICATORS

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, prepared on a pre-IFRS 16 basis, that it monitors on a regular basis at Board level and, where relevant, at operational management meetings as follows:

Revenue

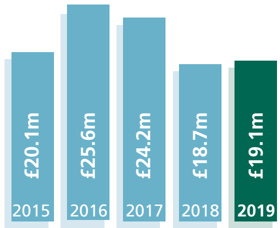
£282.1m



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

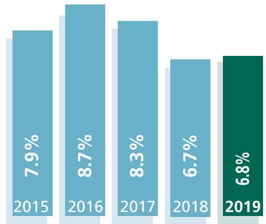
£19.1m



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

Underlying operating margin

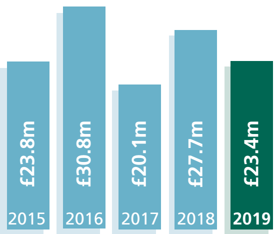
6.8%



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

Pre-tax operating cash flow

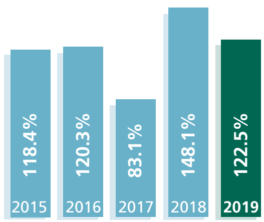
£23.4m



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

Underlying operating cash conversion

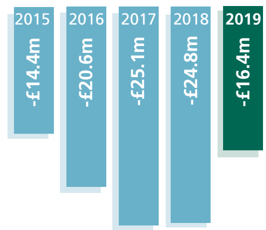
122.5%



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

Net (debt)/cash

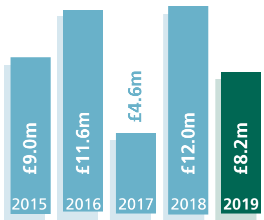
£(16.4)m



Definition
Net (debt)/cash is cash and cash equivalents less interest-bearing loans and borrowings, calculated on a pre-IFRS 16: Leases basis.

Capital expenditure

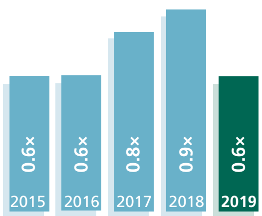
£8.2m



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

Leverage ratio
(net debt/adjusted EBITDA)

0.6×



Definition
The leverage ratio is the ratio of net debt to adjusted EBITDA.

Operational KPIs

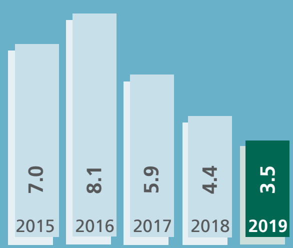
The Group uses a range of Operating KPIs specific to the extrusion, moulding, fabrication and distribution operations. The operational KPIs are focused on the customer experience in terms of quality and service as well as key cost drivers such as input prices and material and labour efficiency.

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

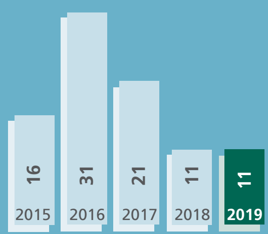
3.5



Definition
The number of accidents per 100,000 hours worked.

RIDDOR

11



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").

OPERATIONAL PERFORMANCE

"An encouraging performance with both our core window systems and cellular businesses taking market share"

Jon Bednall
Chief Executive Officer

STRATEGIC AND OPERATIONAL REVIEW

Market conditions in 2019 were mixed. After a strong first quarter, uncertainty set in as Brexit deadlines were delayed with political uncertainty leading to the General Election in Q4. Against this backdrop the Group delivered an encouraging performance. In what were widely acknowledged to have been declining markets, both our core window systems and cellular businesses have taken market share and performed well against strong prior year comparatives. The Window Systems operation has continued to win new fabricator customers due to the benefits of its Profile 22 Optima window system, whilst the cellular operations are winning back business, particularly in the specifier market. These specifier customers are now being supplied with the Group's products, serviced through our own as well as third party distribution networks.

Material input costs improved slightly in comparison to 2018 after a couple of years of significant inflation. This, combined with more stable market conditions in the second half of 2018 and early 2019, allowed the Group to recover some of the c.£10.0 million of annualised material cost inflation absorbed by the business through 2017 and 2018.

The Group commenced, and by year-end had made substantial progress, on a significant step in its ongoing strategy to consolidate and rationalise its operating footprint. The acquisition of a 20-acre site in Telford and the development of purpose-built warehousing and finishing facilities will allow the Group to complete the consolidation of its Window Systems operation. In concert with the consolidation of the Macclesfield extrusion operation to the Telford site in 2018, when the move into the new facility is completed, the Window Systems footprint will have been consolidated from seven sites to two. This will significantly streamline the logistics operations and improve customer service whilst increasing capacity and providing a base for our new aluminium operation.

The Board took the decision, consistent with the Group's strategy to lease its land and buildings, to sell and leaseback the new Telford development. This transaction completed in August 2019 for total consideration of £28.0 million. As at 31 December 2019, £22.8 million of this consideration had been received with the balance of £5.2 million due on completion of construction works. At 31 December 2019, construction was ongoing but at an advanced stage, with completion anticipated in Q2 2020. In total the acquisition, development and sale and leaseback of the site are expected to realise a cash benefit of £8.0 million net of tax. At 31 December 2019 the net cash benefit was £10.1 million due to the timing of construction costs and taxation.

There have been operational challenges for our Window Systems operations due to site complexity ahead of the plant moves commencing in 2020. This is particularly the case in our finishing operations where volumes have increased year-on-year as customer preference has continued to move towards coloured, foiled profiles from the traditional white profiles. Combined with the site move, this has put extra strain on this operation at a critical time. The investment made in the new finishing facility in Telford, as well as in advanced foiling lines, during 2019 will put the business and its operations in a much stronger position.

The Group continues to broaden and enhance its product range. Following investment and design in 2018, the Group launched its new, award-winning aluminium window system, Stellar, in May 2019. The system has a number of unique selling points for both the fabricator and end customer and received a positive reception from our existing customer base as well as a good level of interest from new potential customers.

Whilst a smaller market than PVC window systems, aluminium window systems are a growing part of the market; particularly for domestic property improvements and in commercial applications. Whilst 2019 saw the initial launch and roll-out of the system, 2020 is expected to see a significant uplift in sales as the new aluminium finishing facility comes fully online and up to speed.

2019 also saw the launch of our own PVC decking product, "Dekboard", to complement our existing Wood Plastic Composite decking range. This provides Epwin with the product range to address all parts of the decking market and, combined with the acquisition of PVS, makes Epwin the only vertically integrated supplier in this market, enabling us to provide a full end-to-end service to customers.

In response to changes in building regulations for high rise buildings, following the Grenfell fire, which also has an impact on the use of external decking products on such buildings, the Group has developed a new aluminium decking system, "Adek". The change in regulations has resulted in architects and specifiers moving to products that are non-combustible on high rise buildings. This has impacted the ability of Ecodek to sell its wood plastic composite decking products through these channels. The new aluminium decking system has been launched in Q1 2020 and has already attracted interest from architects and specifiers requiring fire resistant decking for use on balconies.

Uncertainty around fire door regulations post Grenfell, and in particular the testing regime protocols to achieve fire safety standard ratings has also impacted the ability of our door business to market and sell its fire door range. Permadoor now holds full accreditation for its products and manufacturing process and is building its order book well.

In February 2019 the Group acquired PVS. PVS supplies and installs PVC decking and related products to the holiday park and park home markets as well as to residential customers and local authorities. The acquisition of PVS opens up further routes to market for Epwin's existing and new PVC decking products. Initial consideration was £2.5 million with the potential to increase subject to the performance of the business over a multi-year earnout period.

As reported last year, in January 2019 the Group completed the disposal of its non-core, loss-making glass sealed unit manufacturing business for consideration of £0.1 million. No further gain or loss arose in 2019 following the non-cash asset write-off of £3.6 million in 2018. The disposal has enabled the Group to mitigate the significant lease, dilapidation and redundancy costs had the closure of the Northampton site been required.

These steps, along with the rationalisation and operational measures continuing into 2020, are allowing the Group to focus on its core operations, leveraging and focusing investment in areas where it has significant market presence. Our strategy continues to be based on operational improvement, broadening the product portfolio and capabilities, selective acquisitions, cross-selling and market-share growth in key sectors to build a platform for future growth and maintaining a sustainable investment return.

HEALTH AND SAFETY

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

FINANCIAL REVIEW

Total revenue for the year ended 31 December 2019 was £282.1 million (2018: £281.1 million). The loss of revenue from the closure of the Cardiff newbuild fabrication operation in 2018 was offset by the acquisition of PVS in February 2019 and full year effect of the 2018 acquisition and growth of Amicus distribution. On a like for like basis, excluding the impact of current and prior year acquisitions and disposals, revenues increased by 0.4%. This was achieved through price increases and taking market share in key product areas in what were widely acknowledged to be difficult second half markets. The ONS data indicates that the Group's key private sector RMI market was down approximately 2%.

Underlying operating profit was £21.2 million. On a pre-IFRS 16 basis underlying operating profit was £19.1 million (2018: £18.7 million). Price increases, and material costs improved slightly year on year, were partially offset by operating inefficiencies associated with site complexity as the Group prepares for the consolidation of its warehousing and finishing activities in Telford during the first half of 2020.

Key financials	Year ended 31 December 2019 £m	Year ended 31 December 2019 pre-IFRS 16 £m	Year ended 31 December 2018 £m
Revenue	**282.1**	282.1	281.1
Adjusted EBITDA	**38.2**	26.8	26.5
Amortisation of computer software	**(0.3)**	(0.3)	(0.3)
Depreciation	**(16.7)**	(7.4)	(7.5)
Underlying operating profit (*)	**21.2**	19.1	18.7
Amortisation of acquired other intangible assets	**(0.3)**	(0.3)	(1.2)
Other non-underlying items	**(2.3)**	6.0	(2.0)
Share-based payments expense	**(1.4)**	(1.4)	(0.7)
Operating profit	**17.2**	23.4	14.8
Underlying operating margin (*)	**7.5%**	6.8%	6.7%
Operating margin	**6.1%**	8.3%	5.3%

(*) Underlying operating profit and margin are before amortisation of acquired other intangible assets, share-based payments expense, other non-underlying items and discontinued operations.

REPORTABLE SEGMENTS

	Year ended 31 December 2019 £m	Year ended 31 December 2019 pre-IFRS 16 £m	Year ended 31 December 2018 £m
Revenue			
Extrusion and Moulding	**177.6**	177.6	177.4
Fabrication and Distribution	**104.5**	104.5	103.7
Total	**282.1**	282.1	281.1
Underlying segmental operating profit			
Extrusion and Moulding	**18.7**	17.5	17.5
Fabrication and Distribution	**4.6**	3.7	2.9
Underlying segmental operating profit before corporate costs	**23.3**	21.2	20.4
Corporate costs	**(2.1)**	(2.1)	(1.7)
Underlying operating profit	**21.2**	19.1	18.7
Amortisation of acquired other intangible assets	**(0.3)**	(0.3)	(1.2)
Other non-underlying items	**(2.3)**	6.0	(2.0)
Share-based payments expense	**(1.4)**	(1.4)	(0.7)
Operating profit	**17.2**	23.4	14.8

EXTRUSION AND MOULDING

- Revenue increased by £0.2 million to £177.6 million (2018: £177.4 million) as a consequence of price increases as the Group seeks to recover some of the substantial material price increases borne over the last couple of years. This was largely offset by the acquisition of Amicus Building Products Limited during 2018, an existing customer whose associated revenues are now classified as internal and the external revenue of Amicus is recognised within the Fabrication and Distribution division, and lower volumes at Ecodek where market uncertainty around fire regulations post Grenfell have impacted the ability to specify the wood plastic composite decking product on high rise developments.
- Underlying segmental operating profit of £17.5 million was in line with 2018 as a result of the above factors in addition to slightly improved material cost offset by start-up costs associated with the new aluminium window system and some operational inefficiency associated with site complexity as we prepare for the consolidation of the window system warehousing and finishing activities into a new purpose-built facility in Telford during the second half of 2020.

FABRICATION AND DISTRIBUTION

- Revenues increased to £104.5 million (2018: £103.7 million) as the loss of revenue associated with the closure of the Cardiff new build fabrication operation in 2018 was more than offset through the acquisition of PVS, the full year impact of the 2018 acquisition of Amicus as well as higher volumes in our Distribution businesses where we have taken market share in the specified cellular sector.
- Underlying segmental operating profit increased to £3.7 million (2018: £2.9 million), mainly as a result of the closure of the loss-making Cardiff new build fabrication operation in 2018, the acquisition of PVS in February 2019 and price increases.

FINANCIAL REVIEW
CONTINUED

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, and significant one-off incomes or costs that are not part of the underlying trading performance of the business.

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 (2018: £1.2 million), relating to the brand and customer relationship intangible assets recognised on acquisitions.

ii) Other non-underlying items

Other non-underlying items in 2019 include the profit recognised on the sale and leaseback of the new warehousing and finishing facility in Telford. Site consolidation and redundancy costs represent onerous lease provisions associated with sites exited as operations are consolidated into the new facility.

2018 site consolidation and redundancy costs comprise onerous lease provisions and redundancy costs associated with the closure of the Cardiff window fabrication plant as well as other actions taken to right-size the business following the loss of the Group's two largest customers in H2 2017 and in light of the continuing political and economic uncertainties.

	Year ended 31 December 2019 £m	Year ended 31 December 2019 pre-IFRS 16 £m	Year ended 31 December 2018 £m
Acquisition costs	**(0.1)**	(0.1)	–
Profit on sale and leaseback	**0.6**	10.0	–
Site consolidation and redundancy	**(2.8)**	(3.9)	(2.0)
Other non-underlying (expense)/income	**(2.3)**	6.0	(2.0)

iii) Share-based payments expense

Share-based payments include the IFRS 2: Share-based payments charge in respect of the Long-Term Incentive Plan and Save As You Earn ("SAYE") scheme.

CASH FLOW

	Year ended 31 December 2019 £m	Year ended 31 December 2019 pre-IFRS 16 £m	Year ended 31 December 2018 £m
Pre-tax operating cash flow	**34.8**	23.4	27.7
Tax paid	**(3.3)**	(3.3)	(2.6)
Acquisitions	**(2.2)**	(2.2)	–
Net capital expenditure	**(8.6)**	(8.6)	(12.5)
Net site development cash flow	**10.1**	10.1	–
Net interest paid	**(1.6)**	(1.6)	(1.3)
Borrowings	**1.3**	1.3	(0.7)
Lease payments	**(12.3)**	(0.9)	(1.1)
Dividends	**(7.1)**	(7.1)	(8.8)
Discontinued operations	**–**	–	(1.9)
Increase/(decrease) in cash	**11.1**	11.1	(1.2)
Opening cash	**6.1**	6.1	7.3
Closing cash	**17.2**	17.2	6.1
Borrowings	**(32.3)**	(32.3)	(29.6)
Lease assets	**5.7**	–	–
Lease liabilities	**(71.0)**	(1.3)	(1.3)
Closing net debt	**(80.4)**	(16.4)	(24.8)

Pre-tax operating cash flow (on a pre-IFRS 16 basis) remained strong at £23.4 million (2018: £27.7 million) and pre-tax operating cash conversion was 123% (2018: 148%).

ACQUISITIONS

The acquisitions cash flow of £2.2 million represents the initial cash consideration, net of cash acquired, of £2.0 million for the acquisition of PVS, £0.3 million deferred consideration associated with the 2018 acquisition of Amicus and a cash receipt of £0.1 million associated with the disposal of the Northampton-based glass sealed unit manufacturing operation.

NET CAPITAL EXPENDITURE

Net capital expenditure of £8.6 million represents investment in plant for the new finishing facilities in the form of an aluminium powder coating plant and clipping line, further investment in our profile foiling capacity and capabilities, as well as new, and upgrades to existing, extrusion lines and replacement tooling following the exit and consolidation of the Macclesfield extrusion operation into the Telford facility in 2018.

SITE DEVELOPMENT

The net site development cash inflow of £10.1 million represents the proceeds received to date from the sale and leaseback of the new Telford warehousing and finishing facility of £22.8 million, net of costs incurred to date for the acquisition and development of the site. As at 31 December 2019 construction works are at an advanced stage and on track to be completed during Q2 2020 at which point further proceeds of £5.2 million fall due.

FINANCING

In July 2019, the Group renegotiated its existing banking facilities onto a two bank, syndicated basis with Barclays and HSBC. The new facilities comprise a revolving credit facility of £65.0 million (up from £37.5 million) and overdraft of £10.0 million. The facilities are for an initial term of three years with the option to extend for a further two years. The terms are materially improved from the previous facility. With net debt at 31 December 2019 of £16.4 million (on a pre-IFRS 16 basis) and net debt to EBITDA of 0.6x, these new facilities provide the Group with significant headroom to pursue its strategy.

IFRS 16: LEASES

IFRS 16: Leases became effective for accounting periods beginning on or after 1 January 2019. The standard can be applied with full retrospective effect, or the cumulative impact of initially applying IFRS 16 can be adjusted into opening equity at the date of initial application.

The Group has applied the modified retrospective approach to adopting IFRS 16 with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

The application of IFRS 16: Leases has no effect on the cash flows of the Group. However, it does have an impact on the way the assets, liabilities and the income statement of the Group are presented.

The adjustments required on the initial implementation of IFRS 16 as at 1 January 2019, as well as their impact on the year to 31 December 2019, are set out in note 27 to the Annual Report.

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
COVID-19 / Coronavirus	The ongoing COVID-19 outbreak, designated a pandemic by the World Health Organization, continues to spread, with far-reaching effects on people, travel, supply chains, and economies globally.	COVID-19 has the potential to impact our own workforce as well as that of our customers and supply chain which will affect the Group's ability to manufacture its products as well as market demand for those products.	The Group is monitoring the potential impact of the COVID-19 virus carefully and will continue to review the possible effects on the business and refine its contingency plans as more information emerges, seeking to preserve liquidity and utilise such Government assistance as may be offered.
Brexit	The basis of the UK's future trading relationship with the EU is uncertain. The risk of a hard Brexit is still a possibility.	The level and ease of access to the EU market is still to be negotiated. A hard Brexit could result in a deterioration in market conditions and the introduction of hard border controls delaying the movement of materials from suppliers and products to customers.	The Group has been working with its raw material suppliers and overseas customers to mitigate, where possible, the potential short-term consequences of a hard Brexit. Alternative transport routes avoiding the main ports have been considered. The Group has been ensuring it has the correct licences and authorisations in place to facilitate movement across borders.
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 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.	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. The March 2020 budget indicates a proactive stance from the Government to stimulate the economy.
Integration of acquisitions	Acquisitions are an important growth option for the Group. However, they utilise the Group's capital and management resources in order to complete the transaction and then successfully integrate the acquisition into the Group.	The Group could overpay for an acquisition or the realisation of anticipated synergies may not occur, or may take significant time, resources and management attention. Any acquisitions we make may adversely affect our operations and, if not properly integrated, could disrupt our business model and profitability.	The Group spends considerable time assessing potential acquisitions and ensures that appropriate due diligence procedures are performed. There is significant experience within the Group in corporate transactions and the Group has a successful track record of integrating acquisitions and responding flexibly to changes in market dynamics.

Area of risk	Description of risk	Potential impact	Mitigation
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 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.
Commodity prices	The key material inputs into the Group's manufacturing processes are commodities with market driven prices.	Adverse movements in commodity prices such as PVC and power will impact profit margins if the business is unable to pass the costs onto customers.	Epwin is a major UK consumer of commodities, particularly PVC polymer. In some cases, the Group is able to pass on commodity price increases through agreed contractual terms.
Key suppliers	The Group relies upon certain key suppliers, particularly those supplying raw materials such as PVC resin.	Whilst alternative supply sources could be identified, 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.	The Group maintains good relationships with key suppliers and would anticipate support if there was supply 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 polymer supply, the Group has limited ability to multi-source.
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 are members of a Long-Term Incentive Plan which is settled in equity, subject to various performance measures.
Regulatory change	Regulatory change is the change to laws or regulations that impact our operations, products, customers, suppliers and personnel. A particular example would be changes to building regulations in the aftermath of the Grenfell disaster.	The Group recognises that the marketability of its products could be impacted by changes in regulation or government policy that in turn could adversely affect revenues and profitability.	The Group monitors the political climate and in turn can take measures to mitigate and respond to any significant change. Group policy is to embrace change as it can bring opportunity as we believe to be the case with the Stellar and Adek systems.

CORPORATE SOCIAL RESPONSIBILITY

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

SHAREHOLDERS

It is essential the Group has fair and transparent communication with investors. The Chief Executive Officer and Group Financial Director meet regularly with major shareholders to discuss the Group's performance and strategic objectives to maximise shareholder return. All shareholders are welcome at the Annual General Meeting, where questions can be asked of the Board. Shareholders will be notified, as detailed in the notices, of any alternative arrangements required by specific circumstances.

CUSTOMERS

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, service levels and marketing requirements by working closely and collaboratively with them.

Providing sustainable, high quality products to these customers is imperative to our 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.

SUPPLIERS

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

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

Equal opportunities for all existing and potential employees are important to the Group. The Group continues to strive to improve the balance of diversity by reviewing gender reporting and introducing more flexible working patterns for employees.

WIDER SOCIETY

The Group aims to have a positive impact on the local communities in which we operate. The Group continues to empower each of its businesses to support charities, local community projects and the education sector.

ENVIRONMENTAL SUSTAINABILITY

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.

Our PVC and Wood Plastic Composite products can be recycled, making these more sustainable and more durable than timber alternatives which require costly maintenance. Our leading decking product, ecodek®, has been independently verified as having a negative carbon footprint, being manufactured from sustainably sourced wood and recycled polyethylene. The Group will continue to use its influence and resources to challenge outdated industry attitudes to drive the move from high maintenance unsustainable products to sustainable long-life alternatives like ours.

ECONOMIC SUSTAINABILITY

The Group is focused on providing sustainable value creation that enables the business to trade successfully in the longer term. 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.

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.

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

22 April 2020

GOVERNANCE

DIRECTORS AND ADVISERS

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

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. He is currently Non-Executive Chairman for Emis Group Plc and Dotdigital Group Plc.

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
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COMPANY NUMBER
07742256

AUDITORS
KPMG LLP
One Snowhill
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Birmingham
B4 6GH

NOMINATED ADVISER AND JOINT BROKER
Shore Capital
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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 Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

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. Michael O'Leary is Chairman of the Remuneration Committee.

Biographies of all the Directors at the date of this report are set out on pages 30 and 31.

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 Michael O'Leary 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 Michael O'Leary has any connection with any customer, supplier or other major shareholder of the Company or the Group.

Details of the terms of appointment and remuneration of both the Executive and Non-Executive Directors are set out in the Directors' Remuneration Report on pages 39 and 40.

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 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

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.

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 2019, the Audit Committee met three 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 2018;
- reviewing the half-year announcement for the period ended 30 June 2019; and
- consideration of the audit plan for the year ended 31 December 2019.

Remuneration Committee

The Remuneration Committee comprised Michael O'Leary (Chairman) and Andrew Eastgate.

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 39 and 40.

During the period to 31 December 2019 the Remuneration Committee met once to consider remuneration policies and set Directors' remuneration.

Nomination Committee

The Nomination Committee comprised Andrew Eastgate (Chairman), Jonathan Bednall and Michael O'Leary.

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 once during the year to review the structure, size and composition of the Board.

There were 11 scheduled Board meetings held during the year. As part of the Board's commitment to the business, three of these were held at operating units so that the Board can meet with divisional management and see these businesses first-hand. Details of attendance at scheduled Board and Board Committee meetings during the period to 31 December 2019 are as follows:

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Andrew Eastgate	11	11	3	3	1	1	1	1
Michael O'Leary	11	11	3	3	1	1	1	1
Jonathan Bednall	11	11	n/a	n/a	n/a	n/a	1	1
Christopher Empson	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Shaun Hanrahan	11	8	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 2019 the performance of the Directors and the Board as a whole was the subject of consideration and review by the Non-Executive Directors. In particular, consideration was given to the appointment of an additional non-executive director and initial steps have been taken in a search process.

DIRECTORS' CONFLICTS OF INTEREST

Under the Companies Act 2006 ("the Act"), a Director must avoid a situation where he has, 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 close 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.

In light of the Stay at Home Measures published by the UK Government, and made law on 26 March 2020, public gatherings of more than two persons are not currently permitted, unless 'essential for work purposes'. It has been confirmed that attendance at a general meeting by shareholders is not 'essential for work purposes', and as such shareholders, proxies and other attendees are not permitted to attend the AGM, and will be refused entry. Shareholders are kindly urged to vote by proxy.

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 will be created by the Company.

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, including one this year. 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. This has led to the development of new products, including the aluminium window system, which provides Epwin customers with a market-leading offer. The Company's senior team holds regular meetings with employees and spends time on manufacturing sites with key staff to monitor this corporate culture.

Andrew Eastgate
Chairman

22 April 2020

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

FINANCIAL RESULTS AND DIVIDENDS

The audited accounts for the Group and Company for the year ended 31 December 2019 are set out on pages 52 to 95. The Group profit for the year was £10.7 million (2018: £5.8 million). The Board believes that it is in the best interests of all stakeholders to conserve cash reserves until there is a greater level of visibility over the full impact of COVID-19 on the business. Accordingly, the Board are not proposing a final dividend.

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

Full biographical details of the Company's Directors as at the date of this report are given on pages 30 and 31.

The Directors' remuneration and their interests in the share capital of the Company are detailed on pages 39 and 40.

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 2019 represented on average 72 days' credit, based on actual invoices received (2018: 77 days' credit).

SHARE CAPITAL

The issued share capital of the Company at 31 December 2019 was £71,463, comprising 142,925,173 ordinary shares of 0.05 pence each.

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 96 to 100.

SUBSTANTIAL SHAREHOLDINGS

As at 31 March 2020, the Company had the following substantial shareholdings:

	% of issued share capital	Number of shares
AJ Rawson	14.17	20,250,000
Kennedy Capital Investments Limited	14.17	20,250,000
Ruffer LLP	12.37	17,685,384
Unicorn Asset Management	8.36	11,950,000
Premier Miton Investors	6.65	9,511,325
Otus Capital Management	5.55	7,931,859
Chelverton Asset Management	4.80	6,858,500
Janus Henderson Investors	4.44	6,352,068
AXA Investment Managers	3.23	4,620,000

Extracted from a share register maintained by Link Asset Services.

CHARITABLE AND POLITICAL DONATIONS

The Group made no charitable or political donations during the year.

S172 STATEMENT

The Directors are required to include a statement of how they have had regard to stakeholders to promote the success of the Company, in accordance with section 172 of the Companies Act 2006.

Under s172, a director must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole, and in doing so have regard 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 others,
- the impact of the company's operations on the community 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.

Information about our stakeholders are included in the Corporate Social Responsibility section of this report on page 26 and information on how the Board has discharged its duties is included in the Corporate Governance section on pages 30 to 41.

DIRECTORS' REPORT

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. Please see the detailed disclosure on Going Concern and COVID-19 in the Basis of Preparation section of the notes to the accounts on page 56.

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 10 to 26. 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.

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 Annual General Meeting of the Company will be held on 16 June 2020 at 1B Stratford Court, Cranmore Boulevard, Solihull, B90 4QT. The Notice setting out details of the business to be considered at the meeting is included on pages 96 to 100.

In light of the Stay at Home Measures published by the UK Government, and made law on 26 March 2020, public gatherings of more than two persons are not currently permitted, unless 'essential for work purposes'. It has been confirmed that attendance at a general meeting by shareholders is not 'essential for work purposes', and as such shareholders, proxies and other attendees are not permitted to attend the AGM, and will be refused entry. Shareholders are kindly urged to vote by proxy.

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 will be created by the Company.

AUDITOR REAPPOINTMENT

KPMG LLP have expressed their willingness to continue in office 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:

- to the best of his knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with Section 418 of the Companies Act 2006.

EMPLOYEES

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 Company policies. The Company 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 'whistle-blowers'.

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 Company news.

The average number of employees within the Group is shown in note 8 to the Accounts on page 68.

By order of the Board

Christopher Empson
Group Finance Director

22 April 2020

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 2019, the Audit Committee met three 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 also 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 2019 financial statements are outlined below.

COVID-19

The Board is closely monitoring the evolving and rapidly changing status of COVID-19. Up to the middle of March trading was slightly ahead of the Board's expectations despite the poor weather experienced in the second half of February. However, in anticipation of significantly reduced demand levels and in the interest of customer and employee safety, the decision was taken to implement a controlled shutdown of Epwin's operating sites for a temporary period from the end of March.

The Group enters the period of expected volatility and uncertainty with a robust balance sheet and significant financial headroom on committed banking facilities which it renewed in June 2019 for an initial period of three years to June 2022, comprising a £65 million Revolving Credit Facility and £10 million overdraft facility. The Group is maintaining a close relationship with its bankers, Barclays and HSBC.

Assuming that the coming months will be volatile and uncertain, with disruption in the Group's end markets, the Board is actively focussed on cost reduction and cash management measures, including the deferral of capital expenditure and tax payments, with the agreement of HMRC. Management acted swiftly in taking these steps in early March when it became apparent that the developing situation would most likely present businesses with a significant liquidity squeeze.

The Group is also making use of the Coronavirus Job Retention Scheme ("CJRS") grants, in order to help to retain our valuable and skilled staff through this period of inactivity as well as mitigating some of the costs to the business of taking the socially responsible approach and following the Government guidance. It is anticipated that this will mitigate circa £3.3 million per month of the Group's payroll cost and will avoid the immediate need for aggressive staffing reductions.

The Board prepares detailed budgets which it has confidence in achieving in a normal business environment. The unprecedented events, which are still evolving, are likely to have a short to medium-term impact on the Group's financial performance, though are not easily forecasted. The Group has produced a number of financial models which range from the reasonably optimistic through to an assumed worst-case scenario.

At the optimistic end, the model assumes a loss of all of April revenue, 50% of revenue for May and 25% of revenue for June. Under this scenario the Group would remain within both its facility headroom and within its banking covenants.

At the worst-case end of the scenarios, the Group has modelled the loss of six full months of revenue with a phased return of revenue across the remaining months of 2020. Under this scenario, the Group still remains within its facility headroom, assuming cost saving measures are successfully implemented and the CJRS grants are utilised. At this extreme, leverage and interest cover covenants would be breached, however, the Group's bankers have indicated that they remain committed to supporting the Group through this situation and would at this time be minded to waive such breaches.

The Audit Committee considered the financial resources of the Group and the financial models of COVID-19 stress test scenarios. After making enquiries and taking into account mitigating actions which are under the Directors' control, the Audit Committee concluded it was appropriate for the Company and Group to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

REVENUE RECOGNITION AND RELATED CONTRACT 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. Contract support is a pre-determined 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 contract 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 contract support claim.

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

AUDIT COMMITTEE REPORT

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 and 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 the 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 calculating the value in use of each Cash Generating Unit ("CGU") and comparing this to the goodwill allocated to that CGU. The value in use calculation includes a number of estimates, including cashflow 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 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 no impairment is required.

IMPLEMENTATION OF IFRS 16

The Audit Committee considered the impact of IFRS 16: Leases, and its associated judgements and estimates, that came into effect at 1 January 2019. Disclosures on the adoption of IFRS 16 at 1 January 2019 and its impact on the year to 31 December 2019 are included in notes 1 and 27 to the Accounts.

PROFIT ON SALE AND LEASEBACK TRANSACTION

During the period the Group acquired, and by year-end had made substantial progress developing, a 20-acre site in Telford. A series of linked transactions were undertaken whereby the Group agreed to the sale and leaseback of an existing property on the site, this transaction was completed in the period, 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 profit recognised, as well as the value of the right of use asset and lease liability are sensitive to a number of estimates including the market value attributed to each element of the transaction and discount rate applied in calculating the lease liability.

The Audit Committee was satisfied that the judgement used in accounting for the transactions and the assumptions used in calculating the recognised profit were appropriate.

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 Group audit, both the Group and divisional finance teams are asked to provide feedback on the performance of the external auditors, including audit approach, quality of staff, work performed and feedback, and understanding of the business. Following presentation and evaluation of the feedback by the Audit Committee it was determined that KPMG LLP continue to provide an effective audit and recommended they should be reappointed.

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 is provided when necessary to senior members of KPMG unrelated to the audit. This activity also forms part of KPMG's own system of quality control. The Audit Committee also has discussions with the auditors on the adequacy of controls and on any judgemental areas. 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 KPMG.

Rotation of the audit partner's responsibilities within KPMG 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. For the year ended 31 December 2019, John Leech, the incumbent audit partner has been rotated and replaced by Anna Barrell.

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 KPMG 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 KPMG in their reporting on the financial statements and audit of the Group.

Andrew Eastgate
Chairman of the Audit Committee

22 April 2020

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 33.

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 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 strengthening employee retention and motivation. With the aim of linking an individual's remuneration to Company performance over the longer term, the Group currently operates two long-term share-based incentive plans.

In July 2015, the Group launched a Save As You Earn ("SAYE") scheme available to all employees of the Company, including the Executive Directors.

In 2017 the Group launched a new Long-Term Incentive Plan ("LTIP") for Executive Directors and certain senior employees. Under the LTIP employees will be able to earn up to a fixed value in shares based on the Group's and individual's performance over three years. The maximum value awardable to Executive Directors and all members of the scheme under the LTIP is £3.7 million, of this, £1.8 million is potentially awardable to the Executive Directors. The Remuneration Committee is currently finalising the details of a new scheme for the next three years.

Details of all schemes are provided on page 69.

REMUNERATION COMMITTEE REPORT

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 2019 £000	Other taxable benefits 2019 £000	Bonus 2019 £000	Pension contributions 2019 £000	Total 2019 £000	Total 2018 £000
Executive						
J A Bednall	250	10	231	26	**517**	410
C A Empson	170	17	157	18	**362**	287
S P Hanrahan	190	18	190	34	**432**	342
Non-Executive						
A K Eastgate	65	–	–	–	**65**	65
M K O'Leary	40	–	–	–	**40**	40
Total	715	45	578	78	**1,416**	1,144

LONG-TERM INCENTIVES VESTED DURING THE FINANCIAL YEAR

J A Bednall, C A Empson, S P Hanrahan and a number of other senior employees hold awards under the Long-Term Incentive Plan.

Under the Long-Term Incentive Plan, vesting of the awards is conditional on service and the Group achieving certain annual earnings and cash targets over each of the three years to 31 December 2019. At each anniversary of the scheme an assessment is made on whether the earnings and cash targets have been achieved. If annual targets have been met, a value of ordinary shares in Epwin Group Plc will be awarded to the employee at the end of the three-year scheme, provided the holder remains in the employment of the Group. As the number of shares awarded is variable, based on the share price on vesting, it is not possible to quantify the number of awards to be granted to each Executive Director.

Vesting of the Long-Term Incentive Plan due on the finalisation of the results for the year-ended 31 December 2019 has been deferred to assist in maximising Group liquidity, however, awards to the value of circa £1.2 million, out of a potential £1.8 million, are anticipated to be granted to the Executive Directors. The awards will be settled net of taxation in equity with taxation liabilities paid from the Group cash facilities once approved by the Remuneration Committee.

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 2019 in the ordinary share capital of the Company are as shown in the table below.

	As at 31 December 2019 Number of shares	As at 31 December 2018 Number of shares
Executive		
Jonathan Bednall	**578,500**	578,500
Christopher Empson	**39,200**	39,200
Shaun Hanrahan	**42,414**	42,414
Non-Executive		
Andrew Eastgate	**5,000**	5,000
Michael O'Leary	**1,000**	1,000

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

Michael O'Leary
Chairman of the Remuneration Committee

22 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EPWIN GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Epwin Group Plc ("the Company") for the year ended 31 December 2019 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 the related notes, including the accounting policies in note 1.

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 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: Group financial statements as a whole	£0.8m (2018: £0.7m) 5.0% (2018: 4.6%) of Group profit before tax normalised to exclude other non-underlying items and averaged over the last five years	
Coverage	82% (2018: 90%) of Group profit before tax normalised to exclude other non-underlying items	
Key audit matters		**vs 2018**
Recurring risks:	• The impact of uncertainties due to the UK exiting the European Union on our audit	◀ ▶
	• Accuracy of variable consideration and valuation of associated refund liability	◀ ▶
	• Valuation of Inventory	◀ ▶
	• Recoverability of Parent Company Investments in subsidiaries	◀ ▶
New risks:	• Going concern due to ongoing developments of COVID-19	**NEW**
	• Sale and leaseback accounting	**NEW**
	• Lease accounting	**NEW**

2. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

	The risk	Our response
Going concern due to ongoing developments of COVID-19 We draw attention to note 1 in the financial statements, which outlines the uncertainties arising from the recent COVID-19 outbreak, including that in the severe but plausible downside forecast trading is expected to be affected due to the temporary closure of the Group's manufacturing facilities and the Group is reliant on the continued support of the bank and certain other government support schemes. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality** There is little judgement involved in the directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	Our procedures included: • **Assessing transparency:** assessing the completeness and accuracy of the matters covered in the going concern disclosure by reviewing and challenging the assumptions used in management's forecast.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF EPWIN GROUP PLC

3. OTHER KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 24 (principal risks), page 37 (Audit Committee Report), page 56 (accounting policy) and page 72 (financial disclosures).	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of Goodwill and Parent Company Investments below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** we considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks; • **Sensitivity Analysis:** when addressing the Recoverability of Parent Company Investments in subsidiaries, Going Concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; • **Assessing transparency:** we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

3. OTHER KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

	The risk	Our response
Accuracy of variable consideration and valuation of associated refund liability £28.9m million of variable consideration (2018: £30.7 million) reported within revenue Refer to page 60 (accounting policy) and page 64 (financial disclosures)	**Subjective estimate** The Group provides contract support sales incentives to its distribution customers for certain branded products. The Group accounts for these as variable consideration and reports only the revenue that is considered highly likely not to reverse, in line with IFRS 15. They do this by estimating the likely contract support claim from distributors at the point of sale, reducing the reported revenue by this amount and recognising a refund liability. There can be a substantial time delay between the distributor's sale and their claim, or even no claim at all. As such, the amount of contract support yet to be claimed by distributors includes an element of estimation on the proportion of sales that result in a subsequent claim. This estimate is based on a historical percentage per customer on sales of products for which contract support has been reclaimed. The effect of these matters is that, as part of our risk assessment, we determined that contract support variable consideration has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.	Our procedures included: • **Historical comparison:** we compared actual contract support claims received in 2019 in respect of the 2018 closing refund liability and actual claims in 2018 in respect of the 2017 closing refund liability, in order to assess historical accuracy of the liability. We also calculated actual claims for 2017 and 2018 contract support as a percentage of contract support sales in the respective years. The results of this calculation have been used to assess the accuracy of the current year liability; • **Test of detail:** for a sample of customers who receive contract support we obtained claims sent to Epwin by the customer during 2019 and calculated the amount of the claim as a percentage of the gross sales made to the customer by Epwin. We compared this percentage to the reclaim percentages used in the calculation of the closing liability; • **Test of detail:** we inspected a sample of credit notes raised in January and February 2020 to identify contract support credit notes in respect of 2019. These credit notes were compared to the closing liability for that customer; • **Test of detail:** we re-performed the calculation of the year end refund liability and in order to verify the data underlying the calculation, we selected samples from the data and agreed each relevant data attribute in the sample to source evidence; • **Sensitivity analysis:** we performed sensitivity analysis over the key assumptions in order to assess the most likely range of estimate and compared management's point estimate to this range.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF EPWIN GROUP PLC

	The risk	Our response
Valuation of Inventory (£30.3 million; 2018: £29.2 million) Refer to page 59 (accounting policy) and page 75 (financial disclosures	**Subjective Estimate** Inventory is one the most significant items on the balance sheet and is required to be valued at the lower of cost and net realisable value. The Group's estimate is based on comparing the amount of inventory to historical sales. There is a risk that changing customer taste leads to slow-moving inventory. The effect of these matters is that, as part of our risk assessment, we determined that inventory valuation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.	Our procedures included: • **Methodology choice:** we challenged the appropriateness of the methodology applied in determining net realisable value by assessing the evidence for the formulaic provision based on historical sales levels compared to year end inventory value by product; • **Historical comparisons:** we compared the actual sales prices achieved in 2019, scrapping during 2019 and unsold items, to the prior year provision to assess the historical accuracy of the provision; • **Test of detail:** we assessed the appropriateness of the sales data used in the inventory usage report by testing a sample to sales invoices; • **Test of detail:** we compared the unit cost of a sample of stock items to the price the item was sold for in sales made after the balance sheet date, or other relevant support where no post year end sale had occurred; • **Test of detail:** we challenged the completeness of the inventory provision by identifying products that had specific indicators of impairment, for example items that were discontinued, and agreeing those items to the provision;
Sale and leaseback accounting (£0.6 million; 2018: £nil) Refer to page 58 (accounting policy) and page 84 (financial disclosures)	**Complex accounting** During the year the Group purchased a piece of land with an existing building, and then subsequently sold it, in an arrangement that included a sale and leaseback. At the same time the Group entered into a contract to construct a separate warehouse on the land and then lease back the warehouse once construction was complete. Due to the commercial and accounting complexity involved in the transaction, as well as the introduction of new accounting standards such as IFRS 16 in the period (see below), we deem this to be an area of focus in our audit. In addition to this, the calculation in arriving at the accounting entries includes a number of judgements and estimates such as the market value of the land and buildings, which is driven by rental yields. The effect of these matters is that, as part of our risk assessment, we determined that the market value of the property and discount rate used in the calculation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • **Accounting analysis:** we considered the accounting adopted by the Group to assess whether this was in line with the relevant accounting standards; • **Our sector experience:** we used our own valuation specialists to evaluate the assumptions used in the market value calculation, in particular the property yield and estimated rental value; • **Test of detail:** we inspected the transaction agreements in order to identify the relevant key terms and conditions; • **Test of detail:** we agreed the key components of the sale and leaseback calculations to supporting documentation including sales contracts, lease agreements, bank receipts, and capitalised costs;

	The risk	Our response
Lease accounting (£71.0 million; 2018: £nil) Refer to page 58 (accounting policy) and page 83 (financial disclosures)	**Subjective Estimate** The Group adopted IFRS 16 for the first time this year, choosing to apply the modified retrospective approach. The application of the new standard in the current year gave rise to the recognition of a right of use asset of £56.4m, a lease liability of £64.5m and reduction in retained earnings of £8.1m as at 1 January 2019. The assessment of the impact of the new standard was significant to our audit as the application of the standard requires a number of policy elections and the balances recorded are material. The measurement of the right of use asset and lease liability involves a number of estimates, particularly around discount rates and lease terms. The effect of these matters is that, as part of our risk assessment, we determined that the adoption of IFRS 16 has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.	Our procedures included: • **Our valuations expertise:** with assistance from our valuation specialist, we compared the Group's assumptions to externally derived data, in order to conclude whether the incremental borrowing rate used to discount the lease liability was appropriate; • **Expectation vs outcome:** we recalculated the expected transition adjustments for each lease using the discount rates calculated by our valuation specialist and compared to the recorded transition adjustments; • **Test of detail:** we vouched a sample of leases to lease agreements to ensure that the calculation accurately reflected the terms;
Recoverability of Parent Company Investments in subsidiaries Investment in subsidiaries: (£71.0 million: 2018: £69.6 million) Refer to page 91 (accounting policy) and page 92 (financial disclosures)	**Forecast-based valuation** The carrying amount of the Parent Company's investments in subsidiaries are significant and at risk of irrecoverability due to the net assets of the underlying investments not supporting the investment value. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the budgets. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The company financial statements (note 2) disclose the sensitivity estimated by the Company.	Our procedures included: • **Benchmarking assumptions:** Challenging the assumptions used in the cash flows included in the budgets based on our knowledge of the Group and the markets in which the subsidiaries operate; • **Our sector experience:** Evaluating the current level of trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market; • **Assessing transparency:** Assessing the adequacy of the parent company's disclosures in respect of the investment in subsidiaries.

We continue to perform procedures over the recoverability of Goodwill. However, following a review of the headroom available, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF EPWIN GROUP PLC

4. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the financial statements as a whole was set at £0.8 million (2018: £0.7 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's other non-underlying items of £2.3 million as disclosed in note 7, (2018: £2.0 million), and averaged over the last five years due to fluctuations in the business cycle, of which it represents 5.0% (2018: 4.6%).

Materiality for the parent company financial statements as a whole was set at £0.8 million (2018: £0.7 million), determined with reference to a benchmark of net assets and chosen to be lower than materiality for the group financial statements as a whole. It represents 1.0% (2018: 1.7%) of the stated benchmark.

We agreed to report to the audit committee any corrected or uncorrected misstatements exceeding £0.04 million (2018: £0.04 million), in addition to other reporting on qualitative grounds.

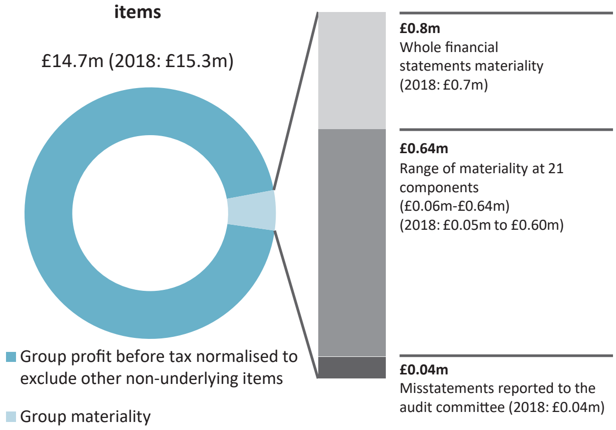
Of the Group's 21 (2018: 17) reporting components, we subjected 10 (2018: 8) to full scope audits for Group purposes and 5 (2018: 9) to specified risk focused audit procedures around inventory, fixed assets, and bank loans. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

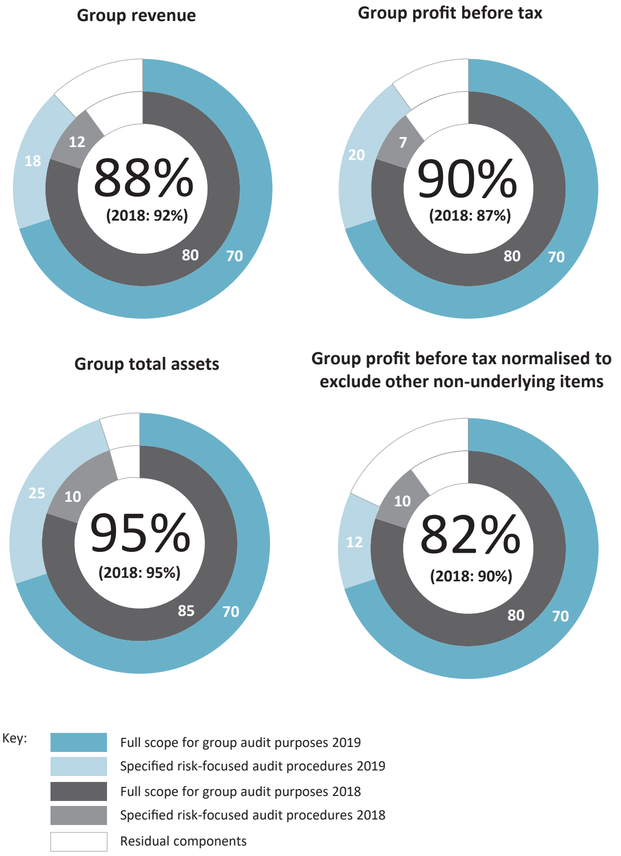
The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 12% of total Group revenue, 10% of Group profit before tax and 5% of total Group assets is represented by 6 reporting components, none of which individually represented more than 4% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team approved the range of component materiality of £0.05 million to £0.6 million (2018: £0.05 million to £0.7 million), having regard to the mix of size and risk profile of the Group across the components. The Group audit team performed all of the audit work in relation to the 21 components (2018: 17 components).

Group profit before tax normalised to exclude other non-underlying items

Group Materiality
£0.8m (2018: £0.7m)





5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.-

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 41, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

Anna Barrell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

22 April 2020

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Revenue	3	**282.1**	281.1
Cost of sales		**(193.3)**	(196.3)
Gross profit		**88.8**	84.8
Distribution expenses		**(33.7)**	(34.4)
Administrative expenses		**(37.9)**	(35.6)
Underlying operating profit		**21.2**	18.7
Amortisation of acquired other intangible assets	7	**(0.3)**	(1.2)
Other non-underlying items	7	**(2.3)**	(2.0)
Share-based payments expense	7, 9	**(1.4)**	(0.7)
Operating profit		**17.2**	14.8
Net finance costs	10	**(2.1)**	(1.5)
IFRS 16 discount unwind on lease liabilities	10	**(2.7)**	–
Profit before tax		**12.4**	13.3
Taxation	11	**(1.7)**	(2.5)
Profit from continuing operations		**10.7**	10.8
Loss from discontinued operations net of tax	6	–	(5.0)
Profit for the year and total comprehensive income		**10.7**	5.8
Earnings per share		**pence**	**pence**
Basic	12	**7.49**	4.06
Basic – continuing operations	12	**7.49**	7.56
Basic – discontinued operations	12	–	(3.50)
Diluted	12	**7.47**	4.05
Diluted – continuing operations	12	**7.47**	7.54
Diluted – discontinued operations	12	–	(3.49)

There are no recognised gains and losses 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 2019

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Goodwill	14	**72.2**	70.2
Other intangible assets	15	**3.5**	3.5
Property, plant and equipment	16	**46.1**	37.2
Right of use assets	27	**51.4**	–
Lease assets	27	**5.3**	–
Assets held for resale	6	**–**	0.1
Deferred tax	23	**3.8**	0.7
		182.3	111.7
Current assets			
Inventories	17	**30.3**	29.2
Trade and other receivables	18	**43.6**	40.4
Lease assets	27	**0.4**	–
Cash and cash equivalents	19	**17.2**	6.1
		91.5	75.7
Total assets		**273.8**	187.4
Liabilities			
Current liabilities			
Other interest-bearing loans and borrowings	21	**–**	5.6
Lease liabilities	27	**9.0**	–
Trade and other payables	20	**75.2**	61.3
Deferred consideration	5	**–**	0.3
Income tax payable		**1.0**	0.6
Provisions	22	**1.1**	1.5
		86.3	69.3
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**32.3**	25.3
Lease liabilities	27	**62.0**	–
Contingent consideration	5	**1.0**	–
Provisions	22	**3.4**	2.8
		98.7	28.1
Total liabilities		**185.0**	97.4
Net assets		**88.8**	90.0
Equity			
Ordinary share capital	24	**0.1**	0.1
Share premium	24	**12.5**	12.5
Merger reserve	24	**25.5**	25.5
Retained earnings		**50.7**	51.9
Total equity		**88.8**	90.0

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 22 April 2020.

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 2019

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance as at 1 January 2018	**0.1**	**12.5**	**25.5**	**54.2**	**92.3**
Comprehensive income:					
Profit for the year	–	–	–	5.8	5.8
Total comprehensive income:	**–**	**–**	**–**	**5.8**	**5.8**
Transactions with owners recorded directly in equity:					
Issue of shares	–	–	–	–	–
Share-based payments expense	–	–	–	0.7	0.7
Dividends	–	–	–	(8.8)	(8.8)
Total transactions with owners	**–**	**–**	**–**	**(8.1)**	**(8.1)**
Balance as at 31 December 2018	**0.1**	**12.5**	**25.5**	**51.9**	**90.0**
Adoption of IFRS 16 (note 27)	–	–	–	(6.2)	(6.2)
Balance as at 1 January 2019	**0.1**	**12.5**	**25.5**	**45.7**	**83.8**
Comprehensive income:					
Profit for the year	–	–	–	10.7	10.7
Total comprehensive income:	**–**	**–**	**–**	**10.7**	**10.7**
Transactions with owners recorded directly in equity:					
Issue of shares	–	–	–	–	–
Share-based payments expense	–	–	–	1.4	1.4
Dividends	–	–	–	(7.1)	(7.1)
Total transactions with owners	**–**	**–**	**–**	**(5.7)**	**(5.7)**
Balance as at 31 December 2019	**0.1**	**12.5**	**25.5**	**50.7**	**88.8**

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Profit for the year		**10.7**	5.8
Adjustments for:			
Depreciation and amortisation	15,16, 27	**17.3**	9.0
Loss on disposal of property, plant and equipment		**1.7**	0.3
Gain on disposal of right of use asset		**(0.4)**	–
Exceptional gain on sale and leaseback		**(0.6)**	–
Net finance costs	10	**4.8**	1.5
Taxation	11	**1.7**	2.5
Share-based payments expense	9	**1.4**	0.7
Loss from discontinued operations net of tax	6	**–**	5.0
Operating cash flow before movement in working capital		**36.6**	24.8
(Increase)/decrease in inventories		**(0.9)**	1.6
(Increase)/decrease in trade and other receivables		**(4.8)**	0.7
Increase in trade and other payables		**3.3**	2.8
Increase/(decrease) in provisions		**0.6**	(2.2)
Pre-tax operating cash flow		**34.8**	27.7
Tax paid		**(3.3)**	(2.6)
Net cash inflow from operating activities		**31.5**	25.1
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	5	**(2.3)**	–
Acquisition of property, plant and equipment	16	**(8.2)**	(12.0)
Acquisition of other intangible assets	15	**(0.4)**	(0.5)
Proceeds on sale and leaseback, net of development costs		**10.1**	–
Proceeds on disposal of subsidiary		**0.1**	–
Net cash outflow from investing activities		**(0.7)**	(12.5)
Cash flow from financing activities			
Interest paid		**(1.6)**	(1.3)
Drawdown/(repayment) of borrowings		**1.3**	(0.7)
Repayment of lease liabilities		**(12.3)**	(1.1)
Dividends paid	13	**(7.1)**	(8.8)
Net cash outflow from financing activities		**(19.7)**	(11.9)
Net cash outflow from discontinued operations		**–**	(1.9)
Net increase/(decrease) in cash and cash equivalents		**11.1**	(1.2)
Cash and cash equivalents at the beginning of year		**6.1**	7.3
Cash and cash equivalents at end of year	19	**17.2**	6.1
Secured bank loans	21	**(32.3)**	(29.6)
Lease assets	27	**5.7**	–
Lease liabilities	27	**(71.0)**	(1.3)
Net debt at end of year		**(80.4)**	(24.8)

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The financial statements of the Parent Company have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101") and presented from page 89.

The accounting policies set out below have, with the exception of adjustments required due to the implementation of IFRS 16: Leases on 1 January 2019, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Directors in the application of these accounting policies, that 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 Adopted IFRSs require an alternative treatment.

1.2 Going concern

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

The Group enters the period of expected volatility and uncertainty resulting from the COVID-19 pandemic with a robust balance sheet and significant financial headroom on committed banking facilities, which it renewed in June 2019 for an initial period of three years to June 2022, comprising a £65 million Revolving Credit Facility and £10 million overdraft facility. The Group is maintaining a close relationship with its bankers, Barclays and HSBC.

In anticipation of significantly reduced demand levels and in the interest of customer and employee safety, we took the decision on 25 March 2020 to implement a controlled shutdown of Epwin's operating sites for a temporary period.

Assuming that the coming months will be volatile and uncertain, with disruption in the Group's end markets, the Board is actively focussed on cost reduction and cash management measures, including the deferral of capital expenditure and tax payments, with the agreement of HMRC. Management acted swiftly in taking these steps in early March when it became apparent that the developing situation would most likely present businesses with a significant liquidity squeeze.

The Group is also making use of the Coronavirus Job Retention Scheme ("CJRS") grants, in order to help to retain our valuable and skilled staff through this period of inactivity as well as mitigating some of the costs to the business of taking the socially responsible approach and following the Government guidance. It is anticipated that this will mitigate circa £3.3 million per month of the Group's payroll cost and will avoid the immediate need for aggressive staffing reductions.

The Board prepares detailed budgets which it has confidence in achieving in a normal business environment. The unprecedented events, which are still evolving, are likely to have a short to medium-term impact on the Group's financial performance, though are not easily forecasted. The Group has produced a number of financial models which range from the reasonably optimistic through to an assumed worst-case scenario.

At the optimistic end, the model assumes a loss of all of April revenue, 50% of revenue for May and 25% of revenue for June. Under this scenario the Group would remain within both its facility headroom and within its banking covenants.

At the other end of the scenarios, the Group has modelled an assumed worst-case scenario of the loss of six full months of revenue as operations remain closed, with a phased return of revenue across the remaining months of 2020. Under this scenario, the Group still remains within its facility headroom, assuming cost saving measures are successfully implemented and the CJRS grants are utilised. At this extreme, leverage and interest cover covenants would be breached, however, the Group's bankers have indicated that they remain committed to supporting the Group through this situation and would at this time be minded to waive such breaches.

Given the fluidity of the current situation, we continue to refine and develop our modelling as shareholders would expect, however, our current belief is that the business can sustain a significant loss of revenue within its current facility arrangements and utilising the Government's CJRS support.

Based on the above, the Directors believe that it remains appropriate for the Parent Company and Group to continue to adopt the going concern basis in preparing the Annual Report and Accounts. However, in view of the unprecedented COVID-19 situation and the risks it may pose to the Group and its end markets, together with the essentially unpredictable and constantly evolving nature of the pandemic, the Directors have decided to formally note that this represents a material uncertainty that may cast significant doubt on the Company and Group's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation as a going concern being inappropriate.

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 respective functional currency of the Group 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 and other 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.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. 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, contingent consideration and borrowings.

i) 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.

ii) Trade payables

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

iii) Contingent consideration

Contingent consideration is measured at fair value.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1.6 Leases

IFRS 16: Leases became effective on 1 January 2019. The Group has applied IFRS 16: Leases with effect from 1 January 2019 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognised, at the date of initial application, as an adjustment to the opening balance of retained earnings.

The Group has 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 on a straight-line basis over the remaining terms of the lease.

LESSEE ACCOUNTING

Right of use assets were initially measured at the present value of the cash flows payable from inception of the lease, using the Group's incremental borrowing rate at 1 January 2019, net of depreciation chargeable on a straight-line basis, over the term of the lease, for the period from inception to 1 January 2019.

Subsequent to initial measurement, right of use assets are measured at cost less accumulated depreciation and accumulated impairment. The lease liability is adjusted to reflect changes in the lease term and quantum of rental payments.

Lease liabilities and lease assets were initially measured at the present value of the remaining cash flows payable as lessee or receivable as lessor as at 1 January 2019, discounted using the Group's incremental borrowing rate at that date.

For periods beginning prior to 1 January 2019, leases were accounted for in accordance with IAS 17: Leases.

Lease payments made under finance leases were apportioned between the finance charge and the reduction of the outstanding liability. The finance charge was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases were recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received were recognised in the consolidated income statement as an integral part of the total lease expense.

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 sub-lease 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 an entity 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 seller 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.

Prior to the implementation of IFRS 16: Leases, on 1 January 2019, leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described above.

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

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.

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 six-year period before 31 December 2019 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.

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.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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 9 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 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. Performance obligations for the supply and installation of the Group's products are separated and revenue allocated to each element based on their standalone fair value.

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 now recognised only to the extent it is highly improbable to reverse.

Services comprise the installation of windows and doors. Revenue from the installation of windows and doors is recognised separately when the Group has fulfilled all its performance obligations, being at a point in time.

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 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 – adjusted EBITDA is underlying operating profit before interest, taxation, depreciation and amortisation.

Adjusted EPS – adjusted EPS is calculated based on profit after tax adding back amortisation of acquired other intangible assets, share-based payments expense and other non-underlying items, divided by the basic weighted average number of ordinary shares.

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

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

Leverage ratio – the leverage ratio is the ratio of net debt to adjusted EBITDA.

Operating margin – operating margin is 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 conversion is pre-tax operating cash flow as a percentage of underlying operating profit.

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

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

Underlying operating profit – underlying operating profit is a 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 2019

1.18 New and amended standards adopted by the Group

New standards or amendments to existing standards and interpretations that became applicable for the current reporting period:

- IFRS 16 – Leases (see note 27).

1.19 Adopted IFRS not yet applied

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

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

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 significant judgements and estimates employed in these financial statements are considered below.

Estimates

REVENUE RECOGNITION AND RELATED CONTRACT 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. Contract 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 contract 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 contract support claim. If the level of contract supported sales was to change by a reasonably possible 5% then this would have a material impact on the amount of the contract support recognised.

PROFIT RECOGNITION ON SALE AND LEASEBACK TRANSACTION

During the period the Group acquired, and by year-end had made substantial progress developing, a 20-acre site in Telford. A series of linked transactions were undertaken whereby the Group agreed to the sale and leaseback of an existing property on the site, this transaction was completed in the period, 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 profit recognised, as well as the value of the right of use asset and lease liability are sensitive to a number of estimates including the market value attributed to each element of the transaction and discount rate applied in calculating the lease liability.

IMPLEMENTATION OF IFRS 16: LEASES

The Group adopted IFRS 16 for the first time this year, choosing to apply the modified retrospective approach. The implementation and application of the new standard requires a number of policy elections and estimates, particularly around discount rates and lease terms, and has resulted in the recognition of a number of material balances; a right of use asset of £56.4 million, a lease liability of £64.5 million and reduction in retained earnings of £8.1 million as at 1 January 2019.

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 notes 14 and 15.

ALLOWANCES AGAINST THE CARRYING AMOUNT OF INVENTORIES

The Group provides against the carrying amount of 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 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 2019 is £4.1 million (2018: £4.1 million) and is sensitive to changes in customer demand.

Judgements

DEFERRED TAX ASSETS

The Group has not recognised certain deferred tax assets in relation to tax losses as their recovery is improbable. If the Group had determined that the utilisation of these tax losses was more certain then a further deferred tax asset of £1.6 million could be recognised.

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.

	2019 £m	2018 £m
Revenue from external customers		
Extrusion and Moulding – total revenue	**211.6**	210.4
Inter-segment revenue	**(34.0)**	(33.0)
Extrusion and Moulding – external revenue	**177.6**	177.4
Fabrication and Distribution – total revenue	**104.5**	104.0
Inter-segment revenue	**–**	(0.3)
Fabrication and Distribution – external revenue	**104.5**	103.7
Total revenue from external customers	**282.1**	281.1
Segmental operating profit		
Extrusion and Moulding	**18.7**	17.5
Fabrication and Distribution	**4.6**	2.9
Segmental operating profit before corporate costs	**23.3**	20.4
Corporate costs	**(2.1)**	(1.7)
Underlying operating profit	**21.2**	18.7
Amortisation of acquired other intangible assets	**(0.3)**	(1.2)
Other non-underlying items	**(2.3)**	(2.0)
Share-based payments expense	**(1.4)**	(0.7)
Operating profit	**17.2**	14.8

Balance sheet 2019

	Extrusion and Moulding £m	Fabrication and Distribution £m	Total £m
Total assets	**186.6**	**69.9**	**256.5**
Total liabilities	**(90.4)**	**(38.6)**	**(129.0)**
Segment assets	**96.2**	**31.3**	**127.5**
Group and other balances			**(38.7)**
Net assets			**88.8**

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

Balance sheet 2018

	Extrusion and Moulding £m	Fabrication and Distribution £m	Total £m
Total assets	140.9	36.9	177.8
Total liabilities	(43.1)	(16.0)	(59.1)
Segment assets	**97.8**	**20.9**	**118.7**
Group and other balances			(28.7)
Net assets			**90.0**

Other material items 2019

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	**7.8**	**0.4**	**–**	**8.2**
Depreciation	**12.2**	**4.4**	**0.1**	**16.7**

Other material items 2018

	Extrusion and Moulding £m	Fabrication and Distribution £m	Group and other costs £m	Total £m
Capital expenditure	11.5	0.7	–	12.2
Depreciation	6.7	1.3	–	8.0

Geographical information

	2019 £m	2018 £m
Revenue from external customers		
UK	**265.7**	265.0
Europe	**14.8**	14.5
Rest of World	**1.6**	1.6
	282.1	281.1

There are no customers that individually account for more than 5% of the Group's revenues.

	2019 £m	2018 £m
Revenue from external customers		
Sale of goods	**248.2**	245.4
Sale of goods with variable consideration element	**28.9**	30.7
Fitting and installation	**5.0**	5.0
	282.1	281.1

4. OPERATING PROFIT

Operating profit is stated after charging:

	2019 £m	2018 £m
Amortisation of other intangible assets	**0.6**	1.5
Depreciation of property, plant and equipment	**7.3**	7.5
Depreciation of rights of use assets	**9.4**	–
Loss on disposal of property, plant and equipment	**1.7**	0.3
Gain on disposal of right of use asset	**(0.4)**	
Gain on sale and leaseback	**(0.6)**	–
Operating lease rentals	**–**	10.6

The analysis of auditors' remuneration is as follows:

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**60**	50
The audit of the Company's subsidiaries pursuant to legislation	**230**	175
Total audit fees	**290**	225
Non-audit fees:		
All other services	**25**	–
Non-audit fees	**25**	–
	315	225

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

5. ACQUISITION OF SUBSIDIARIES

Acquisitions in the year ended 31 December 2019

On 1 February 2019, the Group acquired Premier Distribution (Gt. Yarmouth) Limited, trading as PVS, for initial cash consideration of £2.5 million. PVS supplies and installs PVC decking and related products to the holiday park and park home markets as well as to residential customers and local authorities. PVS forms part of the Fabrication and Distribution segment.

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

	Premier Distribution (Gt. Yarmouth) Limited provisional fair values on acquisition £m
Recognised amounts of identifiable assets and liabilities acquired:	
Acquired intangibles - brand	0.1
Acquired intangibles – customer relationships	0.1
Property, plant and equipment	1.8
Right of use assets	0.1
Inventories	0.2
Trade and other receivables	0.3
Cash and cash equivalent	0.5
Other interest-bearing loans and borrowings	(0.9)
Lease liabilities	(0.1)
Trade and other payables	(0.3)
Income tax payable	(0.2)
Provisions	(0.1)
Fair value of assets acquired	1.5
Goodwill	2.0
Total consideration	**3.5**

Consideration	
Cash consideration	2.5
Contingent consideration	1.0
Total consideration	**3.5**

Contingent consideration is based on the performance of PVS during the earnout period and has been calculated based on management's forecasts for the business. The potential range of contingent consideration is £nil to £3.4 million.

On acquisition, other intangible fixed assets of £0.2 million were recognised, representing the PVS brand and customer relationships.

The goodwill recognised of £2.0 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. The goodwill arising on the acquisition of PVS is allocated to the Fabrication and Distribution cash-generating unit for the purpose of impairment testing.

Acquisitions in the year ended 31 December 2018

On 5 March 2018, the Group acquired Amicus Building Products Limited and subsidiaries ("Amicus"), for cash consideration of £0.5 million.

The following table summarises the consideration paid for Amicus and the fair values of the assets and liabilities acquired at the acquisition date.

	Amicus Building Products Limited fair values on acquisition £m
Recognised amounts of identifiable assets and liabilities acquired:	
Acquired intangibles - brand	0.6
Property, plant and equipment	0.6
Inventories	1.6
Trade and other receivables	1.7
Cash and cash equivalent	0.2
Other interest-bearing loans and borrowings	(0.3)
Trade and other payables (including £4.9 million due to the Group)	(7.9)
Income tax payable	(0.1)
Provisions	(0.3)
Deferred tax liability	(0.1)
	(4.0)
Goodwill	4.5
Cash consideration	**0.5**

Cash consideration	
Initial consideration	0.2
Deferred consideration	0.3
Cash consideration	**0.5**

Amicus is a chain of plastic distribution outlets with a network of depots across the north of the UK. Amicus forms part of the Fabrication and Distribution segment.

On acquisition, other intangible assets of £0.6 million were recognised, representing the Amicus brands. In addition to this, a fair value adjustment of £0.3 million was made for onerous lease and property dilapidation provisions.

6. DISCONTINUED OPERATIONS

On 7 January 2019 the Group disposed of the trade and certain assets and liabilities of its glass sealed-unit manufacturing business in Northampton for cash consideration of £0.1 million. As a result of the disposal, an impairment charge of £3.6 million was recognised in the year to 31 December 2018 to write down property, plant and equipment and inventories to their recoverable amount. This decision exits the Group from the glass sealed-unit market.

	2019 £m	2018 £m
Revenue	–	4.5
Operating expenses	–	(6.9)
Impairment charge	–	(3.6)
Loss before tax	–	(6.0)
Taxation	–	1.0
Loss after tax from discontinued operations	–	(5.0)

The trading results of the glass sealed-unit manufacturing business have been presented under discontinued operations and the assets and liabilities associated with the business classified as held for sale.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

7. NON-UNDERLYING ITEMS

Non-underlying items included within operating profit include:

	2019 £m	2018 £m
Amortisation of acquired other intangible assets	**(0.3)**	(1.2)
Other non-underlying items	**(2.3)**	(2.0)
Share-based payments expense	**(1.4)**	(0.7)
Non-underlying expense	**(4.0)**	(3.9)

Amortisation of acquired other intangible assets

£0.3 million (2018: £1.2 million) amortisation of brand and customer contract 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:

	2019 £m	2018 £m
Acquisition costs	**(0.1)**	–
Profit on sale and leaseback transaction (notes 2 and 27)	**0.6**	–
Site consolidation and redundancy	**(2.8)**	(2.8)
Profit on exit of lease	**–**	0.8
Other non-underlying items	**(2.3)**	(2.0)

Share-based payments expense

The share-based payment expense of £1.4 million (2018: £0.7 million) comprises IFRS 2: Share-based payments charges in respect of the: Long-Term Incentive Plan £1.3 million (2018: £0.6 million) and SAYE schemes of £0.1 million (2018: 0.1 million).

8. STAFF COSTS

	2019 Number	2018 Number
Average number of employees		
Production and distribution	**1,562**	1,757
Marketing and administration	**541**	547
	2,103	2,304

	2019 £m	2018 £m
Aggregate payroll costs		
Wages and salaries	**58.4**	61.9
Social security costs	**5.5**	5.6
Contributions to defined contribution plans	**1.7**	1.4
Share-based payments	**1.4**	0.7
	67.0	69.6

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

	2019 £m	2018 £m
Key management personnel costs		
Short-term employee benefits	**1.8**	1.4
Post-employment benefits	**0.1**	0.1
Share-based payment charges	**0.9**	0.4
	2.8	1.9

The remuneration of individual Non-Executive and Executive Directors is detailed in the table on page 40.

9. 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. As the number of shares to be awarded is variable, dependent upon performance, it is not possible to quantify the number of options awarded. The maximum value awardable under the LTIP is £3.7 million.

Vesting of the Long-Term Incentive Plan due on the finalisation of the results for the year-ended 31 December 2019 has been deferred to assist in maximising Group liquidity, however, awards to the value of £2.6 million, out of a potential £3.7 million, are anticipated to be granted to the Executive Directors and senior management, however, the grant has yet to be finalised or approved by the Remuneration Committee. The awards will be settled net of taxation in equity with taxation liabilities paid from Group cash facilities once approved by the Remuneration Committee.

On 1 July 2015, the Group established an SAYE scheme for UK employees. Further tranches were granted on 5 June 2017 and 14 November 2017. The options can be exercised during a six-month period following the completion of a three-year savings period.

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 anytime 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.

	SAYE Scheme		
Date of grant	**1 July 2015**	**5 June 2017**	**14 November 2017**
Earliest year in which options are exercisable	2018	2020	2020
Option pricing model used	Black–Scholes	Black–Scholes	Black–Scholes
Number of options granted	1,572,500	893,408	1,608,545
Aggregate fair value of options granted at date of grant	£0.4m	£0.3m	£0.3m
Expected volatility	35.0%	39.0%	40.0%
Risk free interest rate	1.96%	1.30%	1.38%
Exercise price (per share)	86.4 pence	96.6 pence	64.0 pence
Expected dividend yield	6.0%	6.0%	6.0%
Expected term (years)	3 years	3 years	3 years
Expected departures	–	–	–
Settlement	Equity	Equity	Equity

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	2019 £m	2018 £m
Long-Term Incentive Plan	**1.3**	0.6
SAYE	**0.1**	0.1
	1.4	0.7

	2019 No.	2018 No.
Number of options at 1 January	**1,570,569**	2,640,871
Options granted	**–**	–
Options lapsed	**(209,129)**	(1,066,553)
Options exercised	**–**	(3,749)
Number of options at 31 December	**1,361,440**	1,570,569

10. FINANCE COSTS

	2019 £m	2018 £m
Interest expense on borrowings	**1.5**	1.4
Amortisation of loan fees	**0.6**	0.1
IFRS 16 discount unwind on lease liabilities	**2.7**	–
Total finance costs	**4.8**	1.5

11. TAXATION

	2019 £m	2018 £m
Current tax expense		
Current period	**3.8**	1.8
Prior period	**(0.3)**	(0.1)
Total current tax charge	**3.5**	1.7
Deferred tax expense		
Current period	**(1.2)**	(0.2)
Prior period	**(0.6)**	–
Total deferred tax charge	**(1.8)**	(0.2)
Total tax expense	**1.7**	1.5

Analysed as:	2019 £m	2018 £m
Continuing operations	**1.7**	2.5
Discontinued operations	**–**	(1.0)
	1.7	1.5

UK corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated assessable profit for the year.

The Group's total income tax charge is reconciled with the standard rates of UK corporation tax for the year of 19.00% (2018: 19.00%) as follows:

	2019 £m	2018 £m
Profit before tax	**12.4**	13.3
Tax at standard UK corporation tax rate of 19.00% (2018: 19.00%)	**2.4**	2.5
Factors affecting the charge for the period:		
Expenses not deductible	**0.1**	0.2
Non-taxable income	**–**	(0.2)
Losses utilised for which no deferred tax previously recognised	**(0.1)**	–
Difference in tax rate	**0.2**	0.1
Prior period	**(0.9)**	(0.1)
	1.7	2.5

Factors that may affect future current and total tax charges

The UK corporation tax rate reduced from 20% to 19% effective from 1 April 2017. A further reduction to 17%, which was to be effective from 1 April 2020, was substantively enacted on 6 September 2016. However, in the Budget held on 11 March 2020, the Government announced that the reduction down to 17% would no longer take place, with the rate to remain at 19% going forward. As at the 31 December 2019 balance sheet date, the reduction to 17% had been enacted and not formally reversed, and so the deferred tax asset at this date has still been calculated using this rate.

12. EARNINGS PER SHARE ("EPS")

Basic 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. 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	2019 Pence	2018 Pence
Basic EPS		
Basic	7.49	4.06
Basic – continuing operations	7.49	7.56
Basic – discontinued operations	–	(3.50)
Diluted EPS		
Diluted	7.47	4.05
Diluted – continuing operations	7.47	7.54
Diluted – discontinued operations	–	(3.49)

Number of shares	2019 No.	2018 No.
Weighted average number of ordinary shares (basic)	**142,925,173**	142,922,704
Effect of share options in issue	**243,590**	265,861
Weighted average number of ordinary shares (diluted)	**143,168,763**	143,188,565

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

13. DIVIDENDS

	2019 £m	2019 Pence per share	2018 £m	2018 Pence per share
Previous year final dividend	**4.6**	**3.20**	6.4	4.46
Current year interim dividend	**2.5**	**1.75**	2.4	1.70
	7.1		8.8	

14. GOODWILL

	Goodwill £m
Cost	
At 31 December 2017	**65.7**
Acquisitions through business combinations in 2018	4.5
At 31 December 2018	**70.2**
Acquisitions through business combinations in 2019	2.0
At 31 December 2019	**72.2**
Accumulated impairment losses	
At 31 December 2017, 2018 and 2019	–
Net book value	
At 31 December 2019	**72.2**
At 31 December 2018	70.2

Impairment testing

The Goodwill of £72.2 million arose on the merger between the Epwin Group and the Latium group of companies (£24.5 million) in 2012, the acquisitions of Ecodek (£7.2 million) and Stormking (£24.4 million) in 2015, the acquisition of National Plastics (£9.6 million) in 2016, the acquisition of Amicus (£4.5 million) in 2018 and the acquisition of PVS in 2019. This is allocated to the Group's two reportable segments: Extrusion and Moulding, and Fabrication and Distribution, being the lowest level within the entity at which goodwill is monitored for internal management purposes in line with IFRS 3: Business Combinations.

At 31 December 2019, £58.5 million (2018: £58.5 million) of goodwill was allocated to Extrusion and Moulding, and £13.7 million (2018: £11.7 million) to Fabrication and Distribution.

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 2020 budget and five-year forecast were used to provide cash flow projections for the period to 31 December 2024. For both the five-year forecast and periods after 31 December 2024, an annual growth rate of 1.00% was used to determine the projected cash flows through to 2039 and a terminal value.

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 and stress required to these assumptions to trigger an impairment of each of the CGUs:

	Extrusion and Moulding	Fabrication and Distribution
Goodwill	£58.5m	£13.7m
Pre-tax discount rate	12.5%	10.5%
Growth rate	1.0%	1.0%
In order to trigger an impairment, the key assumptions would need to be stressed as follows:		
Cash flow reduction required to trigger impairment	–28.9%	–54.4%
Growth rate required to trigger an impairment	–7.3%	–12.6%
Discount rate required to trigger an impairment	20.7%	23.9%

15. OTHER INTANGIBLE ASSETS

	Customer relationships £m	Brands £m	Computer software £m	Total £m
Cost				
At 31 December 2017	**7.7**	**2.0**	**1.8**	**11.5**
On acquisition (see note 5)	–	0.6	–	0.6
Additions	–	–	0.5	0.5
At 31 December 2018	**7.7**	**2.6**	**2.3**	**12.6**
On acquisition	0.1	0.1	–	0.2
Additions	–	–	0.4	0.4
At 31 December 2019	**7.8**	**2.7**	**2.7**	**13.2**
Accumulated amortisation				
At 31 December 2017	**6.8**	**0.5**	**0.3**	**7.6**
Charge for the year	0.9	0.3	0.3	1.5
At 31 December 2018	**7.7**	**0.8**	**0.6**	**9.1**
Charge for the year	–	0.3	0.3	0.6
At 31 December 2019	**7.7**	**1.1**	**0.9**	**9.7**
Net book value at 31 December 2019	**0.1**	**1.6**	**1.8**	**3.5**
Net book value at 31 December 2018	–	1.8	1.7	3.5
Net book value at 31 December 2017	0.9	1.5	1.5	3.9

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

Amortisation

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

	2019 £m	2018 £m
Customer relationships	–	0.9
Brands	**0.3**	0.3
Computer software	**0.3**	0.3
Amortisation	**0.6**	1.5

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant, fixtures and equipment £m	Asset under construction £m	Total £m
Cost				
At 31 December 2017	–	**67.9**	–	**67.9**
On acquisition	0.4	0.2	–	0.6
Additions	1.4	10.8	–	12.2
Disposals	(0.3)	(1.3)	–	(1.6)
Transfer to assets held for sale	–	(9.6)	–	(9.6)
At 31 December 2018	**1.5**	**68.0**	–	**69.5**
Adoption of IFRS 16	–	(2.7)	–	(2.7)
At 1 January 2019	**1.5**	**65.3**	–	**66.8**
On acquisition	1.7	0.1	–	1.8
Additions	–	8.2	10.1	18.3
Disposals	–	(19.7)	–	(19.7)
At 31 December 2019	**3.2**	**53.9**	**10.1**	**67.2**
Accumulated depreciation				
At 31 December 2017	–	**31.9**	–	**31.9**
Charge for the year	–	8.0	–	8.0
Impairment	–	3.3	–	3.3
Disposals	–	(1.3)	–	(1.3)
Transfer to assets held for sale	–	(9.6)	–	(9.6)
At 31 December 2018	–	**32.3**	–	**32.3**
Adoption of IFRS 16	–	(0.5)	–	(0.5)
At 1 January 2019	–	**31.8**	–	**31.8**
Charge for the year	0.1	7.2	–	7.3
Disposals	–	(18.0)	–	(18.0)
At 31 December 2019	**0.1**	**21.0**	–	**21.1**
Net book value at 31 December 2019	**3.1**	**32.9**	**10.1**	**46.1**
Net book value at 1 January 2019	**1.5**	**33.5**	–	**35.0**
Net book value at 31 December 2018	1.5	35.7	–	37.2
Net book value at 31 December 2017	–	36.0	–	36.0

17. INVENTORIES

	2019 £m	2018 £m
Raw materials	**5.6**	6.7
Work in progress	**0.5**	0.6
Finished goods	**24.2**	21.9
	30.3	29.2

Inventory purchased in the period recognised as an expense was £156.4 million (2018: £156.2 million).

At 31 December 2019 there was an inventory provision of £4.1 million (2018: £4.1 million). During 2019, inventory with a value of £0.6 million was written off against the provision, £0.5 million was created, with a corresponding charge to the income statement, and £0.1 million was acquired.

18. TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Trade receivables	**36.4**	37.5
Less: provision for doubtful trade receivables	**(2.4)**	(2.5)
Trade receivables net of provision	**34.0**	35.0
Prepayments and accrued income	**9.2**	4.6
Other receivables	**0.4**	0.8
Trade and other receivables	**43.6**	40.4

19. CASH AND CASH EQUIVALENTS

	2019 £m	2018 £m
Cash at bank and in hand	**17.2**	6.1

20. TRADE AND OTHER PAYABLES

Current	2019 £m	2018 £m
Trade payables	**41.7**	43.8
Other taxation and social security	**5.3**	4.3
Other payables	**1.7**	2.1
Accruals and deferred income	**26.5**	11.1
Trade and other payables	**75.2**	61.3

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. OTHER INTEREST-BEARING LOANS AND BORROWINGS

	2019 £m	2018 £m
Non-current		
Secured bank loans	**32.3**	24.7
Finance lease liabilities	–	0.6
	32.3	25.3
Current		
Secured bank loans	–	4.9
Finance lease liabilities	–	0.7
	–	5.6

The facilities available to the Group at 31 December 2019 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 loan and revolving credit facility is for three years ending June 2022 with the options to extend for a further two years.

Facility arrangement costs of £0.4 million (2018: £0.4 million) are set-off against the amount owing at year end.

In addition, PVS acquired in February 2019, has borrowings of £0.7 million secured against a freehold property.

The revolving credit facility carries an interest rate of 1.9% above LIBOR. The margin above LIBOR is dependent on the level of borrowings relative to EBITDA.

		2019		2018	
	Year of maturity	Face value £m	Carrying amount £m	Face value £m	Carrying amount £m
Term loan	2022	–	–	10.0	10.0
Revolving credit facility	2022	**32.0**	**32.0**	20.0	20.0
		32.0	**32.0**	30.0	30.0

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:

	2019 £m	2018 £m
Expiring within one year	**10.0**	5.0
Expiring between one and two years	–	–
Expiring between two and five years	**33.0**	25.0
Expiring after five years	–	–
	43.0	30.0

Finance lease liabilities are payable as follows:

	2018 £m
Within one year	0.7
In the second to fifth years	0.6
	1.3

Net debt reconciliation	At 31 December 2018 £m	IFRS 16 adoption	At 1 January 2019 £m	Cash movement £m	Non-cash movement £m	At 31 December 2019 £m
Cash and cash equivalents	6.1	–	6.1	11.1	–	**17.2**
Secured bank loans	(29.6)	–	(29.6)	(1.3)	(1.4)	**(32.3)**
Lease assets	–	–	–	(0.5)	6.2	**5.7**
Lease liabilities	(1.3)	(63.2)	(64.5)	12.8	(19.3)	**(71.0)**
Net debt	(24.8)	(63.2)	(88.0)	22.1	(14.5)	**(80.4)**
Reverse IFRS 16 adjustment	–	63.2	63.2	(13.7)	14.5	**64.0**
Net debt (pre-IFRS 16)	(24.8)	–	(24.8)	8.4	–	**(16.4)**

22. PROVISIONS

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
At 31 December 2018	**1.8**	**1.5**	**1.0**	**4.3**
Adoption of IFRS 16	**–**	**–**	**(0.5)**	**(0.5)**
At 1 January 2019	**1.8**	**1.5**	**0.5**	**3.8**
Acquired during the year	**0.1**	**–**	**–**	**0.1**
Created during the year	**–**	**–**	**0.9**	**0.9**
Utilised during the year	**–**	**(0.2)**	**(0.1)**	**(0.3)**
At 31 December 2019	**1.9**	**1.3**	**1.3**	**4.5**

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
Non-current	1.4	1.1	0.9	3.4
Current	0.5	0.2	0.4	1.1
At 31 December 2019	**1.9**	**1.3**	**1.3**	**4.5**

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
At 1 January 2018	**2.3**	**1.2**	**2.7**	**6.2**
Acquired during the year	0.2	–	0.1	0.3
Created during the year	(0.1)	(0.2)	(1.4)	(1.7)
Utilised during the year	(0.6)	0.5	(0.4)	(0.5)
At 31 December 2018	**1.8**	**1.5**	**1.0**	**4.3**

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
Non-current	1.4	1.1	0.3	2.8
Current	0.4	0.4	0.7	1.5
At 31 December 2018	**1.8**	**1.5**	**1.0**	**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 lease and redundancy cost provisions relating to sites the Group has closed, or committed to close, as at 31 December 2019. Cash outflows are expected over the next three years.

23. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	2019		2018	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Property, plant and equipment	0.6	–	–	(0.4)
Intangible assets	–	(0.3)	–	(0.3)
Other timing differences	0.7	–	0.5	–
Right of use assets/liabilities	2.5	–	–	–
Tax value of loss carry-forwards	0.3	–	0.9	–
Deferred tax assets/(liabilities)	4.1	(0.3)	1.4	(0.7)
Net of deferred tax liabilities	(0.3)		(0.7)	
Net deferred tax asset	**3.8**		0.7	

Movement in deferred tax during the periods:

	At 1 January 2019 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2019 £m
Property, plant and equipment	(0.4)	1.0	–	0.6
Intangible assets	(0.3)	–	–	(0.3)
Other timing differences	0.5	0.2	–	0.7
Right of use assets/liabilities	1.3	1.2	–	2.5
Tax value of loss carry-forwards	0.9	(0.6)	–	0.3
	2.0	1.8	–	3.8

	At 1 January 2018 £m	Recognised in comprehensive income £m	On acquisition £m	At 31 December 2018 £m
Property, plant and equipment	(0.9)	0.5	–	(0.4)
Intangible assets	(0.4)	0.2	(0.1)	(0.3)
Other timing differences	0.2	0.3	–	0.5
Tax value of loss carry-forwards	1.7	(0.8)	–	0.9
	0.6	0.2	(0.1)	0.7

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

	2019 £m	2018 £m
Tax losses	**9.3**	9.5

As at 31 December 2019, of the potential net deferred tax asset of £5.4 million, the Group has recognised a net deferred tax asset of £3.8 million. This is because the Group has £10.9 million of tax losses that are potentially restricted in their use. On reviewing business forecasts, the Directors have concluded that it is only probable that future taxable profit will be available to utilise £1.6 million of these losses.

24. SHARE CAPITAL AND RESERVES

	2019		2018	
	Number of shares	£	Number of shares	£
Allotted and called up:				
Ordinary shares of 0.05p each	**142,925,173**	**71,463**	142,925,173	71,463
		71,463		71,463

2018

On 6 August 2018, the Company issued 2,187 ordinary shares of 0.05p each to a former employee who had elected to exercise his options pursuant to the Group's Save As You Earn ("SAYE") employee share scheme.

On 10 August 2018, the Company issued 1,562 ordinary shares of 0.05p each to a former employee who had elected to exercise his options pursuant to the Group's SAYE employee share scheme.

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 9.

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 warrant is 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 2019

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.

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

	2019 £m	2018 £m
UK	**35.1**	35.8
Europe	**1.1**	1.4
Rest of World	**0.2**	0.3
	36.4	37.5

Credit quality of financial assets and impairment losses

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

	2019		2018	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	**22.0**	**1.6**	24.0	1.0
Past due 0-30 days	**9.9**	**0.1**	9.1	0.5
Past due 31-120 days	**2.5**	**0.3**	3.2	0.2
More than 120 days	**2.0**	**0.4**	1.2	0.8
	36.4	**2.4**	37.5	2.5

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

	2019 £m	2018 £m
Balance at 1 January	**2.5**	2.6
On acquisition	**0.1**	0.1
Impairment loss recognised	**0.1**	0.4
Impairment loss utilised	**(0.3)**	(0.6)
Balance at 31 December	**2.4**	2.5

For the purpose of IFRS 15: Revenues, 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.

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.

2019	Carrying amount £m	Contractual cash flows: 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	32.3	0.1	0.1	32.1	0.4	32.7
Lease liabilities	71.0	11.7	19.0	19.5	39.0	89.2
Trade payables	41.7	41.7	–	–	–	41.7
	146.0	53.5	20.1	51.6	39.4	164.6

2018	Carrying amount £m	Contractual cash flows: Less than 12 months £m	1 – 2 years £m	2 – 5 years £m	More than 5 years £m	Total £m
Contingent consideration	0.3	0.3	–	–	–	0.3
Secured bank loans	29.6	5.0	5.0	20.0	–	30.0
Finance leases	1.3	0.7	0.6	–	–	1.3
Trade payables	43.8	43.8	–	–	–	43.8
	75.0	49.8	5.6	20.0	–	75.4

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.

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:

	2019			2018		
	Euro £m	US dollar £m	GBP £m	Euro £m	US dollar £m	GBP £m
Trade and other receivables	1.0	0.1	42.5	1.0	–	39.4
Cash and cash equivalents	0.8	–	16.4	0.9	0.1	5.1
Interest bearing loans and borrowings	–	–	(32.3)	–	–	(30.9)
Tax payable	–	–	(1.0)	–	–	(0.6)
Trade and other payables	(0.7)	(0.2)	(74.3)	(0.5)	(0.1)	(60.7)
	1.1	(0.1)	(48.7)	1.4	–	(47.7)

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

Interest rate risk
The Group's bank borrowings incur variable interest rate charges linked to LIBOR 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:

	2019 £m	2018 £m
Cash and cash equivalents	**17.2**	6.1
Trade and other receivables	**43.6**	40.4
Total financial assets	**60.8**	46.5

	2019 £m	2018 £m
Trade and other payables	**75.2**	61.3
Borrowings at amortised cost	**32.3**	30.9
Contingent consideration	**1.0**	0.3
Total financial liabilities	**108.5**	92.5

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 at 31 December 2019 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.

	2019 £m	2018 £m
Balance at 1 January	**0.3**	–
Created on acquisition	**1.0**	0.3
Settled in year	**(0.3)**	–
Credited to income statement	**–**	–
Balance at 31 December	**1.0**	0.3

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:

	2019 Impact on profit before tax £m	2018 Impact on profit before tax £m
+1 percentage point movement in interest rates	**(0.5)**	(0.5)
-1 percentage point movement in interest rates	**0.5**	0.5

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its euro financial instruments, the major non-sterling currency in which the Group's receivables are denominated:

	2019 Increase/ (decrease) in equity £m	2018 Increase/ (decrease) in equity £m
+10 percentage points appreciation of the euro	**0.5**	0.2
-10 percentage points depreciation of the euro	**(0.4)**	(0.1)

A strengthening/weakening of sterling, as indicated, against the euro at each period end would have increased/(decreased) the profit and loss by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

26. RELATED PARTY TRANSACTIONS

All transactions with Directors are included in the Directors' Remuneration Report on pages 39 and 40.

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

27. ADOPTION OF IFRS 16: LEASES

IFRS 16: Leases became effective on 1 January 2019. The Group has applied IFRS 16: Leases with effect from 1 January 2019 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognised, at the date of initial application, as an adjustment to the opening balance of retained earnings.

The Group has applied the following practical expedients in applying IFRS 16: Leases for the first time:

- 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
- In relation to short-term leases and leases of low-value items, recognising the remaining lease rental payments on a straight-line basis over the remaining terms of the lease;
- The use of a single discount rate for portfolios of leases with reasonably similar characteristics; and
- Reliance on previous assessments of whether leases are onerous instead of performing an impairment review.

Lessee accounting

Right of use assets were initially measured at the present value of the cash flows payable from inception of the lease, using the Group's incremental borrowing rate at 1 January 2019, net of; depreciation chargeable on a straight-line basis, over the term of the lease, for the period from inception to 1 January 2019, and onerous lease provisions as at 1 January 2019.

Lease liabilities and lease assets were initially measured at the present value of the remaining cash flows payable as lessee or receivable as lessor as at 1 January 2019, discounted using the Group's incremental borrowing rate at that date.

The weighted average incremental borrowing rate applied to property leases on 1 January 2019 was 4.4% and to plant, equipment and motor vehicles was 3.2%.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

The tables below set out the impact of IFRS 16: Leases on the consolidated balance sheet, as at implementation on 1 January 2019 and as at the 31 December 2019, and on the consolidated income statement for the year-ended 31 December 2019.

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 sub-lease 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 an entity 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 seller 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.

During the period the Group acquired, and by year-end 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, this transaction was completed in the period, 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 was ongoing at 31 December 2019 and an asset under construction of £10.1 million is included in Property, Plant and Equipment.

At 31 December 2019 the Group had a net cash inflow from the transaction of £10.1 million, representing the proceeds received to date of £22.8 million, net of costs incurred to date for the acquisition and development of the site. As at 31 December 2019 construction works are at an advanced stage and on track to be completed during Q2 2020 at which point further proceeds of £5.2 million fall due.

Impact of IFRS 16 on the Consolidated Income Statement
for the year-ended 31 December 2019

	Year-ended 31 December 2019 pre-IFRS 16 £m	IFRS 16 adjustments £m	Year-ended 31 December 2019 post-IFRS 16 £m
Group revenue	282.1	–	**282.1**
Cost of sales	(195.3)	2.0	**(193.3)**
Gross profit	86.8	2.0	**88.8**
Distribution expenses	(34.8)	1.1	**(33.7)**
Administrative expenses	(28.6)	(9.3)	**(37.9)**
Underlying operating profit	19.1	2.1	**21.2**
Amortisation of acquired other intangible assets	(0.3)	–	**(0.3)**
Other non-underlying items	6.0	(8.3)	**(2.3)**
Share-based payments expense	(1.4)	–	**(1.4)**
Operating profit	23.4	(6.2)	**17.2**
Net finance costs	(2.1)	(2.7)	**(4.8)**
Profit before tax	21.3	(8.9)	**12.4**
Taxation	(3.3)	1.6	**(1.7)**
Profit from continuing operations	18.0	(7.3)	**10.7**

Impact of IFRS 16 on segmental underlying operating profit
for the year-ended 31 December 2019

	Extrusion and Moulding £m	Fabrication and Distribution £m	Corporate costs £m	Total £m
Underlying operating profit excluding impact of IFRS 16	**17.5**	**3.7**	**(2.1)**	**19.1**
Impact of IFRS 16	1.2	0.9	–	2.1
Reported underlying operating profit	**18.7**	**4.6**	**(2.1)**	**21.2**

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

Impact of IFRS 16 on the Consolidated Balance Sheet

	31 December 2019 pre-IFRS 16 £m	IFRS 16 adjustments £m	31 December 2019 post-IFRS 16 £m	31 December 2018 £m	IFRS 16 adjustments £m	1 January 2019 £m
Non-current assets						
Goodwill	72.2	–	72.2	70.2	–	70.2
Other intangible assets	3.5	–	3.5	3.5	–	3.5
Property, plant and equipment	39.0	7.1	46.1	37.2	(2.2)	35.0
Right of use assets	–	51.4	51.4	–	56.4	56.4
Lease assets	–	5.3	5.3	–	–	–
Assets held for sale	–	–	–	0.1	–	0.1
Deferred tax asset	1.2	2.6	3.8	0.7	1.3	2.0
	115.9	66.4	182.3	111.7	55.5	167.2
Current assets						
Inventories	30.3	–	30.3	29.2	–	29.2
Trade and other receivables	45.6	(2.0)	43.6	40.4	(1.9)	38.5
Lease assets	–	0.4	0.4	–	–	–
Cash and cash equivalents	17.2	–	17.2	6.1	–	6.1
	93.1	(1.6)	91.5	75.7	(1.9)	73.8
Total assets	209.0	64.8	273.8	187.4	53.6	241.0
Current liabilities						
Other interest-bearing loans and borrowings	0.7	(0.7)	–	5.6	(0.7)	4.9
Lease liabilities	–	9.0	9.0	–	8.6	8.6
Trade and other payables	65.0	10.2	75.2	61.3	(2.9)	58.4
Contingent consideration	–	–	–	0.3	–	0.3
Tax payable	1.3	(0.3)	1.0	0.6	–	0.6
Provisions	1.6	(0.5)	1.1	1.5	(0.2)	1.3
	68.6	17.7	86.3	69.3	4.8	74.1
Non-current liabilities						
Other interest-bearing loans and borrowings	32.9	(0.6)	32.3	25.3	(0.6)	24.7
Lease liabilities	–	62.0	62.0	–	55.9	55.9
Contingent consideration	1.0	–	1.0	–	–	–
Provisions	4.2	(0.8)	3.4	2.8	(0.3)	2.5
	38.1	60.6	98.7	28.1	55.0	83.1
Total liabilities	106.7	78.3	185.0	97.4	59.8	157.2
Net assets	102.3	(13.5)	88.8	90.0	(6.2)	83.8
Equity						
Ordinary share capital	0.1	–	0.1	0.1	–	0.1
Share premium	12.5	–	12.5	12.5	–	12.5
Merger reserve	25.5	–	25.5	25.5	–	25.5
Retained earnings	64.2	(13.5)	50.7	51.9	(6.2)	45.7
Total equity	102.3	(13.5)	88.8	90.0	(6.2)	83.8

Lease liabilities recorded at 1 January 2019 can be reconciled to operating lease disclosures as at 31 December 2018 as follows:

	Total £m
Operating lease commitments disclosed as at 31 December 2018	**78.0**
Effect of discounting	(14.8)
Add: finance lease liabilities as at 31 December 2018	1.3
Lease liabilities at 1 January 2019	**64.5**

Right of use assets

	Right of use assets £m
Recognised at 1 January 2019	**56.4**
Acquisitions	0.1
Additions	9.9
Disposals	(5.6)
Depreciation	(9.4)
At 31 December 2019	**51.4**

The right of use assets relate to the following asset types:

	31 December 2019 £m	1 January 2019 £m
Leasehold land and buildings	**39.6**	43.4
Plant, equipment and motor vehicles	**11.8**	13.0
Total	**51.4**	56.4

Maturity analysis – contractual undiscounted cash flows

	Lease liabilities £m
Less than one year	11.7
One to five years	38.5
More than five years	39.0
Undiscounted lease liabilities at 31 December 2019	**89.2**

	Lease assets £m
Less than one year	0.6
One to five years	2.3
More than five years	4.3
Undiscounted lease asset at 31 December 2019	7.2

During the year the Group sublet three of its lease properties on terms identical to the head lease.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

28. POST BALANCE SHEET EVENTS

The Board is closely monitoring the evolving and rapidly changing status of COVID-19. Up to the middle of March trading was slightly ahead of the Board's expectations despite the poor weather experienced in the second half of February. However, the health, safety and wellbeing of our employees, their families, our customers and suppliers is our overriding priority. In anticipation of significantly reduced demand levels and in the interest of customer and employee safety, the decision was taken the decision to implement a controlled shutdown of Epwin's operating sites for a temporary period from the end of March.

The Group has a strong balance sheet with significant headroom on its banking facilities which it renewed in July 2019. We have now taken the prudent step of drawing down the remainder of our Revolving Credit Facility. In addition, we have been actively focussed on cost reduction and cash management measures in recent weeks, including the deferral of capital expenditure and tax payments, with the agreement of HMRC. The Group also intends to make use of the Coronavirus Job Retention Scheme in order to help to retain our valuable and skilled staff through this period of inactivity as well as mitigating some of the costs to the business of doing so.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Non-current assets			
Investments in subsidiaries	4	**71.0**	69.6
		71.0	69.6
Current assets			
Trade and other receivables	5	**40.2**	31.6
Cash and cash equivalents		**–**	–
		40.2	31.6
Current liabilities			
Other interest-bearing loans and borrowings	6	**(0.6)**	(5.9)
Net current assets		**39.6**	25.7
Total assets less current liabilities		**110.6**	95.3
Non-current liabilities			
Other interest-bearing loans and borrowings	6	**(31.6)**	(24.7)
Net assets		**79.0**	70.6
Equity			
Ordinary share capital		**0.1**	0.1
Share premium		**12.5**	12.5
Merger reserve		**25.5**	25.5
Retained earnings		**40.9**	32.5
Equity shareholders' funds		**79.0**	70.6

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

The Company profit for the year ended 31 December 2019 was £14.1 million (2018: £14.5 million).

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2020.

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 2019

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance as at 31 December 2017	**0.1**	**12.5**	**25.5**	**26.1**	**64.2**
Comprehensive income:					
Profit for the year	–	–	–	14.5	14.5
Total comprehensive income:	**–**	**–**	**–**	**14.5**	**14.5**
Transactions with owners recorded directly in equity:					
Share-based payments expense	–	–	–	0.7	0.7
Dividends	–	–	–	(8.8)	(8.8)
Total transactions with owners	**–**	**–**	**–**	**(8.1)**	**(8.1)**
Balance as at 31 December 2018	**0.1**	**12.5**	**25.5**	**32.5**	**70.6**
Comprehensive income:					
Profit for the year	–	–	–	14.1	14.1
Total comprehensive income:	**–**	**–**	**–**	**14.1**	**14.1**
Transactions with owners recorded directly in equity:					
Share-based payments expense	–	–	–	1.4	1.4
Dividends	–	–	–	(7.1)	(7.1)
Total transactions with owners	**–**	**–**	**–**	**(5.7)**	**(5.7)**
Balance as at 31 December 2019	**0.1**	**12.5**	**25.5**	**40.9**	**79.0**

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

NOTES TO THE COMPANY ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 payments 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 and COVID-19 for both the Group and Parent Company.

1.3 Investments

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

1.4 Operating leases

Rentals payable under operating leases are recognised in the profit and loss account on a straight-line basis over the periods of the leases.

1.5 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.

1.6 Share-based payments

The Company operates an equity-settled Management Incentive Plan, 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.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1.7 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 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 key judgement and estimate employed in the financial statements is:

Impairment of investment 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 cashflows used align to those used in testing goodwill; please see note 14 to the Group accounts for more detail.

3. STAFF COSTS

Please see disclosures relating to the Group in note 8 to the consolidated financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 39 and 40.

4. NON-CURRENT ASSET INVESTMENTS

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2019	**69.6**
Additions	1.4
At 31 December 2019	**71.0**
Impairment	
At 1 January 2019 and 31 December 2019	**–**
Net book value	
At 31 December 2019	**71.0**
At 31 December 2018	69.6

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 2019	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
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	Supply and installation of plastic building products	100%	England
Premier Distribution (Gt. Yarmouth) Limited	Supply and installation of decking products	100%	England
Epwin Logistics Limited	Group property development	100%	England
Crown Architectural Aluminium (UK) Limited	Non-trading	100%	England
Magden Limited	Non-trading	100%	England
Nu*Stock Limited	Non-trading	100%	England
Saltire Trade Plastics Limited	Non-trading	100%	Scotland
UPVC Distributors Limited	Non-trading	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

NOTES TO THE COMPANY ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2019	Country of incorporation
Churchley Builders Plastics 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
Masterglaze Limited	Dormant	100%	England
National Plastics (Building Products) Limited	Dormant	100%	England
National Plastics Limited	Dormant	100%	England
Permadoor Limited	Dormant	100%	England
Plastal Commercial Limited	Dormant	100%	England
Profile 22 Systems Limited	Dormant	100%	England
Safedoors Limited	Dormant	100%	England
Schnicks Limited	Dormant	100%	England
Silplas Building Products Limited	Dormant	100%	England
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
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 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

Amounts falling due within one year:

	2019 £m	2018 £m
Amounts due from subsidiary undertakings	40.2	31.6
	40.2	31.6

The expected credit loss on amounts due from subsidiary undertakings is immaterial.

6. OTHER INTEREST-BEARING LOANS AND BORROWINGS

	2019 £m	2018 £m
Non-current		
Secured bank loans	31.6	24.7
	31.6	24.7
Current		
Secured bank loans	0.6	5.9
	0.6	5.9

The facilities available to the Group at 31 December 2019 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 loan and revolving credit facility is for three years ending June 2022 with the options to extend for a further two years.

Facility arrangement costs of £0.4 million (2018: £0.4 million) are set-off against the amount owing at year end.

The revolving credit facility carries an interest rate of 1.9% above LIBOR. The margin above LIBOR is dependent on the level of borrowings relative to EBITDA.

Analysis of bank loans and borrowings:

	2019 £m	2018 £m
Repayable:		
Within one year	0.6	5.9
Between one and two years	–	4.9
Between two and five years	31.6	19.8
	32.2	30.6

NOTICE OF ANNUAL GENERAL MEETING

COVID-19

In light of the Stay at Home Measures published by the UK Government, and made law on 26 March 2020, public gatherings of more than two persons are not currently permitted, unless 'essential for work purposes'. It has been confirmed that attendance at a general meeting by shareholders is not 'essential for work purposes', and as such shareholders, proxies and other attendees are not permitted to attend the AGM, and will be refused entry. Shareholders are kindly urged to vote by proxy.

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 15 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 a Shareholder Reference Number in any correspondence.

In the event that the arrangements for the AGM change due to the evolving Covid-19 situation, the Company will issue a further communication via the regulatory news 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 16 June 2020 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 2019, together with the report of the Directors and the auditors on those accounts.
2. To reappoint KPMG 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.
3. To authorise the Directors to determine the remuneration of the auditors of the Company.
4. To re-elect Michael O'Leary, who retires by rotation, 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 5 as an ordinary resolution and as to resolutions 6 and 7 as special resolutions:

5. 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 £47,642.44 (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 £23,821.22 (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 £23,821.22).

Such authorities shall apply until the close of business on 30 June 2021 or, if earlier, the end of the next Annual General Meeting 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.

6. That, subject to the passing of resolution 5, 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 5 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 £3,573.18,

   and (unless previously revoked, varied or renewed) shall expire on 30 June 2021 or at the conclusion of the next Annual General Meeting 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.
7. 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 14,292,732;
   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 2021 or at the conclusion of the next Annual General Meeting 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.
   f) 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

22 April 2020

Company Number: 07742256

Registered Office
1b Stratford Court
Cranmore Boulevard
Solihull
B90 4QT

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes to the Notice of Meeting:

ORDINARY BUSINESS

Resolutions 1 to 4 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 2019 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 2019 (the "Annual Report") to shareholders. Shareholders are invited to adopt the Annual Report and Accounts.

Resolutions 2 and 3: To reappoint 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. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, KPMG 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 KPMG LLP forward to be re-appointed as auditors. Resolution 3 also authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

Resolution 4: To re-elect Michael O'Leary as Director of the Company
Michael O'Leary was re-elected as Director of the Company at the AGM in 2017 and is proposed for re-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 Annual General Meeting. Resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 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 5: 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 £23,821.22. This amount represents one third of the issued ordinary share capital of the Company as at 21 April 2020, 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 £47,642.44.

The Directors have no present intention to allot new shares other than in connection with employee share and incentive plans and share warrants.

Resolution 6: 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 6 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 £3,573.18, equivalent to 5% of the total issued ordinary share capital of the Company as at 21 April 2020 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 7: 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 7 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 12 June 2020. 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 his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks 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 Asset Services, 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 09:00 – 17:30, 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 Asset Services, on Tel: 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 09:00 – 17:30, 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 Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (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 11:00am on 12 June 2020. 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 11.00am on 12 June 2020. 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 his 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.

NOTICE OF ANNUAL GENERAL MEETING

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 21 April 2020 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 142,927,321 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 April 2020 are 142,927,321.
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.
15. Questions from shareholders may be submitted via email (including a shareholder Reference Number), in good time ahead of the meeting, to epwin@mhpc.com. Subject to normal conditions, written answers in respect of frequently asked questions will be posted on the Company's website following the meeting.
16. 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:
    - copies of the Directors' letters of appointment or service contracts.
17. 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.

Epwin Group

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