Epwin Group Plc

ANNUAL REPORT AND ACCOUNTS

For the year ended **31 December 2020**

Stock code: EPWN

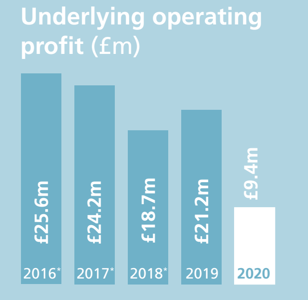
INTRODUCTION

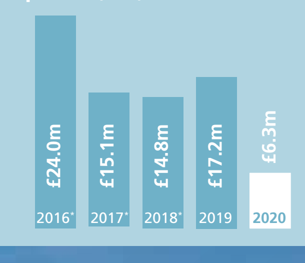
Epwin Group Plc is the leading manufacturer of low maintenance building products for the Repair, Maintenance and Improvement ("RMI"), social housing and new build markets in the UK. The business commands significant share in its core markets and has continually invested in its operations to improve efficiency,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

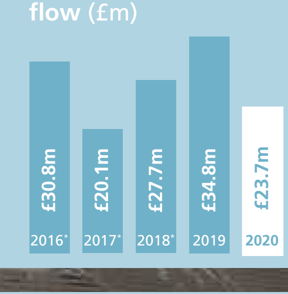
Visit us online at: **www.epwin.co.uk** or **investors.epwin.co.uk/**

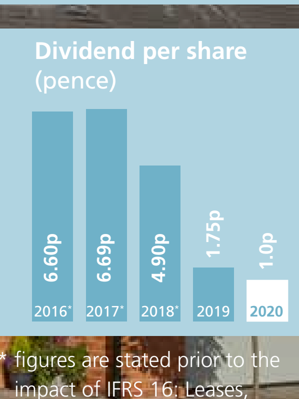
Revenue (£m)

2016*	2017*	2018*	2019	2020
£293.2m	£292.8m	£281.1m	£282.1m	£241.0m









* figures are stated prior to the impact of IFRS 16: Leases, implemented on 1 January 2019

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

- **Medium and 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
  - Changing structural trends with increased time spent at home

Read about our marketplace on page 12

CONTENTS

BUSINESS OVERVIEW

Introduction and Investment Case	IFC
Highlights	2
Business Overview and Principal Activities	4
Chairman's Statement	6

STRATEGIC REPORT

Responding to COVID-19	10
Marketplace	12
Business Model	14
Strategy	15
Operational Review	16
Financial Review	18
Key Performance Indicators	22
Principal Risks and Uncertainties	24
Environmental, Social and Governance (ESG)	26
Section 172 Statement	28

GOVERNANCE

Directors and Advisors	32
Corporate Governance	34
Directors' Report	37
Audit Committee Report	40
Remuneration Committee Report	42
Statement of Directors' Responsibilities	45

FINANCIALS

Independent Auditors' Report	48
Consolidated Income Statement	58
Consolidated Balance Sheet	59
Consolidated Statement of Changes in Equity	60
Consolidated Cash Flow Statement	61
Notes to the Accounts	62
Company Balance Sheet	93
Company Statement of Changes in Equity	94
Notes to the Company Accounts	95
Notice of Annual General Meeting	100

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

HIGHLIGHTS

Revenue
£241.0m
2019: £282.1m

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

Statutory operating profit
£6.3m
2019: £17.2m

Profit before tax
£1.9m
2019: £12.4m

Basic EPS
1.82p
2019: 7.49p

Covenant net debt[2]
(£18.5m)
2019: (£16.4m)

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

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

Dividend per share
1.00p
2019: 1.75p

FINANCIAL HEADLINES

- Results impacted by COVID-19 closure in H1
- Strong H2 performance, gaining momentum:
  - Revenues up 4% on H2 2019
  - H2 2020 underlying operating profit £11.2 million (H2 2019 profit £11.8 million)
- RMI demand quicker to return and stronger than new build and social housing
- Robust financial position maintained:
  - Net debt 1.3x adjusted EBITDA
  - Strong cash generation
  - Significant headroom in banking facilities of over £50 million at the year end, facilities now extended to June 2024
  - All pre-COVID banking covenants met with no variation or waivers
  - No additional funding has been sought from shareholders or banks
- Recommencement of dividend payments, with proposed final dividend of 1.00 penny per share

(1) Adjusted for amortisation of acquired other intangible assets, share-based payments expense and other non-underlying items.

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

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

OPERATIONAL AND STRATEGIC HEADLINES

- Health and safety prioritised in response to the COVID-19 pandemic
- Levels of demand were very high for extruded products in H2, particularly window profile systems, where capacity was exceeded for much of H2
- GRP moulding and other new build activities slower to return and at more modest levels. Now returning to pre COVID-19 levels
- Positioned to exit 2021 with leaner operations:
  - Ongoing development of operations to improve processes and efficiency
  - Investment in Telford logistics and finishing facility now complete
    - Construction completed on budget with final receipt of £5.2million received in Q1 2021 and project generating a pre-tax net cash surplus of £10.0 million
    - Five warehousing and finishing facilities consolidating into one
    - Houses new aluminium window system operations
    - Operating savings and aluminium contribution will offset increase in rent, benefits from end of 2021
- Enhanced product portfolio to augment UK market position:
  - Aluminium window system, Stellar, launched Q2 2019
  - Aluminium decking product, Adek, launched Q1 2020
  - PVC decking product launched in 2019
- Acquisition of SBS in Q1 2021:
  - A leading and well-established regional distributor of plastic building products, increasing access to the Group's product offer
  - 8 trade counters in Cumbria, Northumberland and Southern Scotland
  - 4x EBITDA multiple, including synergistic benefits.
- New ESG framework is being established

CURRENT TRADING AND OUTLOOK

- H2 2020 recovery has continued into 2021 with stronger than anticipated demand across most of the business in Q1 2021:
  - Revenues in the first three months of the year ahead of 2020 and 2019
  - Encouraging progress, gaining momentum with anticipated growth from new products, which have been well received. Robust demand from customers serving the RMI market (c.70% of Group revenues)
  - New build market continues to improve following a slower recovery from the initial pandemic lockdown, with some Local Authorities and Housing Associations experiencing delays to contract starts
- Supply chains have been and continue to be under pressure as a result of the pandemic and subsequent acceleration of demand
- PVC raw materials supply remains under pressure with shortages from Global events driving up the price of resin significantly to all-time highs. Steps are being taken to recover these costs in the market in an equitable manner.
- COVID-19 period has stimulated demand for home, garden and leisure space spending as it has highlighted the need for improvements, addressing maintenance and more recently for creating workspace. These trends seem set to continue. Medium and long-term drivers for the RMI market remain positive:
  - An ageing, underinvested and historically poorly maintained housing stock
  - Environmental and safety concerns driving legislation that will require improvements to homes on a larger scale than just basic maintenance
  - New build is anticipated to grow through underlying demand and government incentives
  - Social new build is also likely to see growth
- The Group is reviewing opportunities to accelerate capex following the 'super deduction' announcement in the March 2021 budget
- Potential M&A opportunities emerging

JON BEDNALL, CEO OF EPWIN, COMMENTED:

"Our performance this year and the strong underlying demand from our markets have been encouraging against the backdrop of the disruption caused by the pandemic.

The Board is grateful for the hard work and continual effort of all of our people in what has been a very difficult period for everyone to adjust and cope with. Their combined efforts have demonstrated the resilience of our business - from the closure of operations and uncertainties of the second quarter through to the supply chain challenges and unprecedented increases in demand for our extruded products in the second half. Their health and safety, along with that of our customers and suppliers, is and remains our utmost priority.

Despite the continued uncertainties in the wider economy, we look forward to a more positive 2021. With a strong balance sheet, buoyant demand and robust operations supported by the medium and long-term drivers of our markets, we will refocus our efforts on delivering on our strategic priorities for the business and our shareholders."

BUSINESS OVERVIEW AND PRINCIPAL ACTIVITIES

Epwin is a leading, vertically integrated, UK-based manufacturer of low maintenance building products with significant shares in its core markets, 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"), Wood Plastic Composite ("WPC") and aluminium low maintenance building products and services in the UK.

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

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

EXTRUSION AND MOULDING

The Extrusion and Moulding business is the 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.

- The business distributes the Group's products through a national network of 77 building plastic trade distribution centres and, separately, 12 Windowstores complementing the Group's independent distribution customers.
- Manufactures PVC window frames and GRP and Thermoplastic door sets for social housing, trade and new build customers operating from three window and door fabrication sites in Paignton, Telford and Upton-upon-Severn.
- Decking installation business specialising in the leisure park sector.

OUR MATERIALS AND PRODUCTS

POLYVINYL CHLORIDE: PVC

Examples of products

- Cellular roofline and cladding
- Window profile
- Rainwater and drainage products
- Decking
- Thermoplastic entrance doors

Manufacturing methods and value created for customer

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

GLASS REINFORCED PLASTIC: GRP

Examples of products

- Porches/canopies
- Dormers
- Bay window roofs
- Chimneys
- Entrance doors

Manufacturing methods and value created for customer

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

WOOD PLASTIC COMPOSITE: WPC

Examples of products

- Decking
- Cladding

Manufacturing methods and value created for customer

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

ALUMINIUM

Examples of products

- Window profile
- Decking

Manufacturing methods and value created for customer

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

CHAIRMAN'S STATEMENT

PEOPLE

Firstly, I would like to acknowledge and thank all of our dedicated employees during what has been an unprecedented period. Our employees were critical to the resilient performance of the Group over the past year and their expertise and commitment are what makes Epwin a market-leading business and will drive its future success. Our overriding principle during the pandemic has been to keep our employees and their families safe whilst protecting the business and following the Government's guidance.

On behalf of the Board and our shareholders, I would like to thank all of our employees and their families for the commitment and flexibility they have shown during these difficult times.

IMPACT OF COVID-19

Following a strong start to 2020, with trading ahead of the Board's expectations, the pace at which COVID-19 emerged from being an issue on the other side of the world to one that would impact our daily lives took everyone by surprise, including Governments, businesses and wider communities.

In the third week of March, the Group suspended operations following the Government's COVID-19 announcements, which also resulted in a significant reduction in demand from the Group's customers. The majority of operations remained suspended throughout April, only starting to recommence during May.

During this period the Board took swift action to protect the business and its balance sheet, fully drawing down on facilities and engaging with suppliers, landlords and HMRC on a transparent basis. The cash management measures taken meant that the Group was able to maintain its strong balance sheet and significant headroom on its banking facilities, without raising additional funds from shareholders or other financial institutions. At 31 December 2020, all payment deferrals, with the exception of the 31 March 2020 VAT balance which all businesses have been allowed to defer by HMRC, had been caught up. The VAT balance will be cleared by the end of 2021.

One of the most challenging aspects of the year was judging the timing and phasing of the restart of the Group's operations. As a capital-intensive manufacturing business with a significant overhead base, there was a risk of restarting our operations too early and incurring significant costs; however, restarting too late could have led to an inability to service customers. Again, the divisional management teams judged this well, helping the business control costs whilst also attempting to meet the extraordinary demand levels experienced in the second half of the year.

RESILIENT PERFORMANCE WITH STRATEGIC PROGRESS

As well as adapting to the trading and operational challenges the COVID-19 pandemic posed, the Group has been able to continue to progress its strategy of operational improvement, broadening the product portfolio and capabilities, selective acquisitions, cross-selling and market-share growth.

Operational improvement

The Group completed the construction of its new, purpose-built warehousing and finishing facility in Telford on time and on budget. The transfer and commencement of warehousing operations has been delayed as a result of both the impact of the pandemic and the extremely high levels of demand in our Window Systems business during the second half of the year.

Having consolidated the window profile extrusion operations in 2018, all finishing, warehousing and logistics operations will now also be consolidated on one site, reducing the Window Systems footprint from seven sites to two. This new facility will further enhance Group operations, with the benefits expected to start being delivered from the second half of 2021.

Product development

The Group continues to invest in and broaden its product portfolio with the launch of the Adek aluminium decking product in Q1 2020, supplementing the 2019 launches of the Stellar aluminium window system and the Dekboard PVC decking product.

The full impact of the Stellar aluminium window system was affected by the inability to set up customers' factories to fabricate the product during the pandemic, however this process started to pick up pace in the second half of 2020 and demand grew through Q4.

Dekboard volumes continued to grow year on year, up 22% despite the pandemic, supported through the acquisition of the PVS decking installation business in 2019.

Acquisitions

In line with the Group's strategic objectives, on 5 January 2021 the Group acquired the trade and related assets of SBS (Cumbria) Limited ("SBS"), a leading and well-established distributor of plastic building products operating across eight branches in Cumbria and Southern Scotland.

SBS was acquired for £3.8 million on a cash and debt free basis. In the year to February 2020, SBS revenues were around £6 million. Including synergistic benefits, we anticipate an EBITDA multiple of four times, with the full benefits of the acquisition being realised from the end of 2021. This acquisition further increases the geographical coverage of the Group's plastic distribution business and offers the opportunity for synergies and wider expansion over time alongside the Group's key partnerships with independent distributors.

FINANCING

The Group's banking facilities comprise of a revolving credit facility of £65.0 million and an overdraft of £10.0 million, recently extended through to June 2024. The strength of the Group's balance sheet, available facilities and the cash management measures implemented during the course of the pandemic have meant that the Group has been able to manage within its funding headroom and without the need to waive or vary its banking covenants, or require to raise additional funds from debt providers or shareholders. With covenant net debt to adjusted EBITDA of 1.3x at 31 December 2020, 0.7x based on the normalised FY19 audited results, the Group has the facilities and significant flexibility to continue to pursue its strategy during these unprecedented times.

RESULTS

Both revenues and profit were lower than their 2019 comparatives due to the decision to close the business during April 2020 in response to the pandemic. Revenue for the year to 31 December 2020 was £241.0 million (2019: £282.1 million) and underlying operating profit was £9.4 million (2019: £21.2 million). Statutory operating profit was £6.3 million (2019: £17.2 million).

The cash generation of the Group continued to be strong despite the volume and profit impact of the pandemic. Pre-tax operating cash flow was £23.7 million (2019: £34.8 million), demonstrating the continued strong cash generation of the business, with a cash conversion rate of 252% (2019: 164%). The Group finished

the year with covenant net debt of £18.5 million (2019: £16.4 million), 1.3x adjusted EBITDA and well within covenant levels.

DIVIDENDS

As previously reported, the Board continues to be mindful of the importance of dividends to shareholders. Based on the performance for the year, cash generation of the business and year end net debt position, as well as recognising that no final dividend was declared in respect of the year ended 31 December 2019, the Board intends to recommend a modest final dividend of 1.00 penny per share in respect of the financial year ending 31 December 2020.

ESG

Launch of ESG framework

As detailed in the Strategic report, this year we have aligned our operations with the United Nations (UN) Sustainable Development Goals ("SDGs"), providing an ESG framework to benchmark our operations against.

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.

Corporate governance and AGM

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

We regret that current COVID-19 restrictions once again mean that shareholders will not be able to attend the Company's AGM. Further details (including in relation to shareholders' questions and proxies) are set out on pages 100 to 104.

SUMMARY AND OUTLOOK

The Group's trading performance during the second half of 2020 and the strategic progress it has made are extremely encouraging as the business adapted to the unprecedented circumstances and trading environment.

The Group completed a critical step in its site consolidation and rationalisation programme. The completion of construction at the new Telford site will streamline the Window Systems logistics operations and improve customer service, whilst increasing capacity and providing a base for our new aluminium operation. Completing the consolidation and integration of Window Systems logistics operations during 2021 will put the Group in a strong position; allowing it to focus on servicing its customers from well invested core operations where it has market-leading positions and benefits from 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.

2021 has started well, with trading up to the middle of March slightly ahead of the Board's expectations despite the poor weather experienced in January and early February. However, we are mindful of uncertainties that remain, particularly the impact COVID-19 will have on the economy and employment.

PVC resin prices will be a headwind, certainly in the short term, following force majeure and planned plant maintenance at two of the largest PVC resin producers with operations in Europe during Q4. This has severely restricted supply in the final quarter of 2020 and continued to put pressure on resin availability and prices during the first quarter of 2021. The Group's strong relationships with PVC resin suppliers, and enhanced contracts, have enabled it to secure material supply, however, the tightened market conditions have driven the price of PVC to its highest ever levels. The Group remains confident of its ability to work with customers to manage cost inflation in an equitable manner.

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 solely essential maintenance.

ANDREW EASTGATE
Chairman

14 April 2021

"Our overriding principle during the pandemic has been to keep our employees and their families safe whilst protecting the business"

Andrew Eastgate
Chairman

STRATEGIC REPORT

10 Responding to COVID-19
12 Marketplace
14 Business Model
15 Strategy
16 Operational Review
18 Financial Review
22 Key Performance Indicators
24 Principal Risks and Uncertainties
26 Environmental, Social and Governance (ESG)
28 Section 172 Statement

RESPONDING TO COVID-19

HOW COVID-19 AFFECTED OUR PEOPLE

Our overriding principle during the pandemic has been to keep our employees and their families safe whilst protecting the business and following the Government's guidance. With the closure of operations, furlough of parts of the workforce and redundancies in response to the potential for sustained reductions in demand, the communication and support provided to our workforce has been critical. In response, the buy-in and commitment our employees have shown to the business during this period has been creditable.

HOW COVID-19 AFFECTED OUR MARKETS

In anticipation of significantly reduced demand levels and in the interests 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. Following the initial drop-off in demand in late March, the RMI market rebounded strongly from July with H2 demand exceeding 2019 levels. New build was slower to return, but following Government stimulus returned to normal levels during Q4. Social markets have been slower to return as we are seeing Local Authorities and Housing Associations delaying the commencement of contracts.

For more detail, please see our marketplace on pages 12 and 13.

HOW COVID-19 AFFECTED OUR BALANCE SHEET

The Group took swift action in response to the first lockdown, drawing down fully on its borrowing facilities and negotiating the deferment of payment with suppliers, landlords and HMRC. At 31 December 2020, all payment deferrals had been fully caught up, with the exception of the 31 March 2020 VAT balance, which has been deferred by HMRC for all companies and will be paid during 2021. The Group has significant headroom on its borrowing facilities.

For more detail, please see our financial review on pages 18 to 21.

HOW COVID-19 AFFECTED OUR OPERATIONS

The Group suspended the majority of its operations following the Government's COVID-19 announcements in March.

Following the initial closure, we began a phased restart during May, in a COVID safe manner, as demand levels rose. Customers were initially supplied from stock, then manufacturing operations were brought onstream as volumes supported a restart of plant and infrastructure.

Following the initial closure, high demand levels, as well as Government guidance allowing manufacturing and construction companies to continue to remain open, have seen the business continue to operate and trade through the November 2020 and January 2021 lockdowns.

For more detail, please see our operational review on pages 16 and 17.

COVID-19 TIMELINE

Q1 2020
Emergence and initial impact

- Group trading well in the early part of 2020 pre COVID-19 and following a successful 2019.
- Customer demand starts to decline in the second half of March 2020 as businesses begin to close as a result of the pandemic.

March 2020
First full lockdown

- Group operations paused with effect from 25 March for safety of staff and customers.
- The Group entered the first lockdown with a strong balance sheet; net debt at the start of the year was 0.6x EBITDA at £16.4 million.

May 2020
Phased restart of operations

- The Group maintained a low level of supply, where it was safe to do so, for those customers that continued to operate. However, the majority of operations remained suspended throughout April, only starting to recommence during May; albeit at much reduced levels of activity and after the implementation of enhanced health and safety procedures in line with Government guidance.
- The Group scaled up operations in line with increased market demand and by June all operations were active to varying degrees.

H2 2020
Strong demand

- Overall Group revenues in the period 1 July 2020 to 31 December 2020 4% ahead of the same period in 2019.

Q4 2020 and Q1 2021
Further lockdowns

- In line with Government guidance, as a manufacturing business supplying the construction industry, the Group continued to trade during the second lockdown in November 2020 and the third lockdown in January 2021.
- At the end of FY 2020 the Group had protected its strong balance sheet; with net debt 1.3x adjusted EBITDA, 0.7x based on the normalised FY19 audited results, at £18.5 million.
- At 31 March 2021, the Group had in excess of £50 million of headroom from its £75 million of banking facilities, including cash on the balance sheet.

MARKETPLACE

Government measures and the success of the vaccine rollout, as well as the potential for new variants of the virus, may have a significant impact on trading in 2021. Further increases in the infection rate of the virus, or the introduction of new variants to the UK, could require the Government to take stricter measures that would require the closure of part or all of the Group's operations, although this is considered unlikely as closure of construction and manufacturing businesses has not been required under the last two lockdowns. The end of the Government's CJRS grants and the self-employed income support scheme could also result in a sharp increase in unemployment that in turn could decrease consumer confidence and consequently demand.

Having encouraged businesses in the construction and building products sectors to continue trading, the more recent lockdowns of November 2020 and January 2021 have more significantly impacted the services, retail and hospitality sectors of the economy. Workers in these sectors are typically a younger demographic, lower paid and more likely to rent properties rather than own their own home. It is likely that redundancies in this demographic will have less impact on demand for the Group's products.

For homeowners who have retained their jobs, disposable incomes and savings have increased due to decreased commuting and less expenditure on holidays, eating out and leisure activities. In addition, many of these households have had to spend significantly more time in their properties due to working from home and lack of availability of other leisure opportunities, which has meant more of their funds have been redirected to repair and maintenance as well as improving their homes.

It is possible that as the lockdown measures decrease towards the second half of the year then consumers may switch their spending priorities to holidays and leisure activities at the expense of repair and maintenance.

The Construction Products Association winter forecast's main assumption, assuming a V-shaped recovery, anticipates RMI to be up 10% in 2021 against 2020, albeit still being 3% behind 2019. The latest Experian outlook anticipates RMI to be up 13% in 2021 against 2020 and 11% behind 2019.

There is a level of uncertainty that continues to impact consumer confidence, however, current demand is strong, particularly in the Group's core RMI market. Whether this continues in the short term is unknown.

PRIVATE HOUSING RMI

The Group experienced very high levels of RMI demand during the second half of 2020 as a result of pent-up demand due to the first national lockdown as well as households reprioritising spend from holidays, eating out and other activities towards the repair, maintenance and improvement of their properties. The Group was well positioned to capitalise on this demand as competitors struggled to restart operations and then suffered from material shortages.

The RMI market is expected to continue to recover during 2021, albeit without the pent-up demand of 2020, and is expected to be slightly below 2019 volume levels.

SOCIAL HOUSING RMI

The social housing market continued at a steady, but lower than 2019, level throughout H2 2020 as Local Authorities and Housing Associations sought to complete projects. However, new contracts are seeing their commencement date delayed.

The current focus and prioritisation of public sector funding is towards the replacement of cladding on high-rise buildings, following Grenfell. Given the importance of these works, other maintenance expenditure such as the replacement of windows and doors is being deferred.

PRIVATE NEW BUILD HOUSING

New build was one of the worst-affected sectors during the initial lockdown, and although transactions recovered quickly, the housebuilders focused on plots nearing completion, as opposed to commencing building on new plots that require our external building components. However, after a slower ramp-up of operations following the first lockdown, new build demand for our products had returned to pre-COVID levels by Q4 2020. This level of demand is expected to continue through the early part of 2021, before moderating, as homebuyers and housebuilders take advantage of the Stamp Duty holiday and Help to Buy. In the March 2021 budget the Stamp Duty holiday was extended to 30 June 2021, with a lower rate announced through to 30 September 2021. The Help to Buy scheme has also been extended until 31 May 2021.

SOCIAL HOUSING NEW BUILD

Spending could 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.

BREXIT

As seen with previous Brexit deadlines, EU-based customers ensured they stocked up in advance of the end to the transition period on 31 December 2020. As a consequence, trade with our EU-based customers started 2021 more slowly as these stock levels are unwound and a more normal trading pattern resumed.

The agreement reached is tariff and quota free, however, the administration and practical implementation of trading across borders may have a significant impact on the time required and cost to move goods. However, to date we have seen no significant impact from Brexit.

OUTLOOK

Up to the middle of March, trading was ahead of the Board's expectations despite the poor weather experienced in January and early February.

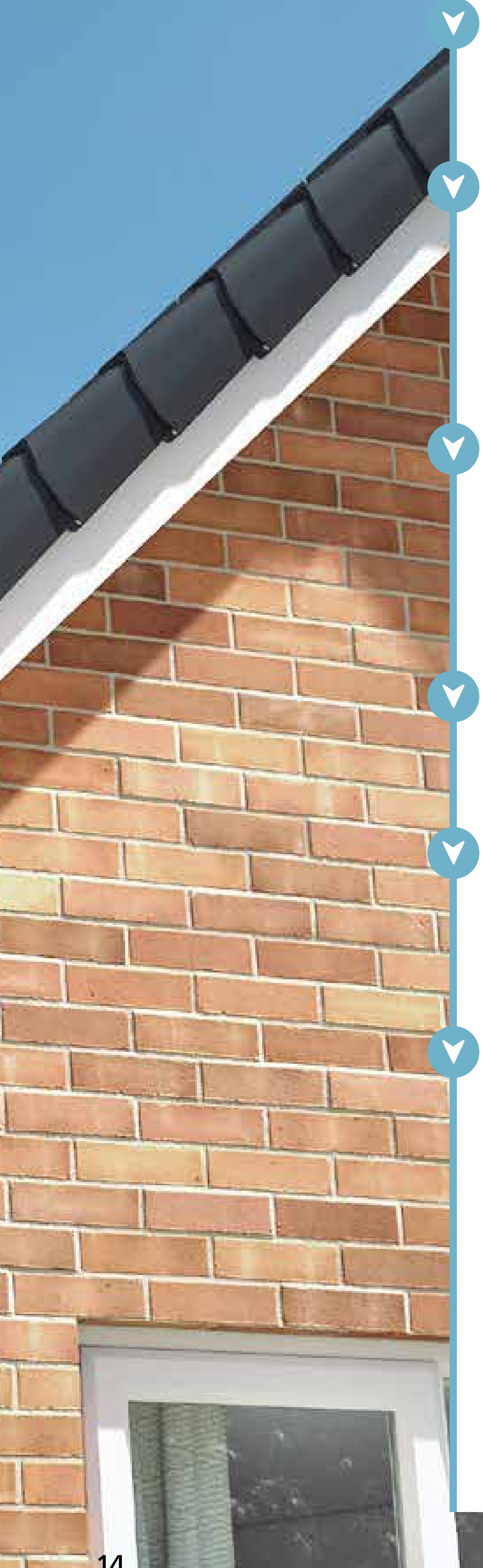
In the near term, there continues to be significant COVID-19 related uncertainty, nonetheless, we are more optimistic for trading prospects and expect to make further gains in market share and continue to make strategic progress, whilst continuing to manage and adapt to the challenges that the pandemic presents.

PVC resin prices will be a headwind, certainly in the short-term, following force majeure and planned plant maintenance at two of the largest PVC resin producers with operations in Europe during Q4. This has severely restricted supply in the final quarter of 2020 and continues to put pressure on resin availability and prices during the first quarter of 2021. The Group's strong relationships with PVC resin suppliers, and enhanced contracts, have enabled it to secure material supply, however, the tightened market conditions have driven the price of PVC to its highest ever levels with a resultant impact on margins. Prices are expected to return to more normal levels once capacity has been restored in the market.

The medium and long-term drivers for the RMI market remain positive and 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
- Changing structural trends with increased time spent at home, including working from home, could lead to increased focus on RMI spending

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 significant funding headroom to continue to invest in the business.

Focus	Strategic aim	2019 Developments	2020 Developments
Acquisitions, product and materials development	• Consolidate operations. • Consolidate markets. • Broaden product portfolio. • Widen materials and technical capabilities.	• Acquisition of PVS. • Launch of aluminium window system. • Launch of PVC decking system. • Design of aluminium decking system.	• Launch of aluminium decking system. • Acquisition of SBS, January 2021.
Operational Leverage	• Utilise existing spare capacity with added volumes or site consolidations.	• Consolidation of foiling operations onto new Telford site. • Consolidation of trade window fabrication in Paignton.	• Consolidation of window systems warehousing and logistics operations.
Operational Efficiency	• Focus on producing and delivering more cost effectively.	• Development of purpose-built warehouse and logistics facility in Telford. • Installation of in-house aluminium powder coating facility.	• Completion of Telford warehousing and logistics facility.
Cross-Selling/ Business Development	• Sell more existing and new products to existing customers. • Develop the use of existing brands.	• 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.	• Growth of Stellar aluminium window system. • Growth of PVC decking system.

OPERATIONAL REVIEW

Trading was ahead of the Board's expectations up until the third week of March 2020 when the Group suspended operations following the Government's COVID-19 announcements, which also resulted in a significant reduction in demand from the Group's customers.

Throughout the first lockdown the Group maintained a low level of supply from inventories, where it was safe to do so, for those customers that continued to operate. However, the majority of operations remained suspended throughout April, only recommencing during May; albeit at much reduced levels of activity and after the implementation of enhanced health and safety procedures in line with Government guidance. The Group scaled up operations in line with increased market demand and by the end of June all operations were active to varying degrees.

In order to protect the Group's balance sheet and maintain liquidity, in response to the March 2020 lockdown, the Board immediately drew down on the Group's £75.0 million of banking facilities. The Group also sought to leverage its strong relationship with its suppliers and landlords by engaging in dialogue and agreeing payment deferrals, as opposed to a number of other business and competitors that closed operations and immediately stopped making supplier payments. This ensured that when operations recommenced, the Group was in a strong position to ensure continuity of supply from suppliers whose own supply chain and stock levels would be under pressure. In line with the arrangements made with suppliers, by the end of the year the Group had ensured all accounts had been paid up to date, with the exception of the Q1 2020 VAT balancing payment which HMRC has allowed all taxpayers to defer through 2021.

During this period, with large parts of its operations closed, the Group made use of the Government's Coronavirus Job Retention Scheme ("CJRS") and other reliefs. The CJRS was invaluable as it ensured, as far as possible, that the Group was able to retain its committed and knowledgeable workforce, one of its key, market-leading assets, during this uncertain time. The Group continued to make use of the CJRS throughout the first lockdown and continued to do so through some of H2, albeit at a much reduced level. As of November 2020 the Group was no longer making use of the scheme. Unfortunately, in parts of the business where volumes have not returned to 2019 levels during H2, the business has had to take a view on short to medium-term volumes and the efficiency of operations and as a result some restructuring and redundancies were required, particularly of those businesses servicing new build and social housing markets.

The Group began the cautious restart of its operations in May. Due to uncertainty around the returning level of activity in our markets, the decisions made around the timing, order and scale of the restart of operations was critical to the second half performance and profit. The risk, as a large manufacturing business which is expensive and time consuming to restart, was that underlying demand may have deteriorated following the initial pent-up volumes.

In this regard the Group took a cautious approach, our national network of distribution operations acting as a good barometer of the level of market activity, particularly in RMI and newbuild. Our extrusion operations were able to initially supply from stock before restarting the infrastructure feeding the extrusion lines. The extrusion lines and other operations were then restarted in a phased manner as demand built and was established to be underlying, not just an initial burst of pent-up demand.

By the end of June 2020, all operations were back up and running to varying degrees according to demand levels in the markets they supply.

Demand levels in the RMI market were very high throughout H2, in excess of 2019 levels. It is believed this was due to household savings increasing as a result of being unable to spend on items such as holidays and eating out, whilst at the same time people were at home more and spending on repairs and maintenance, as well as wanting to improve their home environment.

The levels of RMI demand during H2 put significant pressure on our capacity and operations. Our market-leading cellular extrusion operations were able to capitalise on their expertise, good stock levels and strong relationship with suppliers to ensure operations restarted smoothly with minimal disruption. This was particularly an issue for businesses that use PVC due to instances of force majeure and plant outages at a number of the main European PVC suppliers. However, our relationships

with these suppliers enabled us to minimise the impact of the market-wide PVC resin shortage, which was not the case for all of our competitors. The ability to have stock on the shelves and our service offering enabled our cellular extrusion businesses to meet these high levels of demand and take market share during H2 as our competitors struggled to restart their operations and then secure PVC resin supply.

Window profile extrusion had a more challenging H2, having not had the seasonal H1 stock build, and off the back of our success in recent years with the Optima window system and new customer wins, demand, particularly from the RMI market, far outstripped capacity and 2019 levels for a number of months following the restart of operations. This was further compounded by the force majeure and planned plant maintenance at the PVC resin suppliers, as well as the continuing movement in market trend towards foiled profile, which adds a further complexity to operations through an additional production stage and the need to hold further stock. As a result, as well as additional COVID-19 safe operating costs and processes, operational inefficiencies crept into the Window Systems operations as the business was challenged to keep up with significant increases in customer demand levels.

Although the Group has been able to secure the material it required during the industry-wide shortage of PVC resin, with the risk around Brexit at the year end, during H2 the Group sought to further enhance the supply arrangements it has in place. This has enabled it to largely overcome the raw materials shortages faced by the industry as market demand spiked in H2 2020, particularly for the supply of PVC resin.

The new build market was slower to return following the first lockdown and the phased restart of our Stormking GRP moulding operation reflected this. Housebuilders looked to maximise liquidity by selling plots nearing completion that required minimal external works/components, as opposed to commencing the development of new plots which utilise our externally fitted building components. However, by Q4 volumes in our newbuild facing businesses had returned to 2019 levels.

The social housing market continued at levels lower than 2019 throughout H2 with Local Authorities and Housing Associations seeking to complete projects. However, new contracts are seeing their commencement delayed.

STRATEGIC PROGRESS

Construction of the Group's new logistics and product finishing facility in Telford was completed on time and on budget in 2020, realising a pre-tax net cash surplus of £10.0 million across the development period. The facility commenced operations at the end of the year. Full commissioning of this facility was delayed as a result of the impact of the pandemic and then due to the extremely high levels of demand in our Window Systems business during H2. Having consolidated the window profile extrusion operations in 2018, all finishing, warehousing and logistics operations will now also be consolidated on one site, reducing the Window Systems footprint from seven sites to two. This new facility will further enhance Group operations, with the benefits expected to be delivered by the end of 2021.

On 5 January 2021, the Group acquired the trade and related assets of SBS (Cumbria) Limited ("SBS"), a leading and well-established distributor of plastic building products operating across eight branches in Cumbria and Southern Scotland. SBS was acquired for £3.8 million on a cash and debt free basis. In the year to February 2020, SBS revenues were around £6 million. Including synergistic benefits we anticipate an EBITDA multiple of four times, with the full benefits of the acquisition being realised from the end of 2021. This acquisition further increases the geographical coverage of the Group's plastic distribution business, offers the opportunity for synergies and wider expansion over time alongside the Group's key partnerships with independent distributors.

Product development activities also continued during the period with the launch of the Adek aluminium decking product in Q1 2020, supplementing the 2019 launches of the Stellar aluminium window system and the Dekboard PVC decking product.

HEALTH AND SAFETY

As a manufacturing business 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.

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

As well as COVID safe and compliant working practices and social distancing, work from home measures were utilised where feasible for the employee and business. Frequent communication from the Chief Executive Officer updated all employees on the latest situation, the measures being taken by the business and reconfirmed the current Government guidance. The communications were also an opportunity to provide practical guidance to employees during these uncertain and stressful times, either through directing them to Government and Local Authority guidance or the Group's own health and wellbeing support.

FINANCIAL REVIEW

Total revenue for the year ended 31 December 2020 was £241.0 million (2019: £282.1 million). The lower revenue was as a result of the COVID-19 related business closure at the end of March 2020. The closure of the business throughout April 2020 and then phased restart and ramp-up of activity during May and June resulted in H1 2020 revenues being £46.7 million lower than the same period in 2021. Revenue in H2 2020 was 4% ahead of prior year driven by strong demand, particularly in RMI.

As a result of the business closure during H1 2020, as well as the increased costs of working in a COVID secure manner, underlying operating profit was £9.4 million. The Group was also impacted by operational inefficiencies during H2, particularly in the Fenestration businesses, as they were unable to complete their seasonal stock build in H1. RMI demand then significantly outstripped plant capacity during H2.

PVC prices remained relatively benign for most of 2020 until the final quarter when a force majeure and planned plant maintenance at two of the largest PVC resin producers with operations in Europe severely restricted supply. Though the Group's strong relationship with these suppliers has enabled it to secure material supply, the tightened market conditions have driven the price of PVC to its highest ever levels.

Key financials	H1 20 £m	H2 20 £m	**FY 20 £m**	H1 19 £m	H2 19 £m	FY 19 £m
Revenue	93.3	147.7	**241.0**	140.0	142.1	282.1
Underlying operating profit	(1.8)	11.2	**9.4**	9.4	11.8	21.2
Amortisation of acquired intangible assets	(0.2)	(0.1)	**(0.3)**	(0.1)	(0.2)	(0.3)
Other non-underlying items	(0.5)	(2.3)	**(2.8)**	(0.1)	(2.2)	(2.3)
Share-based payments expense	-	-	**-**	(0.4)	(1.0)	(1.4)
Operating profit	(2.5)	8.8	**6.3**	8.8	8.4	17.2
Underlying operating margin (*)	(1.9)%	7.6%	**3.9%**	6.7%	8.3%	7.5%
Operating margin	(2.7)%	6.0%	**2.6%**	6.3%	5.9%	6.1%

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

REPORTABLE SEGMENTS

	H1 20 £m	H2 20 £m	FY 20 £m	H1 19 £m	H2 19 £m	FY 19 £m
Revenue						
Extrusion and Moulding	60.7	93.6	**154.3**	87.8	89.8	**177.6**
Fabrication and Distribution	32.6	54.1	**86.7**	52.2	52.3	**104.5**
Total	93.3	147.7	**241.0**	140.0	142.1	**282.1**
Underlying segmental operating profit						
Extrusion and Moulding	(0.3)	8.6	**8.3**	8.6	10.1	**18.7**
Fabrication and Distribution	(0.4)	3.6	**3.2**	1.8	2.8	**4.6**
Underlying segmental operating profit before corporate costs	(0.7)	12.2	**11.5**	10.4	12.9	**23.3**
Corporate costs	(1.1)	(1.0)	**(2.1)**	(1.0)	(1.1)	**(2.1)**
Underlying operating profit	(1.8)	11.2	**9.4**	9.4	11.8	**21.2**
Amortisation of acquired other intangible assets	(0.2)	(0.1)	**(0.3)**	(0.1)	(0.2)	**(0.3)**
Other non-underlying items	(0.5)	(2.3)	**(2.8)**	(0.1)	(2.2)	**(2.3)**
Share-based payments expense	-	-	**-**	(0.4)	(1.0)	**(1.4)**
Operating profit	(2.5)	8.8	**6.3**	8.8	8.4	**17.2**

EXTRUSION AND MOULDING

- Revenue decreased to £154.3 million (2019: £177.6 million) as a consequence of the volumes lost as a result of the COVID-19 enforced closure of the business during H1 2020.
- H2 revenues of £93.6 million, 4.2% higher than the equivalent period in 2019, reflecting the significant spike in demand from the RMI sector following lockdown, offset by a slower return in the new build housing market.
- Underlying segmental operating profit of £8.3 million was mainly impacted by the reduction in volumes as a result of the business closure during H1 2020 as well as increased costs of working and operational inefficiencies meeting extraordinary demand on parts of the business during H2.

FABRICATION AND DISTRIBUTION

- Revenues decreased to £86.7 million (2019: £104.5 million) as a consequence of the volumes lost as a result of the COVID-19 enforced closure of the business during H1 2020.
- H2 revenues of £54.1 million, 3.4% higher than the equivalent period in 2019, reflecting the significant demand from the RMI sector following lockdown.
- Underlying segmental operating profit of £3.2 million was mainly impacted by the reduction in volumes as a result of the business closure during H1 2020 as well as increased costs of working during H2, although profit in H2 was higher than the comparative period mainly due to strong trade demand.

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 (2019: £0.3 million), relating to the brand and customer relationship intangible assets recognised on acquisitions.

ii. Other non-underlying items

Other non-underlying items in 2020 relate to business reorganisation costs as a result of COVID-19 and the consolidation of Window Systems warehousing and finishing operations into the new Telford development. These costs are partially offset by a further profit on the sale and leaseback transaction undertaken in 2019, which completed in 2020. As a consequence the associated asset under construction was disposed, deferred income released and a right of use asset and lease liability recognised.

The COVID-19 related redundancies were as a consequence of lower volumes in parts of the business, particularly those supplying new build, where activity was slower to return following the first lockdown.

The business reorganisation costs relating to the new Telford development comprise the write-off of leasehold improvements and fixtures and fittings associated with sites exited as part of the consolidation of operations, as well as provision for ongoing onerous costs associated with these properties.

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

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

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. The charge for the year was £nil as a result of the expiry of the Long-Term Incentive Plan in 2019.

CASH FLOW

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Pre-tax operating cash flow	**23.7**	34.8
Tax paid	**(0.8)**	(3.3)
Acquisitions	-	(2.2)
Net capital expenditure	**(3.2)**	(8.6)
Net site development cash flow	**(4.8)**	10.1
Net interest paid	**(1.4)**	(1.6)
Borrowings	**(15.1)**	1.3
Lease payments	**(13.4)**	(12.3)
Dividends	-	(7.1)
(Decrease)/increase in cash	**(15.0)**	11.1
Opening cash	**17.2**	6.1
Closing cash	**2.2**	17.2
Borrowings	**(17.3)**	(32.3)
Lease assets	**2.4**	5.7
Lease liabilities	**(84.2)**	(71.0)
Closing net debt	**(96.9)**	(80.4)
Covenant net debt*	**(18.5)**	(16.4)

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

Pre-tax operating cash flow was impacted by the loss in contribution as a result of the COVID-19 related temporary closure of the business, offset by working capital management measures implemented to maximise facility headroom during this period of uncertainty. The Group also made use of the Government's CJRS until October 2020 as well as deferral of the March 2020 VAT liability to 2021.

In addition, the Board took measures including deferring non-essential capital expenditure and suspending dividend payments (£7.1m in 2019) in order to preserve cash and further increase facility headroom during this period of COVID-19 related uncertainty.

NET CAPITAL EXPENDITURE

Net capital expenditure of £3.2 million represents ongoing replacement expenditure as well as investment in plant, fixtures and fittings for the new warehousing and logistics facility in Telford.

SITE DEVELOPMENT

The net site development cash outflow of £4.8 million represents costs for the completion of the construction of the new warehousing and logistics facility in Telford. The final £5.2 million from the sale and leaseback has been received in the first quarter of 2021.

FINANCING

The Group has banking facilities on a two bank, syndicated basis with Barclays and HSBC which have recently been extended through to June 2024. The facilities comprise a revolving credit facility of £65.0 million and overdraft of £10.0 million. With covenant net debt at 31 December 2020 of £18.5 million and covenant net debt to EBITDA of 1.3x, 0.7x based on the normalised FY19 audited results, these facilities provide the Group with significant headroom to pursue its strategy.

Finance costs for the period comprise £1.5 million interest on borrowings and arrangement fee amortisation as well as £2.9 million of discount unwind associated with IFRS 16 lease liabilities. Interest costs decreased in comparison to the same period in the prior year as, although the Board took the decision to fully draw down its borrowing facilities as a precaution when the impact of COVID-19 became apparent, the cost of borrowing was lower due to the lower prevailing interest rates.

LEASE ASSETS AND LIABILITIES

Lease assets and liabilities represent IFRS 16: Leases balances in respect of properties leased and properties sublet by the Group. The decrease in lease assets is as a result of a tenant entering administration. The increase in lease liabilities is predominantly due to the completion of the construction of the warehousing and logistics facility in Telford, and the consequent commencement of the lease and recognition of the lease liability.

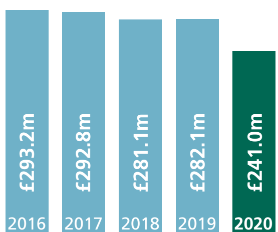
KEY PERFORMANCE INDICATORS

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

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

Revenue (£m)

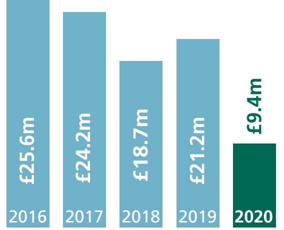
£241.0m



Definition
Revenue is the value of goods and services supplied net of taxes and discounts. See Financial Review on pages 18 to 21 for further details on performance.

Underlying operating profit (£m)

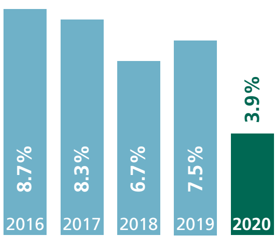
£9.4m



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 18 to 21 for further details on performance.

Underlying operating margin (%)

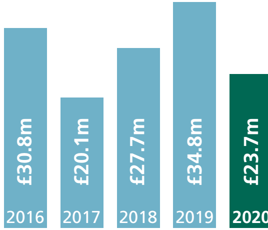
3.9%



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

Pre-tax operating cash flow (£m)

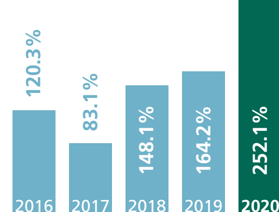
£23.7m



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

Cash conversion

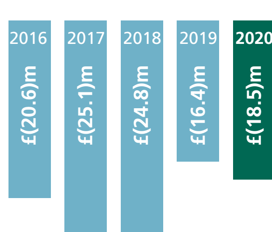
252.1%



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

Covenant net (debt)/cash (£m)

£(18.5)m

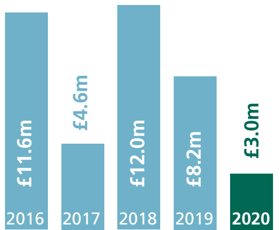


Definition
Covenant net (debt)/cash is cash and cash equivalents less interest-bearing loans and borrowings, calculated on a pre-IFRS 16: Leases basis.

2016 to 2018 comparatives are stated prior to the impact of IFRS 16: Leases, implemented on 1 January 2019.

Capital expenditure (£m)

£3.0m



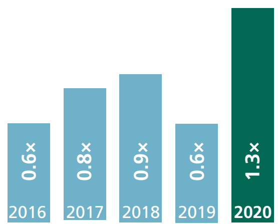
Definition

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

Leverage ratio

(covenant net debt/adjusted EBITDA)

1.3×



Definition

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

Operational KPIs

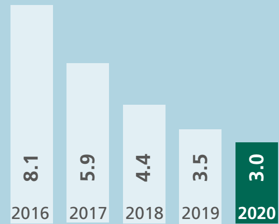
The Group uses a range of Operating KPIs specific to the extrusion, moulding, fabrication and distribution operations. The operational KPIs are focused on the customer experience in terms of quality and service as well as key cost drivers such as input prices and material and labour efficiency.

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

3.0

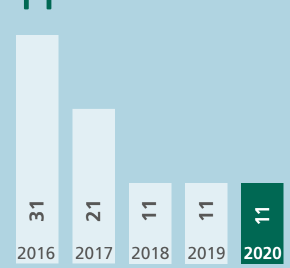


Definition

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").

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	The ongoing COVID-19 outbreak, designated a pandemic by the World Health Organization, continues to have far-reaching effects on people, travel, supply chains, and economies globally.	COVID-19, as well as Government measures taken to control the spread of the virus, have 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 continues to adapt to the impact of the COVID-19 pandemic. The Group will continue to review the possible effects on the business and refine its contingency plans as circumstances change, as well as the Government's measures to control the spread of the virus, seeking to as far as possible ensure the safety and well-being of our employees and their families and preserve the Group's liquidity.
Brexit	The basis of the UK's future trading relationship with the EU has now been agreed, but there is still risk and uncertainty around the interpretation and implementation of the trade agreement.	There has been an increase in the level of complexity and administration required to move goods in and out of the European Union. There is the potential for significant delays and additional costs to move goods through UK and European ports that could result in the goods and services we provide being less competitive.	The Group has ensured it has the correct registrations and documentation to move its goods across borders. The Group has established relationships with hauliers that transport its goods into the European Union and Northern Ireland and has been working with its raw material suppliers to ensure the required documentation is in place. Alternative transport routes avoiding the main ports have been considered.
UK economy	One of the key risks to the business is any deterioration in the UK economy which may impact consumer confidence and expenditure on housing. Factors such as unemployment rates, wage growth, interest rates and inflation are all considered to have a potential impact for the Group.	The position of the UK economy determines the level of activity in the RMI, new build and social housing sectors, which has a direct impact on the levels of revenue, profitability and cash generation.	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.
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.

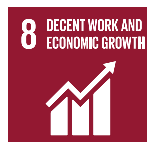
Area of risk	Description of risk	Potential impact	Mitigation
Key customers	Our customers are fundamental to the continued success of our business.	The inability to service and retain key customers or collect our receivables may cause the Group's financial performance to suffer.	The Group is not exposed 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. 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 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 were members of a Long-Term Incentive Plan which vested in 2019 and was exercised in 2020. The Remuneration Committee is currently finalising the details of a new scheme for the next three years.
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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

At Epwin, our relationships with stakeholders enable us to create sustainable value and deliver our strategy. To achieve this we have aligned our operations with the Sustainable Development Goals, providing an ESG framework to work towards and benchmark against.

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

We have considered the magnitude, severity, and likelihood of current and potential negative impacts, the importance of such impacts to key stakeholders and the opportunity to strengthen competitiveness through resource efficiency. Additional considerations include the likelihood that new regulation, standardisation, market shortages (of materials or labour), supply chain disruptions, stakeholder pressure or changing market dynamics over time may translate these negative impacts into costs or risks for the Company.



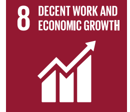
We have outlined below the key SDGs that we believe have most relevance to the Group and that we can impact the most.

GOOD HEALTH AND WELL-BEING

Description: Ensure healthy lives and promote well-being for all at all ages.

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. Health & Safety is part of a continuous training programme across the Group.

The Group provides access to occupational health and well-being schemes to all employees as well as a cycle to work scheme.



DECENT WORK AND ECONOMIC GROWTH

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

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.

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.

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.

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.

SUSTAINABLE CITIES AND COMMUNITIES

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

Epwin manufactures sustainable building products that have a long life and can improve the thermal rating of properties, reducing the end-user's energy consumption and carbon emissions. Our PVC and Wood Plastic Composite products can also 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.

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.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Description: Ensure sustainable consumption and production patterns.

The Group's strong supplier relationships and regular review procedures ensure materials, products and labour are responsibly sourced, complying with standards and legislation, as well as meeting ethical, quality and sustainability expectations.

Epwin also recycles where possible, including a large volume of manufacturing scrap, as well as designing and manufacturing recycled products that capture others' plastic-based waste materials. The Group works on research projects with Government organisations and research institutions focused on identifying alternate uses and manufacturing processes for waste materials such as plastic packaging, tyres and coffee cups.

The energy consumption and intensity of our operations, in particular our buildings, plant and fleet, is constantly under review. See our Streamlined Energy and Carbon reporting on page 38.

CLIMATE ACTION

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

As well as producing long-life, sustainable products that use recycled materials and are themselves recyclable, and reducing end-user energy consumption and carbon emissions, Epwin works within its supply chain and its own manufacturing and distribution operations to recycle and reduce packaging, waste power and water consumption.

The Group not only works across its supply chain to recycle and reduce packaging, waste, power and water consumption and emissions, but produces certain products that have been independently verified as having a negative carbon footprint, and thermally efficient products that reduce carbon emissions for the end-user too.

PEACE, JUSTICE AND STRONG INSTITUTIONS

Description: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

As a UK-based, market listed organisation, Epwin Group Plc, is required and aims to comply with all the laws and regulations in the jurisdictions in which it operates, contribute a fair amount of tax to the economy and provide effective, accountable and transparent governance.

SECTION 172 STATEMENT

Under Section 172 of the Companies Act 2006 ("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 on Governance and how the Board has discharged its duties is include in the Corporate Governance section on pages 30 to 45.

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.

Our overriding principle during the pandemic has been to keep our employees and their families safe whilst protecting the business and following the Government's guidance. With the closure of operations, furlough of parts of the workforce and redundancies in response to the potential for sustained reductions in demand, the communication and support provided to our workforce has been critical.

COMMUNITIES AND THE ENVIRONMENT

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.

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.

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.

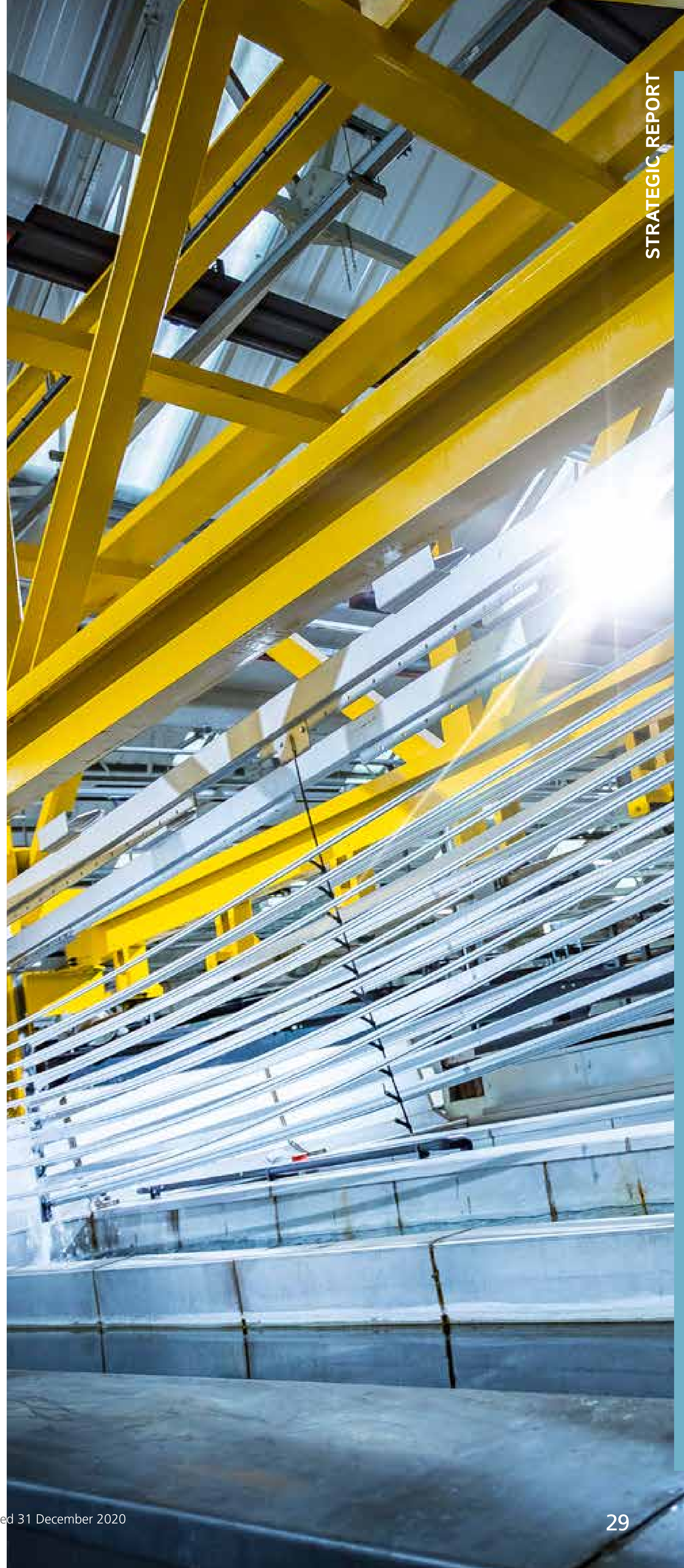
GOVERNMENT AND REGULATORS

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

14 April 2021



GOVERNANCE

32 Directors and Advisors

34 Corporate Governance

37 Directors' Report

40 Audit Committee Report

42 Remuneration Committee Report

45 Statement of Directors' Responsibilities

DIRECTORS AND ADVISORS

ANDREW EASTGATE

Non-Executive Chairman

Appointment date: 14 July 2014

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

Skills and experience:

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

JONATHAN BEDNALL

Chief Executive Officer

Appointment date: 16 January 2012

Committee membership: Executive, Nomination

Skills and experience:

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

CHRISTOPHER EMPSON

Group Finance Director

Appointment date: 17 June 2014

Committee membership: Executive

Skills and experience:

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

SHAUN HANRAHAN

Executive Director

Appointment date: 17 June 2014

Committee membership: Executive

Skills and experience:

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

MICHAEL O'LEARY

Non-Executive Director

Appointment date: 2 March 2015

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 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
1b Stratford Court
Cranmore Boulevard
Solihull
B90 4QT

COMPANY NUMBER
07742256

AUDITORS
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

NOMINATED ADVISOR AND JOINT BROKER
Shore Capital
Cassini House
57 St James's Street
London
SW1A 1LD

JOINT BROKER
Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

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

HSBC Bank Plc
1 Centenary Square
Birmingham
B1 1HQ

REGISTRARS
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

FINANCIAL PR
MHP Communications
60 Great Portland Street
London
W1W 7RT

CORPORATE GOVERNANCE

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

BOARD STRUCTURE AND COMPOSITION

As at the date of this report, the Board comprised three Executive and two Non-Executive Directors, each of whom brings a different experience set and background. Andrew Eastgate is Chairman of the Board of Directors and also Chairman of the Audit Committee and Nomination Committee. Michael O'Leary is Chairman of the Remuneration Committee.

Biographies of all the Directors at the date of this report are set out on page 32.

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 Remuneration Committee Report on pages 42 and 44.

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 AND ATTENDANCE

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

Audit Committee

During the year, the Audit Committee comprised two independent Non-Executive Directors: Andrew Eastgate (Chairman) and Michael O'Leary. Christopher Empson attends Audit Committee meetings, as necessary, by invitation.

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 2020, 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 2019;
- reviewing the half-year announcement for the period ended 30 June 2020; and
- consideration of the audit plan for the year ended 31 December 2020.

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 42 and 44.

During the period to 31 December 2020 the Remuneration Committee met on three occasions to consider remuneration policies and set Directors' remuneration. In particular, the Remuneration Committee met to review the terms and agree the deferment of the Group's 2017-19 Long-Term Incentive Plan, in light of the COVID-19 pandemic, which was due to be settled on reporting of the year ended 31 December 2019 audited financial results. The Remuneration Committee subsequently met to agree the terms and settlement of the Long-Term Incentive Plan.

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 12 scheduled Board meetings held during the year. Details of attendance at scheduled Board and Board Committee meetings during the period to 31 December 2020 are as follows:

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Andrew Eastgate	12	12	3	3	3	3	1	1
Michael O'Leary	12	12	3	3	3	3	1	1
Jonathan Bednall	12	12	n/a	n/a	n/a	n/a	1	1
Christopher Empson	12	12	n/a	n/a	n/a	n/a	n/a	n/a
Shaun Hanrahan	12	11	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 2020 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, ongoing 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 closed periods, the Chief Executive Officer and Group Finance Director maintain a regular dialogue with institutional shareholders and give presentations to them and analysts immediately after the announcement of the Group's half year and full year results. The Group also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings.

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

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

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

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

CORPORATE CULTURE

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

14 April 2021

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

FINANCIAL RESULTS AND DIVIDENDS

The audited accounts for the Group and Company for the year ended 31 December 2020 are set out on pages 58 to 99.
The Group profit for the year was £2.6 million (2019: £10.7 million).
As previously reported, the Board continues to be mindful of the importance of dividends to shareholders. Based on the performance for the year, cash generation of the business and year end net debt position, as well as recognising that no final dividend was declared in respect of the year ended 31 December 2019, or interim dividend declared in respect of the current year, the Board intends to recommend a final dividend of 1.00 penny per share in respect of the financial year ending 31 December 2020.

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 page 32.

The Directors' remuneration and their interests in the share capital of the Company are detailed on pages 42 and 44.

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.

CUSTOMERS

Our customers are paramount to the success of the business. 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.

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 2020 represented on average 74 days' credit, based on actual invoices received (2019: 72 days' credit).

SHARE CAPITAL

The issued share capital of the Company at 31 December 2020 was £72,274, comprising 144,547,210 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 100 to 104.

DIRECTORS' REPORT
CONTINUED

SUBSTANTIAL SHAREHOLDINGS

As at 31 March 2021, the Company had the following substantial shareholdings:

	% of issued share capital	Number of shares
Ruffer LLP	16.43	23,872,696
AJ Rawson	13.94	20,250,000
Kennedy Capital Investments Limited	13.94	20,250,000
Unicorn Asset Management	7.74	11,240,000
Otus Capital Management	5.18	7,527,711
Janus Henderson Investors	4.90	7,113,173
Chelverton Asset Management	4.66	6,769,469
AXA Investment Managers	4.07	5,918,500
Lombard Odier Asset Management	3.12	4,533,471

Extracted from a share register maintained by Link Group.

CHARITABLE AND POLITICAL DONATIONS

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

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.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

The Streamlined Energy and Carbon Regulations came into force on 1 April 2019 in order to provide a simplified energy and carbon reporting framework. All large UK companies are required to report annually on their energy consumption, associated greenhouse gas emissions, energy efficiency measures and an intensity metric.

In line with the Companies and Limited Liability Partnerships Energy and Carbon Regulations 2018, the energy use and greenhouse gas ("GHG") emissions of Epwin Group Plc and its subsidiaries for the year from 1 January 2020 to 31 December 2020 are as follows:

Total energy consumption	**89,625,899 kWh**
Emissions from combustion of gas (Scope 1)	3,263 tCO_2e
Emissions from combustion of fuel for the purpose of transport (Scope 1)	7,670 tCO_2e
Emissions from purchased electricity (Scope 2)	9,905 tCO_2e
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (Scope 3)	22 tCO_2e
Total gross emissions	20,860 tCO_2e
Emissions per £m external revenue	87 tCO_2e
Emissions per £m gross revenue (internal and external revenues)	74 tCO_2e

Intensity ratio

Epwin Group Plc and its subsidiaries undertake a number of different operations and business types from the extrusion of lengths of PVC and WPC, GRP moulding, fabrication of windows and doors and distribution of these products. Due to the varied nature of the operations we have chosen to report our gross emissions against revenue as this best reflects the scale of the operations and their level of activity. Due to the vertically integrated nature of the operations we have reported the gross emission against both the audited and disclosed external revenue for the year to 31 December 2020 as well as the gross revenue for the same period, which includes both external and internal revenues, as we feel this better represents the overall level of activity of the individual operations.

Energy efficiency measures

Epwin Group Plc and its subsidiaries are committed to reducing the environmental impact of its operations. The energy consumption and intensity of our operations, in particular our buildings, plant and fleet, is constantly under review. The operations also maintain and work towards recognised standards, including ISO 50001 Energy Management Systems, and continue to review and implement the recommendations made in the Energy Savings Opportunity Scheme (ESOS) reports. Energy consumption is considered as part of the Group's capital expenditure approval process in order to drive continuous improvement across the operations.

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 62.

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 8 to 29. 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.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 25 May 2021 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 100 to 104.

Under current COVID-19 restrictions, an open AGM is once again not permitted. Accordingly, we are proposing to hold the AGM with the minimum number of shareholders required to form a quorum, which will be provided by the Directors. Shareholders will not be permitted to attend in person. Further details (including in relation to shareholders' questions and proxies) are set out on pages 100 to 104.

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

Health and safety ("H&S")

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

Employee satisfaction

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

Equality, diversity and inclusion

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

We take measures to ensure good working conditions. Employees are expected at all times to act honestly, respectfully and in accordance with our 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 7 to the Accounts on page 74.

By order of the Board

CHRISTOPHER EMPSON
Group Finance Director

14 April 2021

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 2020, 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 2020 financial statements are outlined below.

Going concern

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Board continues to monitor the evolving status of the COVID-19 pandemic. The Group balance sheet remains robust with significant financial headroom on committed banking facilities which have recently been extended through to June 2024. The banking facilities comprise a £65 million Revolving Credit Facility and £10 million overdraft facility. Notes 21 and 25 to the financial statements set out more detail on the undrawn facility headroom and financial covenants.

During 2020 the Group was able to not only remain within its financial facilities but also maintain significant headroom on its covenants following the first lockdown in March 2020, when all operations were closed for the duration of April, and the further lockdowns in November 2020 and January 2021. As a manufacturer supplying the construction industry the Group's operations were able to successfully continue during the second and third lockdowns under COVID safe working practices.

The Group has made use of the Coronavirus Job Retention Scheme ("CJRS") grants during the period, but is no longer making any claims under this scheme.

The Board prepares detailed budgets which it has confidence in achieving in a normal business environment. The unprecedented events are likely to continue to have an impact on the Group's financial performance in the short to medium term, though are not easily forecasted. With the roll out of a vaccine continuing, the Board's view is that a further full lockdown with closure of operations is highly unlikely, and therefore all scenarios prepared assume the Group will be able to continue to operate through further lockdowns. However, in the short-term there could be a dampening of demand as the impact of the virus and the government's measures on the economy, borrowing and jobs reduces consumer confidence and discretionary spend.

The Group starts 2021 with a similar level of cash and borrowings as 2020. The Directors have prepared cash flow, facility headroom and financial covenant forecasts for a period of at least 12 months from the date of approval of these financial statements and do not anticipate the disruption and resulting business closure that occurred in 2020. The Directors considered the financial resources of the Group, as well as its forecasts and COVID-19 stress test scenarios. In arriving at their conclusion, the Directors have considered the following in the severe but plausible downside forecasts:

- The Group's revenue and cash flow forecasts for FY21 and FY22 taking into account:
  - The impact of further COVID-19 restrictions, including lockdowns, on the Group's operations, customers and revenues.
  - Significant increases in raw material costs for an extended duration, particularly PVC, combined with a limited ability to pass on the full impact of these costs through selling price increases.
  - The impact of Brexit on the time required and costs of importing supplies from and exporting products to the EU.

The forecasts show that there is sufficient liquidity and sufficient headroom to ensure compliance with all covenants throughout the going concern period.

The Group also considered the following mitigating actions that could be taken, but concluded that none of these actions are required, even in a severe but plausible scenario, in order for the group to operate within its facilities and therefore these

are not included in the forecast scenarios: deferral of capital expenditure, suspension of the dividend, and the impact of recommencing usage of the Government support schemes such as the COVID-19 Job Retention Scheme.

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

Revenue recognition and related customer support provisions

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

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

Inventory

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

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

Goodwill and Parent Company investments

As an acquisitive Group, the balance sheet of the Group includes a significant value of goodwill. Similarly, the Parent Company balance sheet includes a significant balance relating to the investments it holds in subsidiary undertakings. There is 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 revenue, profit and cashflow forecasts for each CGU, the growth rate into perpetuity beyond this period and the discount rate, which depend on future expectations of the Company and its markets.

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

EXTERNAL AUDIT EFFECTIVENESS

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

Following the completion of the 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.

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

14 April 2021

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 35.

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

REMUNERATION POLICY

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

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

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

REMUNERATION OF EXECUTIVE DIRECTORS

Elements of remuneration

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

Fixed remuneration components

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

BASIC SALARY OR FEES

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

PENSIONS

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

OTHER TAXABLE BENEFITS

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

Variable remuneration components

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

ANNUAL PERFORMANCE-RELATED BONUSES

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

Long-term incentive arrangements

The Group strongly believes that employee share ownership strengthens the link between employees' personal interests and those of the Group and its shareholders, as well as encouraging employee retention and motivation. The Company's previous long-term incentive plan ran from 2017 to 2019 and details of awards which vested under that plan are detailed below. The Remuneration Committee did not bring in a follow-on plan in 2020 but intends to introduce a new long-term incentive plan this year. The proposed Epwin Long-Term Incentive Plan ('LTIP') is designed to retain, incentivise and reward the senior management team and increase alignment with our shareholders in a manner consistent with the market practice. The key terms of the LTIP will be as follows:

- The Remuneration Committee intends to grant share awards under the LTIP annually, which are normally expected to be structured as nominal cost options;
- Awards may be structured as: (i) "Performance Share Awards" which will normally vest three years from grant subject to continued service and challenging sliding scale performance conditions; and/or (ii) "Restricted Share Awards" which will normally vest three years from grant subject to continued service and the satisfactory Remuneration Committee assessment against one or more underpins;
- Award levels will be capped at 100% of salary per individual where awards are structured as Performance Share Awards and no more than 50% of salary per individual where awards are structured as Restricted Share Awards;
- Market standard good leaver, change of control and malus and clawback provisions will operate;
- Non-Executive Directors will not be eligible to participate in the LTIP; and
- Awards under the LTIP and under any other employees' share scheme shall not exceed 10% of the Company's issued share capital in any 10 year period.

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

Details of all existing schemes are provided on pages 75 and 76.

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

	Salary and fees	Other taxable benefits	Bonus	Pension contributions	LTIP*	Total*
	2019 £000	2019 £000	2019 £000	2019 £000	2019 £000	2019 £000
Executive						
J A Bednall	250	10	231	26	497	1,014
C A Empson	170	17	157	18	414	776
S P Hanrahan	190	18	190	34	472	904
Non-Executive						
A K Eastgate	65	-	-	-	-	65
M K O'Leary	40	-	-	-	-	40
Total	715	45	578	78	1,383	2,799

* amended for the deferred settlement of the Group's 2017-19 Long-Term Incentive Plan, see below.

LONG-TERM INCENTIVES VESTED DURING THE FINANCIAL YEAR

As previously reported, vesting of the 2017-19 Long-Term Incentive Plan was due on the finalisation of the results for the year-ended 31 December 2019. However, the Remuneration Committee, in consultation with management, agreed to defer the award as part of a range of actions taken by the Board to manage the initial impact of COVID-19 on the Group's cashflows. As a consequence of the resilient performance and liquidity of the Group, the Remuneration Committee made the decision to settle the awards contractually due under the scheme in December 2020.

The awards were calculated based on the prevailing share price of 89.1 pence and settled, net of taxation, in equity, with the following number of ordinary shares and value awarded to the Executive Directors: J A Bednall 294,701 shares (£262,579), C A Empson 245,665 shares (£218,888) and S P Hanrahan 280,879 shares (£250,263). The shares are subject to a minimum retention period of six months from the date of receipt.

REMUNERATION COMMITTEE REPORT
CONTINUED

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 2020 in the ordinary share capital of the Company are as shown in the table below.

	As at 31 December 2020 Number of shares	As at 31 December 2019 Number of shares
Executive		
Jonathan Bednall	**873,201**	578,500
Christopher Empson	**284,865**	39,200
Shaun Hanrahan	**323,293**	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

14 April 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS") 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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

48 Independent Auditor's Report

58 Consolidated Income Statement

59 Consolidated Balance Sheet

60 Consolidated Statement of Changes in Equity

61 Consolidated Cash Flow Statement

62 Notes to the Accounts

93 Company Balance Sheet

94 Company Statement of Changes in equity

95 Notes to the Company Accounts

100 Notice of Annual General Meeting

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 2020 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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	£0.7m (2019: £0.8m) 5% (2019: 5%) of normalised Group profit before tax	
Coverage	92% (2019: 82%) of the total profits and losses made up group profit before tax and exceptional items	
Key audit matters		**vs 2019**
Recurring risks	Accuracy of variable consideration and valuation of associated refund liability	◀▶
	Valuation of Inventory	◀▶
	Recoverability of Parent Company Investments in Subsidiaries	◀▶
New risks	Goodwill impairment of Stormking, Ecodek and National Plastics CGUs	New
Event driven	Going concern due to ongoing developments of COVID-9	◀▶

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Going concern due to ongoing developments of COVID-19 *Refer to page 40 (Audit Committee Report), page 62 (accounting policy) and page 88 (financial disclosures)*	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were: • Ongoing increases in raw material prices and the ability to pass these onto customers; • The inherent uncertainty in forecasts for the going concern period as a result of the ongoing impact of COVID-19. There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Group's sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures also included: • **Funding assessment:** We inspected bank agreements and correspondence to corroborate financing arrangements and covenants attached to these borrowings; • **Our sector experience:** We used our knowledge of the entity, its industry and the general economic environment to identify conditions that presented risks to be taken into account in the going concern assessment. This included the rising prices of raw materials and the Group's ability pass these prices on to customers. As a result of this analysis we identified that there were risks that had not been factored into the directors' initial assessment. We requested the directors to include additional risks in their assessment. • **Historical comparisons:** We assessed forecasting accuracy by comparing profit forecasts made for the previous year against actual results achieved during 2019; • **Benchmarking assumptions:** We critically assessed assumptions in the base case and downside scenarios relevant to liquidity and/or covenant metrics, in particular in relation to the rising prices of raw materials and the ongoing uncertainty linked with COVID-19 by comparing to published sector growth and economic forecasts, as well as historical trends and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates; • **Sensitivity analysis:** We considered the impact on the level of available financial resources and compliance with covenants of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; and • **Assessing transparency:** We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Group's assessment of going concern, including the identified risks, dependencies, and related sensitivities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EPWIN GROUP PLC

	The risk	Our response
Accuracy of variable consideration and valuation of associated refund liability Refund liability of £2.1 million (2019: £2.1 million) included within the £37.1 million of trade receivables (2019: £36.4 million). *Refer to page 40 (Audit Committee Report), page 67 (accounting policy) and page 71 (financial disclosures).*	**Subjective estimate:** The Group provides customer 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 relevant accounting standards. The Group does this by estimating the likely customer 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 customer 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 customer support has been reclaimed. The estimate is particularly sensitive to percentage claim assumptions, for which there are a range of possible scenarios, and auditor judgement is required to assess whether the Group's estimate of the percentage claim assumption falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that customer 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. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality. In addition, professional standards require us to make a rebuttable presumption that the fraud risk associated with revenue recognition is a significant risk. The incentive/pressures on management to achieve bonus targets and/or current or future profit targets increases the risk of fraudulent revenue recognition in relation to customer support sales incentives.	Our procedures included: • **Historical comparison:** we compared actual customer support claims received in 2020 in respect of the 2019 closing refund liability and actual claims in 2019 in respect of the 2018 closing refund liability, in order to assess historical accuracy of the liability. We also calculated actual claims for 2018 and 2019 customer support as a percentage of customer support sales in the respective years. The results of this calculation have been used to evaluate the Group's estimate of the current year liability; • **Test of detail:** for a sample of customers who receive customer support we obtained customer claims received during 2020 and calculated the claim value as a percentage of the customer's gross sales. 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 2021 to identify customer support credit notes in respect of 2020. These credit notes were compared to the closing liability for that customer; • **Sensitivity analysis:** we performed sensitivity analysis over the key assumptions in order to assess the most likely range of estimate and compared the Group's point estimate to this range; and • **Assessing transparency:** we assessed the adequacy of the Group's disclosures in relation to the estimate of the variable consideration and the associated refund liability. We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

	The risk	Our response
Valuation of Inventory Finished goods of (£21.7 million; 2019: £24.2 million) *Refer to page 40 (Audit Committee Report), page 65 (accounting policy) and page 83 (financial disclosures)*	**Subjective estimate:** Finished goods, within 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 a comparison of the amount of inventory held at the year end to historical sales of that item. There is a risk that changing customer taste leads to slow-moving inventory. Auditor judgement is required to assess whether the Group's overall estimate, taking into account the rate at which items sell, the sales value of items in inventory at the year end, and the percentages used for providing against items falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of finished goods within inventory 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.	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 2020, scrapping during 2020 and unsold items, to the prior year provision to assess the historical accuracy of the provision for finished goods; • **Test of detail:** we assessed the rate of sale of items assumption used by comparing, for a sample of stock items, inventory levels to sales throughout 2020; • **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 pricing information such as pricing lists where no post year end sale had occurred; and • **Test of detail:** we challenged the completeness of the finished goods inventory provision by identifying products that had specific indicators of impairment, for example items that were discontinued. We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EPWIN GROUP PLC

	The risk	Our response
Goodwill impairment of the Stormking, Ecodek and National Plastics CGUs Stormking £24.4 million Ecodek £7.2 million National Plastics £9.6 million *Refer to page 40 (Audit Committee Report), page 65 (accounting policy) and page 78 (financial disclosures).*	**Subjective estimate:** During the year the Group has reassessed the level at which goodwill has been allocated and considers each of the acquisitions to represent a Cash Generating Unit ("CGUs") and as a result there are additional CGUs for the purposes of goodwill impairment testing. The 2020 year end impairment review of Stormking, Ecodek and National Plastics indicated a lower level of headroom, and that, particularly for National Plastics, the impairment conclusion was sensitive to small changes in assumptions about future performance. The end of the Government's Coronavirus Job Retention Scheme and the self-employed income support scheme could result in a sharp increase in unemployment that in turn could decrease consumer confidence and consequently demand. As a result we consider the risk of a material impairment arising in respect of Stormking, Ecodek and National Plastics to be significant. The effect of these matters is that we determined that the value in use of goodwill for the Stormking, Ecodek and National Plastics CGUs 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. The financial statements (note 13) disclose the sensitivity estimated by the Group.	Our procedures included: • **Historical comparisons:** Assessing the reasonableness of the forecast used by considering the historical accuracy of previous forecasts and the results currently being achieved. • **Our sector experience:** Assessing whether assumptions used, in particular those relating to forecast revenue growth and profit margins, reflect our knowledge of the business and industry, including known or probable changes in the business environment. • **Benchmarking assumptions:** Challenging the key inputs used in the Group's calculation of the discount rate by comparing to externally derived data, including available sources for comparable companies. Additionally challenging the key assumption in revenue growth due to the ongoing uncertainty linked with COVID-19 by comparing to published sector growth and economic forecasts, as well as historical trends and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates. • **Sensitivity analysis:** Performing our own sensitivity analysis to identify those assumptions that have the greatest impact on the impairment assessment. • **Assessing transparency:** Assessing whether the Group's disclosures regarding the sensitivity of the impairment assessment to changes in key assumptions appropriately reflects the risks inherent in the valuation of goodwill. We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

	The risk	Our response
Recoverability of Parent Company Investments in subsidiaries (£71.0 million; 2019: £71.0m) *Refer to page 40 (Audit Committee Report), page 95 (accounting policy) and page 96 (financial disclosures).*	**Low risk, high value:** The carrying amount of the parent company's investments in subsidiaries represents 69% (2019: 64%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Benchmarking assumptions:** we challenged 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; and • **Assessing transparency:** we assessed the adequacy of the parent company's disclosures in respect of the investment in subsidiaries. We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

We continue to perform procedures over the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

We continue to perform procedures over the sale and leaseback accounting, and lease accounting. However, in the current year there is a lower level of complexity/estimation uncertainty and judgement in the sale and leaseback accounting and following the year of transition to the new leasing accounting standard there is reduced estimation uncertainty on an ongoing basis. As a result we have not assessed these as amongst the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF EPWIN GROUP PLC

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

Materiality for the group financial statements as a whole was set at £0.7m (2019: £0.8m), determined with reference to a benchmark of normalised group profit before tax (PBT) of £14.4m (2019: £14.7m), of which it represents 5% (2019: 5%).

We normalised PBT by averaging over the last five years due to the fluctuations in the business cycle, and additionally by adding back adjustments that do not represent the normal, continuing operations of the Group. The items we adjusted for were the profit on sale and leaseback transaction of £1.1m (2019: £0.6m) and site consolidation and redundancy costs of £3.9m (2019: £2.8m) as disclosed in note 6. In 2019, we additionally adjusted for acquisition costs of £0.1m (note 6).

Materiality for the parent company financial statements as a whole was set at £0.7m (2019: £0.8m), by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to net assets, and represents 1% (2019: 1%) of the Company's net assets.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group and parent company was set at 75% (2019 : 75%) of materiality for the financial statements as a whole, which equates to £0.53m (2019 : £0.64m) for the group and £0.53m (2019 : £0.64m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.04m (2019: £0.04m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

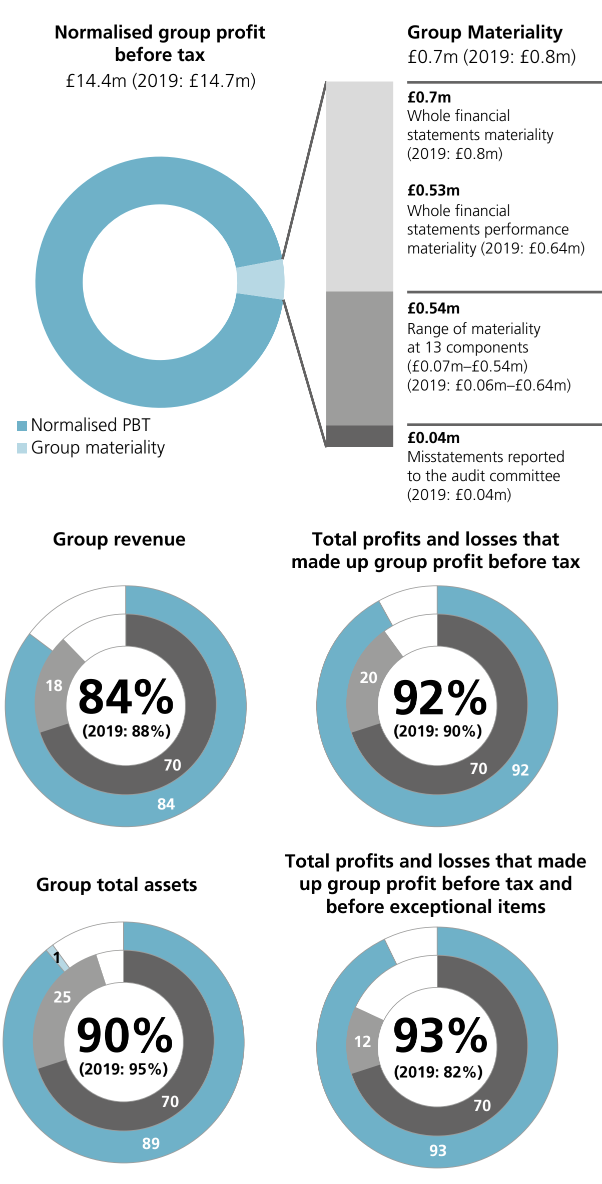
Of the group's 21 (2019: 21) reporting components, we subjected 10 (2019: 10) to full scope audits for group purposes and 5 (2019: 5) to specified risk-focused audit procedures over inventory, receivables, profit and loss accounts and bank loans. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The Group team approved the component materialities, which ranged from £0.07m to £0.54m (2019: £0.06m to £0.64m), having regard to the mix of size and risk profile of the Group across the components.

The audit of all components, including the parent entity, were completed by the Group engagement team.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 16% (2019: 12%) of total group revenue, 8% (2019: 10%) of the total profits and losses that made up group profit before tax and 10% (2019: 5%) of total group assets is represented by 6 (2019: 6) reporting components, none of which individually represented more than 4% (2019: 4%) of any of total group revenue, group profit before tax or total group assets. For these 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.



4. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the audit committee as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consideration of matters related to actual or suspected fraud that were discussed with the audit committee in the prior year.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet current or future profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that variable consideration in relation to customer support is inappropriately recorded, the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of inventory or the appropriateness of the going concern basis of accounting.

We did not identify any additional fraud risks, however due to an identified deficiency in controls relating to the approval of journal entries we assessed there to be an increased risk of fraud due to management override of control.

Further detail in respect of variable consideration in relation to customer support is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. In response to our assessment of the risk of management override of controls and as a result of our knowledge of the control environment, we extended the identified risk criteria in our testing to include journals posted by senior finance management and journals with unexpected account pairings.
- Assessing significant accounting estimates for bias, including assessing against external information where possible, for example as described in the procedures in section 2 of this report.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF EPWIN GROUP PLC

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental legislation, employment law, and buildings regulations. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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.

7. 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.

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 45, 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.

9. 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

14 April 2021

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Revenue	3	**241.0**	282.1
Cost of sales		**(168.8)**	(193.3)
Gross profit		**72.2**	88.8
Distribution expenses		**(30.7)**	(33.7)
Administrative expenses		**(35.2)**	(37.9)
Underlying operating profit		**9.4**	21.2
Amortisation of acquired other intangible assets	6	**(0.3)**	(0.3)
Other non-underlying items	6	**(2.8)**	(2.3)
Share-based payments expense	6, 8	**-**	(1.4)
Operating profit	4	**6.3**	17.2
Net finance costs	9	**(1.5)**	(2.1)
IFRS 16 discount unwind on lease liabilities	9	**(2.9)**	(2.7)
Profit before tax		**1.9**	12.4
Taxation	10	**0.7**	(1.7)
Profit for the year and total comprehensive income		**2.6**	10.7
Earnings per share		**pence**	pence
Basic	11	**1.82**	7.49
Diluted	11	**1.82**	7.47

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 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Goodwill	13	**72.2**	72.2
Other intangible assets	14	**2.8**	3.5
Property, plant and equipment	15	**29.5**	46.1
Right of use assets	16	**66.4**	51.4
Lease assets	16	**2.2**	5.3
Deferred tax	23	**3.8**	3.8
		176.9	182.3
Current assets			
Inventories	17	**29.6**	30.3
Trade and other receivables	18	**44.3**	43.6
Lease assets	16	**0.2**	0.4
Income tax receivable		**0.5**	-
Cash and cash equivalents	19	**2.2**	17.2
		76.8	91.5
Total assets		**253.7**	273.8
Liabilities			
Current liabilities			
Other interest-bearing loans and borrowings	21	**-**	-
Lease liabilities	16	**9.3**	9.0
Trade and other payables	20	**57.6**	75.2
Income tax payable		**-**	1.0
Provisions	22	**1.2**	1.1
		68.1	86.3
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**17.3**	32.3
Lease liabilities	16	**74.9**	62.0
Contingent consideration	5	**1.0**	1.0
Provisions	22	**3.1**	3.4
		96.3	98.7
Total liabilities		**164.4**	185.0
Net assets		**89.3**	88.8
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		**51.2**	50.7
Total equity		**89.3**	88.8

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 14 April 2021.

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 2020

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the year		**2.6**	10.7
Adjustments for:			
Depreciation and amortisation	14,15,16	**19.2**	17.3
Loss on disposal of fixed assets		**1.1**	1.3
Exceptional gain on sale and leaseback		**(1.1)**	(0.6)
Net finance costs	9	**4.4**	4.8
Taxation	10	**(0.7)**	1.7
Share-based payments expense	8	**-**	1.4
Operating cash flow before movement in working capital		**25.5**	36.6
Decrease/(increase) in inventories		**0.7**	(0.9)
(Increase) in trade and other receivables		**(0.7)**	(4.8)
(Decrease)/increase in trade and other payables		**(1.6)**	3.3
(Decrease)/increase in provisions		**(0.2)**	0.6
Pre-tax operating cash flow		**23.7**	34.8
Tax paid		**(0.8)**	(3.3)
Net cash inflow from operating activities		**22.9**	31.5
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	5	**-**	(2.3)
Acquisition of property, plant and equipment	15	**(3.0)**	(8.2)
Acquisition of other intangible assets	14	**(0.2)**	(0.4)
Proceeds on sale and leaseback, net of development costs	15	**(4.8)**	10.1
Proceeds on disposal of subsidiary		**-**	0.1
Net cash outflow from investing activities		**(8.0)**	(0.7)
Cash flow from financing activities			
Interest on borrowings		**(1.4)**	(1.6)
(Repayment)/drawdown of borrowings		**(15.1)**	1.3
Interest on lease liabilities		**(2.9)**	(2.7)
Repayment of lease liabilities		**(10.5)**	(9.6)
Dividends paid	12	**-**	(7.1)
Net cash outflow from financing activities		**(29.9)**	(19.7)
Net (decrease)/increase in cash and cash equivalents		**(15.0)**	11.1
Cash and cash equivalents at the beginning of year		**17.2**	6.1
Cash and cash equivalents at end of year	19	**2.2**	17.2
Secured bank loans	21	**(17.3)**	(32.3)
Lease assets	16	**2.4**	5.7
Lease liabilities	16	**(84.2)**	(71.0)
Net debt at end of year		**(96.9)**	(80.4)

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 accounting standards in conformity with the requirements of the Companies Act 2006 ("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 are presented from page 93.

The accounting policies set out below have 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 Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Board continues to monitor the evolving status of the COVID-19 pandemic. The Group balance sheet remains robust with significant financial headroom on committed banking facilities which have recently been extended through to June 2024. The banking facilities comprise a £65 million Revolving Credit Facility and £10 million overdraft facility. Notes 21 and 25 to the financial statements set out more detail on the undrawn facility headroom and financial covenants.

During 2020 the Group was able to not only remain within its financial facilities but also maintain significant headroom on its covenants following the first lockdown in March 2020, when all operations were closed for the duration of April, and the further lockdowns in November 2020 and January 2021. As a manufacturer supplying the construction industry the Group's operations were able to successfully continue during the second and third lockdowns under COVID safe working practices.

The Group has made use of the Coronavirus Job Retention Scheme ("CJRS") grants during the period, but is no longer making any claims under this scheme.

The Board prepares detailed budgets which it has confidence in achieving in a normal business environment. The unprecedented events are likely to continue to have an impact on the Group's financial performance in the short to medium term, though are not easily forecasted. With the roll out of a vaccine continuing, the Board's view is that a further full lockdown with closure of operations is highly unlikely, and therefore all scenarios prepared assume the Group will be able to continue to operate through further lockdowns. However, in the short-term there could be a dampening of demand as the impact of the virus and the government's measures on the economy, borrowing and jobs reduces consumer confidence and discretionary spend.

The Group starts 2021 with a similar level of cash and borrowings as 2020. The Directors have prepared cash flow, facility headroom and financial covenant forecasts for a period of at least 12 months from the date of approval of these financial statements and do not anticipate the disruption and resulting business closure that occurred in 2020. The Directors considered the financial resources of the Group, as well as its forecasts and COVID-19 stress test scenarios. In arriving at their conclusion, the Directors have considered the following in the severe but plausible downside forecasts:

- The Group's revenue and cash flow forecasts for FY21 and FY22 taking into account:
  - The impact of further COVID-19 restrictions, including lockdowns, on the Group's operations, customers and revenues.
  - Significant increases in raw material costs for an extended duration, particularly PVC, combined with a limited ability to pass on the full impact of these costs through selling price increases.
  - The impact of Brexit on the time required and costs of importing supplies from and exporting products to the EU.

The forecasts show that there is sufficient liquidity and sufficient headroom to ensure compliance with all covenants throughout the going concern period.

The Group also considered the following mitigating actions that could be taken, but concluded that none of these actions are required, even in a severe but plausible scenario, in order for the group to operate within its facilities and therefore these are not included in the forecast scenarios: deferral of capital expenditure, suspension of the dividend, and the impact of recommencing usage of the Government support schemes such as the COVID-19 Job Retention Scheme.

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

1.3 Basis of consolidation

SUBSIDIARIES

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

1.4 Foreign currencies

Transactions in foreign currencies are translated to the 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 less expected credit loss.

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

ii. Cash and cash equivalents

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

FINANCIAL LIABILITIES

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

The Group's financial liabilities comprise trade and other payables, 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.

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 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

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

Right of use assets are initially measured at the amount of the lease liability. After commencement the right of use asset is measured at cost less accumulated depreciation and accumulated impairment. The right of use asset is depreciated over the term of the lease.

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

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.

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.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

1.11 Impairment excluding inventories and deferred tax assets

FINANCIAL ASSETS

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

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

The Group has applied the simplified approach to measuring expected credit losses. For trade receivables, the Group recognises expected lifetime losses at initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. Payment profiles of sales over a five-year period before 31 December 2020 and their historical credit losses experienced are used to estimate the expected credit losses. Historical credit losses are determined based on trade receivables that are considered uncollectable due to administration or liquidation of customer or length of time passed. As well as historical credit loss experience, consideration is also given to potential future credit losses by taking into consideration changes in credit ratings and default rates.

NON-FINANCIAL ASSETS

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

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

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

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

1.12 Employee benefits

DEFINED CONTRIBUTION PLANS

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

SHARE-BASED PAYMENTS EXPENSE

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

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

SHORT-TERM BENEFITS

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

1.13 Provisions

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

1.14 Revenue recognition

Revenue is recognised and payment is due at a point in time when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Control is considered to have passed to the customer once the goods have been delivered to the customer for supply only contracts or once the goods have been installed for supply and fit contracts. There is no financing element to the revenues recognised. 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 Income from Government grants

During the period April 2020 to October 2020, the Group received grants under the Government's Coronavirus Job Retention Scheme. The £8.6 million received under the scheme was recognised as a credit against the related staff costs. As of November 2020, the Group is no longer using the Coronavirus Job Retention Scheme.

NOTES TO THE ACCOUNTS CONTINUED

1.18 Alternative performance measures

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

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

Adjusted EBITDA – 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.

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

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 covenant 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.

1.19 New and amended standards adopted by the Group

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

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform; Phase 1 amendments to IFRS 9, IAS 39 and IFRS 7

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

1.20 Adopted IFRS not yet applied

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

- COVID-19 related rent concessions (Amendments to IFRS 16)
- Interest Rate Benchmark Reform; Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Onerous Contracts – cost of fulfilling a contract (Amendments to IAS 37)

- Annual Improvements to IFRS Standards 2018-2020
- Classification of Liabilities on Current or Non-current (Amendments to IAS 1)
- IFRS 17 – Insurance Contracts
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

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

2. CRITICAL JUDGEMENTS AND ESTIMATIONS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

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

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

ESTIMATES

Revenue recognition and related customer support

Revenues are recognised at the fair value of goods sold to external customers, net of value added tax, discounts, rebates and other sales taxes or duty. Customer support is a pre-determined retrospective sales incentive for certain branded products that falls due when the Group's customer sells the relevant products to a specified end-user. A deduction is made from revenue, and a provision recognised, relating to relevant products sold to customers for which customer support has yet to be claimed. This deduction includes an estimate, based on historical claims, of the proportion of sales that are expected to be sold to specified end-users and that will result in a customer support claim. If the level of customer supported revenues claimed was a reasonably possible 5% lower, then this would reduce the liability at 31 December 2020 by approximately £0.5 million. The degree of uncertainty associated with the estimation is expected to reduce significantly within 6 months of the period end as claims for the period up to that point are received and settled.

Impairment of goodwill and other intangible assets

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

Allowances against the carrying amount of finished goods inventories

The Group provides against the carrying amount of finished goods inventories based on expected demand for its products to ensure that inventory is stated at the lower of cost and net realisable value. The inventory provision involves a degree of estimation and is calculated with reference to the saleability of the product lines, based on recent sales trend, and quantity held. The inventory provision held at 31 December 2020 is £7.0 million (2019: £4.1 million) and is sensitive to changes in customer demand. If 10% of the inventory requiring provision based on recent sales trend were subsequently to be sold it would impact the amount of the inventory provision by £0.7 million.

JUDGEMENTS

Deferred tax assets

The Group recognises deferred tax assets in relation to tax losses. The Group has £10.7 million of tax losses whose utilisation is restricted against specific acquired trades. Therefore, the Group has not recognised certain deferred tax assets in relation to tax losses as their recovery against future profits is considered improbable. If the Group had determined that the utilisation of these tax losses was more certain then a further deferred tax asset of £0.9 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.

	2020 £m	2019 £m
Revenue from external customers		
Extrusion and Moulding – total revenue	**181.2**	211.6
Inter-segment revenue	**(26.9)**	(34.0)
Extrusion and Moulding – external revenue	**154.3**	177.6
Fabrication and Distribution – total revenue	**86.7**	104.5
Inter-segment revenue	**-**	-
Fabrication and Distribution – external revenue	**86.7**	104.5
Total revenue from external customers	**241.0**	282.1
Segmental operating profit		
Extrusion and Moulding	**8.3**	18.7
Fabrication and Distribution	**3.2**	4.6
Segmental operating profit before corporate costs	**11.5**	23.3
Corporate costs	**(2.1)**	(2.1)
Underlying operating profit	**9.4**	21.2
Amortisation of acquired other intangible assets	**(0.3)**	(0.3)
Other non-underlying items	**(2.8)**	(2.3)
Share-based payments expense	**-**	(1.4)
Operating profit	**6.3**	17.2

Balance sheet 2020

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

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

Other material items 2020

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

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

Geographical information

	2020 £m	2019 £m
Revenue from external customers		
UK	**224.9**	265.7
Europe	**14.5**	14.8
Rest of World	**1.6**	1.6
	241.0	282.1

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

	2020 £m	2019 £m
Revenue from external customers		
Sale of goods	**215.8**	248.2
Sale of goods with variable consideration element	**21.4**	28.9
Fitting and installation	**3.8**	5.0
	241.0	282.1

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

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

4. OPERATING PROFIT

Operating profit is stated after charging:

	2020 £m	2019 £m
Amortisation of other intangible assets	**0.6**	0.6
Depreciation of property, plant and equipment	**6.9**	7.3
Depreciation of right of use assets	**9.6**	9.4
Impairment of property, plant and equipment	**2.1**	-
Loss on disposal of other intangible asset	**0.3**	-
Loss on disposal of property, plant and equipment	**0.5**	1.7
Gain on disposal of right of use asset	**-**	(0.4)
Loss on disposal of lease asset	**0.3**	-
Gain on sale and leaseback	**(1.1)**	(0.6)

The analysis of auditors' remuneration is as follows:

	2020 £000	2019 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**63**	60
The audit of the Company's subsidiaries pursuant to legislation	**300**	230
Total audit fees	**363**	290
Non-audit fees:		
All other services	**-**	25
Non-audit fees	**-**	25
	363	315

5. ACQUISITIONS

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.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

6. NON-UNDERLYING ITEMS

Non-underlying items included within operating profit include:

	2020 £m	2019 £m
Amortisation of acquired other intangible assets	(0.3)	(0.3)
Other non-underlying items	(2.8)	(2.3)
Share-based payments expense	-	(1.4)
Non-underlying expense	**(3.1)**	(4.0)

Amortisation of acquired other intangible assets

£0.3 million (2019: £0.3 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:

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

Included in site consolidation and redundancy is £2.1 million (2019: £nil) of plant, equipment and fixtures impairment relating to sites exited as part of the Window Systems site consolidation.

Share-based payments expense

The share-based payment expense of £nil million (2019: £1.4 million) comprises *IFRS 2: Share-based payment* charges in respect of the Long-Term Incentive Plan £nil million (2019: £1.3 million), which matured on 31 December 2019, and SAYE schemes of £nil million (2019: 0.1 million).

7. STAFF COSTS

	2020 Number	2019 Number
Average number of employees		
Production and distribution	1,519	1,562
Marketing and administration	511	541
	2,030	2,103

	2020 £m	2019 £m
Aggregate payroll costs		
Wages and salaries	49.1	58.4
Social security costs	5.2	5.5
Contributions to defined contribution plans	1.7	1.7
Share-based payments	-	1.4
	56.0	67.0

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

	2020 £m	2019 £m
Key management personnel costs		
Short-term employee benefits	**1.1**	1.8
Post-employment benefits	**0.1**	0.1
Share-based payment charges	**-**	0.9
	1.2	2.8

The remuneration of individual Non-Executive and Executive Directors is detailed in the table on pages 42 to 44.

8. SHARE-BASED PAYMENTS

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

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

Vesting of the 2017-19 Long-Term Incentive Plan was due on the finalisation of the results for the year ended 31 December 2019. However, the Remuneration Committee, in consultation with management, agreed to defer the award as part of a range of actions taken by the Board to manage the initial impact of COVID-19 on the Group's cashflows. As a consequence of the resilient performance and liquidity of the Group, the Remuneration Committee made the decision to settle the awards contractually due under the scheme in December 2020. The awards were settled, net of taxation, in equity at an exercise price of 89.1 pence per share. The total number of shares awarded was 1,594,108.

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.

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

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

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 £m	2019 £m
Long-Term Incentive Plan	-	1.3
SAYE	-	0.1
	-	1.4

	2020 No.	2019 No.
Number of options at 1 January	1,361,440	1,570,569
Options granted	-	-
Options lapsed	(575,711)	(209,129)
Options exercised	(27,929)	-
Number of options at 31 December	757,800	1,361,440

9. FINANCE COSTS

	2020 £m	2019 £m
Interest expense on borrowings	1.4	1.5
Amortisation of loan fees	0.1	0.6
IFRS 16 discount unwind on lease liabilities	2.9	2.7
Total finance costs	4.4	4.8

10. TAXATION

	2020 £m	2019 £m
Current tax expense		
Current period	-	3.8
Prior period	(0.7)	(0.3)
Total current tax charge	(0.7)	3.5
Deferred tax expense		
Current period	(0.5)	(1.2)
Prior period	0.5	(0.6)
Total deferred tax charge	-	(1.8)
Total tax expense	(0.7)	1.7

UK corporation tax is calculated at 19.00% (2019: 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% (2019: 19.00%) as follows:

	2020 £m	2019 £m
Profit before tax	**1.9**	12.4
Tax at standard UK corporation tax rate of 19.00% (2019: 19.00%)	**0.4**	2.4
Factors affecting the charge for the period:		
Expenses not deductible	**0.2**	0.1
Losses utilised for which no deferred tax previously recognised	**(0.5)**	(0.1)
Difference in tax rate	**(0.6)**	0.2
Prior period	**(0.2)**	(0.9)
	(0.7)	1.7

Factors that may affect future current and total tax charges

In the Budget held on 3 March 2021, the Government announced that the corporation tax rate will increase to 25% from 1 April 2023. However, this change has not yet been substantially enacted. As at the 31 December 2020 balance sheet date, the corporation tax rate was 19% and so the deferred tax asset/liability at this date has been calculated using this rate (2019: 17%).

11. 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	2020 Pence	2019 Pence
Basic EPS	**1.82**	7.49
Diluted EPS	**1.82**	7.47

Number of shares	2020 No.	2019 No.
Weighted average number of ordinary shares (basic)	**143,004,710**	142,925,173
Effect of share options in issue	**139,770**	243,590
Weighted average number of ordinary shares (diluted)	**143,144,480**	143,168,763

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

12. DIVIDENDS

	2020 £m	2020 Pence per share	2019 £m	2019 Pence per share
Previous year final dividend	-	-	4.6	3.20
Current year interim dividend	-	-	2.5	1.75
	-		7.1	

The Board intends to recommend a final dividend of 1.00 penny per share in respect of the financial year ending 31 December 2020.

13. GOODWILL

	Goodwill £m
Cost	
At 1 January 2019	70.2
Acquisitions through business combinations in 2019	2.0
At 31 December 2019	72.2
Acquisitions through business combinations in 2020	-
At 31 December 2020	**72.2**
Accumulated impairment losses	
At 31 December 2018, 2019 and 2020	-
Net book value	
At 31 December 2020	**72.2**
At 31 December 2019	72.2
At 31 December 2018	70.2

Impairment testing

The goodwill of £72.2 million arose on the merger that formed the Epwin Group (£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 (£2.0 million) in 2019. The goodwill was previously allocated and tested for impairment based on the Group's two reportable segments: Extrusion and Moulding, and Fabrication and Distribution. During the year, the Directors reassessed the level at which goodwill should be allocated and tested for impairment and determined it was more appropriate to allocate and test the goodwill based on the acquisitions through which it arose.

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

In assessing the value in use, the 2021 budget and five-year forecast, used for the purposes of the Group's going concern assessment, were used to provide revenue, profit and cash flow projections for the period to 31 December 2025, taking into consideration the continuing impact of COVID-19 and Brexit. For periods after 31 December 2025, an annual growth rate of 1.00% was used to determine the projected cash flows through to 2040 and a terminal value. Discount rates are based on the weighted average cost of capital of a market participant and adjusted for risk in the cash flow forecasts.

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

	Merger 2020	Amicus 2020	PVS 2020
Goodwill	**£24.5m**	**£4.5m**	**£2.0m**
Pre-tax discount rate	**12.8%**	**12.3%**	**12.4%**
Long-term growth rate	**1.0%**	**1.0%**	**1.0%**

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

	Ecodek 2020	Stormking 2020	National Plastics 2020
Goodwill	**£7.2m**	**£24.4m**	**£9.6m**
Pre-tax discount rate	**12.2%**	**12.4%**	**12.3%**
Long-term growth rate	**1.0%**	**1.0%**	**1.0%**
Short-term growth rate	**13.1%**	**5.8%**	**4.3%**
Headroom	**£5.8m**	**£4.7m**	**£1.0m**
In order to trigger an impairment, the key assumptions would need to be stressed as follows:			
Revenue reduction required to trigger impairment	**-23.6%**	**-5.9%**	**-1.5%**
Long-term growth rate required to trigger an impairment	**-16.2%**	**-2.7%**	**-0.7%**
Discount rate required to trigger an impairment	**19.0%**	**14.5%**	**13.4%**

The goodwill impairment 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 revenue, profit and cashflow forecasts for each CGU, the growth rate into perpetuity beyond this period and the discount rate, which depend on future expectations of the Company and its markets.

The goodwill associated with the acquisitions of Ecodek, Stormking and National Plastics is sensitive to changes in assumptions. A reasonably possible 10% reduction in the revenue growth assumption would lead to an £5.5 million impairment of the goodwill associated with National Plastics and an £3.3 million impairment of the goodwill associated with Stormking. There was no reasonably possible reduction in the revenue of Ecodek that would result in an impairment of its associated goodwill.

	Extrusion and Moulding 2019	Fabrication and Distribution 2019
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%

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

14. OTHER INTANGIBLE ASSETS

	Customer relationships £m	Brands £m	Computer software £m	Total £m
Cost				
At 1 January 2019	**7.7**	**2.6**	**2.3**	**12.6**
On acquisition (see note 5)	0.1	0.1	-	0.2
Additions	-	-	0.4	0.4
At 31 December 2019	**7.8**	**2.7**	**2.7**	**13.2**
Additions	-	-	0.2	0.2
Disposals	-	-	(0.5)	(0.5)
At 31 December 2020	**7.8**	**2.7**	**2.4**	**12.9**
Accumulated amortisation				
At 1 January 2019	**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**
Charge for the year	-	0.3	0.3	0.6
Disposals	-	-	(0.2)	(0.2)
At 31 December 2020	**7.7**	**1.4**	**1.0**	**10.1**
Net book value at 31 December 2020	**0.1**	**1.3**	**1.4**	**2.8**
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

Amortisation

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

	2020 £m	2019 £m
Customer relationships	**-**	-
Brands	**0.3**	0.3
Computer software	**0.3**	0.3
Amortisation	**0.6**	0.6

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant, fixtures and equipment £m	Asset under construction £m	Total £m
Cost				
At 1 January 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**
Additions	-	3.0	4.8	7.8
Disposals	-	(1.3)	(14.9)	(16.2)
At 31 December 2020	**3.2**	**55.6**	**-**	**58.8**
Accumulated depreciation				
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**
Charge for the year	0.1	6.8	-	6.9
Impairment	-	2.1	-	2.1
Disposals	-	(0.8)	-	(0.8)
At 31 December 2020	**0.2**	**29.1**	**-**	**29.3**
Net book value at 31 December 2020	**3.0**	**26.5**	**-**	**29.5**
Net book value at 31 December 2019	3.1	32.9	10.1	46.1

16. LEASES

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**
Additions	25.5
Disposals	(0.9)
Depreciation	(9.6)
At 31 December 2020	**66.4**

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 £m	2019 £m
Leasehold land and buildings	**52.3**	39.6
Plant, equipment and motor vehicles	**14.1**	11.8
Total	**66.4**	51.4

Lease liabilities	2020 £m	2019 £m
Current	**9.3**	9.0
Non-current	**74.9**	62.0
Total lease liabilities	**84.2**	71.0

Lease assets	2020 £m	2019 £m
Current	**0.2**	0.4
Non-current	**2.2**	5.3
Total lease assets	**2.4**	5.7

Maturity analysis – contractual undiscounted cash flows

Lease liabilities	2020 £m	2019 £m
Less than one year	**12.6**	11.7
One to five years	**37.5**	38.5
More than five years	**57.8**	39.0
Undiscounted lease liabilities at 31 December	**107.9**	89.2

Lease assets	2020 £m	2019 £m
Less than one year	**0.3**	0.6
One to five years	**1.1**	2.3
More than five years	**1.7**	4.3
Undiscounted lease asset at 31 December	**3.1**	7.2

Sale and leaseback transaction

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

17. INVENTORIES

	2020 £m	2019 £m
Raw materials	**7.4**	5.6
Work in progress	**0.4**	0.5
Finished goods	**21.8**	24.2
	29.6	30.3

Inventory purchased in the period recognised as an expense was £137.5 million (2019: £156.4 million).

The Group provides for obsolete and slow-moving inventory based on historic and anticipated future usage. At 31 December 2020 there was an inventory provision of £7.0 million (2019: £4.1 million). During 2020, inventory with a value of £0.4 million was written off against the provision, £3.3 million was created, with a corresponding charge to the income statement. The inventory provision is considered to be towards the more cautious end of the range of potential outcomes of between £6.3 million and £7.0 million.

18. TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Trade receivables	**37.1**	36.4
Less: expected credit loss	**(2.2)**	(2.4)
Trade receivables net of provision	**34.9**	34.0
Prepayments and accrued income	**7.5**	9.2
Other receivables	**1.9**	0.4
Trade and other receivables	**44.3**	43.6

19. CASH AND CASH EQUIVALENTS

	2020 £m	2019 £m
Cash at bank and in hand	**2.2**	17.2

20. TRADE AND OTHER PAYABLES

Current	2020 £m	2019 £m
Trade payables	**37.0**	41.7
Other taxation and social security	**6.8**	5.3
Other payables	**2.9**	1.7
Accruals and deferred income	**10.9**	26.5
Trade and other payables	**57.6**	75.2

21. OTHER INTEREST-BEARING LOANS AND BORROWINGS

	2020 £m	2019 £m
Secured bank loans		
Current	**-**	-
Non-current	**17.3**	32.3
	17.3	32.3

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

The facilities available to the Group at 31 December 2020 were a £65.0 million revolving credit facility and a £10.0 million overdraft, secured on the assets of the Group. The term of the revolving credit facility was recently extended for a further two years through to June 2024. The banking facility requires three financial covenants to be tested on a quarterly basis: leverage ratio, interest cover and capital expenditure.

Facility arrangement costs of £0.3 million (2019: £0.4 million) are set off against the amount owing at year end.

In addition, PVS, acquired in February 2019, has borrowings of £0.6 million (2019: £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.

		2020		2019	
	Year of maturity	**Face value £m**	**Carrying amount £m**	Face value £m	Carrying amount £m
Revolving credit facility	2024	**17.0**	**17.0**	32.0	32.0
		17.0	**17.0**	32.0	32.0

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:

	2020 £m	2019 £m
Expiring within one year	**10.0**	10.0
Expiring between one and two years	**-**	-
Expiring between two and five years	**48.0**	33.0
Expiring after five years	**-**	-
	58.0	43.0

Net debt reconciliation	At 1 January 2020 £m	Cash movement £m	Non-cash movement £m	**At 31 December 2020 £m**
Cash and cash equivalents	17.2	(15.0)	-	**2.2**
Secured bank loans	(32.3)	15.1	(0.1)	**(17.3)**
Lease assets	5.7	(0.3)	(3.0)	**2.4**
Lease liabilities	(71.0)	13.7	(26.9)	**(84.2)**
Net debt	(80.4)	13.5	(30.0)	**(96.9)**
Add back: Lease liabilities	**71.0**	**(13.7)**	**26.9**	**84.2**
Deduct: Lease assets	**(5.7)**	**0.3**	**3.0**	**(2.4)**
Deduct: finance lease liabilities	(1.3)	1.4	(3.5)	**(3.4)**
Covenant net debt	(16.4)	1.5	(3.6)	**(18.5)**

Covenant net debt to adjusted EBITDA

	2020 £m	2019 £m
Operating profit	**6.3**	17.2
Add back:		
Depreciation and amortisation	**17.1**	17.3
Other non-underlying items	**2.8**	2.3
Share-based payments	**-**	1.4
Finance lease payments	**1.4**	0.9
Less:		
Operating lease rentals	**(13.4)**	(12.3)
Adjusted EBITDA	**14.2**	26.8
Covenant net debt to adjusted EBITDA	**1.3x**	0.6x

22. PROVISIONS

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

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

	Leasehold dilapidations £m	Warranties £m	Site consolidation £m	Total £m
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**

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020. Cash outflows are expected over the next three years.

23. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	2020		2019	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Property, plant and equipment	0.5	-	0.6	-
Intangible assets	-	(0.3)	-	(0.3)
Other timing differences	1.1	-	0.7	-
Right of use assets/liabilities	1.4	-	2.5	-
Tax value of loss carry-forwards	1.1	-	0.3	-
Deferred tax assets/(liabilities)	4.1	(0.3)	4.1	(0.3)
Net of deferred tax liabilities	(0.3)		(0.3)	
Net deferred tax asset	3.8		3.8	

Movement in deferred tax during the periods:

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

	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

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

	2020 £m	2019 £m
Tax losses	**4.9**	9.3

As at 31 December 2020, of the potential net deferred tax asset of £4.7 million, the Group has recognised a net deferred tax asset of £3.8 million. This is because the Group has £10.7 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 £5.8 million of these losses.

24. SHARE CAPITAL AND RESERVES

	2020 Number of shares	**2020 £**	2019 Number of shares	2019 £
Allotted and called up:				
Ordinary shares of 0.05p each	**144,547,210**	**72,274**	142,925,173	71,463
		72,274		71,463

Share capital

During the year, the Company issued 27,929 ordinary shares of 0.05p each to former employees who had elected to exercise their options pursuant to the Group's Save As You Earn ("SAYE") employee share scheme.

On 15 December 2020, the Company issued 1,594,108 ordinary shares of 0.05p each under the Group's Long-Term Incentive Plan to the Executive Directors and senior management team.

Share premium

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

Merger reserve

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

Outstanding options

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

Share warrants for 3% of the fully diluted share capital of the Company were issued to Zeus Capital for services related to the IPO in 2014. The 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 2020

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

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

Credit risk

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

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

Trade receivables are presented net of customer support of £2.1 million (2019: £2.1 million).

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

	2020 £m	2019 £m
UK	**34.8**	35.1
Europe	**2.0**	1.1
Rest of World	**0.3**	0.2
	37.1	36.4

Credit quality of financial assets and impairment losses

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

	2020		2019	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	**23.0**	**1.5**	22.0	1.6
Past due 0-30 days	**10.8**	**0.1**	9.9	0.1
Past due 31-120 days	**2.1**	**0.1**	2.5	0.3
More than 120 days	**1.2**	**0.5**	2.0	0.4
	37.1	**2.2**	36.4	2.4

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

	2020 £m	2019 £m
Balance at 1 January	**2.4**	2.5
On acquisition	**-**	0.1
Impairment loss recognised	**0.8**	0.1
Impairment loss utilised	**(1.0)**	(0.3)
Balance at 31 December	**2.2**	2.4

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

Liquidity risk

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

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

The Group has a £10.0 million overdraft and a £65.0 million revolving credit facility to support short and medium-term liquidity. The term of the revolving credit facility was recently extended for a further two years through to June 2024. During the period, in response to the COVID-19 pandemic, the Group drew down the full revolving credit facility of £65.0 million to ensure its liquidity was maximised whilst there remained a high degree of uncertainty around the extent and duration of the pandemic. As a result of strong market demand and cash management measures the Group was able to maintain significant headroom on its banking facilities and commenced repayment during H2. At 31 December 2020 the amount outstanding on the revolving credit facility was £17.0 million (2019: £32.0 million)

Contractual cash flows

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

		Contractual cash flows				
2020	**Carrying amount £m**	**Less than 12 months £m**	**1 – 2 years £m**	**2 – 5 years £m**	**More than 5 years £m**	**Total £m**
Contingent consideration	**1.0**	-	**1.0**	-	-	**1.0**
Secured bank loans	**17.3**	-	-	**17.0**	**0.6**	**17.6**
Lease liabilities	**84.2**	**12.6**	**11.2**	**26.3**	**57.8**	**107.9**
Trade payables	**37.0**	**37.0**	-	-	-	**37.0**
	139.5	**49.6**	**12.2**	**43.3**	**58.4**	**163.5**

		Contractual cash flows				
2019	Carrying amount £m	Less than 12 months £m	1 – 2 years £m	2 – 5 years £m	More than 5 years £m	Total £m
Contingent consideration	1.0	-	1.0	-	-	1.0
Secured bank loans	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

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

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:

	2020			2019		
	Euro £m	USD £m	GBP £m	Euro £m	USD £m	GBP £m
Trade and other receivables	1.5	-	42.8	1.0	0.1	42.5
Cash and cash equivalents	0.5	-	1.7	0.8	-	16.4
Interest-bearing loans and borrowings	-	-	(17.3)	-	-	(32.3)
Income tax receivable/(payable)	-	-	0.7	-	-	(1.0)
Trade and other payables	-	-	(57.6)	(0.7)	(0.2)	(74.3)
	2.0	-	(29.7)	1.1	(0.1)	(48.7)

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:

	2020 £m	2019 £m
Cash and cash equivalents	2.2	17.2
Trade and other receivables	44.3	43.6
Total financial assets	46.5	60.8

	2020 £m	2019 £m
Trade and other payables	57.6	75.2
Borrowings at amortised cost	17.3	32.3
Contingent consideration	1.0	1.0
Total financial liabilities	75.9	108.5

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 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.

	2020 £m	2019 £m
Balance at 1 January	**1.0**	0.3
Created on acquisition	-	1.0
Settled in year	-	(0.3)
Credited to income statement	-	-
Balance at 31 December	**1.0**	1.0

Interest rate sensitivity analysis

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

	2020 Impact on profit before tax £m	2019 Impact on profit before tax £m
+1 percentage point movement in interest rates	**(0.4)**	(0.5)
-1 percentage point movement in interest rates	**0.4**	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:

	2020 Increase/ (decrease) in equity £m	2019 Increase/ (decrease) in equity £m
+10 percentage points appreciation of the euro	**0.4**	0.5
-10 percentage points depreciation of the euro	**(0.3)**	(0.4)

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.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

26. RELATED PARTY TRANSACTIONS

All transactions with Directors are included in the Remuneration Committee Report on pages 42 to 44.

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. POST BALANCE SHEET EVENTS

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

SBS was acquired for £3.8m on a cash and debt free basis. Fair value calculations have not been completed due to the proximity of the acquisition to the publication of these accounts.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Fixed assets			
Investments in subsidiaries	4	**71.0**	71.0
		71.0	71.0
Current assets			
Trade and other debtors	5	**32.1**	40.2
Cash at bank and in hand		**-**	-
		32.1	40.2
Creditors: amounts falling due within one year			
Bank loans and overdrafts	6	**(10.0)**	(0.6)
Net current assets		**22.1**	39.6
Total assets less current liabilities		**93.1**	110.6
Creditors: amounts falling due after more than one year			
Bank loans and overdrafts	6	**(16.7)**	(31.6)
Net assets		**76.4**	79.0
Equity			
Ordinary share capital		**0.1**	0.1
Share premium		**12.5**	12.5
Merger reserve		**25.5**	25.5
Retained earnings		**38.3**	40.9
Equity shareholders' funds		**76.4**	79.0

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

The Company loss for the year ended 31 December 2020 was £0.5 million (2019: £14.1 million profit).

The financial statements were approved by the Board of Directors and authorised for issue on 14 April 2021.

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 2020

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance as at 1 January 2019	**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**
Comprehensive income:					
Loss for the year	-	-	-	(0.5)	(0.5)
Total comprehensive income:	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Transactions with owners recorded directly in equity:					
Settlement of share-based payments	-	-	-	(2.1)	(2.1)
Dividends	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**(2.1)**	**(2.1)**
Balance as at 31 December 2020	**0.1**	**12.5**	**25.5**	**38.3**	**76.4**

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

NOTES TO THE COMPANY ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with 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.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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 Parent Company does not have any critical judgements or estimates in the reporting period that may have a significant risk of causing a material misstatement to the carrying values of assets and liabilities within the next financial year.

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

3. STAFF COSTS

Please see disclosures relating to the Group in note 7 to the consolidated financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 42 to 44.

4. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2020	**71.0**
Additions	-
At 31 December 2020	**71.0**
Impairment	
At 1 January 2020 and 31 December 2020	**-**
Net book value	
At 31 December 2020	**71.0**
At 31 December 2019	71.0

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

The Group's subsidiary undertakings are as follows:

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2020	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	Fabrication and installation of windows and doors	100%	England
Premier Distribution (Gt. Yarmouth) Limited	Supply and installation of decking products	100%	England
Epwin Logistics Limited	Group property development	100%	England
Amicus Building Products Limited	Holding Company	100%	England
Winep 61 Limited	Holding Company	100%	England
Winep 63 Limited	Holding Company	100%	England
Winep 67 Limited	Holding Company	100%	England
Amazon Civils Limited	Dormant	100%	England
Celuform Building Products Limited	Dormant	100%	England
Churchley Bros. Limited	Dormant	100%	England

NOTES TO THE COMPANY ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

Company name	Principal activity of the company	Ownership percentage by the Group as at 31 December 2020	Country of incorporation
Churchley Builders Plastics Limited	Dormant	100%	England
Crown Architectural Aluminium (UK) Limited	Dormant	100%	England
Ecodek Limited	Dormant	100%	England
Epwin Glass Limited	Dormant	100%	England
Epwin Secretaries Limited	Dormant	100%	England
HIS Systems Limited	Dormant	100%	England
Kestrel BCE Limited	Dormant	100%	England
Magden Limited	Dormant	100%	England
Masterglaze Limited	Dormant	100%	England
National Plastics (Building Products) Limited	Dormant	100%	England
National Plastics Limited	Dormant	100%	England
Nu*Stock Limited	Dormant	100%	England
Permadoor Limited	Dormant	100%	England
Plastal Commercial Limited	Dormant	100%	England
Profile 22 Systems Limited	Dormant	100%	England
Safedoors Limited	Dormant	100%	England
Saltire Trade Plastics Limited	Dormant	100%	Scotland
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
UPVC Distributors Limited	Dormant	100%	England
Venture Building Plastics Limited	Dormant	100%	England
Winep3 Limited	Dormant	100%	England
Winep 5 Limited	Dormant	100%	England
Winep 50 Limited	Dormant	100%	England
Winep 51 Limited	Dormant	100%	England
Winep 52 Limited	Dormant	100%	England
Winep 53 Limited	Dormant	100%	England
Winep 54 Limited	Dormant	100%	England
Winep 55 Limited	Dormant	100%	England
Winep 56 Limited	Dormant	100%	England
Winep 57 Limited	Dormant	100%	England
Winep 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 DEBTORS

Amounts falling due within one year:

	2020 £m	2019 £m
Amounts due from subsidiary undertakings	32.1	40.2
	32.1	40.2

Amounts due from subsidiary undertakings are interest free and repayable on demand.

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

6. BANK LOANS AND OVERDRAFTS

	2020 £m	2019 £m
Amounts falling due after more than one year		
Secured bank loans	16.7	31.6
	16.7	31.6
Amounts falling due within one year		
Bank overdraft	10.0	0.6
	10.0	0.6

The facilities available to the Group at 31 December 2020 were a £65.0 million revolving credit facility and a £10.0 million overdraft, secured on the assets of the Group. The term of the revolving credit facility was recently extended for a further two years through to June 2024.

Facility arrangement costs of £0.3 million (2019: £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:

	2020 £m	2019 £m
Repayable:		
Within one year	10.0	0.6
Between one and two years	-	-
Between two and five years	16.7	31.6
	26.7	32.2

NOTICE OF ANNUAL GENERAL MEETING

COVID-19

Under current COVID-19 restrictions, shareholders, proxies and other attendees are not permitted to attend the AGM in person, 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 25 May 2021 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 2020, together with the report of the Directors and the auditors on those accounts.
2. To declare a final dividend of 1.00 penny per ordinary share in respect of the financial year ended 31 December 2020.
3. 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.
4. To authorise the Directors to determine the remuneration of the auditors of the Company.
5. To re-elect Andrew Eastgate, who retires by rotation, as a Director.
6. To re-elect Shaun Hanrahan, 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 7 as an ordinary resolution and as to resolutions 8 and 9 as special resolutions:

7. That in accordance with Section 551 of the Companies Act 2006 ("the Act"), the Directors be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

    (a) up to an aggregate nominal amount of £48,430.64 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below) in connection with an offer whether by way of a rights issue, open offer or otherwise:

    (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and

    (ii) to holders of other equity securities in the capital of the Company as required by the rights of those securities or as the Directors consider necessary, but subject to exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    (b) in any other case, up to a nominal amount of £24,215.32 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (a) above in excess of £24,215.32).

Such authorities shall apply until the close of business on 30 June 2022 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.

8. That, subject to the passing of resolution 7, 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 7 as if Section 561(1) of the Act did not apply to such allotment, provided that such power shall be limited to:

   (a) the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, and

   (b) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £3,632.30,

   and (unless previously revoked, varied or renewed) shall expire on 30 June 2022 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.

9. 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 14,529,193;

   (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 2022 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.

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

14 April 2021

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 6 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 2020 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 2020 (the "Annual Report") to shareholders. Shareholders are invited to adopt the Annual Report and Accounts.

Resolution 2: To declare a final dividend

A final dividend of 1.00 penny per ordinary share is proposed. If approved, the final dividend will be paid on 7 June 2021 to shareholders on the register at close of business on 14 May 2021.

Resolutions 3 and 4: 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 4 also authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

Resolution 5: To re-elect Andrew Eastgate as Director of the Company

Andrew Eastgate was re-elected as Director of the Company at the AGM in 2018 and is proposed for re-election at the forthcoming AGM.

Resolution 6: To re-elect Shaun Hanrahan as Director of the Company

Shaun Hanrahan was re-elected as Director of the Company at the AGM in 2018 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 7 will be proposed as an ordinary resolution and resolutions 8 and 9 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 7: Directors' authority to allot shares

This resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £24,215.32. This amount represents one third of the issued ordinary share capital of the Company as at 14 April 2021, the last practicable date prior to the publication of this document. The resolution would also give the Directors authority to allot equity securities in connection with a rights issue up to an aggregate nominal amount of £48,430.64.

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

Resolution 8: 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 8 is to authorise the Directors to allot ordinary shares in the Company for cash (i) in connection with a rights issue; and, otherwise, (ii) up to a nominal value of £3,632.30, equivalent to 5% of the total issued ordinary share capital of the Company as at 14 April 2021 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 9: 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 9 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 21 May 2021. 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 Group, on 0371 664 0300 or by emailing shareholderenquiries@linkgroup.co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 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 Group, 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 PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) by no later than 11:00 am on 21 May 2021. 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.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO THE NOTICE OF MEETING (CONTINUED):

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00 am on 21 May 2021. 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.
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 14 April 2021 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 145,291,931 ordinary shares, carrying one vote each, of which a total of 388,000 ordinary shares were held in treasury. Therefore, the total voting rights in the Company as at 14 April 2020 are 144,903,931.
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 considerations, 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:

    (a) 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.

Consultancy, design and production by:
jonesandpalmer.co.uk

Epwin Group

1b Stratford Court
Solihull
Birmingham
B90 4QT

0121 746 3700

info@epwin.co.uk
www.epwin.co.uk

Join us on social media and follow
twitter@EpwinGroup

Visit our permanent exhibition at
The Building Centre, London