# Epwin Group Plc

# 2022

Annual Report and Accounts

# Epwin Group Plc

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

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

## OUR PURPOSE

Our purpose is to help enhance and protect UK homes and spaces.

## OUR MISSION

Delivering for our stakeholders and doing so in a safe and sustainable way.

## OUR VALUES

Our core shared values of Honesty, Enthusiasm, Respect, Trust and Teamwork are fundamental to what we do.

@EpwinGroup

Epwin Group Plc

# INVESTMENT CASE

### Established and robust business model

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

Read about our **business model** on page 16

### Executing on strategy in a fragmented market

- Ongoing investment in innovation, new products and materials
- Continued focus on operational improvements and medium-term margin enhancement
- Strong balance sheet and cash flow generation
- Acquisition of a plastic materials recycler and re-processor and of a decking supplier
- Pipeline of further selective value-enhancing acquisitions

Read about our **strategy** on page 18

### Medium and long-term market drivers

- Significant underinvestment in ageing UK housing stock – oldest in Europe
- Thermally efficient low maintenance products helping to reduce carbon emissions from buildings
- Growth drivers from pent-up repairs and maintenance demand, new product development, demand for new homes and social housing development and improvement
- Political impetus for renewed social housing activity and improving the energy efficiency of the existing housing stock
- Changing structural trends with increased hybrid working supporting spending on home improvement, including on gardens and outdoor spaces

Read about our **core markets** on page 14

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

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# 2022 FINANCIAL HIGHLIGHTS

REVENUE
**£355.8m**

| | |
|---|---|
| 22 | £355.8m |
| 21 | £329.6m |
| 20 | £241.0m |
| 19 | £282.1m |

UNDERLYING OPERATING PROFIT[1]
**£21.5m**

| | |
|---|---|
| 22 | £21.5m |
| 21 | £18.5m |
| 20 | £9.4m |
| 19 | £21.2m |

UNDERLYING OPERATING MARGIN[1]
**6.0%**

| | |
|---|---|
| 22 | 6.0% |
| 21 | 5.6% |
| 20 | 3.9% |
| 19 | 7.5% |

STATUTORY OPERATING PROFIT
**£16.9m**

| | |
|---|---|
| 22 | £16.9m |
| 21 | £17.7m |
| 20 | £6.3m |
| 19 | £17.2m |

PROFIT BEFORE TAX
**£11.9m**

| | |
|---|---|
| 22 | £11.9m |
| 21 | £12.9m |
| 20 | £1.9m |
| 19 | £12.4m |

BASIC EPS
**5.78p**

| | |
|---|---|
| 22 | 5.78p |
| 21 | 8.61p |
| 20 | 1.82p |
| 19 | 7.49p |

ADJUSTED EPS[1]
**8.95p**

| | |
|---|---|
| 22 | 8.95p |
| 21 | 9.16p |
| 20 | 3.99p |
| 19 | 10.29p |

DIVIDEND PER SHARE FOR THE YEAR
**4.45p**

| | |
|---|---|
| 22 | 4.45p |
| 21 | 4.10p |
| 20 | 1.00p |
| 19 | 1.75p |

PRE-TAX OPERATING CASH FLOW
**£38.3m**

| | |
|---|---|
| 22 | £38.3m |
| 21 | £34.9m |
| 20 | £23.7m |
| 19 | £34.8m |

COVENANT NET DEBT[2]
**£17.9m**

| | |
|---|---|
| 22 | £17.9m |
| 21 | £9.4m |
| 20 | £18.5m |
| 19 | £16.4m |

COVENANT NET DEBT TO ADJUSTED EBITDA[2]
**0.6x**

| | |
|---|---|
| 22 | 0.6x |
| 21 | 0.4x |
| 20 | 1.3x |
| 19 | 0.6x |

UNDERLYING OPERATING CASH CONVERSION[3]
**180%**

| | |
|---|---|
| 22 | 180% |
| 21 | 189% |
| 20 | 252% |
| 19 | 164% |

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 are pre-IFRS 16 measures. For a reconciliation to statutory measures, see note 21 to the consolidated financial statements
3 Underlying operating cash conversion is pre-tax operating cash flow as a percentage of underlying operating profit



## FINANCIAL HEADLINES

- Strong trading performance, demonstrating continued resilience of core products and markets:
  - Record revenues of £355.8 million, growth of 8% on a strong 2021 comparative
  - Underlying operating profit increased by 16% to £21.5 million (2021: £18.5 million), ahead of pre-pandemic levels
  - Strong cash generation with pre-tax operating cash inflow of £38.6 million (2021: £34.9 million)
- Robust financial position:
  - Covenant net debt at year end of £17.9 million (2021: £9.4 million), better than expected, after net acquisition cash consideration of £17.8 million in 2022
  - Covenant net debt 0.6x adjusted EBITDA, well within covenant limits
  - Significant headroom on banking facilities, in excess of £60 million, to support the Group's strategy
- Dividend per share increased by 8.5%:
  - Proposed final dividend of 2.55 pence per share, resulting in a total dividend for 2022 of 4.45 pence per share (2021: 4.10 pence per share)

## JON BEDNALL, CEO OF EPWIN, COMMENTED:

I am grateful once again to all of the Group's employees who worked hard together to deal with the challenges of 2022 and deliver a strong overall performance.

Our trading performance remained robust through 2022, delivering operating profit above pre-pandemic levels. We made good strategic progress, and I am delighted to welcome the Poly-Pure and Mayfield businesses to the Group, both of which continue to broaden the Group's product range, materials capabilities and sustainability credentials. I am equally delighted to welcome an increased number of apprentices to the Group, along with our first graduate programme intake.

We have begun the new financial year well. Whilst cognisant of the macroeconomic and market headwinds, the Group remains confident of delivering a further year of strategic and operational progress in 2023, supported by the strength of the medium and long-term drivers of our markets.

## OPERATIONAL AND STRATEGIC HEADLINES

- Strong progress delivering on our strategy:
  - Value-enhancing acquisitions:
    - Acquired Poly-Pure, a UK-based materials recycler and re-processor providing a strong strategic fit whilst enhancing our sustainability credentials
    - Acquired Mayfield, expanding the geographical coverage and product range for our decking operations and outdoor products range
  - New product development:
    - Aluminium window system and PVC decking sales building momentum, with demand levels for these products ahead of management's expectations
    - Further investment in new tooling to increase re-processed material usage and enhance sustainable materials capabilities
  - Operational improvement:
    - Investment to increase aluminium finishing plant capacity completed
    - Relocation of inventories and logistics operations to the new Telford facility progressing
  - Progress continues on ESG framework and targets, building on inherent environmental and sustainability credentials of the Group's energy efficient, low maintenance and recyclable products
- Actively managing operational and inflationary challenges:
  - Continuing to work with customers to pass on input cost inflation sustainably
  - Labour availability and wage inflation being managed through measures to attract and retain the best people

## CURRENT TRADING AND OUTLOOK

- Current trading is in line with the Board's expectations, with 2023 revenue to date ahead of a strong H1 2022 comparative
- Poly-Pure and Mayfield integration on-track
- Core businesses are operating well, with Window Systems resolving its operational challenges and continuing to address margin pressures
- Positive medium and long-term RMI market drivers
  - Poorly maintained and ageing housing stock, underinvested social housing and a shortage of housing supply
  - Environmental concerns driving government policy focus on decarbonising the UK housing stock and improving the energy efficiency of homes
- Healthy pipeline of further M&A opportunities

# BUSINESS OVERVIEW AND PRINCIPAL ACTIVITIES

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

The Epwin business has grown and developed both organically and by acquisition over nearly 50 years to become a leading manufacturer supplying a broad range of PVC, Glass Reinforced Plastic ("GRP"), composite and aluminium low maintenance building products and services in the UK.

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

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

## EXTRUSION AND MOULDING

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

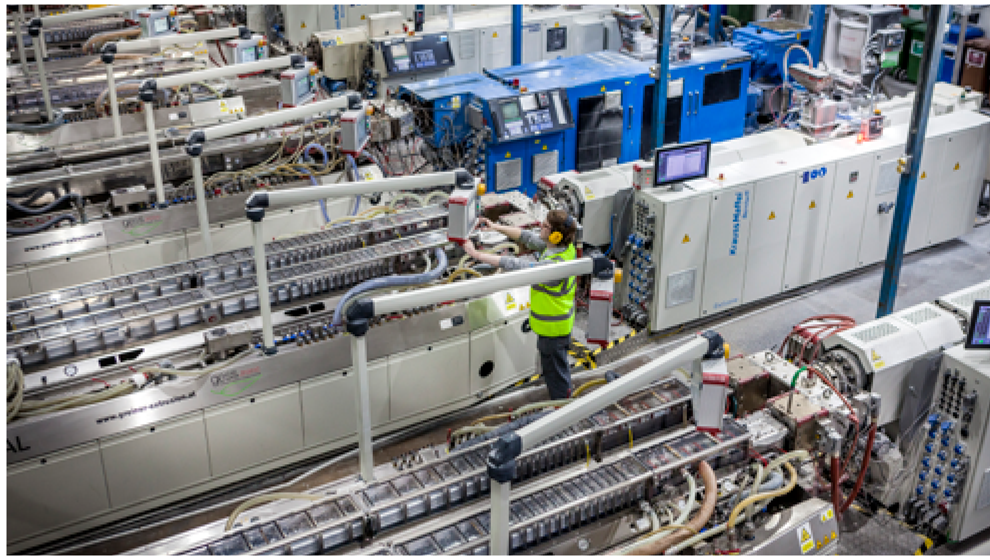
- Leading brands of PVC-ue extruded cellular roofline and cladding systems for the replacement and installation of fascias, soffits, barge boards and cladding. Epwin is the market leader
- Complementary range of PVC-u rainwater and drainage products. There is considerable scope for volume and market-share growth in the coming years
- Complete extruded PVC-u window profile systems for fabricators of windows, doors, cavity closers and curtain walling. Epwin is one of the leading UK manufacturers
- A leading UK materials re-processor, recycling post-consumer and post-industrial PVC building materials, including PVC window frames
- 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 aim to capitalise on the opportunities for these products in the RMI and social housing markets
- WPC products, the current primary application being an environmentally friendly hardwood substitute for outdoor decking. We plan to expand the range of products and use of recycled materials over the coming years
- PVC-u and aluminium decking products have been designed and launched to complement our existing WPC decking. This provides Epwin with the product range to address different markets and, through our downstream decking installation businesses, enables us to provide a full end-to-end service to customers
- The business operates from extrusion and moulding facilities in Telford, Tamworth and Scunthorpe and a recently acquired materials re-processing plant in Norwich

## FABRICATION AND DISTRIBUTION

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

- Distributes the Group's products through a national network of more than 90 building plastic trade distribution centres, complementing the Group's independent distribution customers
- Manufactures PVC windows and doors in addition to GRP and Thermoplastic door sets from three fabrication sites located in Paignton, Telford and Upton-upon-Severn, serving the Group's distribution centres as well as social housing and new build customers
- Includes our decking design and installation businesses, providing routes to market for the Group's extruded decking products, in particular to the holiday park sector

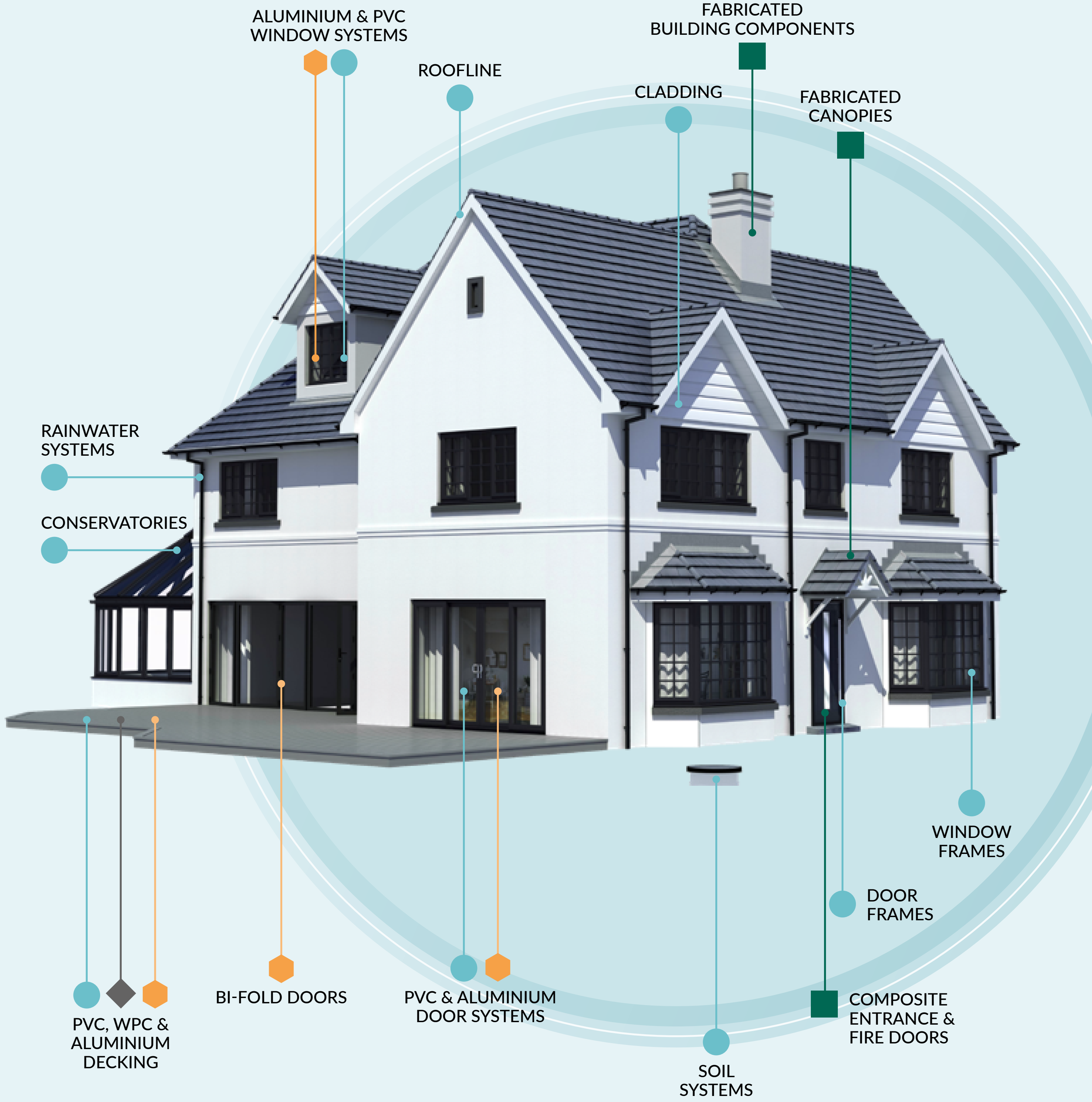




# OUR MATERIALS AND PRODUCTS

The Group's portfolio of building products has strong inherent sustainability credentials, with our high-quality long-life products designed to improve the energy efficiency of homes, replacing more resource-intensive options as well as being low maintenance in use and easily recycled at the end of their useful lives.

| | PRODUCTS | VALUE TO CUSTOMERS AND END-USERS | SUSTAINABILITY IN PRACTICE |
|---|---|---|---|
| Polyvinyl Chloride: PVC | Extrusion of rigid and cellular PVC profiles and decking systems. | PVC products are well-suited to use as building products, do not warp or rot when exposed to the elements and are heat and light stable.<br>Low maintenance requirements compared to alternative materials, such as timber.<br>Our window and door systems are designed to achieve some of the highest energy ratings on the market, resulting in improved heat retention, lower energy usage and bills and annual carbon savings. | Long useful lives, typically 25 years or more for our window and door systems and 35 years or more for our roofline products.<br>PVC products widely recyclable at the end of their lives, up to ten times.<br>Low maintenance requirements, resulting in reduced emissions once installed.<br>Ability within the Group to recycle post-industrial and post-consumer waste for reuse as raw material, contributing to circular economy. |
| Glass-Reinforced Plastic: GRP | Stormking is the UK's largest GRP building product manufacturer. The product range includes porches, dormers, chimneys, bay window roofs, entrance canopies, copings and other bespoke components. | Products supplied primarily to housebuilders and are delivered to site pre-manufactured, reducing health and safety risks for customers.<br>Enables new houses to be constructed more efficiently, addressing skilled labour availability and the shortage of suitable and affordable housing in the UK. | GRP is significantly lighter than equivalent products, for example brick or steel, resulting in lower emissions from transportation.<br>Products have long useful lives, of 50 years or more for many GRP products.<br>Several routes to recycling of post-consumer waste and alternatives to landfill. |
| Composite products | The Group supplies a range of composite decking products, such as wood-plastic composite ("WPC"), primarily to the UK holiday park industry. The use of composite products allows for increased durability and slip resistance compared to traditional materials. | Composite decking products are simple to install and require minimal maintenance compared to timber alternatives, which require treatments such as painting and rot repairs. | Composite products are more weather resistant and have longer lives than timber alternatives.<br>Recycled materials are incorporated in the production process. Dekboard® is made from 50% recycled materials and our WPC decking, ecodek®, is made from a minimum of 95% recycled materials. |
| Aluminium | The Group's aluminium products include its Stellar® aluminium window and door systems and its Adek® range of aluminium decking. | Award-winning Stellar® aluminium window system, achieves the same high standards of energy efficiency as our PVC window systems.<br>Our advanced powder coating paint system results in a high-quality and weather-resistant finish that comes with a 25-year guarantee.<br>Aluminium decking suitable for use as balconies on high-rise buildings due to A2 (non-combustible) fire rating. | Stellar® is 30% slimmer than the main competing systems for comparably sized windows, reducing the amount of material required in the manufacturing process and reliance on artificial lighting.<br>Aluminium is a widely recyclable material. Our Adek® decking is made from 100% recycled aluminium, which uses approximately 5% of the energy that would be needed to produce the same amount of new material. |



# CHAIRMAN'S STATEMENT

"The Group's trading performance has been robust, and we have continued to make good strategic progress, increasing underlying operating profit in challenging conditions and against strong comparatives."

**Andrew Eastgate**
Chairman

## ROBUST PERFORMANCE

Trading remained robust through to the end of the year following a strong first half, with revenues increasing by 8% to £355.8 million against a strong comparative (2021: £329.6 million), predominantly driven by pricing actions to recover the significant sector-wide cost inflation as well as acquisitions completed in 2022, which contributed revenues of £3.8 million in the year.

After a period of unprecedented demand, following the post-pandemic boom in RMI spending and high levels of activity in the new build market, there were signs of demand softening in the second half of the year. The Group has continued to navigate the well-publicised issues of labour, energy and raw material cost inflation to deliver an underlying operating profit in line with expectations.

On behalf of the Board and our shareholders, I would again like to thank our hard-working employees for their efforts and the commitment they have continued to demonstrate to the Group during the year, whilst welcoming the employees of Poly-Pure and Mayfield to the Epwin Group. In recognition of the impact that the exceptional energy cost inflation has had on household budgets, we were pleased to be able to make a contribution to help our people through the award of a cost-of-living support payment to all employees with the exception of senior management.

## MACROECONOMIC ENVIRONMENT

Consistent with other industries, inflation and the impact of the rising cost of living have been the dominant factors during 2022. The Group experienced unprecedented raw material cost inflation, in particular in relation to energy, following the invasion of Ukraine, and to PVC resin, which reached an all-time high cost in April. The Group continues to pass on cost increases to its customer base through a mixture of price increases and surcharges where needed, whilst being mindful of the impact on our customers' operations. There are signs that inflation is now starting to ease.

As well as raw material cost inflation, further emerging themes during the course of the year have been wage inflation and employee retention, due to high levels of employment in the UK generally and, in particular, in many of our key manufacturing locations, as well as the cost of living and the impact this is having on our employees. Measures continue to be introduced to improve both employee retention and recruitment, to manage the near-term impacts of labour availability and increasing market pay rates.

## STRATEGIC PROGRESS

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.

### VALUE-ENHANCING ACQUISITIONS

The Group continued to implement its strategy of pursuing selective, value-enhancing acquisitions that help us to achieve our broader objectives, with two further acquisitions undertaken in 2022.

On 9 September 2022, the Group acquired Poly-Pure Limited ("Poly-Pure"), a leading UK materials re-processor, recycling post-consumer and post-industrial PVC building materials, including PVC window frames. The acquisition, for an initial cash consideration, net of cash acquired, of £14.9 million and further earnout of up to £15 million, is a major investment in the Group's recycling capabilities and a strong strategic fit with the Group.

Read more about the **acquisition of Poly-Pure** on page 22.

On 1 December 2022, the Group acquired the Mayfield Group of companies ("Mayfield"), for an initial cash consideration, net of cash acquired, of £2.9 million. The main trading entity in the Group is Hampton Decking Limited. Mayfield supplies high-quality decking and related products to the holiday park industry primarily under the Mayfield name. The acquisition further extends the Group's operations in these markets, which have seen good growth over recent years, offering the opportunity for operational synergies and increased cross-selling of the Group's products.

### PROGRESS WITH SITE CONSOLIDATION AND RATIONALISATION PROGRAMME

The relocation of inventories and logistics operations to the Group's purpose-built Telford facilities is progressing. The Group continues to explore further opportunities for consolidation and rationalisation of its activities. During the year, the Group commenced projects to consolidate decking production into a single site and to consolidate IT systems across our distribution network.

### PRODUCT MATERIALS DEVELOPMENT

Strong demand continues for the Group's newest products, in particular the aluminium window system, Stellar®, and the PVC decking product, Dekboard®, which have seen demand ahead of management's expectations. We continue to upgrade and improve our existing products, selectively and as technology advances, to improve their functionality and relevance. In 2022 we have further increased the capacity of our aluminium finishing plant. The Group's priority for 2023 is to increase the utilisation of recycled materials across our product range, particularly in our PVC extrusion operations. Capital expenditure projects, commenced in 2021, and the acquisition of Poly-Pure during the year, which extends the Group's in-house recycling capabilities and ability to source recycled material, mean the Group is well placed to deliver on this during 2023.

## ESG

The Group continued to make progress on our sustainability agenda during the year to bolster our already strong inherent sustainability credentials. Our ESG reporting has continued to develop, including presenting an integrated Sustainability Report for the second year. We have been working with a third party to establish a carbon footprint for the Group, including Scope 3 emissions, and have begun to take actions based on the initial results.

Capital investment to develop and increase recycling capabilities continued during the year. The acquisition of Poly-Pure during the period also represents a significant investment in our materials re-processing capabilities.

# CHAIRMAN'S STATEMENT CONTINUED

Other notable progress during the period included:

- GHG emissions reduced per £m of gross revenue by 15% from prior year
- 87% of revenue from products that are widely recyclable
- Cost of living support payment to employees, excluding senior management
- Fair Tax Mark retained
- Changes to Board composition during the year, now more Non-Executive Directors than Executive Directors

Read more in our **Sustainability Report** on page 38.

## BOARD CHANGES

As reported in 2021, we were pleased to welcome Shaun Smith to the Board at the beginning of January 2022, establishing a balance between Non-Executive and Executive Directors. Following the retirement of Mike O'Leary in March 2022, we commenced a process to recruit an additional Non-Executive Director, resulting in the appointment of Stephen Harrison to the Board in November 2022. Stephen brings a wealth of industry and commercial experience to the Board. He is currently CEO of Forterra plc, with plans to step down from that role during early the first half of 2023. As part of our ongoing review of Board composition and in accordance with his retirement plan, Shaun Hanrahan stepped down as Executive Director in June 2022. As at 31 December 2022, the Board comprised two Executive Directors and three Non-Executive Directors.


## CORPORATE GOVERNANCE AND AGM

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

The Annual General Meeting ("AGM") will be held at 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT on Tuesday 23 May 2023 at 11.00 am.

Further details (including in relation to shareholders' questions and proxies) are set out on pages 117 to 122.

## RESULTS

Revenues increased by 8% to £355.8 million (2021: £329.6 million) driven predominantly by pricing actions to recover the significant cost inflation in the sector, as well as through acquisitions completed in 2022, which contributed revenues of £3.8 million in the year. Underlying operating profit increased to £21.5 million compared to £18.5 million in 2021, ahead of pre-pandemic levels. Statutory operating profit was £16.9 million (2021: £17.7 million) due to the impact of non-underlying acquisition-related costs and a goodwill impairment charge.

Cash generation continued to be strong, with pre-tax operating cash flow of £38.6 million (2021: £34.9 million). The Group finished the year with covenant net debt of £17.9 million (2021: £9.4 million), ahead of expectations given the cash cost of in-year acquisitions, representing 0.6x adjusted EBITDA and well within covenant levels.

## DIVIDENDS

The Board is recommending a final dividend of 2.55 pence per share (2021: 2.35 pence per share) to be paid on 5 June 2023 to shareholders on the register on 12 May 2023. Along with the interim dividend of 1.9 pence per ordinary share, paid in October 2022, this takes the full year dividend to 4.45 pence per ordinary share (2021: 4.10 pence per share), in line with the Board's policy of a progressive dividend that is approximately twice covered by adjusted profit after tax.

## SUMMARY AND OUTLOOK

The Group's trading performance during 2022 has been robust and it has continued to make good strategic progress, increasing revenue and underlying operating profit in challenging operating conditions and against strong comparatives.

The Board is cognisant of the uncertain macroeconomic environment and its effect on our markets. The impact of the rising cost of living on consumer confidence and spending, together with signs of a slowdown in the housing market, have contributed to the Construction Product Association forecasting declines in the RMI and new build markets for 2023. However, the Group's broad product range, diverse customer base and operations, longstanding supplier relationships and strong balance sheet provide a large measure of resilience against any short-term changes in conditions.

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

The medium to long-term drivers of the market remain positive, with the UK still facing a shortage of new and affordable housing, an ageing and underinvested housing stock and increasing concern about the quality of social housing. Environmental concerns are driving legislation and initiatives that will require improvements to homes on a larger scale than simply essential maintenance, with the need to decarbonise the UK housing stock and improve the energy efficiency of homes growing in urgency given the UK's net zero commitments.

We remain confident of executing our strategy, supported by the strength of the medium and long-term drivers of our markets, despite the current macroeconomic outlook.

**Andrew Eastgate**
Chairman
4 April 2023

# STRATEGIC REPORT

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### STRATEGIC REPORT


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# MARKET OVERVIEW AND OUTLOOK

Trading conditions remained robust in 2022, with some signs of demand moderation seen in the second half of the year, albeit from the historically high levels seen in the second half of 2020 and throughout 2021.

The Group is cognisant of the macroeconomic headwinds of inflation, cost of living challenges, house price softening and increased mortgage rates, with the potential impact these have on consumer confidence. These headwinds suggest some short-term uncertainty. However, early indications are that the depth and length of any economic downturn may not be as severe as initially forecast.

Indeed, current trading is in line with the Board's expectations with 2023 revenue to date ahead of a strong 2022 comparative. Core businesses are operating well, with Window Systems resolving its operational challenges and continuing to address margin pressures.

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

- The UK's existing housing stock is ageing and underinvested in recent years, resulting in an increasing backlog of properties that will require essential repairs and maintenance
- An increasing UK population and shortage of suitable new housing
- Increased demand for UK-based holidays, expected to drive growth in the holiday park sector
- Environmental concerns that will continue to drive legislation and initiatives requiring improvements, including in respect of energy efficiency, to homes on a larger scale than just essential maintenance
- Changing structural trends with hybrid working increasing time spent at home and supporting spend on home improvement, including on gardens and outdoor spaces

STRATEGY KEY

- OPERATIONAL LEVERAGE AND EFFICIENCY
- PRODUCT AND MATERIALS DEVELOPMENT
- CROSS-SELLING AND BUSINESS DEVELOPMENT
- VALUE-ENHANCING ACQUISITIONS
- ESG

MARKETS | IMPACT | OUR RESPONSE

## 01 PRIVATE HOUSING RMI

**Markets**

- Private housing RMI is now the third largest construction sector having reached historic high levels after the post-pandemic boom in 2021
- CPA forecast a fall of 9.0% in 2023 before stabilising in 2024, driven by falling disposable incomes and consumer spending, particularly in the first half, and reduced activity in the housing market[1]

**Impact**

The short-term impact is likely to be detrimental to the Group, with declining consumer confidence leading to reduced demand, however, this is already incorporated into our forecasts and plans

Non-essential, smaller discretionary improvements are likely to be most impacted. A majority of RMI activity relates to essential repairs that cannot be delayed or maintenance work that can be postponed but not indefinitely, providing a level of base activity for the Group

Uncertainty around the length and depth of any potential economic downturn, with signs consumer confidence may be stabilising and employment levels remaining high

**Our response**

- Proactive cost control in the face of economic headwinds,including careful management of stock levels and working capital to ensure responsiveness
- Strong market position with high quality, energy efficient products and a national distribution network to service the market
- Continued investment in new product development to ensure our product offer remains attractive to customers
- Cross-selling and business development, to identify further opportunities to supplant competitor product in our distribution network

**Strategic links**

## 02 PRIVATE NEW BUILD HOUSING

**Markets**

- After two very strong years for housebuilders, the CPA expects completions to fall by 11% in 2023 and 2% in 2024, driven by the end of Help to Buy and other government schemes, house price contraction and increased mortgage rates[1]

**Impact**

In the short term, there is likely to be a contraction in demand for the Group's new build-facing businesses, with several national housebuilders reporting that, while they are forward sold into Q2 2023, they are now experiencing a slowdown in orders and sales

Housebuilders are likely to slow their build rate, focussing on completing existing developments and be more selective about land acquisition given the uncertainty

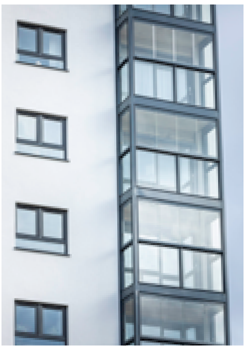
Several of the indicators of housing market activity, such as property transactions, are lagging indicators as mortgage deals are agreed in advance. Therefore, the impact is not yet fully known and may be less severe than feared

**Our response**

- Our new build-facing businesses have had a strong start to the year, with healthy order books to the end of H1
- There is more uncertainty around levels of demand during H2, with management closely monitoring and ready to respond through disciplined cost management and operational efficiencies
- Medium and long-term drivers remain strong as the chronic undersupply of housing continues, with shortage of affordable housing and support for first-time buyers remaining high-profile politically
- Opportunities for our new build-facing businesses to sell into other markets

**Strategic links**

## 03 SOCIAL HOUSING RMI AND NEW BUILD



**Markets**

- Social housing RMI considered a priority, with providers focussing on addressing legacy safety issues, increasingly high-profile quality issues and decarbonisation of existing stock
- Growth limited by cost inflation and financially constrained local authorities, CPA forecasting public housing RMI to remain flat in 2023 before returning to growth in 2024[1]

**Impact**

Indicators remain that local authorities are prioritising cladding remediation activity and other fire safety work at the expense of other non-urgent general works on existing properties that can be delayed. In 2020 and 2021, our social housing-facing window fabricators saw the deferment of some contract start dates, although this has eased during the year

Issues relating to the quality of housing built and maintained by social landlords, including damp, boiler faults and general disrepair are becoming increasingly high-profile. This could result in housing associations and local authorities diverting more spending to basic repairs and maintenance, which would benefit the Group

**Our response**

- Pricing actions to recover input cost inflation provides tailwind into 2023
- Long-term drivers remain strong, with underinvestment in the social housing stock and concerns about quality of housing becoming higher profile
- ESG matters of particular importance to social housing providers and local authorities, Epwin is well placed with strong sustainability credentials

**Strategic links**

[1] Construction Products Association ("CPA") Industry Forecasts (published January 2023)

# BUSINESS MODEL

## Key resources...

### Scale
Leading UK manufacturer of low maintenance and energy efficient building products, operating from eight manufacturing facilities and with a national network of more than 90 distribution depots

### Specialist facilities and equipment
Market-leading extrusion and moulding operations producing in excess of 70,000 tonnes of PVC, aluminium, GRP and composite products every year

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

### Knowledge and expertise
Knowledge and technical expertise of our people, combined with decades at the forefront of our industry

## ...supported by value-enhancing acquisitions...

### We acquire businesses to advance our strategic progress
Where appropriate we acquire businesses that are value-enhancing and enable us to meet our strategic objectives

- Operational leverage and efficiency
- Product and materials development
- Cross-selling and business development
- ESG

## ...enable our key activities...

### Extrusion and moulding
Upstream manufacturing facilities producing a range of market-leading products including window profile, roofline, decking and GRP building components. Recycling of post-consumer and post-industrial PVC waste

### Fabrication and distribution
Downstream activities, including the fabrication of windows and doors and distribution of plastic building products through a national network of stockist outlets

## ...to provide our customers...

### Specialist plastic distributors
The Group's national network of stockist outlets, alongside valued independent distributors

### Window and door fabricators
Converting the Group's award-winning PVC and aluminium window systems into finished window and door products

### End-users
- Homeowners
- Installers
- Housebuilders
- Social housing providers
- Contractors
- Park and holiday homes

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

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

### with a greater focus on ESG
- long-life products from durable materials requiring little maintenance
- increasing our use of recycled plastics
- strengthening our ESG reporting

Read more in our **Sustainability Report** on page 38.

## ...creating long-term value for our stakeholders

### Customers
Providing our customers with sustainable, high-quality products and reliable service, among the best in the market

### Suppliers
Providing our suppliers with reliable custom and paying them within agreed terms

### Employees
Good jobs with competitive pay and conditions and progression opportunities for our 2,000+ employees

### Shareholders
Providing a long-term sustainable return for our investors

### Communities and the environment
Reducing our environmental impact through sustainability agenda

### Government and regulators
Making a positive contribution to the UK economy, contributing our fair share of tax and complying with laws and regulations

**We then re-inject capital to continue building scale**

**Underpinned by strong, medium and long-term market trends**

Read more about our **core markets** on page 14.

**£51.4m**

PAID TO OUR SHAREHOLDERS AS DIVIDENDS SINCE THE IPO IN 2014

# 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.

- OPERATIONAL LEVERAGE AND EFFICIENCY
- PRODUCT AND MATERIALS DEVELOPMENT
- CROSS-SELLING AND BUSINESS DEVELOPMENT
- VALUE-ENHANCING ACQUISITIONS
- ESG

## Our purpose is to help enhance and protect UK homes and spaces.

## OPERATIONAL STRATEGY DRIVING OUR ACTIVITY

### OPERATIONAL LEVERAGE AND EFFICIENCY

**Strategic aim**

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

**2022 developments**

- Consolidation of warehousing facilities in Telford progressing and installation of second aluminium powder coating line complete
- Additional production cell for GRP established, leveraging spare capacity and warehouse space elsewhere in the Group
- Commenced consolidation of decking operations into a single site

**Priorities for 2023**

- Complete the consolidation of IT systems across our distribution businesses
- Expansion of new moulding process in GRP operations, to reduce waste and energy usage

### PRODUCT AND MATERIALS DEVELOPMENTS

**Strategic aim**

- Broaden product portfolio
- Enhance materials and technical capabilities
- Continuous improvement of existing products and market offer

**2022 developments**

- Acquisition of Poly-Pure to facilitate increased use of recycled material in our manufacturing process
- Development of capped decking product, enhancing durability and slip resistance, to expand growing range of decking products

**Priorities for 2023**

- Continued product improvement based on customer feedback and the latest technology
- Increase use of recycled materials across our product range

### CROSS-SELLING AND BUSINESS DEVELOPMENT

**Strategic aim**

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

**2022 developments**

- Exercise undertaken to identify further opportunities for cross-selling across the Group, in particular between our window fabricators and distribution depot network
- Acquisition of Mayfield during the year, providing opportunities for further cross-selling of decking product

**Priorities for 2023**

- Integration of 2022 acquisitions, to ensure all opportunities for cross-selling and synergies are identified and exploited
- Progress cross-Group sales opportunities

## SUPPORTED BY SELECTIVE VALUE-ENHANCING ACQUISITIONS

**Strategic aim**

We undertake selective, value-enhancing acquisitions that enable the Group to deliver on the three strands of its core operational strategy and on its sustainability agenda.

**2022 developments**

- Acquisition of Mayfield, a supplier of installed decking to the UK holiday homes market, during the period
- Acquisition of Poly-Pure, a leading UK materials re-processor

Read more about the **acquisition of Poly-Pure** on page 22.

**Priorities for 2023**

- Integration of Poly-Pure, including capital expenditure to facilitate increased use of recycled material in the Group
- Integration of Mayfield
- Pipeline of potential acquisitions continues to be monitored

## WITH ESG EMBEDDED IN OUR OPERATING PRACTICES AND STRATEGY

**Strategic aim**

ESG considerations are embedded throughout our operations and decision-making processes. Our operational objectives inherently drive sustainable behaviour as we optimise energy efficiency, minimise waste, and innovate where needed to improve the performance of our sustainable building products. We look after our employees and strive to offer a safe and rewarding place to work and we maintain high standards of governance as an AIM-listed organisation. Collectively, these contribute to the long-term success of the Group.

**Developments and priorities**

- Continued focus on energy efficiency initiatives and waste reduction across individual businesses
- Sustainability Report presented for the second year, encompassing all ESG matters
- Carbon balance sheet commissioned, focus on validating assumptions and methodology whilst acting on initial results

Read more about **our sustainability journey**, progress during the year and next steps on page 20.

# OUR SUSTAINABILITY JOURNEY

## PROGRESS ON OUR SUSTAINABILITY JOURNEY

KEY: ◆ ACHIEVED ◆ IN PROGRESS

| DEFINITIONS | | | |
|---|---|---|---|
| The Greenhouse Gas Protocol breaks emissions down into three categories: | Scope 1 – All direct emissions from our business or under our control, including fuels used in our manufacturing processes and the emissions from our own delivery vehicles | Scope 2 – Indirect emissions from the electricity we purchase and use | Scope 3 – All other indirect emissions from our activities, including emissions generated from the manufacture, processing and transport of the materials and products we purchase, employee commuting and travel, waste processing and end-of-life treatment of our products |

| STAGE | OBJECTIVE | PLAN/PROGRESS | RESULTS AND FURTHER READING | STATUS |
|---|---|---|---|---|
| 1 IDENTIFYING A FRAMEWORK AND ALIGNING WITH UN SUSTAINABLE DEVELOPMENT GOALS (“SDGs”) | Sustainability is multi-faceted and encompasses many aspects. Therefore, an important first step was to identify the most material sustainability areas for the Group, where we can have the biggest impact. | In 2020, we identified the sustainability goals which we believe are most relevant and material to the Group and provide a suitable sustainability framework. The following four development goals were identified as the most important for Epwin and were incorporated into our ESG strategy and reporting:  | Linking our strategy to the UN SDGs ensures we are in alignment with international sustainability priorities. Read more in our **Sustainability Report** on page 38. | Achieved |
| 2 INTEGRATING ESG INTO OUR EXISTING STRATEGY AND REPORTING | As a UK-listed business, we recognise the importance of open and transparent reporting. In response to increasing interest from investors and other stakeholders about sustainability matters, and increasing regulatory requirements in this area, we are investing in our ESG reporting capabilities. | In 2021, we presented an integrated Sustainability Report for the first time, bringing together all reporting relevant to ESG issues and incorporated ESG as a key strand of our Group strategy. We have continued to strengthen our reporting during the year, in advance of TCFD requirements becoming mandatory for the Group in 2023. | ESG forms a key part of our Group strategy. Read more about our **strategy** on page 18. Read more in our **Sustainability Report** on page 38. | Achieved |
| 3 ESTABLISHING A BASE POSITION | Getting an accurate picture of the carbon footprint of the Group, covering Scope 1, 2 and 3 emissions is a priority. This will establish a base position from which the Group can identify the areas where we have the biggest environmental impact, set milestones and monitor progress towards our goals. | In 2021, we reported that work was underway with a third party on developing a carbon balance sheet, which shows the carbon footprint of the Group including Scope 1, 2 and 3 emissions. This is an evolving area with complex methodology and data collection requirements. | Our Year 1 exercise is complete and, whilst our focus is now on closing gaps in data collection and validating the underlying assumptions and methodology, we are acting on the initial results. Read more in our **Sustainability Report** on page 38. | In progress |

| STAGE | NEXT STEP |
|---|---|
| 4 REFINING STRATEGY | As we develop a clearer picture of the Group's carbon footprint and perform life cycle assessments on our key products, we will revisit and refine our ESG strategy and goals to reflect the areas that are most material to the Group. This will include setting appropriate metrics, targets and milestones alongside implementing a monitoring framework and establishing responsibilities and reporting lines. |
| 5 MONITORING PROGRESS AND REVISING STRATEGY AND GOALS | The next step on our journey will be monitoring performance over time as we progress towards our sustainability goals. Based on the results of our monitoring, we will revisit our strategy, strengthening our targets where necessary or implementing an action plan where progress is below expectations. |

| STAGE | NEXT STEP |
|---|---|
| 6 ROUTE TO NET ZERO | We acknowledge the Government's ambitions to reach net zero carbon emissions for the UK economy by 2050, recognising that it is an important step in tackling climate change, and believe that the Group has a role to play as a manufacturer of long-life low maintenance and energy efficient building products. We are committed to minimising our environmental impact but, as an energy and resource intensive manufacturer of scale, even with the most responsible approach, some emissions will result from our activities. We are engaging with a third party to establish a viable pathway to net zero for the Group, focussed primarily on decarbonisation and efficiency, acknowledging that some offsetting will ultimately be required to reach net zero given the nature of the business. |

# STRATEGY IN ACTION

## ACQUISITION OF POLY-PURE

### OVERVIEW

On 9 September 2022, the Group acquired Poly-Pure, a leading UK materials re-processor, recycling post-consumer and post-industrial PVC building materials, including window frames. The acquisition was for an initial net cash consideration of £14.9 million and further earnout capped in aggregate at £15 million, which, if achieved, would equate to a 31 December 2025 adjusted EBITDA multiple after synergies of 3x.

STRATEGY KEY

- OPERATIONAL LEVERAGE AND EFFICIENCY
- PRODUCT AND MATERIALS DEVELOPMENT
- CROSS-SELLING AND BUSINESS DEVELOPMENT
- VALUE-ENHANCING ACQUISITIONS
- ESG

### STRONG STRATEGIC RATIONALE

The acquisition is a strong strategic fit with the Group:

**Growth opportunity** – Poly-Pure has a diverse and growing customer base and a capital expenditure programme to expand its processing capacity. There is increasing industry focus on improving the use of recycled materials in manufacturing and we believe there are a range of opportunities for Poly-Pure to continue to execute its growth plan

**Cost synergies** – Poly-Pure has the ability to provide the Group with a further, cost effective, supply of recycled PVC, with the potential for operational efficiencies and cost benefits

**Material sourcing** – Poly-Pure has strong links within the industry and a proven ability to source post-industrial and post-consumer recyclable building plastics materials. The greater ability to re-process waste materials provides Epwin with an additional source of raw material

**Value-enhancing acquisition** – the acquisition helps the Group to achieve its operational and sustainability objectives and is expected to be margin accretive at the adjusted EBITDA level and immediately earnings enhancing

**Sustainability** – the acquisition aligns strongly with our sustainability agenda

### SUSTAINABILITY

The acquisition accelerates the delivery of the Group's sustainability agenda and links to our material SDGs:

- **Responsible consumption and production** – accelerates the Group's ambitions to integrate a greater proportion of recycled materials into its products and enables us to contribute to a circular economy through recycling post-consumer waste
- **Sustainable cities and communities** – increased use of recycled PVC enables the Group to improve the already strong environmental credentials of our products, without compromising on performance
- **Climate action** – increasing the use of recycled material in place of virgin PVC will enable the Group to reduce its carbon footprint over time

> "Poly-Pure is a high-quality, growing business and a strong strategic fit, which will enable us to further bolster our recycling capabilities and accelerate delivery of our sustainability agenda."

**Jon Bednall**
Chief Executive Officer



# OPERATIONAL REVIEW

The Group continued to make good progress against our strategic objectives in 2022, whilst delivering a robust trading performance.

The Group's focus continues to be on operational efficiency, product and materials development, identifying and completing value-enhancing acquisitions and building on the Group's inherent ESG credentials. Despite well-documented inflationary challenges and the resulting impact on consumer confidence and real incomes, trading conditions remained robust during 2022.

The Group performed well, with revenues of £355.8 million, 8% ahead of a strong 2021 comparative period that included the post-lockdown rapid recovery of the RMI market, boosted by strong household savings and prioritisation of home improvement expenditure in the absence of other big ticket spending options.

Revenue growth was predominantly driven by selling price increases to recover the continuing impact of inflation. Bolt-on acquisitions completed during 2021 and 2022 also contributed to the higher revenues. This was offset by a slight decline in volumes from the exceptional levels of demand in 2021 as the market showed signs of moderation through the second half of the year, as cost of living challenges began to impact consumer confidence and spending. The Group continued to experience some deferments to social housing contract start dates. Due to the high levels of demand in 2021 and the first half of 2022, combined with tight supply chains, we also exited certain customers and contracts, where margins were below acceptable levels and we had been unable to pass on adequate material price inflation, as we strive to allocate resource effectively and strike the right balance between price and volume.

Raw material costs continued to increase during the first half of the year, with PVC resin hitting an all-time high in April. Although this has since plateaued, PVC prices remain significantly above pre-pandemic levels. Inflation, including wage inflation, continues to put pressure on overheads and the Group has been working with its customers to pass on these heightened costs appropriately through price increases and surcharges. Labour retention and recruitment remain challenges and measures have been put in place to retain and attract the best people. During the year, we welcomed an increased number of apprentices to the Group, along with our first graduate programme cohort.

Underlying operating profit increased by 16% to £21.5 million, as price increases, surcharges and other actions taken to mitigate the impact of input cost inflation as well as efficiency improvements in manufacturing and logistics began to drive a recovery in margin towards pre-pandemic levels.

Our Extrusion and Moulding segment, which has been particularly impacted by raw material cost inflation, has seen improved margins due to pricing actions to recover inflation. Trading conditions continued to be robust, with some indications of softening demand in the second half of the year but also signs that inflation may be easing. The Group continues to carefully manage its cost base in the face of uncertain macroeconomic and market conditions, with investment in strategic priorities protected.

The Fabrication and Distribution segment continued to perform well against strong 2021 comparatives with recent acquisitions, which extended the geographical coverage of the Group's distribution network, contributing in line with expectations. Margins were impacted slightly as the material price increases experienced by Extrusion and Moulding were passed on. The Group has identified further opportunities for margin improvement, product synergies and cross-selling within the segment,

# OPERATIONAL REVIEW CONTINUED

with the commencement of a project to consolidate IT systems across the distribution network and a review of any further opportunities for competitor product to be supplanted with the Group's own ranges.

Our new build-facing operations continued to benefit from high levels of activity in the housing market and have had a strong start to 2023, despite housebuilders slowing the build of new homes. These operations have been particularly affected by labour challenges and, as reported elsewhere, the Group is taking action to support employee satisfaction and retention.

Issues around deferment of contract start dates, which we reported in 2021 were impacting our social housing-facing businesses, eased during the year. The condition of social housing is becoming increasingly high profile, as the country struggles to build enough homes and the condition of the existing housing stock deteriorates, which could drive increased repair and maintenance activity, albeit potentially constrained by challenging local authority budgets.

## STRATEGIC PROGRESS

### VALUE-ENHANCING ACQUISITIONS

The Group continued to prioritise the completion of selective, value-enhancing acquisitions that help us to achieve our strategic objectives, with two further acquisitions undertaken in 2022.

On 9 September 2022, the Group acquired Poly-Pure Limited ("Poly-Pure"), a leading UK materials re-processor, recycling post-consumer and post-industrial PVC building materials, including PVC window frames. The acquisition, for an initial cash consideration, net of cash acquired, of £14.9 million and further earnout, represents a major investment in the Group's recycling capabilities and accelerates delivery of our sustainability agenda. The Group's focus for 2023 will be integrating Poly-Pure into the wider Group, in particular ensuring the Group's recyclate requirements are serviced and maximised.

Read more about our **acquisition of Poly-Pure** on page 22.

On 1 December 2022, the Group acquired the Mayfield Group of companies ("Mayfield"), for an initial cash consideration, net of cash acquired, of £2.9 million. The main trading entity is Hampton Decking Limited. Mayfield supplies high-quality decking and related products to the holiday park industry primarily under the Mayfield name. The acquisition further extends the Group's operations in these markets, which have seen good growth over recent years, offering the opportunity for synergies and increased cross-selling of the Group's products.

### NEW PRODUCT DEVELOPMENT

We experienced strong demand for the Group's newest products, in particular the aluminium window system, Stellar®, and the PVC decking product, Dekboard®, which have continued to see demand ahead of management's expectations.

We continue to upgrade and improve our existing products, where needed, to improve their functionality and to ensure they meet regulatory requirements. During the year, we developed a capped decking product which improves durability and slip resistance and expanded the range of colours available for our PVC window systems. In 2021, we reported that, reflecting both the need to operate in an ever more environmentally sustainable manner and the current highly inflated cost of raw materials, the Group commenced investment to increase its ability to incorporate recycled materials in its PVC extrusion operations. The Group has started to bring this new machinery on line during the year, with further investment planned for 2023.

The acquisition of Poly-Pure during the year extends the Group's in-house recycling capabilities and ability to source recycled material, which in addition to our capital expenditure, will enable the Group to steadily increase the proportion of recycled material in its products over the coming years.

### PROGRESS WITH SITE CONSOLIDATION AND RATIONALISATION PROGRAMME

In 2021 it was reported that construction work on the purpose-built facilities in Telford, to consolidate Window Systems warehousing and finishing operations, had been successfully completed on time and on budget. The relocation of inventories and logistics operations to the new facility is progressing and, when complete, will allow the Group to start realising the full consolidation and synergistic benefits.

In 2022 the Group also commenced a project to consolidate its decking production into a single site, realising both operational and investment synergies, which is expected to complete during the year.

Our Fabrication and Distribution segment has grown significantly through acquisition in recent years and the Group continues to identify opportunities for further synergies, particularly across our distribution network. We have commenced a project to consolidate IT systems across our distribution network, allowing for improved information flow, more streamlined reporting and enabling key performance indicators to be monitored and compared across the distribution businesses more readily. Alongside this we are investing in upgrading and refurbishing our distribution outlets, to ensure they are appealing to customers and to maximise their performance, with 36 branches upgraded during the year and further redevelopments planned for 2023.

## HEALTH AND SAFETY

As a manufacturing business the Group is committed to ensuring a safe, clean and healthy working environment for all its employees and promotes continuous improvement in health and safety standards across all operations. Our operational KPIs include health and safety metrics, as reported on page 31. There has been a significant reduction in reportable injuries compared to the prior period, which is a positive development, albeit the occurrence of any injury is always disappointing. There has also been a slight increase in accident frequency during the period. We believe this is driven primarily by increased reporting of minor accidents as employees are encouraged to report all incidents, even when minor, to ensure we have the most accurate picture possible and to promote a culture where health and safety is continually improving. The KPIs continue to be monitored closely by the main and divisional Boards to ensure that appropriate and timely action is taken to maintain a safe operating environment.

## ESG

The Group continues to develop its reporting in relation to ESG as a matter of increasing importance to investors and other key stakeholders. For the second year, we have presented an integrated Sustainability Report bringing together all reporting relevant to ESG issues. We continue to identify opportunities to take action on carbon emissions and improve our resource and energy efficiency, support our hard-working employees and ensure we maintain the highest standards of governance.

Read more in our **Sustainability Report** on page 38.

# FINANCIAL REVIEW

> "In addition to completing two value-enhancing acquisitions during the year, we increased both revenue and underlying operating profit against strong comparatives and in a challenging macroeconomic environment."

**Chris Empson**
Group Finance Director

Total revenue for the year ended 31 December 2022 was £355.8 million (2021: £329.6 million), 8% ahead of a strong comparative period that included the rapid recovery of the RMI market following the pandemic and saw record levels of activity across the construction industry. The increase in revenue over 2021 was largely driven by selling price increases to recover further significant cost inflation in the first half of the year. As a result of these significant levels of demand, as well as tight supply chains, during the period we exited certain customers and contracts where the margins were below acceptable levels and we had been unable to pass on adequate material price inflation, as we strive to allocate resource effectively and strike the right balance between price and volume.

The full-year impact of bolt-on acquisitions completed during 2021 also contributed to the higher revenues, as well as the in-year acquisitions of Poly-Pure and Mayfield which contributed £3.8 million of revenue. This was partially offset by a decline in volumes as the market began to moderate towards the middle of the year, with inflation and the rising cost of living starting to impact consumer confidence and spending.

Raw material costs continued to increase during the first half of the year, with PVC resin hitting an all-time high in April, with energy and labour costs also increasing significantly. Although there are signs that inflation is easing, the rate of inflation remains high.

The Group continues to work with its customers to pass on these heightened costs appropriately through price increases and surcharges.

Underlying operating profit increased by 16% to £21.5 million in the period (2021: £18.5 million), as we continue to recover our margin towards pre-pandemic levels, offset by inflationary pressures on overheads. Operating profit for the year was £16.9 million (2021: £17.7 million) impacted by increased non-underlying costs primarily related to in-year acquisitions and goodwill impairment.

## KEY FINANCIALS

| | Year ended 31 December 2022 £m | Year ended 31 December 2021 £m |
|---|---|---|
| **Revenue** | 355.8 | 329.6 |
| | | |
| **Underlying operating profit (*)** | 21.5 | 18.5 |
| Amortisation of acquired other intangible assets | (0.3) | (0.3) |
| Share-based payments expense | (0.6) | (0.4) |
| Acquisition-related costs | (0.7) | (0.1) |
| Goodwill impairment | (3.0) | – |
| | | |
| **Operating profit** | 16.9 | 17.7 |
| **Underlying operating margin (*)** | 6.0% | 5.6% |
| **Operating margin** | 4.7% | 5.4% |

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


## REPORTABLE SEGMENTS

| | Year ended 31 December 2022 £m | Year ended 31 December 2021 £m |
|---|---|---|
| **Revenue** | | |
| Extrusion and Moulding | 221.1 | 202.3 |
| Fabrication and Distribution | 134.7 | 127.3 |
| **Total** | **355.8** | **329.6** |
| | | |
| **Underlying segmental operating profit** | | |
| Extrusion and Moulding | 16.8 | 12.2 |
| Fabrication and Distribution | 7.5 | 8.4 |
| **Underlying segmental operating profit before corporate costs** | **24.3** | **20.6** |
| Corporate costs | (2.8) | (2.1) |
| **Underlying operating profit** | **21.5** | **18.5** |
| Non-underlying items | (4.6) | (0.8) |
| **Operating profit** | **16.9** | **17.7** |

## EXTRUSION AND MOULDING

- Revenue increased by 9.3% in comparison to 2021, predominantly due to the continued successful implementation of selling price increases and surcharges to recover material cost inflation, of which 1.7% is due to the contribution of Poly-Pure during the period following the acquisition in September
- Steps taken by the business, during 2021 and continuing in 2022, on pricing and operational efficiency have resulted in an improvement in underlying operating margin to 7.6% (2021: 6.0%); albeit not yet to pre-pandemic levels

## FABRICATION AND DISTRIBUTION

- Revenue increased by 5.8% in comparison to a strong 2021, predominantly due to selling price increases with a small contribution from Mayfield, which was acquired in December
- Underlying Fabrication and Distribution segmental operating profit was down slightly compared to an exceptionally strong 2021 due to the impact of continued input cost inflation passed on by the Extrusion and Moulding segment, as well as external suppliers, and reflecting the impact of the softening in RMI demand seen towards the end of the year

## CORPORATE COSTS

- Corporate costs increased in comparison to 2021, primarily due to additional investment in the Group's cybersecurity capabilities and training and measures to support employee recruitment and retention, including a cost of living support payment to Groupwide employees and the implementation of a graduate scheme

**8%** INCREASE IN REVENUE

**16%** INCREASE IN UNDERLYING OPERATING PROFIT

# 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 as well as significant one-off incomes or costs that are not part of the underlying trading performance of the business.

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

| | Year ended 31 December 2022 £m | Year ended 31 December 2021 £m |
|---|---|---|
| Amortisation of acquired other intangible assets | (0.3) | (0.3) |
| Share-based payments expense | (0.6) | (0.4) |
| Acquisition-related costs | (0.7) | (0.1) |
| Goodwill impairment | (3.0) | – |
| **Non-underlying items** | **(4.6)** | **(0.8)** |

1. **Amortisation of acquired other intangible assets**
   Amortisation of £0.3 million was charged during the year (2021: £0.3 million), relating to the brand and customer relationship intangible assets recognised on acquisitions.
2. **Share-based payments expense**
   Share-based payments include the IFRS 2: Share-based Payments charge in respect of the Long-Term Incentive Plan ("LTIP") and Save As You Earn ("SAYE") scheme. There were further issues of options under both schemes during the period.
3. **Acquisition-related costs**
   Acquisition-related costs of £0.7 million (2021: £0.1 million) are the legal and professional fees associated with the acquisitions of Poly-Pure and Mayfield during the year.
4. **Goodwill impairment**
   The goodwill impairment charge arose in relation to the Ecodek CGU. Changes to regulations relating to the fire resistance of materials used on the exterior of high-rise buildings, following the Grenfell Tower fire in 2017, resulted in the business losing a core market for its wood-plastic composite decking. Since then, increased uncertainty regarding future cash flows has resulted in a reduction in the value in use of the CGU. This has resulted in a partial impairment charge of £3.0 million in the year to reflect the fact that the discounted present value of future cash flows did not support the full carrying value of the asset. See note 13 to the consolidated financial statements for further details.

## ACQUISITIONS

The acquisition of Poly-Pure and Mayfield during the period resulted in the recognition of £20.7 million of goodwill and £8.7 million of deferred and contingent consideration, of which £0.3 million was settled before the year end, see note 5 to the consolidated financial statements for further detail.



## CASH FLOW

| | Year ended 31 December 2022 £m | Year ended 31 December 2021 £m |
|---|---|---|
| **Pre-tax operating cash flow** | **38.6** | **34.9** |
| Tax paid | (2.2) | (0.5) |
| Acquisitions, net of cash acquired | (17.8) | (5.3) |
| Payment of deferred consideration | (0.3) | – |
| Net capital expenditure | (9.1) | (5.4) |
| Net site development cash flow | – | 4.8 |
| Interest on borrowings | (1.6) | (1.5) |
| Net drawdown/(repayment) of borrowings | 14.5 | (2.1) |
| Lease payments | (10.6) | (13.4) |
| Issue/purchase of shares | – | 0.1 |
| Dividends | (6.2) | (4.0) |
| **Increase in cash and cash equivalents** | **5.3** | **7.6** |
| Opening cash and cash equivalents | 9.8 | 2.2 |
| **Closing cash and cash equivalents** | **15.1** | **9.8** |
| Borrowings | (29.8) | (15.1) |
| Lease assets | 5.7 | 2.2 |
| Lease liabilities | (92.6) | (81.6) |
| **Closing net debt** | **(101.6)** | **(84.7)** |
| **Covenant net debt*** | **(17.9)** | **(9.4)** |

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

Covenant net debt increased to £17.9 million as at 31 December 2022 (2021: £9.4 million), representing a covenant net debt to adjusted EBITDA ratio of 0.6x, as a result of the use of the Group's existing facilities to fund the initial cash cost of acquisitions of £17.8 million, offset by strong cash generation during the period. The Group comfortably complied with covenants at all times during the year. Pre-tax operating cash flow increased by 11% to £38.6 million through improved profitability and working capital management. The movement in working capital compared to 2021 was driven by strong cash collection resulting in a lower level of trade receivables, partially offset by a decrease in trade payables.

## TAX PAID

Tax payments during the year of £2.2 million (2021: £0.5 million) increased due to the higher level of profits achieved.

## NET CAPITAL EXPENDITURE

Net capital expenditure increased to £9.1 million as the Group continues to invest in line with its strategic objectives of operational improvement, efficiency and sustainability alongside ongoing replacement of plant and machinery as needed. The higher level of investment is as a result of lower levels of capital expenditure in recent years, as well as the long lead times on plant due to the impact of the pandemic on supply chains.

## LEASE PAYMENTS

Lease payments of £10.6 million were £2.8 million lower than 2021 (2021: £13.4 million) as a result of a lease incentive received in relation to a lease renewal in the period.

## FINANCING

The Group has banking facilities on a two bank, syndicated basis with Barclays and HSBC through to June 2024. The facilities comprise a revolving credit facility of £65.0 million and an overdraft of £10.0 million. The Group has in excess of £60 million headroom at 31 December 2022 providing the Group with the facilities to pursue its strategy.

Net interest paid for the period comprises £1.6 million interest payments on borrowings (2021: £1.5 million).

# KEY PERFORMANCE INDICATORS

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

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

## FINANCIAL KPIs

### REVENUE

**£355.8m**

| | |
|---|---|
| 22 | £355.8m |
| 21 | £329.6m |
| 20 | £241.0m |
| 19 | £282.1m |
| 18[1] | £281.1m |

Definition

Revenue is the value of goods and services supplied net of taxes and discounts.

See **Financial Review** on pages 26 to 29 for further details on performance.

### UNDERLYING OPERATING PROFIT

**£21.5m**

| | |
|---|---|
| 22 | £21.5m |
| 21 | £18.5m |
| 20 | £9.4m |
| 19 | £21.2m |
| 18[1] | £18.7m |

Definition

Underlying operating profit is operating profit before amortisation of acquired other intangible assets, share-based payments expense and other non-underlying items.

See **Financial Review** on pages 26 to 29 for further details on performance.

### UNDERLYING OPERATING MARGIN

**6.0%**

| | |
|---|---|
| 22 | 6.0% |
| 21 | 5.6% |
| 20 | 3.9% |
| 19 | 7.5% |
| 18[1] | 6.7% |

Definition

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

### CAPITAL EXPENDITURE

**£9.1m**

| | |
|---|---|
| 22 | £9.1m |
| 21 | £5.5m |
| 20 | £3.0m |
| 19 | £8.2m |
| 18[1] | £12.0m |

Definition

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

### PRE-TAX OPERATING CASH FLOW

**£38.6m**

| | |
|---|---|
| 22 | £38.6m |
| 21 | £34.9m |
| 20 | £23.7m |
| 19 | £34.8m |
| 18[1] | £27.7m |

Definition

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

### CASH CONVERSION

**179.5%**

| | |
|---|---|
| 22 | 179.5% |
| 21 | 188.6% |
| 20 | 252.1% |
| 19 | 164.2% |
| 18[1] | 148.1% |

Definition

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

### COVENANT NET DEBT

**£17.9m**

| | |
|---|---|
| 22 | £17.9m |
| 21 | £9.4m |
| 20 | £18.5m |
| 19 | £16.4m |
| 18[1] | £24.8m |

Definition

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

### LEVERAGE RATIO

**0.6x**

| | |
|---|---|
| 22 | 0.6x |
| 21 | 0.4x |
| 20 | 1.3x |
| 19 | 0.6x |
| 18[1] | 0.9x |

Definition

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

## NON-FINANCIAL KPIs

### ACCIDENT FREQUENCY RATE

**3.8**

| | |
|---|---|
| 22 | 3.8 |
| 21 | 3.5 |
| 20 | 3.0 |
| 19 | 3.5 |
| 18 | 4.4 |

Definition

The number of accidents per 100,000 hours worked.

### RIDDOR

**9**

| | |
|---|---|
| 22 | 9 |
| 21 | 13 |
| 20 | 11 |
| 19 | 11 |
| 18 | 11 |

Definition

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

## OPERATIONAL KPIs

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

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

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

Read more about **health and safety developments** in the period in the Operational Review on page 25.

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

# RISK MANAGEMENT

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

## Risk management framework

### THE BOARD

The Board is responsible for the establishment and review of the Group's risk management policy, ensuring that risk assessment procedures, as well as appropriate mitigating measures and controls, are in place and determining the risk appetite of the Group.

### AUDIT COMMITTEE

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

### BUSINESS LEVEL OPERATIONAL RISK IDENTIFICATION

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

## INTERNAL CONTROL

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

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

Performance against budget, and subsequent quarterly reforecasts, is reported to the Board and discussed at each meeting, in addition to divisional and business unit level reviews. This monthly review also includes performance against operating, health and safety and other key performance indicators.

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

## RISK APPETITE

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



# PRINCIPAL RISKS AND UNCERTAINTIES

Epwin is affected by several 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 considers the principal risks and uncertainties for the Group at the current time to be:

1. MACROECONOMIC CONDITIONS
2. LABOUR SHORTAGES
3. INFLATIONARY PRESSURE
4. RETENTION OF KEY PERSONNEL
5. SUPPLY CHAIN DISRUPTION
6. HEALTH AND SAFETY
7. ACQUISITIONS
8. CUSTOMERS
9. SUSTAINABILITY
10. CYBERSECURITY

PRINCIPAL RISKS

## 1 MACROECONOMIC CONDITIONS ↑

**Description and impact**

The Group is exposed to any deterioration in macroeconomic conditions which may impact the level of household disposable income, consumer confidence and spending on housing or the broader housing market, and therefore influence the level of demand for the Group's products. Factors such as unemployment rates, wage growth, interest rates and inflation are all considered to have a potential impact. Interest rates also impact the cost of borrowing.

Government policy can influence the spending priorities of local authorities, impacting the social housing sector, and the level of activity in the housebuilding industry.

**Mitigation**

- Close monitoring of macroeconomic factors and market activity to ensure responsiveness to changing conditions
- Strategic objectives support growth and operating efficiency
- Strong balance sheet and significant headroom on banking facilities provide resilience

**Risk update and developments**

- Rising cost of living and uncertain outlook for the UK economy resulting in higher level of risk compared to the previous year
- CPA forecasts a contraction of the private housing RMI market in 2023, albeit from historic highs in 2021 and 2022
- Long-term drivers remain strong with ageing and underinvested housing stock and delivering new homes still a UK Government priority
- The Group uses interest rate caps to limit the exposure to interest rate risk

**Strategic links**

Read more about the **outlook for our key markets** on page 14.

STRATEGY KEY

- OPERATIONAL LEVERAGE AND EFFICIENCY
- PRODUCT AND MATERIALS DEVELOPMENT
- CROSS-SELLING AND BUSINESS DEVELOPMENT
- VALUE-ENHANCING ACQUISITIONS
- ESG
- ← → NO MOVEMENT
- ↑ INCREASE
- ↓ DECREASE

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

PRINCIPAL RISKS

## 2 LABOUR SHORTAGES ↑

**Description and impact**
We employ over 2,000 people in the UK and our manufacturing operations and distribution network are both subject to risks relating to the availability of labour. Many of our sites are situated in areas of high employment, and the recruitment of new employees has become more challenging in recent years.

Inability to recruit could leave us without sufficient capacity to operate effectively or high staff turnover could result in inefficiencies relating to onboarding and training new employees.

**Mitigation**
- Resourcing, recruitment and onboarding procedures in place and reviewed regularly
- Salary and pay rates monitored to ensure they remain locally competitive to attract and retain employees
- Employees supported through training and development opportunities, progression routes, welfare programmes and the option to join the Group SAYE scheme

**Risk update and developments**
- Labour market remains challenging, resulting in increased level of risk compared to the previous year
- Continue to explore ways to support our existing employees, including one-off cost of living support payment to all employees outside of senior management
- Introduction of graduate scheme, with the first cohort of graduates starting during the year, across several areas of the business and increasing the number of apprentices across the Group

**Strategic links**

## 3 INFLATIONARY PRESSURE ← →

**Description and impact**
While all of our input costs, including raw materials, energy and labour, are potentially subject to fluctuation and inflation, the Group is most exposed to changes in the price of PVC resin, our key raw material. PVC resin is subject to fluctuations based on global markets.

If we are unable to successfully pass on price increases, this will impact negatively on profit margin.

**Mitigation**
- Close relationships with suppliers for critical raw materials and scale of Group ensures competitive pricing
- Pass on raw material and other input cost inflation to customers where possible through price increases or surcharges
- Seek to fix gas and electricity costs where feasible and economic, which partially mitigates increasing energy costs in the short to medium term
- Continued focus on operational leverage and efficiency to ensure we can deliver a high-quality product and service at a market competitive price

**Risk update and developments**
- Following unprecedented input cost inflation particularly in respect of energy and PVC resin, there are early indications that certain prices may have plateaued and that inflationary pressures are easing, although uncertainty remains
- Acquisition of Poly-Pure enables increased use of recycled materials in our manufacturing process, which partially mitigates exposure to PVC resin prices
- Continue to monitor prices closely and pass increases on to customers as appropriate to protect profit margins and ensure the long-term success of the Group

**Strategic links**

PRINCIPAL RISKS

## 4 RETENTION OF KEY PERSONNEL ← →

**Description and impact**
Our people are fundamental to our operations and business model.

Failure to attract and retain highly qualified key personnel, could impair our ability to execute our business model and strategy.

**Mitigation**
- Competitive pay and conditions for all employees, including Executive Directors and senior management
- Long-Term Incentive Plan for Executive Directors and certain senior management
- Appropriate succession plans in place for senior management and considered at Board level

**Strategic links**

## 5 SUPPLY CHAIN DISRUPTION ↓

**Description and impact**
The Group relies on key suppliers, particularly those supplying raw materials such as PVC resin. In some instances, there are only a limited number of suppliers available.

Supply chain disruption resulting in failure to receive raw materials when we need them and of sufficiently high quality, could result in back orders, delays or product quality issues.

**Mitigation**
- Endeavour to source material from more than one supplier, where possible, for critical raw materials, such as PVC resin
- Good relationships maintained with key suppliers has ensured we have continued to receive supply during times of disruption

**Risk update and developments**
- Following widely reported supply chain issues in 2021, supply chain disruption has been less frequent or severe in 2022
- Acquisition of Poly-Pure during the year, providing the Group with an additional source of raw material
- Risk appears to be easing, but remains under close consideration

**Strategic links**

## 6 HEALTH AND SAFETY ← →

**Description and impact**
As a manufacturing business, maintaining high standards of health and safety across our operations is integral to the success of our business.

Failure to implement and operate safe working practices could compromise the safety and wellbeing of our employees and be damaging to the reputation and success of the Group.

**Mitigation**
- Investment in dedicated health and safety and compliance personnel, safe operating procedures and employee training
- Timely reporting of incidents and near misses encouraged to improve visibility and enable action to be taken where needed
- Health and safety discussed at each Board meeting, with health and safety-related KPIs closely monitored
- Working practices reviewed and updated as necessary to ensure compliance with legislation and alignment with best practice

**Strategic links**

STRATEGY KEY

- OPERATIONAL LEVERAGE AND EFFICIENCY
- PRODUCT AND MATERIALS DEVELOPMENT
- CROSS-SELLING AND BUSINESS DEVELOPMENT
- VALUE-ENHANCING ACQUISITIONS
- ESG
- ← → NO MOVEMENT
- ↑ INCREASE
- ↓ DECREASE

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

PRINCIPAL RISKS

## 7 ACQUISITIONS

← →

**Description and impact**
Completion of selective value-enhancing acquisitions is a core part of the Group's strategy.

There is a risk that the Group could overpay for an acquisition, or the realisation of anticipated synergies may not occur, or may take significant time, taking up significant resources and management attention, resulting in disruption to our business model and profitability.

**Mitigation**

- Pipeline of potential targets monitored by senior management, with track record of successful acquisitions
- Due diligence procedures performed, and the results presented to the Board
- All transactions require approval by the Group Board
- Use of earnout structures, where appropriate, to mitigate the risk of overpaying for an acquisition
- Post-acquisition integration plans in place for newly acquired entities in key areas including HR, IT, health and safety and financial reporting

**Risk update and developments**

- With two further acquisitions completed during 2022, and bolt-on acquisitions in recent periods, this remains a key risk.

**Strategic links**

## 8 CUSTOMERS

← →

**Description and impact**
The inability to service and retain key customers could limit the Group's ability to grow and achieve our core strategic objectives.

Customer default could result in material bad debts.

**Mitigation**

- Diverse customer base, with the largest customer being less than 5% of revenue
- Regular communication with customers to maintain good relationships and understand their needs
- Investment in operations to improve service and in new product development to maintain product relevance
- Robust credit control process and focus on cash collection, including use of a Group credit insurance policy where appropriate

**Strategic links**

STRATEGY KEY

OPERATIONAL LEVERAGE AND EFFICIENCY

PRODUCT AND MATERIALS DEVELOPMENT

CROSS-SELLING AND BUSINESS DEVELOPMENT

VALUE-ENHANCING ACQUISITIONS

ESG

← → NO MOVEMENT

↑ INCREASE

↓ DECREASE

PRINCIPAL RISKS

## 9 SUSTAINABILITY

← →

**Description and impact**
Sustainability matters are of increasing interest to our stakeholders and regulatory requirements in respect of reporting are developing.

Lenders and investors increasingly have sustainability-related requirements. Failure to demonstrate our sustainability credentials and reduce our environmental impact could damage our reputation or lead to difficulty obtaining credit or investment.

Read more about **our sustainability journey** on page 20.

**Mitigation**

- Strong underlying position on sustainability as a manufacturer of long-life, energy efficient building products, the majority of which are widely recyclable at the end of their useful life
- Investment in R&D and new product development to ensure products continue to achieve highest energy ratings and remain attractive from a sustainability perspective
- Continuous focus on operational efficiency driving ongoing energy and resource efficiency gains

**Risk update and developments**

- Need to demonstrate sustainability credentials increasing in importance and reporting requirements continue to develop
- Acquisition of Poly-Pure during the period to accelerate the Group's sustainability agenda and facilitate increased use of recycled materials, which drive significant carbon savings compared to the use of virgin PVC resin
- Continued progress on our ESG strategy and development of ESG reporting during the period

**Strategic links**

## 10 CYBERSECURITY

← →

**Description and impact**
Cybersecurity risks continue to increase globally.

A major IT security breach could result in an inability to use key systems, loss of sensitive information (such as intellectual property or employee, customer or supplier data), financial loss (through fraudulent payments or ransomware) or penalties.

**Mitigation**

- Ongoing investment to maintain and upgrade cyber risk detection and prevention tools
- Password and safe-use policies, underpinned by regular training and reminders around cybersecurity matters for employees
- Periodic cybersecurity risk audits, using third-party specialists where necessary, to highlight areas for further improvement

**Risk update and developments**

- Cybersecurity risk continues to increase and become more sophisticated
- Further investment in the Group's cybersecurity and IT perimeter
- Investment in cyber training for our employees who are the frontline in detection and prevention

**Strategic links**

# SUSTAINABILITY REPORT

This report sets out how we approach Environmental, Social and Governance ("ESG") at Epwin, including developments during the year. Sustainable behaviour will help us continue to grow in a way that preserves our values, supports our business model, mitigates our risks and addresses the needs of our stakeholders.

## ENVIRONMENT

13 CLIMATE ACTION

**CLIMATE ACTION**
(SDG TARGETS: 13.2)
Description: Take urgent action to combat climate change and its impacts.

**The Group seeks to reduce its carbon footprint in order to combat climate change.**

## STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

This is the third year for which the Group is reporting carbon emissions data as required under the Companies and Limited Liability Partnerships Energy and Carbon Regulations 2018.

Emissions are calculated in accordance with the WRI GHG Protocol, A Corporate Accounting and Reporting Standard, using published 2022 carbon factors from DEFRA to convert energy use and purchased electricity to emissions of $CO_2e$.

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

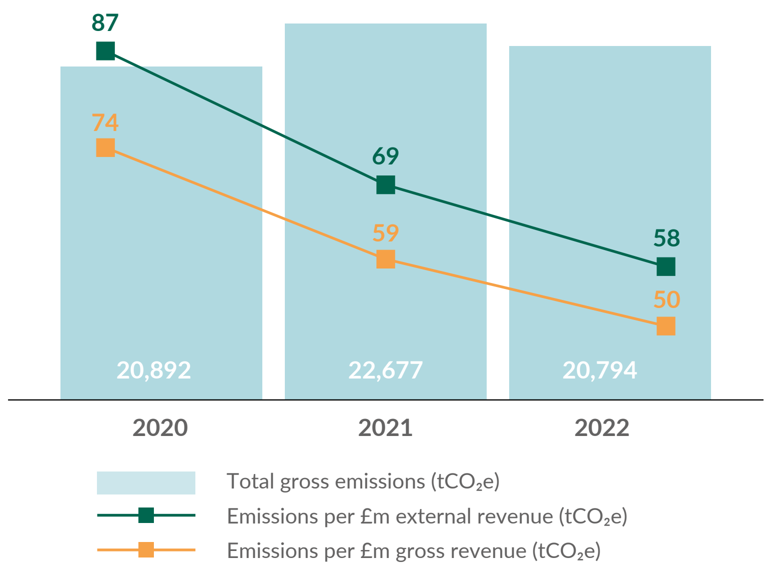
| | 2022 | 2021 |
|---|---|---|
| **Total energy consumption (kWh)** | **95,228,299** | **101,399,236** |
| Scope 1 – Direct gas | 2,462 | 2,699 |
| Scope 1 – Direct fuel | 9,668 | 8,852 |
| Scope 1 – Direct oil | 72 | 78 |
| Scope 2 – Purchased electricity | 8,553 | 11,011 |
| Scope 3 – Business travel in private vehicles | 39 | 37 |
| **Total gross emissions ($tCO_2e$)** | **20,794** | **22,677** |
| **Emissions per £m external revenue ($tCO_2e$)** | **58** | **69** |
| **Emissions per £m gross revenue ($tCO_2e$)** | **50** | **59** |

## INTENSITY RATIO

The variety of operations and business types across the Group means that using a volume measure for our energy intensity ratio is challenging. Therefore, as in prior years, we have chosen to report our gross emissions against revenue as a proxy for level of activity. Due to the vertically integrated nature of the business, we have reported our intensity ratio as the gross emissions against external revenue and also against gross revenue, including both external and internal revenue, to better reflect the overall level of activity across the individual businesses that comprise the Group.

Our intensity ratio continues to improve, and the Group has seen a reduction in emissions per £m gross revenue of 15% compared to 2021. This is primarily driven by emissions from purchased electricity which have declined by 22% in the year due to a combination of a reduction in energy usage and changes to carbon conversion factors. The carbon emission factor used to convert purchased electricity use to equivalent $CO_2$ emissions is a national factor reflecting the average emissions for the UK national grid and can fluctuate from year to year as the fuel mix consumed in UK power stations and the proportion of net imported electricity changes. The $CO_2e$ factor for purchased electricity decreased by 9% compared to the previous year, due to a decrease in coal use in electricity generation and an increase in renewable generation across the UK power network. Therefore, part of the reduction in $tCO_2e$ relating to purchased electricity is due to changes in the emission factor, alongside a reduction in the amount of electricity used. The emission factor is outside of our control and could move in such a way that negatively impacts the Group in future years. The decrease in the intensity ratio has also been influenced by the selling price increases and surcharges introduced to offset material cost inflation. Our priority remains continuing to improve the efficiency of our operations to reduce energy intensity.

Our track record since we began reporting SECR emissions is shown below:




## CARBON FOOTPRINT AND NET ZERO

The SECR figures above primarily cover our direct emissions (Scope 1 and Scope 2) but capturing all indirect emissions from our activities (Scope 3) is more complex. There is currently no regulatory requirement to publish Scope 3 emissions. However, the Group has been working with a third party to produce a carbon balance sheet to aid our decision-making and track progress over time. Our Year 1 exercise is complete and our focus for the coming year is to improve our confidence in this data, through identifying and filling significant gaps in data collection and validating the assumptions and the methodology underlying the measurements.

Two important early observations are clear. Firstly, that the annual carbon saving arising from the use of our energy efficient windows (where they are replacing less efficient versions), offsets the vast majority of our Scope 1 and 2 emissions, demonstrating the inherent sustainability credentials of our business. Secondly, that the most significant single area of emissions arises from the purchase of PVC resin, which accounts for c.80% of our total carbon footprint and falls within Scope 3. This confirms that our prioritisation of increasing the use of recycled PVC in place of virgin PVC resin in our own production process is the right strategy and we have undertaken capital investment during the year, alongside the acquisition of Poly-Pure, a PVC recycling operation, to achieve this. In addition, we will work with our suppliers to understand their sustainability strategy and plans.

Read more about **how the acquisition of Poly-Pure accelerates the delivery of our sustainability agenda** on page 22.

# SUSTAINABILITY REPORT CONTINUED

"As a manufacturer of long-life, low maintenance, energy efficient and recycled building products and materials, the Group has a significant role to play in helping the UK reach its net zero commitments through improving the energy efficiency of existing homes and efficiently building sustainable homes for the future."

**Jon Bednall**
Chief Executive Officer

11 SUSTAINABLE CITIES AND COMMUNITIES

### SUSTAINABLE CITIES AND COMMUNITIES

(SDG TARGETS: 11.1, 11.6)
Description: Make cities and human settlements inclusive, safe, resilient and sustainable.

**The Group's products help to create sustainable cities and communities through being energy efficient and improving the quality of homes**

Our long-life, low maintenance and energy efficient building products help to improve homes and outdoor spaces. They have inherent sustainability credentials that create a positive impact. Continuous product development, a core operational strategy, ensures that our products remain relevant and that they comply with the latest environmental standards. We are working with a third party to perform life cycle assessments on our core products to more accurately determine their environmental impact.

### WINDOW PROFILE SYSTEMS

We manufacture a range of market-leading PVC-u and aluminium window profile systems, supplied to in-house and external fabricators servicing the RMI, new build and social housing sectors.

**How our products create positive impact:**

- Our windows achieve some of the highest energy efficiency ratings on the market; most have Window Energy Ratings of A to A++ and typical u-values of 1.2 W/m2K (or 0.8 W/m2K for triple glazed)
- Households responsible for close to 20% of UK emissions; energy efficient windows and doors contribute to carbon emissions savings over their lifetimes
- Improving the energy performance of UK homes is a national priority, with 66% of existing homes having an EPC rating of D or worse
- c.25% of windows sold in 2022 replaced single-glazed or first-generation PVC windows, equating to more than 400,000 windows in the UK replaced by better versions, saving around 9,000 $tCO_2e$ per year

### CELLULAR ROOFLINE, CLADDING, RAINWATER AND DRAINAGE

We are the UK market leader in PVC-ue extruded cellular roofline and cladding systems and also manufacture a range of rainwater and drainage products.

**How our products create positive impact:**

- Long-life products, resistant to weather, do not warp, flake, peel or rot and are heat- and UV-stable
- Require minimal maintenance to maintain appearance and functionality, which would result in additional emissions over product life cycle
- Products are colour-stabilised so do not change colour when exposed to elements, increasing longevity compared to traditional materials
- Minimum service life of 35 years for PVC roofline products according to BRE, but we estimate it to be significantly longer in many instances, based on surveys of previously installed products

### GRP BUILDING COMPONENTS AND DOORS

We manufacture pre-fabricated GRP building components such as porches, bay window roofs and chimneys, and GRP fire doors.

**How our products create positive impact:**

- Glass fibre production is less energy intensive than alternative materials such as steel and concrete
- Supply housebuilders, supporting the UK Government target of 300,000 new homes per year to address shortage of quality and affordable homes
- Fabricated building components are long-life products; many have a service life of 50 years or more
- GRP doors replicate appearance of timber doors, but require less maintenance and have a service life of 30 years
- GRP and thermoplastic fire doors have passed rigorous physical fire tests to ensure safety

### DECKING SYSTEMS

We manufacture a range of decking systems made from PVC, aluminium and composite products such as wood-plastic composite ("WPC").

**How our products create positive impact:**

- Decking products enable people to enjoy their outdoor spaces, such as balconies and gardens
- Long-life products, well-suited to outdoor applications compared to timber alternatives, which require painting and rot repairs
- PVC decking products supplied to park homes, with expansion of park homes supporting the UK tourism industry and enabling more people to holiday at home rather than abroad
- Adek® decking meets enhanced fire safety requirements for high rise buildings, enabling residents to have access to usable outdoor space, improving quality of life

# SUSTAINABILITY REPORT CONTINUED

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

### RESPONSIBLE CONSUMPTION AND PRODUCTION

(SDG TARGETS: 12.2, 12.5, 12.6)
Description: Ensure sustainable consumption and production patterns.

**As a responsible manufacturing business, we focus on operational efficiency and waste, energy consumption and sustainable raw materials to improve our environmental impact and our profitability**

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

Using recycled materials in place of virgin materials is typically significantly less energy and resource intensive. Our production process already incorporates a large volume of recycled materials, including:

- Our PVC decking product Dekboard®, which is made from 50% recycled PVC
- Our aluminium window system, Stellar®, is made from a minimum of 90% recycled aluminium
- Our aluminium decking system, Adek®, is made from 100% recycled aluminium
- Our WPC decking product, ecodek®, which is manufactured from sustainably sourced wood and recycled milk bottles with a minimum of 95% recycled materials

Across the Group, close to 100% of the manufacturing scrap from our PVC extrusion process is recycled using on-site machinery before being re-used as a raw material. The volume of recycled materials used in our manufacturing operations continues to increase over time with a significant capital expenditure programme in progress to increase the proportion of recycled PVC in our extrusion businesses.

The majority of our products can be recycled and reused many times, contributing to responsible consumption patterns and reducing waste and landfill. In total, 87% of the Group's 2022 revenues were from products capable of being recycled and repurposed.

## SOCIAL

8 DECENT WORK AND ECONOMIC GROWTH

### DECENT WORK AND ECONOMIC GROWTH

(SDG TARGETS: 8.4, 8.5, 8.6, 8.7, 8.8)
Description: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

**We provide good jobs with competitive pay and benefits and a safe, inclusive and rewarding working environment for our 2,000+ employees**

The Group values its employees, recognising them as central to the achievement of strategic objectives and continued growth. The Group is a responsible employer, providing decent jobs and supporting our employees:

- The Group is proud to employ over 2,000 people in the UK, many of whom have been with the Group for many years
- Health and safety concerns are paramount, with accident rates below the industry average, although we constantly strive to do better
- Competitive pay and benefits including cycle to work scheme, opportunity to join the Group's Save As You Earn scheme, employee discount scheme with high street retailers and assistance and welfare programmes, including access to key services such as counselling
- Training and development and progression routes, including a growing number of employees on apprenticeship schemes and a newly established graduate scheme
- We are an inclusive employer and value diversity in our workforce, regularly reviewing our policies, procedures and reward programmes to ensure barriers to progression for any groups are removed where they are found

## GOVERNANCE

As a UK-based, market-listed organisation, the Group strives for the highest standards of governance. The Group values high-quality, transparent reporting, being accountable to its key stakeholders and seeking consistent improvement in all results, both financial and non-financial, recognising that strong financial performance and stewardship of the Group is essential if wider long-term goals are to be achieved.

Read more about our **engagement with key stakeholders** on page 44.

Read our **s172 statement** on page 46.

# SUSTAINABILITY REPORT CONTINUED

## STAKEHOLDER ENGAGEMENT

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 look after our employees, best serve our customers, generate shareholder returns and benefit wider society.

### EMPLOYEES

**Why we engage**

Achieving our operational objectives depends on the hard work, skills and expertise of our employees

**Material issues**

- Being a responsible employer, offering a safe and rewarding place to work
- Stable employment, career opportunities and training
- Rewarding performance with fair and competitive pay and benefits

**How do we engage?**

- Employee engagement surveys
- Town hall meetings
- Employee handbook with key matters such as whistleblowing procedures

### CUSTOMERS

**Why we engage**

Our long-term success depends on providing customers with products they want, at the right price and quality level

**Material issues**

- Delivering high-quality products at fair prices and with reasonable credit terms
- Providing consistent and reliable service
- Understanding and meeting expectations: sustainability, product relevance and product performance

**How do we engage?**

- Customer meetings
- National network of local distributors
- Monitoring of social media and customer reviews

### SUPPLIERS

**Why we engage**

Our suppliers enable us to meet the demand of our operations and customers with high-quality and sustainable products

**Material issues**

- Building strong and lasting working relationships
- Clear communication of expectations around quality, timing and price
- Prompt payment, in line with agreed terms

**How do we engage?**

- Supplier meetings
- Formal tender processes for large contracts

### SHAREHOLDERS

**Why we engage**

Our shareholders are the owners of our business – our core purpose is to deliver a sustainable return on their investment

**Material issues**

- Delivering sustainable return on investment through payment of dividends and capital growth
- Performance against market guidance and long-term strategy
- Clear and transparent reporting

**How do we engage?**

- Annual General Meeting, all shareholders welcome
- Investor presentations, full year and half year
- Investing in reporting capabilities

### COMMUNITIES AND THE ENVIRONMENT

**Why we engage**

As a large business, we have an impact on the communities in which we operate and have a responsibility to protect the environment

**Material issues**

- Contributing to communities through employment opportunities for local people
- Acting ethically and being a trusted company
- Protecting the environment by tackling carbon emissions and minimising waste

**How do we engage?**

- Local recruitment to support communities in which we operate
- Active management of environmental matters

### GOVERNMENT AND REGULATORS

**Why we engage**

As a UK-listed business we have a duty to operate with the highest standards of ethical conduct

**Material issues**

- Compliance with laws and regulations
- Making a fair contribution to society through tax paid
- Investing in the UK economy: employee training and development, R&D activities and capital expenditure

**How do we engage?**

- Member of industry bodies, such as British Plastics Federation
- Use of qualified tax advisors to ensure compliance
- Retained Fair Tax Mark for 2022

### OUR IMPACT

**£67.5m**
WAGES, SALARIES AND BENEFITS PAID TO OUR EMPLOYEES

**£9.1m**
CAPITAL EXPENDITURE DURING THE PERIOD, INVESTING IN UK MANUFACTURING AND DISTRIBUTION

**14%**
EMPLOYEES PART OF THE GROUP'S SAYE SCHEME AS AT 31 DECEMBER 2022

**£6.2m**
DIVIDENDS PAID TO OUR SHAREHOLDERS

**2,154**
PEOPLE EMPLOYED ACROSS THE UK AS AT 31 DECEMBER 2022

**£46.1m**
TAX GENERATED OR COLLECTED ON BEHALF OF HMRC (Corporation tax, NI, PAYE and VAT)

**87%**
OF GROUP'S PRODUCTS WIDELY RECYCLABLE AT THE END OF THEIR USEFUL LIFE

# SUSTAINABILITY REPORT CONTINUED

## s172 STATEMENT

> "I am grateful once again to all of our employees who worked hard together to deal with the challenges of 2022 and deliver this strong overall performance. I am also delighted to welcome the Poly-Pure and Mayfield businesses to the Group, both of which continue to broaden the Group's product range, materials capabilities and sustainability credentials. I am equally delighted to welcome an increased number of apprentices to the Group, along with our first graduate programme intake."

**Jon Bednall**
Chief Executive Officer

The Directors believe that during the year, they have, individually and as a Board, acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 ("section 172(1)") and in accordance with the QCA code.

The Board recognises its duties under section 172(1) to consider the likely consequences of any decision in the long term; the interests of its employees; the need to foster the Company's relationships with suppliers, customers and other key stakeholders; the impact of the Company's operations on communities and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

Read more about how section 172(1) has been applied by the Directors in the **Corporate Governance** report on page 55.

The report includes key matters considered and decisions taken by the Board during the year, demonstrating how the Board has taken account of stakeholders and the matters set out in section 172(1).

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

**Jonathan Bednall**
Chief Executive Officer

**Christopher Empson**
Group Finance Director
4 April 2023

# GOVERNANCE

## CONTENTS

### GOVERNANCE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# BOARD OF DIRECTORS

Key

A Audit Committee N Nominations Committee R Remuneration Committee ● Chairman

## ANDREW EASTGATE
### NON-EXECUTIVE CHAIRMAN

**Appointment date:**
14 July 2014

**Committee membership:**
A N R

**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 Non-Executive Director of Epwin between 2008 and 2012 and re-joined the Board on admission to AIM in 2014, becoming Chairman in December 2014.

## JONATHAN BEDNALL
### CHIEF EXECUTIVE OFFICER

**Appointment date:**
16 January 2012

**Committee membership:**
N

**Skills and experience:**
Jon joined Epwin Group in 2008, becoming Group Finance Director in 2009 and was appointed Chief Executive Officer in 2013. Jon was 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:**

**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 SMITH
### NON-EXECUTIVE DIRECTOR

**Appointment date:**
4 January 2022

**Committee membership:**
A N R

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

## STEPHEN HARRISON
### NON-EXECUTIVE DIRECTOR

**Appointment date:**
2 November 2022

**Committee membership:**
A N R

**Skills and experience:**
Stephen was appointed to the Board as a Non-Executive Director in November 2022. Stephen is currently Chief Executive Officer at Forterra plc, a London Stock Exchange Main Market listed supplier of building materials to the UK's construction sector, with plans to step down from that role during the first half of 2023. Stephen joined Hanson plc in 2002 and was appointed Managing Director of Hanson Building Products, the predecessor to Forterra, in 2012. During his tenure Stephen successfully steered Forterra through its divestment from the HeidelbergCement Group and led its IPO in 2016. He has served as a Director of several key construction sector trade associations and holds an MBA from Cranfield School of Management.

## 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 extensive operational and corporate transaction experience and has made a significant contribution to the financial management and strategic development of the Group.

# CORPORATE GOVERNANCE

## CHANGES DURING THE YEAR

- Shaun Smith joined the Board as a Non-Executive Director on 4 January 2022 and became Chairman of the Audit Committee following the finalisation of the 2021 audit
- Mike O'Leary retired from the Board in March 2022 for health reasons. Mike was Chairman of the Remuneration Committee, which position was assumed by Andrew Eastgate for the remainder of the year, and will be assumed by Stephen Harrison from 2023 onwards
- Shaun Hanrahan retired from the Board in June 2022. His management duties and responsibilities in the wider Group remained unchanged in 2022
- Stephen Harrison joined the Board as a Non-Executive Director on 2 November 2022 and will become Chairman of the Remuneration Committee in 2023

The ten principles set out in the QCA code form the basis of the Board's approach to corporate governance, emphasising the importance of Board composition and effectiveness, alongside a strategy and business model which promotes long-term value for shareholders and takes into account wider stakeholders and social responsibility and embedding effective risk management throughout the Group.

## BOARD MEMBERS

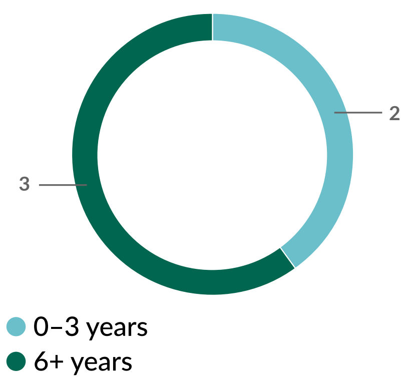
As at the date of this report, the Board comprised two Executive and three Independent Non-Executive Directors, each of whom brings different experience, skill set and background.

Read the **biographies of the Directors** in office at the date of this report on page 50.

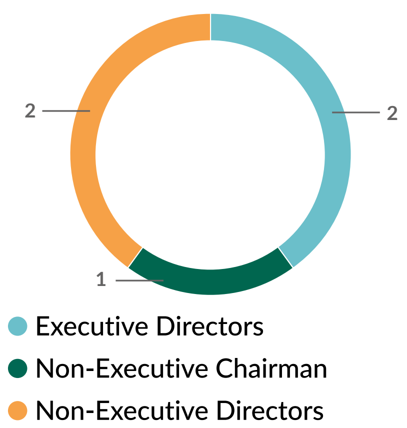
Read more about **Board Committees and membership** on page 54.

## THE BOARD AT A GLANCE

### LENGTH OF TENURE




### COMPOSITION




## SKILLS AND EXPERTISE OF THE DIRECTORS

The Directors maintain their knowledge through a combination of reading of technical and market bulletins and attendance at relevant seminars and events. The Company Secretary is responsible for bringing new legal and regulatory requirements to the attention of the Board.

We strive to maintain an overall balance of experience, skills and knowledge to ensure the Board operates effectively and to create long-term sustainable value for the Group and its shareholders.

## MEMBERSHIP AND ATTENDANCE

The table below details the Board and Committee meeting attendance during the year. The attendance figure is shown next to the maximum number of meetings the Director was entitled to attend (based on appointment dates).

| | Board | Audit Committee | Remuneration Committee | Nominations Committee |
|---|---|---|---|---|
| Andrew Eastgate | 11/11 | 3/3 | 3/3 | 4/4 |
| Jonathan Bednall | 11/11 | – | – | 4/4 |
| Christopher Empson | 10/11 | – | – | – |
| Shaun Smith | 11/11 | 3/3 | 3/3 | 4/4 |
| Mike O'Leary[1] | 1/2 | – | 0/1 | 0/1 |
| Shaun Hanrahan[2] | 6/6 | – | – | – |
| Stephen Harrison[3] | 2/2 | 1/1 | 1/1 | – |

Notes
1 Resigned 3 March 2022, final meetings missed due to illness
2 Resigned 30 June 2022
3 Appointed 2 November 2022

## BOARD OF DIRECTORS

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

Read more about **matters considered by the Board during the year** on page 55.

## RESPONSIBILITIES OF MEMBERS OF THE BOARD

| Director | Responsibilities |
|---|---|
| **Chairman**<br>*Andrew Eastgate* | 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 and promotes a culture of openness and debate. In addition, the Chairman ensures there is sufficient and effective communication with shareholders and that the Directors receive accurate, timely and clear information. |
| **Chief Executive Officer**<br>*Jonathan Bednall* | 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. |
| **Group Finance Director**<br>*Christopher Empson* | The Group Finance Director is responsible for providing strategic, risk management and financial guidance to ensure the safeguarding of the Group's assets and that the Group's financial commitments are met. This is achieved by developing and implementing the necessary policies, systems and procedures to ensure the sound financial management and control of the Group. |
| **Non-Executive Directors**<br>*Shaun Smith*<br>*Stephen Harrison* | The main responsibilities of Non-Executive Directors are to review the performance of the Group, assist in strategy development, provide an independent perspective and support to the Executive Directors and ensure that appropriate and effective systems of internal control and risk management are in place. |
| **Company Secretary**<br>*Andrew Rutter* | The Company Secretary, under the direction of the Chairman, supports the Board and ensures good communication and information flows within the Board, including between Executive and Non-Executive Directors, and between the Board and its Committees. The Company Secretary is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. |

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. In addition to having access to the advice and services of the Company Secretary, 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.

## ASSESSMENT OF THE INDEPENDENCE OF THE NON-EXECUTIVE DIRECTORS

All Non-Executive Directors, including the Chairman of the Board, are considered to be independent, having taken into consideration length of service, remuneration and shareholdings in the Company. None of the Non-Executive Directors has any connections with any customer, supplier or major shareholder of the Group and they continue to make independent contributions and effectively challenge management.

## TIME COMMITMENT

A suitable time commitment is required from Non-Executive Directors, including attendance at Board and Committee meetings, as appropriate, and regular communications with the Directors. The Board is satisfied that all Non-Executive Directors provide constructive challenge, strategic guidance and hold management to account.

Read more about the terms of appointment and remuneration of Directors in the **Remuneration Committee Report** on pages 62 to 64.

# CORPORATE GOVERNANCE CONTINUED

## BOARD COMMITTEES

The Board is supported by a number of Committees:

| Audit Committee | Nominations Committee | Remuneration Committee |
|---|---|---|
| **Membership:** *Andrew Eastgate, Shaun Smith (Chairman) and Stephen Harrison* | **Membership:** *Andrew Eastgate (Chairman), Jonathan Bednall, Shaun Smith and Stephen Harrison* | **Membership:** *Andrew Eastgate (Chairman), Shaun Smith and Stephen Harrison (will assume the role of Chair for 2023)* |
| The Committee oversees the Group's financial reporting, risk management, internal control and assurance processes and the external audit. | The Committee regularly reviews the Board's composition with a view to ensuring a diverse mix of backgrounds, skills knowledge and experience. | The Committee sets and assesses the remuneration of the Executive Directors and reviews arrangements across the Group. |
| **Principal responsibilities include:**<br>• reviewing and challenging the risk identification and risk management processes across the business<br>• managing relations with the external auditors to ensure the annual audit is effective, objective, independent and of high quality; and<br>• reviewing the Group's corporate reporting | **Principal responsibilities include:**<br>• keeping under review the structure, size and composition of the Board and making recommendations to the Board with regard to any changes<br>• identifying and nominating candidates to fill Board vacancies; and<br>• considering succession planning for Directors and other senior management | **Principal responsibilities include:**<br>• setting the remuneration policy for Executive Directors;<br>• reviewing the level and structure of remuneration for senior management; and<br>• reviewing remuneration arrangements across the Group to ensure they are reasonable, while supporting the Group in attracting and retaining the best people at all levels |
| **2022 focus:**<br>Read more in the **Audit Committee Report** on page 60. | **2022 focus:**<br>During the year, as a result of the ongoing review of Board composition and the resignation of Mike O'Leary in March 2022, the Committee ran a recruitment process leading to the appointment of Stephen Harrison to the Board as Non-Executive Director. | **2022 focus:**<br>Read more in the **Remuneration Committee Report** on page 62. |



## MATTERS CONSIDERED BY THE BOARD DURING THE YEAR

We have set out below the key matters considered by the Board during the year, including details of the principal decisions taken and how the Board considered our stakeholders in line with s172(1) of the Companies Act 2006.

**s172 KEY**

A director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to:

- a the likely consequences of any decision in the long term
- b the interests of the Company's employees
- c the need to foster the Company's business relationships with suppliers, customers and others
- d the impact of the Company's operations on the community and the environment
- e the desirability of the Company maintaining a reputation for high standards of business conduct
- f the need to act fairly as between members of the Company

**RISKS KEY**

1 MACROECONOMIC CONDITIONS
2 LABOUR SHORTAGES
3 INFLATIONARY PRESSURE
4 RETENTION OF KEY PERSONNEL
5 SUPPLY CHAIN DISRUPTION
6 HEALTH AND SAFETY
7 ACQUISITIONS
8 CUSTOMERS
9 SUSTAINABILITY
10 CYBERSECURITY

**STAKEHOLDERS KEY**

EMPLOYEES
CUSTOMERS
SUPPLIERS
SHAREHOLDERS
COMMUNITIES AND THE ENVIRONMENT
GOVERNMENT AND REGULATORS

| Topic | Activities and considerations | Outcome |
|---|---|---|
| HEALTH AND SAFETY<br>**s172 key**<br>b e<br>**Link to risks:**<br>6 4<br>**Stakeholders considered:** | Health and safety remains a critical area of Board focus, and the first item on the agenda at each meeting.<br>Levels of accidents as indicated by RIDDOR events and accident frequency rate were monitored throughout the year.<br>The causes of accidents, injury type and severity were examined. The Board was updated on strategies to reinforce safe operating practices across the Group and train new employees effectively. | Read more about **our operational KPIs, which relate to health and safety** on page 31. |
| EMPLOYEES<br>**s172 key**<br>b d<br>**Link to risks:**<br>2 4<br>**Stakeholders considered:** | The Board recognises the importance of our employees as central to the success of the Group.<br>During the period, the Board reviewed succession plans for executive and senior management and monitored information regarding staffing levels, vacancies, employee turnover and absences.<br>In approving the payment of a cost of living support payment to employees, the Board balanced the need to ensure the Group remains profitable and viable with the desire, as a responsible employer, to support our hard-working employees through a period of inflation. | Approved a one-off cost of living support payment for all employees excluding senior management<br>Approved the grant of a further tranche of options under the Group's SAYE |

# CORPORATE GOVERNANCE CONTINUED

| Topic | Activities and considerations | Outcome |
|---|---|---|
| STRATEGY AND ACQUISITIONS<br>**s172 key**<br>a b c d e<br>**Link to risks:**<br>7 9 5 8<br>**Stakeholders considered:** | The Board considered strategic matters at every meeting in 2022 and reaffirmed the principal risks as set out in the risk register and the strategic objectives of the Group.<br>The principal developments during the year were the decisions to acquire Poly-Pure, a major materials re-processor and Mayfield, a decking installation company.<br>The acquisition of Poly-Pure represents a significant investment for the Group and was approved following the completion of a detailed due diligence exercise, which was presented to the Board.<br>A number of factors were considered including the strength of the Poly-Pure business, the opportunity for synergies with the wider Group, acceleration of the Group's sustainability strategy and robustness of supply chains. | Approved the acquisition of Mayfield<br>Approved the acquisition of Poly-Pure<br>Read more about the **Poly-Pure acquisition** on page 22. |
| OPERATIONS<br>**s172 key**<br>a b d<br>**Link to risks:**<br>5 8 10 9<br>**Stakeholders considered:** | The Board received updates on the operational performance, sustainability performance and key risks of the Group's business units, including reviewing cybersecurity risks and activities during the period. | Approved capital investment funding for key projects, in particular, relating to the ongoing project to enhance our materials recycling capabilities |

| Topic | Activities and considerations | Outcome |
|---|---|---|
| FINANCIAL<br>**s172 key**<br>a f<br>**Stakeholders considered:** | In addition to approving the 2021 Annual Report and 2022 interim financial statements, the Board monitored and discussed progress against the annual budget. Liquidity, covenant compliance and balance sheet strength were also reviewed.<br>In approving the payment of dividends during the period, the Board considered the Group's profitability, cash-generation and banking facilities.<br>The Board reviewed and approved the budget for 2023, challenging the assumptions underlying the forecast and ensuring that it takes account of market trends and the outlook for the UK economy. | Recommended the 2021 final dividend (approved at the 2022 AGM)<br>Approved the 2022 interim dividend of 1.9 pence per share |
| ECONOMIC OUTLOOK AND RAW MATERIALS PRICES<br>**s172 key**<br>c<br>**Link to risks:**<br>1 3 5<br>**Stakeholders considered:** | The Board continued to closely monitor the macroeconomic environment, receiving briefings on trends in relevant areas and likely scenarios for the UK economy.<br>Inflation and the rising cost of living, which could impact demand for the Group's products, was monitored.<br>Input cost inflation, particularly in respect of PVC resin (in the first half), energy and labour, continued to be a focus and the Board considered how to appropriately pass on cost increases on to customers. | Read more about the **market overview and outlook** on page 14. |
| GOVERNANCE<br>**s172 key**<br>b e f<br>**Stakeholders considered:** | Each of the Committee Chairs reported on their respective meetings.<br>The Board and Nominations Committee reviewed the Board's composition, including taking into consideration QCA code guidance and best practice around the balance of Executive and Non-Executive Directors. | Approved Board and Committee appointments:<br>• Stephen Harrison as a Non-Executive Director from 2 November 2022<br>• Shaun Smith as Chairman of the Audit Committee following completion of the 2021 audit<br>• Stephen Harrison as Chairman of the Remuneration Committee from 2023<br>Approved Epwin Group's 2022 Modern Slavery Act Statement<br>Approved new terms of reference for the Audit Committee |

# CORPORATE GOVERNANCE CONTINUED

## BOARD PERFORMANCE

The Chairman is responsible, with the assistance of the Nominations 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 2022 the performance of the Directors and the Board as a whole was the subject of consideration and review by the Non-Executive Directors. Following a review of the composition of the Board and consideration of the ratio of Executive Directors to Non-Executive Directors, it was decided that the number of Executive Directors should be reduced. Shaun Hanrahan resigned from the Board with effect from 30 June 2022 as part of his retirement plan and was not replaced. In addition, a search process was undertaken to recruit a further Non-Executive Director. As a result of this process, Stephen Harrison was appointed Non-Executive Director on 2 November 2022. There were no other results or actions following this review.

## 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.

## 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 Group's product portfolio and build on their technical expertise. The Group's senior team holds regular meetings with employees and spends time on manufacturing sites with key staff to monitor this corporate culture.

The Board is satisfied that a corporate culture based on ethical values and behaviours continues to be promoted throughout the Group.

## 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.

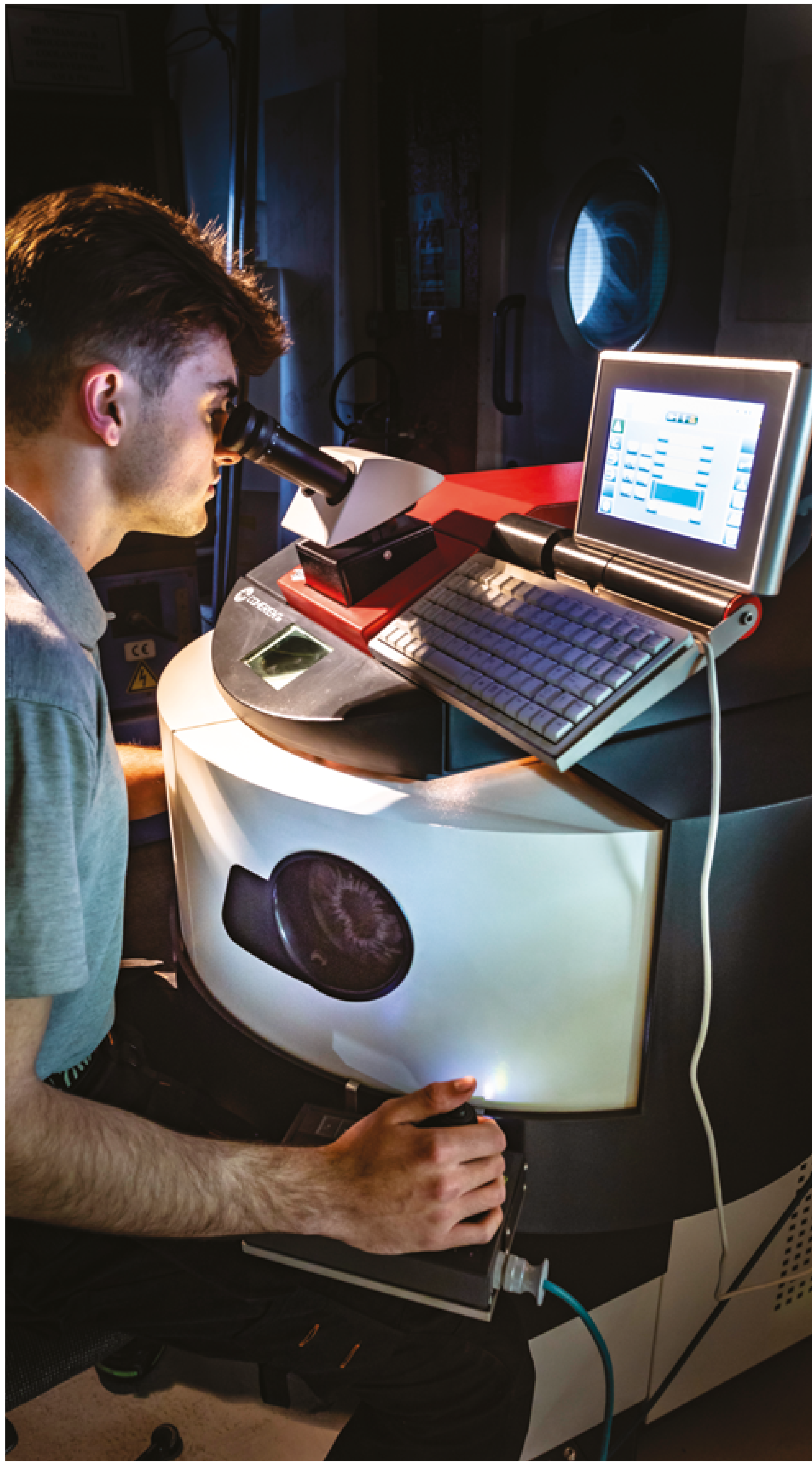
The Chief Executive Officer and the Group Finance Director also meet with the Company's brokers during the year to ensure that they are aware of the views of major shareholders. Additionally, at the Annual General Meeting, investors are given the opportunity to question the entire Board.

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 Corporate Governance section of the website details our compliance with the ten principles of the QCA code.

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

**Andrew Eastgate**
Chairman
4 April 2023



# 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 2022, the Audit Committee met three times. The terms of reference for the Committee were updated during the year and can be found on the Group's corporate website.

## 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 verifying that the reasons for any 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 certify that controls and reviews have been carried out both during the quarter and as part of each month end close. These reports are used to follow up on any non-compliance points identified and are reviewed by the relevant divisional Finance Directors, as well as the Group finance team.

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

## FINANCIAL REPORTING

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

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

## GOING CONCERN

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

The Board continues to closely monitor the macroeconomic environment, including wage, energy and raw material price inflation, labour availability and Bank of England interest rate announcements. The Group balance sheet remains robust with significant financial headroom on committed banking facilities through to June 2024. The banking facilities comprise a £65 million Revolving Credit Facility and £10 million overdraft facility. Note 21 to the consolidated financial statements sets out more detail on the undrawn facility headroom and financial covenants. The Group has traded profitably throughout 2022, and to the date of this report, and its financial position remains strong, with net debt better than expectations at the year end and maintaining ongoing significant headroom on its banking facilities and covenants.

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

The Group starts 2023 with significant headroom on its banking facilities and the forecasts show that there is sufficient liquidity and headroom to ensure compliance with all covenants throughout the going concern period. Consequently, the Directors are confident that the Group and Parent Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## REVENUE RECOGNITION AND RELATED CUSTOMER SUPPORT PROVISIONS

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

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

## INVENTORY

As a manufacturer, inventory is one of the most significant items on the balance sheet. There is, therefore, a 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 involves judgement in identifying slow-moving and obsolete lines as well as an estimate of the recoverable amount.

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

## GOODWILL AND PARENT COMPANY INVESTMENTS

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

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

During the year, an impairment was recognised in respect of the Ecodek CGU, reflecting the fact that the discounted present value of future cash flows did not support the full carrying value of the asset. This resulted in an impairment charge of £3.0 million in the year. For the remaining CGUs, 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. The Audit Committee was satisfied that the assumptions used in the impairment testing were appropriate, the impairment charge recognised during the year was reasonable and that there was sufficient headroom in the calculations for the remaining CGUs to conclude that no impairment is required.

## FAIR VALUE OF CONTINGENT CONSIDERATION

The acquisition of Poly-Pure included contingent consideration in the form of an earnout mechanism, based upon the adjusted EBITDA after tax of Poly-Pure in the three calendar years to 31 December 2023, 31 December 2024 and 31 December 2025 respectively, capped in aggregate at a further £15 million in cash (up to £5 million per year). There is inherent uncertainty regarding the fair value of contingent consideration at the acquisition date, as the measurement is based on forecasted post-acquisition performance and there is a risk that results will differ from expectations.

The Audit Committee was satisfied that the assumptions used in the fair value exercise regarding the likely future performance of Poly-Pure were appropriate, while acknowledging the inherent uncertainty and possibility that actual results may differ.

## EXTERNAL AUDIT EFFECTIVENESS AND AUDITOR REAPPOINTMENT

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 2021 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 RSM UK Audit LLP ("RSM") continues 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 will be provided where necessary to senior members of RSM unrelated to the audit. This activity will also form part of RSM's own system of quality control. The Audit Committee also has discussions with the auditors on the adequacy of controls and on any areas requiring judgement. These discussions have proved satisfactory to date. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are approved by the Audit Committee after discussions between the Group Finance Director and RSM.

Rotation of the audit partner's responsibilities within RSM is required by their profession's ethical standards. There will be rotation of the audit partner and key members within the audit team as appropriate. RSM were first appointed as the external auditor following a competitive tender process in September 2021.

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

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

**Shaun Smith**
Chairman of the Audit Committee
4 April 2023

# 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 54.

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 achieve 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

The Group's remuneration policy contains the following 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 linked 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 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 are as follows:

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

On 26 May 2022, the following restricted awards over ordinary shares were granted under the LTIP; Jonathan Bednall 145,349 shares, Christopher Empson 104,651 shares and Shaun Hanrahan 116,279 shares. Total restricted awards held by Directors in office at 31 December 2022 are as follows: Jonathan Bednall 261,899 shares and Christopher Empson 183,905 shares.

The Group also operates a Save As You Earn Scheme which is open to all employees of the Group, including the Executive Directors. Christopher Empson holds 33,333 options under the scheme.

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

## NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

| | Salary and fees 2022 £000 | Other taxable benefits 2022 £000 | Bonus 2022 £000 | Pension contributions 2022 £000 | Total 2022 £000 |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| J A Bednall | 250 | 11 | 250 | 30 | 541 |
| C A Empson | 180 | 10 | 180 | 22 | 392 |
| S P Hanrahan[1] | 100 | 4 | – | 14 | 118 |
| **Non-Executive** | | | | | |
| A K Eastgate | 80 | – | – | – | 80 |
| M K O'Leary[2] | 10 | – | – | – | 10 |
| S M Smith[3] | 43 | – | – | – | 43 |
| S R Harrison[4] | 7 | – | – | – | 7 |
| **Total** | 670 | 25 | 430 | 66 | 1,191 |

1 Resigned 30 June 2022 2 Resigned 3 March 2022 3 Appointed 4 January 2022 4 Appointed 2 November 2022

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

# 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 2022 in the ordinary share capital of the Company are as shown in the table below.

| | As at 31 December 2022 Number of shares | As at 31 December 2021 Number of shares |
|---|---|---|
| **Executive** | | |
| Jonathan Bednall | **873,201** | 873,201 |
| Christopher Empson | **284,865** | 284,865 |
| **Non-Executive** | | |
| Andrew Eastgate | **5,000** | 5,000 |
| Shaun Smith | **10,000** | – |
| Stephen Harrison | **–** | – |

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

**Andrew Eastgate**
Chairman of the Remuneration Committee
4 April 2023



# DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

## FINANCIAL RESULTS AND DIVIDENDS

The audited financial statements for the Group and Parent Company for the year ended 31 December 2022 are set out on pages 77 to 116. The Group profit for the year was £8.4 million (2021: £12.5 million). The Board is recommending a final dividend of 2.55 pence per share (2021: 2.35 pence per share) to be paid on 5 June 2023 to shareholders on the register on 12 May 2023. Along with the interim dividend of 1.90 pence per ordinary share, paid in October 2022, this takes the full year dividend to 4.45 pence per ordinary share.

## DIRECTORS AND DIRECTORS' INTERESTS

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

A K Eastgate

J A Bednall

C A Empson

S P Hanrahan
(resigned 30 June 2022)

M K O'Leary
(resigned 3 March 2022)

S M Smith
(appointed 4 January 2022)

S R Harrison
(appointed 2 November 2022)

Read the biographies of the Directors in office at the date of this report on pages 50 and 51.

Read more about the Directors' remuneration and their interests in the share capital of the Company in the Remuneration Committee Report on page 62.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

## SUPPLIER PAYMENT POLICY

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group seeks to treat all suppliers fairly, but it does not have a Group-wide standard or code of practice that deals specifically with payments to suppliers. Trade payables at 31 December 2022 represented on average 67 days' credit, based on actual invoices received (2021: 73 days' credit).

## SHARE CAPITAL

The issued share capital of the Company at 31 December 2022 was £72,653, comprising 145,305,993 ordinary shares of 0.05 pence each, of which 388,000 (representing 0.3% of issued share capital) are held in treasury. The ordinary shares held in treasury were purchased at a price of 93.0p and will be utilised to satisfy the vesting of awards made under the Group's SAYE scheme and Long-Term Incentive Plan. The aggregate consideration paid by the Group to acquire these shares was £360,840.

The Directors will be seeking authority at the forthcoming Annual General Meeting to renew their authority to allot and repurchase shares. Full details of these resolutions, together with explanatory notes, are contained in the Notice of the Annual General Meeting on pages 117 to 122.

## SUBSTANTIAL SHAREHOLDINGS

As at 28 February 2023 the Company had the following substantial shareholdings:

| | % of issued share capital | Number of shares |
|---|---|---|
| Ruffer LLP | 16.46 | 23,858,565 |
| AJ Rawson | 13.97 | 20,250,000 |
| Kennedy Capital Investments Limited | 13.97 | 20,250,000 |
| Janus Henderson Investors | 8.96 | 12,987,433 |
| Otus Capital Management | 6.85 | 9,934,428 |
| Chelverton Asset Management | 4.35 | 6,301,969 |
| AXA Investment Managers | 4.35 | 6,300,000 |

Extracted from the share register maintained by Link Group.

## CHARITABLE AND POLITICAL DONATIONS

The Group made no charitable or political donations during the year (2021: none).

## RESEARCH AND DEVELOPMENT ACTIVITIES

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

## GOING CONCERN

The financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Detailed disclosure on going concern is included in the Basis of Preparation section of the notes to the consolidated financial statements on page 81.

# DIRECTORS' REPORT CONTINUED

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 14 to 46. In addition, note 25 to the consolidated financial statements details the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk.

## STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

Our Streamlined Energy and Carbon Reporting for the year ended 31 December 2022 is presented in the Sustainability Report on page 38.

## 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 to the consolidated financial statements.

## ANNUAL GENERAL MEETING

The AGM will be held at 1b Stratford Court, Cranmore Boulevard, Solihull, B90 4QT on Tuesday 23 May 2023 at 11.00 am.

Further details (including in relation to shareholders' questions and proxies) are set out on pages 117 to 122.

## AUDITOR REAPPOINTMENT

RSM UK Audit LLP has 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:

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

## EMPLOYEES

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

### HEALTH AND SAFETY

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 and safety 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 and graduates 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, gender, religion, disability, marital status, race, ethnicity, nationality or sexual orientation. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue.

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

The Group keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year. We value employees' opinions and seek to actively consult them in the decision-making process and keep them appraised of Group news. Employees are entitled to participate in the Group's SAYE scheme, further aligning their interests with those of the Group.

Further details on employee engagement, and the Group's engagement with suppliers, customers and other key stakeholders have been included on pages 44 to 45.

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

By order of the Board

**Christopher Empson**
Group Finance Director
4 April 2023



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

# FINANCIALS

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### FINANCIALS


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# INDEPENDENT REPORT TO THE MEMBERS OF EPWIN GROUP PLC

FOR THE YEAR ENDED 31 DECEMBER 2022

## OPINION

We have audited the financial statements of Epwin Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise Consolidated Income Statement and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## BASIS FOR OPINION

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

## SUMMARY OF OUR AUDIT APPROACH

| | |
|---|---|
| **Key audit matters** | **Group**<br>• Customer support liability<br>• Inventory provision<br>• Contingent consideration<br>• Impairment of a CGU<br>**Parent Company**<br>There were no key audit matters specifically related to the parent company. |
| **Materiality** | **Group**<br>• Overall materiality: £775,000 (2021: £576,000)<br>• Performance materiality: £581,000 (2021: £403,000)<br>**Parent Company**<br>• Overall materiality: £228,500 (2021: £81,000)<br>• Performance materiality: £171,000 (2021: £56,700) |
| **Scope** | Our audit procedures covered 82% of revenue, 87% of total assets and 85% of absolute profit before tax. |



## KEY AUDIT MATTERS

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

| Customer support liability | |
|---|---|
| **Key audit matter description** | Refer to the accounting policy on page 86, note 1.14, together with critical judgements and estimates in applying the group's accounting policies in note 2 on page 88.<br>The group provides sales incentives to its end customers for certain branded products.<br>The group estimates the likely customer support claim at the point of sale. There can be a significant period of time between qualifying sales being made and the subsequent claims being received. In some instances, no claim is received.<br>Relatively small changes in the assumptions and estimates used would have a significant effect on the overall customer support liability recognised.<br>The effect of these matters is that, as part of our risk assessment, we determined that the customer support liability has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than materiality for the financial statements as a whole, and, as a result, was determined to be a key audit matter. |
| **How the matter was addressed in the audit** | We selected and agreed a sample of claims received during 2022 to the underlying sales data, claim and credit note documentation.<br>We performed retrospective analysis in order to assess the historical accuracy of the estimation of the customer support liability recognised in the prior periods, to assess the level of claims expected to be received in 2023 relating to 2022 for qualifying sales which were not settled at the balance sheet date.<br>We reviewed the related disclosures to assess whether these sufficiently explained the level of estimation uncertainty. |

| Inventory provision | |
|---|---|
| **Key audit matter description** | Refer to the accounting policy on page 84, note 1.10, together with critical judgements and estimates in applying the group's accounting policies in note 2 on page 88.<br>The group holds a significant amount of inventory across its distribution network and its manufacturing and warehousing facilities.<br>The valuation of inventory involves judgement, relating to potential obsolescence and saleability, to determine the net realisable value.<br>The saleability of inventory is dependent on current trends and customer demand, which can vary and change over time.<br>The group has in place an established process for addressing this risk and recognising provisions accordingly. The effect of these matters is that, as part of our risk assessment, we determined that the inventory provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than materiality for the financial statements as a whole, and, as a result, was determined to be a key audit matter.<br>We reviewed and understood the group's accounting policy and how this satisfied the requirements of IAS2 'Inventories'.<br>We assessed and challenged the basis, methods and model on which provisions for obsolete and slow-moving inventory have been established. This was undertaken at a component level and took account of the nature of each business and its products. |
| **How the matter was addressed in the audit** | We challenged the year-end inventory provisions recognised, performing recalculations based on management's methodology, sales information and assumptions including those relating to expected usage, determination of net realisable value and obsolescence risk.<br>We performed testing to ensure that inventory was valued at the lower of cost and net realisable value by comparing sales values of the products to their actual cost. |

# INDEPENDENT REPORT TO THE MEMBERS OF EPWIN GROUP PLC CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

| Contingent consideration | |
|---|---|
| **Key audit matter description** | During the year the group acquired Poly-Pure Limited. The acquisition arrangement included contingent consideration.<br>Contingent consideration has been estimated based on the forecast EBITDA performance of the entity for each of the three years to 31 December 2025. The estimate is based on four different forecast scenarios and the assumed likelihood of each scenario. Relatively small changes in the forecasts and assumptions would have a significant effect on the overall estimate. The effect of these matters is that, as part of our risk assessment, we determined that the contingent consideration has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than materiality for the financial statements as a whole, and, as a result, was determined to be a key audit matter.<br>We obtained and reviewed the Sale and Purchase Agreement (SPA) in relation to the acquisition of Poly-Pure Limited.<br>We obtained management's calculations in relation to the contingent consideration, verified them back to the SPA and checked the mathematical accuracy. |
| **How the matter was addressed in the audit** | We reviewed management's forecasts and compared this to previous trading and challenged management's expected scenarios within their calculations. We performed sensitivity analysis on the likelihood of each scenario to review the effect on the estimate. We reviewed the related disclosures to assess whether these sufficiently explained the level of estimation uncertainty. |

| Impairment of a CGU | |
|---|---|
| **Key audit matter description** | Within the gross goodwill balance of £96.2m which is allocated across a number of Cash Generating Units (CGUs), there is one CGU which is at higher risk of impairment based on its trading performance.<br>In the current year management as part of their impairment review have impaired this CGU by £3m.<br>As part of our risk assessment, we determined that the resulting goodwill impairment charge has a high degree of estimation uncertainty as it is sensitive to forecast cashflow assumptions and the discount rate. As a result, there are a potential range of reasonable outcomes greater than materiality for the financial statements as a whole. This was therefore determined to be a key audit matter. |
| **How the matter was addressed in the audit** | We obtained management's calculation of the goodwill impairment and the underlying calculations prepared to support the carrying value of the residual balance and performed work as follows:<br>• We reviewed and challenged the assumptions and estimates utilised in the model<br>• We recalculated the expected impairment of the CGU.<br>We considered the adequacy of the disclosures and whether they were in accordance with the applicable financial reporting framework. |



## OUR APPLICATION OF MATERIALITY

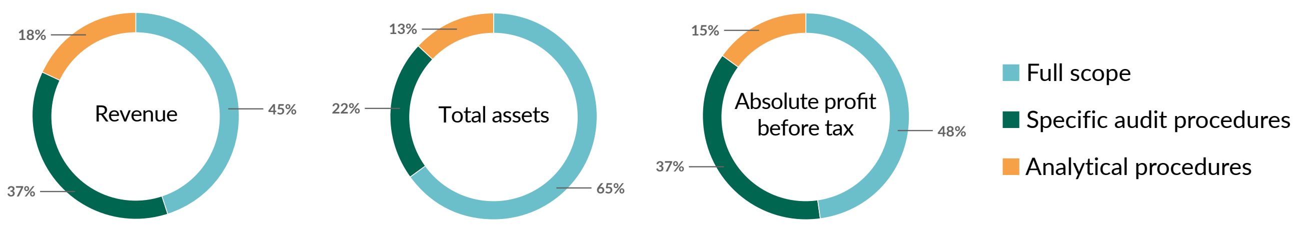
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the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

| | Group | Parent company |
|---|---|---|
| **Overall materiality** | £775,000 (2021: £576,000) | £228,500 (2021: £81,000) |
| **Basis for determining overall materiality** | 4.7% of adjusted profit before tax | 1% of total assets, this materiality is the restricted value as a component of the group audit |
| **Rationale for benchmark applied** | Adjusted performance measures are the main focus of users of the financial statements to review the performance of the group.<br>(Adjusted profit before tax is profit before tax excluding non-underlying items). This reflects a change from the prior year as the value of adjusting items have increased and therefore have a larger impact on the results. | Holding company |
| **Performance materiality** | £581,000 (2021: £403,000) | £171,000 (2021: £56,700) |
| **Basis for determining performance materiality** | 75% of overall materiality | 75% of overall materiality |
| **Reporting of misstatements to the Audit Committee** | Misstatements in excess of £38,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. | Misstatements in excess of £11,400 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. |

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group consists of 27 components, all of which are based in the UK.

The coverage achieved by our audit procedures was:




Full scope audits were performed for 6 components, specific audit procedures for 7 components and analytical procedures at group level for the remaining 14 components.

Of the above, full scope audits for 5 components and specific audit procedures for 7 components were undertaken by an engagement team from RSM UK Audit LLP as component auditors.

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

# INDEPENDENT REPORT TO THE MEMBERS OF EPWIN GROUP PLC CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

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

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

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

## OTHER INFORMATION

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors' responsibilities set out on page 67, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

## THE EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

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

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

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

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

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

# INDEPENDENT REPORT TO THE MEMBERS OF EPWIN GROUP PLC CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

The most significant laws and regulations were determined as follows:

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

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

| Risk | Audit procedures performed by the audit engagement team: |
|---|---|
| **Revenue recognition** | We performed tests of detail for transactions recognised either side of the year end to determine whether revenue had been recorded in the correct financial period. |
| **Management override of controls** | Testing the appropriateness of journal entries and other adjustments;<br>Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and<br>Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. |

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

## USE OF OUR REPORT

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

**Ian Wall (Senior Statutory Auditor)**
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
B3 3AG

4 April 2023



# CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| **Revenue** | 3 | **355.8** | 329.6 |
| Cost of sales | | **(250.5)** | (236.9) |
| **Gross profit** | | **105.3** | 92.7 |
| Distribution expenses | | **(40.1)** | (38.7) |
| Administrative expenses | | **(48.3)** | (36.3) |
| **Underlying operating profit** | | **21.5** | 18.5 |
| Amortisation of acquired other intangible assets | 6 | **(0.3)** | (0.3) |
| Share-based payments expense | 6, 8 | **(0.6)** | (0.4) |
| Acquisition-related costs | 6 | **(0.7)** | (0.1) |
| Goodwill impairment | 6 | **(3.0)** | – |
| **Operating profit** | 4 | **16.9** | 17.7 |
| Finance costs | 9 | **(5.0)** | (4.8) |
| **Profit before tax** | | **11.9** | 12.9 |
| Taxation | 10 | **(3.5)** | (0.4) |
| **Profit for the year and total comprehensive income** | | **8.4** | 12.5 |

| **Earnings per share** | | pence | pence |
|---|---|---|---|
| Basic | 11 | **5.78** | 8.61 |
| Diluted | 11 | **5.71** | 8.52 |

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

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

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 13 | **93.2** | 75.5 |
| Other intangible assets | 14 | **6.3** | 2.4 |
| Property, plant and equipment | 15 | **34.3** | 28.5 |
| Right of use assets | 16 | **70.0** | 64.0 |
| Lease assets | 16 | **5.3** | 2.0 |
| Deferred tax | 23 | **0.8** | 4.6 |
| | | **209.9** | 177.0 |
| **Current assets** | | | |
| Inventories | 17 | **41.1** | 41.0 |
| Trade and other receivables | 18 | **40.5** | 43.6 |
| Lease assets | 16 | **0.4** | 0.2 |
| Income tax receivable | | **0.5** | – |
| Cash and cash equivalents | 19 | **15.1** | 9.8 |
| | | **97.6** | 94.6 |
| **Total assets** | | **307.5** | 271.6 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Other interest-bearing loans and borrowings | 21 | **–** | 0.5 |
| Lease liabilities | 16 | **9.7** | 9.4 |
| Trade and other payables | 20 | **70.6** | 71.5 |
| Deferred and contingent consideration | 25 | **1.9** | – |
| Income tax payable | | **-** | 0.4 |
| Provisions | 22 | **1.7** | 1.2 |
| | | **83.9** | 83.0 |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | 21 | **29.8** | 14.6 |
| Lease liabilities | 16 | **82.9** | 72.2 |
| Deferred and contingent consideration | 25 | **7.6** | 1.1 |
| Provisions | 22 | **2.2** | 2.4 |
| | | **122.5** | 90.3 |
| **Total liabilities** | | **206.4** | 173.3 |
| **Net assets** | | **101.1** | 98.3 |
| **Equity** | | | |
| Ordinary share capital | 24 | **0.1** | 0.1 |
| Share premium | 24 | **13.0** | 13.0 |
| Merger reserve | 24 | **25.5** | 25.5 |
| Retained earnings | | **62.5** | 59.7 |
| **Total equity** | | **101.1** | 98.3 |

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

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2023.

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 2022

| | Share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | **0.1** | **12.5** | **25.5** | **51.2** | **89.3** |
| **Comprehensive income** | | | | | |
| Profit for the year | – | – | – | 12.5 | 12.5 |
| **Total comprehensive income** | **–** | **–** | **–** | **12.5** | **12.5** |
| **Transactions with owners recorded directly in equity** | | | | | |
| Issue of shares | – | 0.5 | – | – | 0.5 |
| Acquisition of treasury shares | – | – | – | (0.4) | (0.4) |
| Share-based payments expense | – | – | – | 0.4 | 0.4 |
| Dividends | – | – | – | (4.0) | (4.0) |
| **Total transactions with owners** | **–** | **0.5** | **–** | **(4.0)** | **(3.5)** |
| **Balance as at 31 December 2021 and 1 January 2022** | 0.1 | 13.0 | 25.5 | 59.7 | 98.3 |
| **Comprehensive income** | | | | | |
| Profit for the year | – | – | – | 8.4 | 8.4 |
| **Total comprehensive income** | **–** | **–** | **–** | **8.4** | **8.4** |
| **Transactions with owners recorded directly in equity** | | | | | |
| Share-based payments expense | – | – | – | 0.6 | 0.6 |
| Dividends | – | – | – | (6.2) | (6.2) |
| **Total transactions with owners** | **–** | **–** | **–** | **(5.6)** | **(5.6)** |
| **Balance as at 31 December 2022** | 0.1 | 13.0 | 25.5 | 62.5 | 101.1 |

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

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit for the year** | | **8.4** | 12.5 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | 13,14,15,16 | **20.1** | 17.8 |
| (Profit)/loss on disposal of fixed assets | | **(0.4)** | 0.4 |
| Net finance costs | 9 | **5.0** | 4.8 |
| Taxation | 10 | **3.5** | 0.4 |
| Share-based payments expense | 8 | **0.6** | 0.4 |
| **Operating cash flow before movement in working capital** | | **37.2** | 36.3 |
| Decrease/(increase) in inventories | | **0.3** | (10.0) |
| Decrease/(increase) in trade and other receivables | | **5.4** | (2.9) |
| (Decrease)/increase in trade and other payables | | **(4.4)** | 12.4 |
| Increase/(decrease) in provisions | | **0.1** | (0.9) |
| **Pre-tax operating cash flow** | | **38.6** | 34.9 |
| Tax paid | | **(2.2)** | (0.5) |
| **Net cash inflow from operating activities** | | **36.4** | 34.4 |
| | | | |
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiary, net of cash acquired | 5 | **(17.8)** | (5.3) |
| Payment of deferred consideration | 5 | **(0.3)** | – |
| Acquisition of fixed assets | 14, 15 | **(9.1)** | (5.5) |
| Proceeds on sale and leaseback, net of development costs | | **–** | 4.8 |
| Proceeds on disposal of fixed assets | | **–** | 0.1 |
| **Net cash outflow from investing activities** | | **(27.2)** | (5.9) |
| | | | |
| **Cash flow from financing activities** | | | |
| Interest on borrowings | | **(1.6)** | (1.5) |
| Repayment of borrowings | | **(10.5)** | (15.1) |
| Drawdown of borrowings | | **25.0** | 13.0 |
| Net interest on lease liabilities | | **(3.2)** | (3.5) |
| Net repayment of lease liabilities | | **(7.4)** | (9.9) |
| Proceeds of share issue | | **–** | 0.5 |
| Acquisition of treasury shares | | **–** | (0.4) |
| Dividends paid | 12 | **(6.2)** | (4.0) |
| **Net cash outflow from financing activities** | | **(3.9)** | (20.9) |
| | | | |
| **Net increase in cash and cash equivalents** | | **5.3** | 7.6 |
| Cash and cash equivalents at the beginning of year | | **9.8** | 2.2 |
| **Cash and cash equivalents at end of year** | 19 | **15.1** | 9.8 |
| Secured bank loans | 21 | **(29.8)** | (15.1) |
| Lease assets | 16 | **5.7** | 2.2 |
| Lease liabilities | 16 | **(92.6)** | (81.6) |
| **Net debt at end of year** | | **(101.6)** | (84.7) |

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



# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. ACCOUNTING POLICIES

### 1.1 BASIS OF PREPARATION

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

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

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

The financial statements of the Parent Company have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101") and are presented from page 110.

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

Judgements and estimates made by the Directors in the application of these accounting policies, 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 UK-adopted International Accounting Standards require an alternative treatment.

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

### 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 including the ongoing anticipated impact of current macroeconomic factors on the operations and its financial resources, the Group and Parent Company will have sufficient funds to meet their liabilities as they fall due for that period.

The Board continues to closely monitor the macroeconomic environment, including wage, energy and raw material price inflation, labour availability and Bank of England interest rate announcements. The Group balance sheet remains robust with significant financial headroom on committed banking facilities through to June 2024. The banking facilities comprise a £65 million Revolving Credit Facility and £10 million overdraft facility. Note 21 to the consolidated financial statements sets out more detail on the undrawn facility headroom and financial covenants. The Group has traded profitably throughout 2022, and to the date of this report, and its financial position remains strong, with net debt better than expectations at the year end and maintaining ongoing significant headroom on its banking facilities and covenants.

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

The Group starts 2023 with significant headroom on its banking facilities and the forecasts show that there is sufficient liquidity and headroom to ensure compliance with all covenants throughout the going concern period.

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

### 1.3 BASIS OF CONSOLIDATION

SUBSIDIARIES

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

### 1.4 FOREIGN CURRENCIES

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

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. ACCOUNTING POLICIES CONTINUED

### 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 exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

**Financial assets**

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

**i) Trade receivables**

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

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

**ii) Cash and cash equivalents**

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

**Financial liabilities**

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

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

**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 and other payables**

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

**iii) Contingent consideration**

Contingent consideration is measured at fair value.

### 1.6 LEASES

IFRS 16: Leases became effective on 1 January 2019. On initial application, the Group applied the practical expedients to: grandfather the definition of a lease on transition, applying IFRS 16: Leases to all contracts entered into before 1 January 2019 that meet the definition of a lease in accordance with the previously applied standard, IAS 17.

#### LESSEE ACCOUNTING

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

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

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

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

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

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

#### LESSOR ACCOUNTING

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

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

### 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.

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. ACCOUNTING POLICIES CONTINUED

### 1.8 BUSINESS COMBINATIONS

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

The Group measures goodwill at the acquisition date as:

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

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

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

### 1.9 INTANGIBLE ASSETS AND GOODWILL

#### GOODWILL

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

#### OTHER INTANGIBLE ASSETS

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

#### AMORTISATION

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

| | |
|---|---|
| Brand | 10 years |
| Customer relationships | 3 years |
| Computer software | 8 years |

### 1.10 INVENTORIES

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

### 1.11 IMPAIRMENT EXCLUDING INVENTORIES AND DEFERRED TAX ASSETS

#### FINANCIAL ASSETS

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

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

The Group has applied the simplified approach to measuring expected credit losses. For trade receivables, the Group recognises expected lifetime losses at initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. Payment profiles of sales over a five-year period before 31 December 2022 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 the 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.

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. ACCOUNTING POLICIES CONTINUED

### 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 consolidated financial statements.

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

### SHORT-TERM BENEFITS

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

### 1.13 PROVISIONS

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

### 1.14 REVENUE RECOGNITION

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

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

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

### 1.15 FINANCIAL INCOME AND EXPENSE

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

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

### 1.16 TAXATION

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

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

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

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

### 1.17 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 key performance indicators ("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 that 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. See below for definition of underlying operating profit.

**Adjusted EPS** – adjusted EPS is calculated on the same basis as basic EPS using profit after tax before amortisation of intangible assets, share-based payments expense and other non-underlying items.

**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.

### 1.18 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:

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

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

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. ACCOUNTING POLICIES CONTINUED

### 1.19 ADOPTED IFRS NOT YET APPLIED

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

- IFRS 17 – Insurance Contracts
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction – Amendments to IAS 12
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Non-current Liabilities with Covenants – Amendments to IAS 1

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

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

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

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

The critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

### ESTIMATES

#### REVENUE RECOGNITION AND RELATED CUSTOMER SUPPORT

Revenues are recognised at the fair value of goods sold to external customers, net of value added tax, discounts, rebates and other sales taxes or duty. Customer support is a pre-determined retrospective sales incentive for certain branded products that falls due when the Group's customer sells the relevant products to a specified end-user. A deduction is made from revenue, and a provision recognised, relating to relevant products sold to customers for which customer support has yet to be claimed. This deduction includes an estimate, based on historical claims, of the proportion of sales that are expected to be sold to specified end-users and that will result in a customer support claim. If the assumed claims rate in relation to the last 6 months of the year was a reasonably possible 10% lower or higher, then this would reduce or increase the liability at 31 December 2022 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 2022 is £8.9 million (2021: £7.3 million) and is sensitive to changes in customer demand. If 10% of the inventory requiring provision based on recent sales trends were subsequently to be sold it would impact the amount of the inventory provision by £0.9 million.

#### FAIR VALUE OF CONTINGENT CONSIDERATION

The acquisition of Poly-Pure Limited ("Poly-Pure") included contingent consideration in the form of an earnout mechanism, based upon the adjusted EBITDA after tax of Poly-Pure in the three calendar years to 31 December 2023, 31 December 2024 and 31 December 2025 respectively, capped in aggregate at a further £15 million in cash (up to £5 million per year). At the acquisition date, the fair value of the contingent consideration was assessed to be £7.6 million. The fair value of the contingent consideration was estimated by calculating the weighted average present value of the future expected cash flows for a range of scenarios. The estimates are based on a post-tax discount rate of 8.7% and an assumed undiscounted probability-adjusted EBITDA after tax of up to £15 million. There is inherent uncertainty in forecasting future performance and therefore there is a risk that actual contingent consideration paid could differ materially from the amount recognised. The estimate is sensitive to the probabilities applied to each scenario. The scenarios that are, in management's view, currently most likely would suggest contingent consideration to be recognised on acquisition in the range of £5.2 million to £10.9 million.

### JUDGEMENTS

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

#### DEFERRED TAX ASSETS

The Group recognises deferred tax assets in relation to tax losses. The Group has £6.2 million of tax losses whose utilisation is restricted against specific acquired trades. On reviewing business forecasts, the Directors have concluded that it is probable that future taxable profit will be available to utilise the full amount of the tax losses.

## 3. SEGMENTAL REPORTING

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

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

| | 2022 £m | 2021 £m |
|---|---|---|
| **Revenue from external customers** | | |
| Extrusion and Moulding – total revenue | 263.0 | 240.8 |
| Inter-segment revenue | (41.9) | (38.5) |
| Extrusion and Moulding – external revenue | 221.1 | 202.3 |
| | | |
| Fabrication and Distribution – total revenue | 134.8 | 127.3 |
| Inter-segment revenue | (0.1) | – |
| Fabrication and Distribution – external revenue | 134.7 | 127.3 |
| **Total revenue from external customers** | 355.8 | 329.6 |
| | | |
| **Segmental operating profit** | | |
| Extrusion and Moulding | 16.8 | 12.2 |
| Fabrication and Distribution | 7.5 | 8.4 |
| **Segmental operating profit before corporate costs** | 24.3 | 20.6 |
| Corporate costs | (2.8) | (2.1) |
| **Underlying operating profit** | 21.5 | 18.5 |
| Non-underlying items (see note 6) | (4.6) | (0.8) |
| **Operating profit** | 16.9 | 17.7 |

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 3. SEGMENTAL REPORTING CONTINUED

### BALANCE SHEET 2022

| | Extrusion and Moulding £m | Fabrication and Distribution £m | Total £m |
|---|---|---|---|
| Total assets | **219.7** | **70.5** | **290.2** |
| Total liabilities | **(123.7)** | **(35.2)** | **(158.9)** |
| **Segment net assets** | **96.0** | **35.3** | **131.3** |
| Group and other balances | | | **(30.2)** |
| **Net assets** | | | **101.1** |

### BALANCE SHEET 2021

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

### OTHER MATERIAL ITEMS 2022

| | Extrusion and Moulding £m | Fabrication and Distribution £m | Group and other costs £m | Total £m |
|---|---|---|---|---|
| Capital expenditure | **8.2** | **0.9** | **0.2** | **9.3** |
| Depreciation | **12.0** | **4.5** | **0.1** | **16.6** |
| Goodwill impairment | **3.0** | **–** | **–** | **3.0** |

### OTHER MATERIAL ITEMS 2021

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

Capital expenditure consists of additions of property, plant and equipment during the year.

### GEOGRAPHICAL INFORMATION

| | 2022 £m | 2021 £m |
|---|---|---|
| **Revenue from external customers** | | |
| UK | **337.6** | 311.1 |
| Europe | **16.7** | 16.9 |
| Rest of World | **1.5** | 1.6 |
| | **355.8** | 329.6 |

There are no customers that individually account for more than 5% of the Group's revenue (2021: none).

| | 2022 £m | 2021 £m |
|---|---|---|
| **Revenue from external customers, recognised at a point in time under IFRS 15** | | |
| Sale of goods | **313.3** | 295.2 |
| Sale of goods with variable consideration element | **38.9** | 29.1 |
| Fitting and installation | **3.6** | 5.3 |
| | **355.8** | 329.6 |

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

## 4. OPERATING PROFIT

Operating profit is stated after charging:

| | 2022 £m | 2021 £m |
|---|---|---|
| Amortisation of other intangible assets | **0.5** | 0.7 |
| Impairment of goodwill | **3.0** | – |
| Depreciation of property, plant and equipment | **6.7** | 6.4 |
| Depreciation of right of use assets | **9.9** | 9.9 |
| Impairment of property, plant and equipment | **–** | 0.8 |
| (Profit)/loss on disposal of fixed assets | **(0.4)** | 0.4 |

The analysis of auditor's remuneration is as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | **89** | 84 |
| The audit of the Company's subsidiaries pursuant to legislation | **371** | 269 |
| **Total audit fees** | **460** | 353 |
| **Non-audit fees:** | | |
| All other services | **–** | 17 |
| **Non-audit fees** | **–** | 17 |
| | **460** | 370 |

## 5. ACQUISITIONS

### ACQUISITIONS IN THE YEAR ENDED 31 DECEMBER 2022

On 9 September 2022, the Group acquired the entire share capital of Poly-Pure Limited ("Poly-Pure"), a UK-based materials re-processor, recycling post-consumer and post-industrial PVC building materials, for initial consideration of £14.9 million, net of cash acquired. Further contingent consideration may become payable, subject to an annual earnout mechanism, based upon the adjusted EBITDA after tax of Poly-Pure in the three calendar years to 31 December 2023, 31 December 2024 and 31 December 2025 respectively, capped in aggregate at a further £15 million in cash. The fair value of the contingent consideration on acquisition and as at 31 December 2022 was calculated to be £7.6 million, see note 2 for further details. Poly-Pure Limited forms part of the Extrusion and Moulding segment.

On 1 December 2022, the Group acquired the entire share capital of Hampton Decking Holdings Limited, Hampton Decking Limited, Masterjoint Limited and the Mayfield Group Limited (collectively "Mayfield") for initial consideration of £2.9 million, net of cash acquired. Mayfield supplies decking and related products, primarily to the holiday park and park home markets and forms part of the Fabrication and Distribution segment.

The acquired businesses contributed revenues of £3.8 million and profit before tax of £0.1 million to the Group during the year ended 31 December 2022. Disclosure of information on revenue and profit or loss for the Group as though the acquisitions of Poly-Pure and Mayfield had been completed on 1 January 2022 is impracticable.

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 5. ACQUISITIONS CONTINUED

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

| | Fair values on acquisition | | |
|---|---|---|---|
| | Poly-Pure £m | Mayfield £m | Total £m |
| Recognised amounts of identifiable assets and liabilities acquired: | | | |
| Acquired intangibles – brand | 3.0 | 0.6 | 3.6 |
| Acquired intangibles – customer relationships | – | 1.0 | 1.0 |
| Property, plant and equipment | 3.2 | 0.1 | 3.3 |
| Right of use assets | 3.6 | 0.9 | 4.5 |
| Inventories | 0.1 | 0.3 | 0.4 |
| Trade and other receivables | 1.6 | 0.7 | 2.3 |
| Cash and cash equivalents | 0.1 | 1.9 | 2.0 |
| Lease liabilities | (3.4) | (0.9) | (4.3) |
| Trade and other payables | (2.3) | (0.9) | (3.2) |
| Corporation tax liability | (0.1) | (0.1) | (0.2) |
| Deferred tax liability | (1.0) | (0.4) | (1.4) |
| Dilapidations | (0.2) | – | (0.2) |
| **Fair value of assets acquired** | **4.6** | **3.2** | **7.8** |
| Goodwill (see note 13) | 18.3 | 2.4 | 20.7 |
| **Total consideration** | **22.9** | **5.6** | **28.5** |
| | | | |
| **Consideration** | | | |
| Cash consideration | 15.0 | 4.8 | 19.8 |
| Deferred consideration | 0.3 | 0.8 | 1.1 |
| Contingent consideration | 7.6 | – | 7.6 |
| **Total consideration** | **22.9** | **5.6** | **28.25** |

Acquisition-related costs of £0.7 million were recognised as part of administrative expenses during the year.

On acquisition, other intangible fixed assets of £4.6 million were recognised, representing the brands of Poly-Pure and Mayfield and the customer relationships of Mayfield.

The deferred consideration of £0.3 million in respect of Poly-Pure was settled during the year.

The goodwill recognised of £20.7 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. See note 13 for further details.

## 6. NON-UNDERLYING ITEMS

Non-underlying items included within operating profit:

| | 2022 £m | 2021 £m |
|---|---|---|
| Amortisation of acquired other intangible assets | **(0.3)** | (0.3) |
| Share-based payments expense | **(0.6)** | (0.4) |
| Acquisition-related costs | **(0.7)** | (0.1) |
| Goodwill impairment (see note 13) | **(3.0)** | – |
| **Non-underlying items** | **(4.6)** | (0.8) |

### AMORTISATION OF ACQUIRED OTHER INTANGIBLE ASSETS

Amortisation of brand and customer relationship intangible assets of £0.3 million (2021: £0.3 million) acquired through business combinations.

### SHARE-BASED PAYMENTS EXPENSE

The share-based payment expense of £0.6 million (2021: £0.4 million) comprises IFRS 2: Share-based payment charges of £0.3 million (2021: £0.1 million) in respect of the Long-Term Incentive Plan and Save As You Earn ("SAYE") schemes of £0.3 million (2021: £0.3 million).

### ACQUISITION-RELATED COSTS

Acquisition-related costs of £0.7 million (2021: £0.1 million) relate to legal and professional fees associated with the acquisitions of Poly-Pure and Mayfield during the year.

## 7. STAFF COSTS

| | 2022 Number | 2021 Number |
|---|---|---|
| **Average number of employees** | | |
| Production and distribution | **1,532** | 1,439 |
| Marketing and administration | **555** | 533 |
| | **2,087** | 1,972 |

| | 2022 £m | 2021 £m |
|---|---|---|
| **Aggregate payroll costs** | | |
| Gross wages and salaries | **65.2** | 58.9 |
| Social security costs | **6.5** | 5.9 |
| Contributions to defined contribution plans | **1.7** | 1.7 |
| Share-based payments | **0.6** | 0.4 |
| | **74.0** | 66.9 |

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

| | 2022 £m | 2021 £m |
|---|---|---|
| **Key management personnel costs** | | |
| Short-term employee benefits | **1.9** | 2.1 |
| Post-employment benefits | **0.1** | 0.1 |
| Share-based payment charges | **0.2** | 0.1 |
| | **2.2** | 2.3 |

The remuneration of individual Non-Executive and Executive Directors is detailed in the table on page 63.

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 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.

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

The SAYE scheme was established in July 2015 and is available to all employees. The options can be exercised during a six-month period following the completion of a three-year savings period.

| | SAYE | LTIP | LTIP | SAYE |
|---|---|---|---|---|
| Date of grant | 21 October 2020 | 25 May 2021 | 6 May 2022 | 16 June 2022 |
| Earliest year in which options are exercisable | 2023 | 2024 | 2025 | 2025 |
| Option pricing model used | Black–Scholes | Black–Scholes | Black–Scholes | Black–Scholes |
| Number of options granted | 2,437,632 | 558,671 | 772,674 | 1,102,903 |
| Aggregate fair value of options granted at date of grant | £1.0m | £0.5m | £0.6m | £0.3m |
| Expected volatility | 62.2% | 61.3% | 60.5% | 61.8% |
| Risk free interest rate | 0.76% | 0.76% | 2.18% | 2.68% |
| Exercise price (per share) | 54.0 pence | 0.05 pence | 0.05 pence | 67.0 pence |
| Share price at grant date | 64.9 pence | 107.3 pence | 86.0 pence | 84.0 pence |
| Expected dividend yield | 6.0% | 6.0% | 6.0% | 6.0% |
| Expected term (years) | 3 years | 3 years | 3 years | 3 years |
| Expected departures | – | – | – | – |
| Settlement | Equity | Equity | Equity | Equity |

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

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

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

| | 2022 £m | 2021 £m |
|---|---|---|
| Long-Term Incentive Plan | **0.3** | 0.1 |
| SAYE | **0.3** | 0.3 |
| | **0.6** | 0.4 |

| | 2022 Average exercise price per share option | 2022 No. | 2021 Average exercise price per share option | 2021 No. |
|---|---|---|---|---|
| Number of options at 1 January | **51.0p** | **2,697,703** | 64.0p | 757,800 |
| Options granted | **39.0p** | **1,875,577** | 52.0p | 2,996,303 |
| Options lapsed | **59.0p** | **(246,581)** | 54.0p | (297,617) |
| Options exercised | **–** | **–** | 64.0p | (758,783) |
| **Number of options at 31 December** | **40.0p** | **4,326,699** | 51.0p | 2,697,703 |

The weighted average remaining contractual life of share options outstanding at the end of the period is 595 days. The number of options exercisable at the end of the period is nil.

| | 2022 No. | 2021 No. |
|---|---|---|
| Options outstanding at 31 December | | |
| SAYE 2020 | **1,989,832** | 2,139,032 |
| LTIP 2021 | **558,671** | 558,671 |
| LTIP 2022 | **772,674** | – |
| SAYE 2022 | **1,005,522** | – |
| **Options outstanding** | **4,326,699** | 2,697,703 |

## 9. FINANCE COSTS

| | 2022 £m | 2021 £m |
|---|---|---|
| Interest expense on borrowings | **1.6** | 1.1 |
| Amortisation of loan fees | **0.2** | 0.2 |
| Net interest on lease liabilities | **3.2** | 3.5 |
| **Total finance costs** | **5.0** | 4.8 |

## 10. TAXATION

| | 2022 £m | 2021 £m |
|---|---|---|
| **Current tax** | | |
| Current period | **1.6** | 1.4 |
| Prior period | **(0.5)** | (0.1) |
| **Total current tax charge** | **1.1** | 1.3 |
| | | |
| **Deferred tax** | | |
| Current period | **1.4** | (0.5) |
| Prior period | **1.0** | (0.4) |
| **Total deferred tax charge/(credit)** | **2.4** | (0.9) |
| | | |
| **Total tax charge** | **3.5** | 0.4 |

UK corporation tax is calculated at 19% (2021: 19%) 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% (2021: 19%) as follows:

| | 2022 £m | 2021 £m |
|---|---|---|
| Profit before tax | **11.9** | 12.9 |
| Tax at standard UK corporation tax rate of 19% (2021: 19%) | **2.3** | 2.4 |
| | | |
| Factors affecting the charge for the period: | | |
| Expenses not deductible | **1.0** | 0.3 |
| Losses utilised for which no deferred tax previously recognised | **–** | (0.5) |
| Change in tax rate | **–** | (1.2) |
| Super deduction benefit | **(0.3)** | (0.2) |
| Prior period | **0.5** | (0.4) |
| **Total tax charge** | **3.5** | 0.4 |

### FACTORS THAT MAY AFFECT FUTURE CURRENT AND TOTAL TAX CHARGES

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

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 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 | 2022 pence | 2021 pence |
|---|---|---|
| Basic EPS | **5.78** | 8.61 |
| Diluted EPS | **5.71** | 8.52 |

| Number of shares | 2022 No. | 2021 No. |
|---|---|---|
| Weighted average number of ordinary shares (basic) | **145,305,993** | 145,237,438 |
| Effect of share options in issue | **1,832,645** | 1,550,649 |
| Weighted average number of ordinary shares (diluted) | **147,138,638** | 146,788,087 |

## 12. DIVIDENDS

| | 2022 £m | 2022 pence per share | 2021 £m | 2021 pence per share |
|---|---|---|---|---|
| Previous year final dividend | **3.4** | **2.35** | 1.5 | 1.00 |
| Current year interim dividend | **2.8** | **1.90** | 2.5 | 1.75 |
| | **6.2** | | 4.0 | |

The Board is recommending a final dividend of 2.55 pence per share in respect of the financial year ended 31 December 2022.

## 13. GOODWILL

| | Goodwill £m |
|---|---|
| **Cost** | |
| At 1 January 2021 | 72.2 |
| Acquisitions through business combinations in 2021 | 3.3 |
| At 31 December 2021 | 75.5 |
| Acquisitions through business combinations in 2022 | 20.7 |
| **At 31 December 2022** | **96.2** |
| **Accumulated impairment losses** | |
| At 1 January 2021 and 31 December 2021 | – |
| Impairment | 3.0 |
| **At 31 December 2022** | **3.0** |
| **Net book value** | |
| **At 31 December 2022** | **93.2** |
| At 31 December 2021 | 75.5 |

### IMPAIRMENT TESTING

The goodwill of £93.2 million arose on the merger that formed the Epwin Group (£24.5 million) in 2012 and the acquisitions of:

- Ecodek (£7.2 million, impaired to £4.2 million) and Stormking (£24.4 million) in 2015
- National Plastics (£9.6 million) in 2016
- Amicus (£4.5 million) in 2018
- PVS (£2.0 million) in 2019
- SBS (£2.1 million), PBS (£0.4 million) and Accrington Plastics (£0.8 million) in 2021
- Poly-Pure (£18.3 million) and Mayfield (£2.4 million) in 2022

The Directors have considered it appropriate to allocate goodwill and test for impairment based on the acquisitions through which it arose, with the exception of the goodwill arising on the acquisition of Poly-Pure, of which £9.7 million has been allocated to the Epwin Group CGU reflecting the expected synergies arising from the use of Poly-Pure material within the Group.

Goodwill is not amortised but tested annually for impairment on the basis of value in use calculations using discounted cash flows.

Changes to regulations relating to the fire resistance of materials used on the exterior of high-rise buildings, following the Grenfell Tower fire in 2017, resulted in Ecodek losing a core market for its wood-plastic composite decking. Since then, increased uncertainty regarding future cash flows has resulted in a reduction in the value in use of the CGU. This has resulted in a partial impairment charge of £3.0 million in the year to reflect the fact that the discounted present value of future cash flows did not support the full carrying value of the goodwill.

For the remaining CGUs, 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.

Value in use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows. These pre-tax cash flows are based on budgeted cash flow information for a period of one year, aligning to the budget on which the Group's going concern assessment is based, followed by prudent assumptions regarding growth during the period to 31 December 2025. Terminal growth rates of 1.0% (2021: 1.0%) are applied beyond this. The cash flow projections include capital expenditure necessary to maintain operations. Discount rates are based on the weighted average cost of capital of a market participant and adjusted for risk in the cash flow forecasts.

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 13. GOODWILL CONTINUED

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 changes to the key assumptions would result in an impairment:

| CGU | Goodwill 2022 £m | Pre-tax discount rate 2022 | Long-term growth rate 2022 |
|---|---|---|---|
| Merger | 34.2 | 9.7% | 1.0% |
| Amicus | 4.5 | 11.3% | 1.0% |
| National Plastics | 9.6 | 11.3% | 1.0% |
| PVS | 2.0 | 10.0% | 1.0% |
| SBS | 2.1 | 10.9% | 1.0% |
| PBS | 0.4 | 11.3% | 1.0% |
| *Accrington Plastics* | 0.8 | 11.3% | 1.0% |
| Poly-Pure | 8.6 | 10.4% | 1.0% |
| Mayfield | 2.4 | 11.4% | 1.0% |

The table below sets out the key assumptions for CGUs where reasonably possible changes to the key assumptions would result in an impairment:

| | Goodwill 2022 £m | Pre-tax discount rate 2022 | Long-term growth rate 2022 | Headroom 2022 £m |
|---|---|---|---|---|
| Stormking | 24.4 | 11.1% | 1.0% | 5.6 |

In order to trigger an impairment, the key assumptions would need to be stressed as follows:

| | |
|---|---|
| Long-term growth rate to trigger impairment | -1.78% |
| Discount rate required to trigger an impairment | 13.36% |

The key assumptions used for Ecodek are as follows:

| CGU | Goodwill 2022 £m | Pre-tax discount rate 2022 | Long-term growth rate 2022 |
|---|---|---|---|
| Ecodek | 4.2 | 10.1% | 1.0% |

As an impairment loss has been recognised against the Ecodek goodwill in the current year, the recoverable amount is equal to its carrying value at the year end and therefore any negative changes in key assumptions would result in the recognition of an additional impairment loss.

## 14. OTHER INTANGIBLE ASSETS

| | Customer relationships £m | Brands £m | Computer software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| **At 1 January 2021** | **7.8** | **2.7** | **2.4** | **12.9** |
| On acquisition | – | 0.4 | – | 0.4 |
| Disposals | – | – | (0.3) | (0.3) |
| **At 31 December 2021** | **7.8** | **3.1** | **2.1** | **13.0** |
| On acquisition (see note 5) | 1.0 | 3.6 | – | 4.6 |
| Additions | – | – | 0.1 | 0.1 |
| Disposals | – | – | (0.9) | (0.9) |
| **At 31 December 2022** | **8.8** | **6.7** | **1.3** | **16.8** |
| | | | | |
| **Accumulated amortisation** | | | | |
| **At 1 January 2021** | **7.7** | **1.4** | **1.0** | **10.1** |
| Charge for the year | – | 0.3 | 0.4 | 0.7 |
| Disposals | – | – | (0.2) | (0.2) |
| **At 31 December 2021** | **7.7** | **1.7** | **1.2** | **10.6** |
| Charge for the year | – | 0.3 | 0.2 | 0.5 |
| Disposals | – | – | (0.6) | (0.6) |
| **At 31 December 2022** | **7.7** | **2.0** | **0.8** | **10.5** |
| | | | | |
| **Net book value at 31 December 2022** | **1.1** | **4.7** | **0.5** | **6.3** |
| Net book value at 31 December 2021 | 0.1 | 1.4 | 0.9 | 2.4 |

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

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings £m | Plant, fixtures and equipment £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2021** | **3.2** | **55.6** | **58.8** |
| On acquisition | – | 1.0 | 1.0 |
| Additions | 0.2 | 5.3 | 5.5 |
| Disposals | – | (3.7) | (3.7) |
| **At 31 December 2021** | **3.4** | **58.2** | **61.6** |
| On acquisition | – | 3.3 | 3.3 |
| Additions | 0.3 | 9.0 | 9.3 |
| Disposals | – | (16.7) | (16.7) |
| **At 31 December 2022** | **3.7** | **53.8** | **57.5** |
| | | | |
| **Accumulated depreciation** | | | |
| **At 1 January 2021** | **0.2** | **29.1** | **29.3** |
| Charge for the year | 0.1 | 6.3 | 6.4 |
| Impairment | – | 0.8 | 0.8 |
| Disposals | – | (3.4) | (3.4) |
| **At 31 December 2021** | **0.3** | **32.8** | **33.1** |
| Charge for the year | 0.2 | 6.5 | 6.7 |
| Disposals | – | (16.6) | (16.6) |
| **At 31 December 2022** | **0.5** | **22.7** | **23.2** |
| | | | |
| **Net book value at 31 December 2022** | **3.2** | **31.1** | **34.3** |
| Net book value at 31 December 2021 | 3.1 | 25.4 | 28.5 |

In 2021, the Group made the decision to phase out certain products and as a result wrote the carrying value of the related tooling down to its recoverable amount. This resulted in an impairment charge of £0.8 million.

## 16. LEASES

### RIGHT OF USE ASSETS

| | Leasehold land and buildings £m | Plant, equipment and motor vehicles £m | Total £m |
|---|---|---|---|
| **At 1 January 2021** | **52.3** | **14.1** | **66.4** |
| On acquisition | 2.4 | – | 2.4 |
| Additions | 2.6 | 2.6 | 5.2 |
| Disposals | (0.1) | – | (0.1) |
| Depreciation | (5.2) | (4.7) | (9.9) |
| **At 31 December 2021** | **52.0** | **12.0** | **64.0** |
| On acquisition (see note 5) | 4.4 | 0.1 | 4.5 |
| Additions | 11.6 | 4.3 | 15.9 |
| Disposals | (4.5) | – | (4.5) |
| Depreciation | (5.4) | (4.5) | (9.9) |
| **At 31 December 2022** | **58.1** | **11.9** | **70.0** |

### LEASE LIABILITIES

| | Leasehold land and buildings £m | Plant, equipment and motor vehicles £m | Total £m |
|---|---|---|---|
| **At 1 January 2021** | **71.0** | **13.2** | **84.2** |
| On acquisition | 2.4 | – | 2.4 |
| Additions | 2.6 | 2.6 | 5.2 |
| Repayment of lease liabilities | (8.7) | (5.0) | (13.7) |
| Interest on lease liabilities | 3.1 | 0.4 | 3.5 |
| **At 31 December 2021** | **70.4** | **11.2** | **81.6** |
| On acquisition (see note 5) | 4.2 | 0.1 | 4.3 |
| Additions | 11.6 | 4.3 | 15.9 |
| Disposals | (1.6) | – | (1.6) |
| Repayment of lease liabilities | (6.3) | (4.6) | (10.9) |
| Interest on lease liabilities | 3.0 | 0.3 | 3.3 |
| **At 31 December 2022** | **81.3** | **11.3** | **92.6** |

### LEASE LIABILITIES

| | 2022 £m | 2021 £m |
|---|---|---|
| Current | **9.7** | 9.4 |
| Non-current | **82.9** | 72.2 |
| **Total lease liabilities** | **92.6** | 81.6 |

### MATURITY ANALYSIS – CONTRACTUAL UNDISCOUNTED CASH FLOWS

### LEASE LIABILITIES

| | 2022 £m | 2021 £m |
|---|---|---|
| Less than one year | **13.3** | 12.4 |
| One to five years | **42.5** | 37.6 |
| More than five years | **59.1** | 52.2 |
| **Undiscounted lease liabilities at 31 December** | **114.9** | 102.2 |

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

### LEASE ASSETS

| | Leasehold land and buildings £m |
|---|---|
| **At 1 January 2021** | **2.4** |
| Receipts from lease assets | (0.3) |
| Interest on lease assets | 0.1 |
| **At 31 December 2021** | **2.2** |
| Additions | 3.7 |
| Receipts from lease assets | (0.3) |
| Interest on lease assets | 0.1 |
| **At 31 December 2022** | **5.7** |

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 16. LEASES CONTINUED

### LEASE ASSETS

| | 2022 £m | 2021 £m |
|---|---|---|
| Current | 0.4 | 0.2 |
| Non-current | 5.3 | 2.0 |
| **Total lease assets** | **5.7** | **2.2** |

### MATURITY ANALYSIS – CONTRACTUAL UNDISCOUNTED CASH FLOWS

### LEASE ASSETS

| | 2022 £m | 2021 £m |
|---|---|---|
| Less than one year | 0.7 | 0.3 |
| One to five years | 3.0 | 1.1 |
| More than five years | 3.2 | 1.4 |
| **Undiscounted lease asset at 31 December** | **6.9** | **2.8** |
| Impact of discounting | (1.2) | (0.6) |
| **Fair value of lease asset at 31 December** | **5.7** | **2.2** |

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

## 17. INVENTORIES

| | 2022 £m | 2021 £m |
|---|---|---|
| Raw materials | 11.8 | 10.7 |
| Work in progress | 0.3 | 0.3 |
| Finished goods | 29.0 | 30.0 |
| | 41.1 | 41.0 |

Inventory purchased in the period recognised as an expense was £189.7 million (2021: £187.0 million).

The Group provides for obsolete and slow-moving inventory based on historic and anticipated future usage. At 31 December 2022 there was an inventory provision of £8.9 million (2021: £7.3 million). During 2022, inventory with a value of £0.4 million was written off against the provision and £2.0 million of additional provision was created, with a corresponding charge to the income statement.

## 18. TRADE AND OTHER RECEIVABLES

| | 2022 £m | 2021 £m |
|---|---|---|
| Trade receivables | 40.9 | 44.0 |
| Less: expected credit loss | (2.3) | (2.0) |
| Trade receivables net of provision | 38.6 | 42.0 |
| Prepayments and accrued income | 1.5 | 1.0 |
| Other receivables | 0.4 | 0.6 |
| **Trade and other receivables** | **40.5** | **43.6** |

## 19. CASH AND CASH EQUIVALENTS

| | 2022 £m | 2021 £m |
|---|---|---|
| Cash at bank and in hand | 15.1 | 9.8 |
| **Cash and cash equivalents** | **15.1** | **9.8** |

## 20. TRADE AND OTHER PAYABLES

| | 2022 £m | 2021 £m |
|---|---|---|
| Trade payables | 45.8 | 52.1 |
| Other taxation and social security | 5.9 | 4.1 |
| Other payables | 2.0 | 2.3 |
| Accruals and deferred income | 16.9 | 13.0 |
| **Trade and other payables** | **70.6** | **71.5** |

## 21. OTHER INTEREST-BEARING LOANS AND BORROWINGS

| | 2022 £m | 2021 £m |
|---|---|---|
| Secured bank loans | | |
| Current | – | 0.5 |
| Non-current | 29.8 | 14.6 |
| | 29.8 | 15.1 |

The facilities available to the Group at 31 December 2022 were a £65.0 million revolving credit facility and a £10.0 million overdraft, secured on the assets of the Group. The term of the revolving credit facility runs through to June 2024.
The banking facility requires financial covenants to be tested on a quarterly basis: leverage ratio of less than 3.0 times adjusted EBITDA and interest cover of greater than 5.0 times adjusted EBITDA. The Group has remained within covenant levels at all times during the year.

Facility arrangement costs of £0.2 million (2021: £0.4 million) are set off against the amount owing at year end.

The revolving credit facility carries an interest rate of 2.7% above SONIA. The margin above SONIA is dependent on the level of borrowings relative to EBITDA.

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | Year of maturity | Face value £m | Carrying amount £m | Face value £m | Carrying amount £m |
| Revolving credit facility | 2024 | 30.0 | 30.0 | 15.0 | 15.0 |
| | | 30.0 | 30.0 | 15.0 | 15.0 |

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:

| | 2022 £m | 2021 £m |
|---|---|---|
| Expiring within one year | 10.0 | 10.0 |
| Expiring between one and two years | 35.0 | – |
| | 45.0 | 60.0 |

### NET DEBT RECONCILIATION

| | At 1 January 2022 £m | Cash movement £m | Non-cash movement £m | At 31 December 2022 £m |
|---|---|---|---|---|
| Cash and cash equivalents | 9.8 | 5.3 | – | 15.1 |
| Secured bank loans | (15.1) | (14.5) | (0.2) | (29.8) |
| Lease assets | 2.2 | (0.3) | 3.8 | 5.7 |
| Lease liabilities | (81.6) | 10.9 | (21.9) | (92.6) |
| **Net debt** | **(84.7)** | **1.4** | **(18.3)** | **(101.6)** |
| Add back: Lease liabilities | 81.6 | (10.9) | 21.9 | 92.6 |
| Deduct: Lease assets | (2.2) | 0.3 | (3.8) | (5.7) |
| Deduct: Finance lease liabilities | (4.1) | 1.0 | (0.1) | (3.2) |
| **Covenant net debt** | **(9.4)** | **(8.2)** | **(0.3)** | **(17.9)** |

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 21. OTHER INTEREST-BEARING LOANS AND BORROWINGS CONTINUED

### COVENANT NET DEBT TO ADJUSTED EBITDA

| | 2022 £m | 2021 £m |
|---|---|---|
| **Operating profit** | **16.9** | 17.7 |
| Add back: | | |
| Depreciation and amortisation (excluding acquired intangibles) | **16.8** | 16.7 |
| Non-underlying items (see note 6) | **4.6** | 0.8 |
| Finance lease payments | **1.0** | 0.9 |
| Less: | | |
| Net repayment in respect of leases | **(10.6)** | (13.4) |
| **Adjusted EBITDA** | **28.7** | 22.7 |
| **Covenant net debt to adjusted EBITDA** | **0.6x** | 0.4x |

## 22. PROVISIONS

| | Leasehold dilapidations £m | Warranties £m | Site consolidation £m | Total £m |
|---|---|---|---|---|
| **At 1 January 2022** | **2.3** | **0.9** | **0.4** | **3.6** |
| On acquisition (see note 5) | **0.2** | **–** | **–** | **0.2** |
| Created during the year | **–** | **–** | **0.6** | **0.6** |
| Utilised during the year | **(0.1)** | **(0.1)** | **(0.3)** | **(0.5)** |
| **At 31 December 2022** | **2.4** | **0.8** | **0.7** | **3.9** |

| | Leasehold dilapidations £m | Warranties £m | Site consolidation £m | Total £m |
|---|---|---|---|---|
| Non-current | **1.6** | **0.6** | **–** | **2.2** |
| Current | **0.8** | **0.2** | **0.7** | **1.7** |
| **At 31 December 2022** | **2.4** | **0.8** | **0.7** | **3.9** |

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

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

### LEASEHOLD DILAPIDATIONS

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

### WARRANTIES

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

### SITE CONSOLIDATION AND RATIONALISATION

Site consolidation and rationalisation provisions comprise onerous property cost provisions relating to sites the Group has closed, or committed to close, as at 31 December 2022.

## 23. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

| | 2022 Assets £m | 2022 Liabilities £m | 2021 Assets £m | 2021 Liabilities £m |
|---|---|---|---|---|
| Property, plant and equipment | **–** | **(1.9)** | 0.5 | – |
| Intangible assets | **–** | **(1.4)** | – | (0.4) |
| Other timing differences | **0.8** | **–** | 1.0 | – |
| Right of use assets/lease liabilities | **1.8** | **–** | 1.9 | – |
| Tax value of loss carry-forwards | **1.5** | **–** | 1.6 | – |
| Deferred tax assets/(liabilities) | **4.1** | **(3.3)** | 5.0 | (0.4) |
| Net of deferred tax liabilities | **(3.3)** | | (0.4) | |
| **Net deferred tax asset** | **0.8** | | 4.6 | |

Movement in deferred tax during the periods:

| | At 1 January 2022 £m | Recognised in comprehensive income £m | On acquisition £m | At 31 December 2022 £m |
|---|---|---|---|---|
| Property, plant and equipment | 0.5 | (1.7) | (0.7) | **(1.9)** |
| Intangible assets | (0.4) | 0.1 | (1.1) | **(1.4)** |
| Other timing differences | 1.0 | (0.2) | – | **0.8** |
| Right of use assets/lease liabilities | 1.9 | (0.1) | – | **1.8** |
| Tax value of loss carry-forwards | 1.6 | (0.5) | 0.4 | **1.5** |
| | **4.6** | **(2.4)** | **(1.4)** | **0.8** |

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

The Group has £6.2 million of tax losses that are potentially restricted in their use (2021: £7.1 million). On reviewing business forecasts, the Directors have concluded that it is probable that future taxable profit will be available to utilise the full amount of the tax losses.

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 24. SHARE CAPITAL AND RESERVES

| | 2022 Number of shares | 2022 £ | 2021 Number of shares | 2021 £ |
|---|---|---|---|---|
| **Allotted and called up:** | | | | |
| Ordinary shares of 0.05p each | **145,305,993** | **72,653** | 145,305,993 | 72,653 |
| | | **72,653** | | 72,653 |

### 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 incurred in issuing equity.

### MERGER RESERVE

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

### OUTSTANDING OPTIONS

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

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

## 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 £2.4 million (2021: £2.7 million).

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

| | 2022 £m | 2021 £m |
|---|---|---|
| UK | **39.2** | 41.3 |
| Europe | **1.7** | 2.6 |
| Rest of World | **–** | 0.1 |
| | **40.9** | 44.0 |

### CREDIT QUALITY OF FINANCIAL ASSETS AND IMPAIRMENT LOSSES

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

| | 2022 Gross £m | 2022 Impairment £m | 2021 Gross £m | 2021 Impairment £m |
|---|---|---|---|---|
| Not past due | **27.6** | **0.8** | 28.3 | 0.8 |
| Past due 0–30 days | **10.7** | **0.4** | 12.3 | 0.4 |
| Past due 31–120 days | **1.6** | **0.3** | 2.1 | 0.2 |
| More than 120 days | **1.0** | **0.8** | 1.3 | 0.6 |
| | **40.9** | **2.3** | 44.0 | 2.0 |

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

| | 2022 £m | 2021 £m |
|---|---|---|
| Balance at 1 January | **2.0** | 2.2 |
| Impairment loss recognised | **0.8** | – |
| Impairment loss utilised | **(0.5)** | (0.2) |
| **Balance at 31 December** | **2.3** | 2.0 |

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

### LIQUIDITY RISK

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

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

The Group has a £10.0 million overdraft and a £65.0 million revolving credit facility to support short and medium-term liquidity. The term of the revolving credit facility runs through to June 2024. At 31 December 2022 the amount outstanding on the revolving credit facility was £30.0 million (2021: £15.0 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.

| **2022** | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount £m | Less than 12 months £m | 1–2 years £m | 2–5 years £m | More than 5 years £m | Total £m |
| **Deferred consideration** | 0.9 | 0.9 | – | – | – | 0.9 |
| Contingent consideration | 8.6 | 1.0 | 2.5 | 6.5 | – | 10.0 |
| Secured bank loans | 29.8 | – | 30.0 | – | – | 30.0 |
| Lease liabilities | 92.6 | 13.3 | 11.8 | 30.7 | 59.1 | 114.9 |
| Trade and other payables* | 64.7 | 64.7 | – | – | – | 64.7 |
| | 196.6 | 79.9 | 44.3 | 37.2 | 59.1 | 220.5 |

* Excluding non-financial liabilities

# NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONTINUED

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

* Excluding non-financial liabilities

### 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:

| | 2022 Euro £m | 2022 USD £m | 2022 GBP £m | 2021 Euro £m | 2021 USD £m | 2021 GBP £m |
|---|---|---|---|---|---|---|
| Trade receivables | 1.1 | – | 37.5 | 2.1 | – | 39.9 |
| Cash and cash equivalents | 1.0 | 0.1 | 14.0 | 0.5 | – | 9.3 |
| Interest-bearing loans and borrowings | – | – | (29.8) | – | – | (15.1) |
| Trade payables | (1.0) | (0.3) | (44.5) | (0.2) | (0.3) | (51.6) |
| | 1.1 | (0.2) | (22.8) | 2.4 | (0.3) | (17.5) |

As at 31 December 2022, the Group had net monetary assets and liabilities denominated in Euro of positive £1.1 million (2021: £2.4 million) and USD of negative £0.2 million (2021: negative £0.3 million). A reasonably possible strengthening or weakening of Sterling against either currency would not have had a material impact on the year end position in the current or prior years.

### INTEREST RATE RISK

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

### CAPITAL RISK MANAGEMENT

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

### FAIR VALUE DISCLOSURES

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

| | 2022 £m | 2021 £m |
|---|---|---|
| Cash at bank and in hand | 15.1 | 9.8 |
| Trade receivables | 38.6 | 42.0 |
| **Total financial assets** | **53.7** | **51.8** |

| | 2022 £m | 2021 £m |
|---|---|---|
| Borrowings at amortised cost | 29.8 | 15.1 |
| Trade and other payables* | 64.7 | 67.4 |
| Lease liabilities | 92.6 | 81.6 |
| Deferred consideration | 0.9 | 0.1 |
| Contingent consideration | 8.6 | 1.0 |
| **Total financial liabilities** | **196.6** | **165.2** |

* Excluding non-financial instruments

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

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

### FAIR VALUE HIERARCHY

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

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

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

The contingent consideration of £7.6 million created on the acquisition of Poly-Pure was carried at fair value measured using a Level 3 valuation method based on forecast adjusted EBITDA after tax of the respective business during the calendar years to 31 December 2023, 31 December 2024 and 31 December 2025. See note 2 for further details regarding the Poly-Pure contingent consideration.

| | 2022 £m | 2021 £m |
|---|---|---|
| Balance at 1 January | 1.0 | 1.0 |
| Created on acquisition (see note 5) | 7.6 | – |
| **Balance at 31 December** | **8.6** | **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 that attract interest at floating rates) if interest rates were to change by +/- 1%. The impact on the result in the income statement would be:

| | 2022 Impact on profit before tax £m | 2021 Impact on profit before tax £m |
|---|---|---|
| +1 percentage point movement in interest rates | (0.3) | (0.3) |
| -1 percentage point movement in interest rates | 0.3 | 0.3 |

## 26. RELATED PARTY TRANSACTIONS

All transactions with Directors are included in the Remuneration Committee Report on pages 62 to 64.

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

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 4 | **72.0** | 71.4 |
| | | **72.0** | 71.4 |
| **Current assets** | | | |
| Trade and other receivables | 5 | **24.7** | 15.4 |
| | | **24.7** | 15.4 |
| **Total assets** | | **96.7** | 86.8 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Bank loans and overdrafts | 6 | **29.8** | 14.6 |
| | | **29.8** | 14.6 |
| **Total liabilities** | | **29.8** | 14.6 |
| **Net assets** | | **66.9** | 72.2 |
| **Equity** | | | |
| Ordinary share capital | 7 | **0.1** | 0.1 |
| Share premium | 7 | **13.0** | 13.0 |
| Merger reserve | 7 | **25.5** | 25.5 |
| Retained earnings | | **28.3** | 33.6 |
| **Total equity** | | **66.9** | 72.2 |

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting its own profit and loss account. The Company profit for the year ended 31 December 2022 was £0.3 million (2021: £0.7 million loss).

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2023.

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 2022

| | Share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | **0.1** | **12.5** | **25.5** | **38.3** | **76.4** |
| **Comprehensive income** | | | | | |
| Loss for the year | – | – | – | (0.7) | (0.7) |
| **Total comprehensive income** | **–** | **–** | **–** | **(0.7)** | **(0.7)** |
| **Transactions with owners recorded directly in equity** | | | | | |
| Issue of shares | – | 0.5 | – | – | 0.5 |
| Acquisition of treasury shares | – | – | – | (0.4) | (0.4) |
| Share-based payment expense | – | – | – | 0.4 | 0.4 |
| Dividends | – | – | – | (4.0) | (4.0) |
| **Total transactions with owners** | **–** | **0.5** | **–** | **(4.0)** | **(3.5)** |
| **Balance as at 31 December 2021** | **0.1** | **13.0** | **25.5** | **33.6** | **72.2** |
| **Comprehensive income** | | | | | |
| Profit for the year | – | – | – | 0.3 | 0.3 |
| **Total comprehensive income** | **–** | **–** | **–** | **0.3** | **0.3** |
| **Transactions with owners recorded directly in equity** | | | | | |
| Share-based payment expense | – | – | – | 0.6 | 0.6 |
| Dividends | – | – | – | (6.2) | (6.2) |
| **Total transactions with owners** | **–** | **–** | **–** | **(5.6)** | **(5.6)** |
| **Balance as at 31 December 2022** | **0.1** | **13.0** | **25.5** | **28.3** | **66.9** |

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

# NOTES TO THE COMPANY ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

## 1. BASIS OF PREPARATION

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

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

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

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

- Cash flow statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

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

- IFRS 2: Share-based 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 for both the Group and Company.

### 1.3 INVESTMENTS

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

### 1.4 BANK BORROWINGS AND FINANCING COSTS

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

### 1.5 SHARE-BASED PAYMENTS

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

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

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

### 1.6 TAXATION

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

## 2. CRITICAL JUDGEMENTS AND ESTIMATIONS IN APPLYING THE PARENT COMPANY'S ACCOUNTING POLICIES

The preparation of the Parent Company financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

The Parent Company holds a significant balance of £72.0 million (2021: £71.4 million) representing investments in subsidiary companies. The subsidiary companies' investment balances are held at cost less any impairment. An impairment exists when their recoverable amount is less than the cost of investment held in the accounts. There are a number of factors that could impact the recoverable amount, which creates a risk of this recoverable amount being lower than the investment balance held. The discounted cash flows used to assess the recoverable amount align to those used in testing goodwill; please see note 13 to the consolidated financial statements for more detail.

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

## 3. STAFF COSTS

The Company has no employees (2021: none). Please see disclosures relating to the Group in note 7 to the consolidated financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Committee Report on pages 62 to 64.

## 4. INVESTMENTS IN SUBSIDIARIES

| | Shares in subsidiary undertakings £m |
|---|---|
| **Cost** | |
| **At 1 January 2022** | **71.4** |
| Additions | 0.6 |
| **At 31 December 2022** | **72.0** |
| | |
| **Impairment** | |
| **At 1 January 2022 and 31 December 2022** | **–** |
| | |
| **Net book value** | |
| **At 31 December 2022** | **72.0** |
| At 31 December 2021 | 71.4 |

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

# NOTES TO THE COMPANY ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. INVESTMENTS IN SUBSIDIARIES CONTINUED

The Group's subsidiary undertakings are as follows:

| Company name | Principal activity of the company | Ownership percentage by the Group as at 31 December 2022 | 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 |
| Winep 73 Limited | Dormant | 100% | England |
| Stormking Plastics Limited | Dormant | 100% | England |
| **Held indirectly by the Company** | | | |
| Specialist Building Distribution Limited | Dormant | 100% | England |
| Specialist Building Contracting Limited | Fabrication and installation of windows and doors | 100% | England |
| Hampton Decking Limited | Supply and installation of decking products | 100% | England |
| Masterjoint Limited | Supply of decking products | 100% | England |
| Premier Distribution (Gt. Yarmouth) Limited | Supply and installation of decking products | 100% | England |
| Accrington Plastics Limited | Distributor of plastic building products | 100% | England |
| Winep 71 Limited | Dormant | 100% | England |
| Epwin Materials Limited | Holding Company | 100% | England |
| Amicus Building Products Limited | Holding Company | 100% | England |
| Hampton Decking Holdings Limited | Holding Company | 100% | England |
| Winep 61 Limited | Holding Company | 100% | England |
| Winep 63 Limited | Holding Company | 100% | England |
| Winep 67 Limited | Holding Company | 100% | England |
| Amazon Civils Limited | Dormant | 100% | England |
| Celuform Building Products Limited | Dormant | 100% | England |
| Churchley Bros. Limited | Dormant | 100% | England |
| Churchley Builders Plastics Limited | Dormant | 100% | England |
| Crown Architectural Aluminium (UK) Limited | Dormant | 100% | England |
| Deckinginabox Limited | Dormant | 100% | England |
| Ecodek Limited | Dormant | 100% | England |
| Winep 70 Limited | Dormant | 100% | England |
| Epwin Secretaries Limited | Dormant | 100% | England |
| HIS Systems Limited | Dormant | 100% | England |
| Kestrel BCE Limited | Dormant | 100% | England |
| Magden Limited | Dormant | 100% | England |
| Masterglaze Limited | Dormant | 100% | England |
| National Plastics (Building Products) Limited | Dormant | 100% | England |
| National Plastics Limited | Dormant | 100% | England |
| Nu*Stock Limited | Dormant | 100% | England |
| Permadoor Limited | Dormant | 100% | England |
| Plastal Commercial Limited | Dormant | 100% | England |
| Plastic Building Supplies Limited | Dormant | 100% | England |
| Poly-Pure Limited | Materials re-processor | 100% | England |
| Profile 22 Systems Limited | Dormant | 100% | England |
| Safedoors Limited | Dormant | 100% | England |
| Saltire Trade Plastics Limited | Dormant | 100% | Scotland |
| SBS (Cumbria) Limited | Dormant | 100% | England |
| Schnicks Limited | Dormant | 100% | England |
| Silplas Building Products Limited | Dormant | 100% | England |
| 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 |
| The Mayfield Group 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 1 George Square, Glasgow, G2 1AL.

## 5. TRADE AND OTHER RECEIVABLES

| | 2022 £m | 2021 £m |
|---|---|---|
| Amounts due from subsidiary undertakings | 24.7 | 15.4 |
| | 24.7 | 15.4 |

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

# NOTES TO THE COMPANY ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

## 6. BANK LOANS AND OVERDRAFTS

| | 2022 £m | 2021 £m |
|---|---|---|
| **Amounts falling due after more than one year** | | |
| Secured bank loans | **29.8** | 14.6 |
| | **29.8** | 14.6 |

The facilities available to the Group at 31 December 2022 were a £65.0 million revolving credit facility and a £10.0 million overdraft, secured on the assets of the Group. The term of the revolving credit facility runs through to June 2024. The revolving credit facility carries an interest rate of 2.7% above SONIA.

Facility arrangement costs of £0.2 million (2021: £0.4 million) are set off against the amount owing at year end.

Analysis of bank loans and borrowings:

| | 2022 £m | 2021 £m |
|---|---|---|
| **Repayable:** | | |
| Within one year | **–** | – |
| Between one and two years | **29.8** | – |
| Between two and five years | **–** | 14.6 |
| | **29.8** | 14.6 |

## 7. SHARE CAPITAL AND RESERVES

| | 2022 Number of shares | 2022 £ | 2021 Number of shares | 2021 £ |
|---|---|---|---|---|
| **Allotted and called up:** | | | | |
| Ordinary shares of 0.05p each | **145,305,993** | **72,653** | 145,305,993 | 72,653 |
| | | **72,653** | | 72,653 |

### 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 incurred in issuing equity.

### MERGER RESERVE

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

### OUTSTANDING OPTIONS

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

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



# NOTICE OF ANNUAL GENERAL MEETING

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 23 May 2023 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 2022, together with the report of the Directors and the auditors on those accounts.
2. To declare a final dividend of 2.55 pence per ordinary share in respect of the financial year ended 31 December 2022.
3. To re-appoint RSM UK Audit LLP as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
4. To authorise the Directors to determine the remuneration of the auditors of the Company.
5. To elect Stephen Harrison 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 6 as an ordinary resolution and as to resolutions 7 and 8 as special resolutions:

6. 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 £48,438.17 (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 £24,219.09 (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 £24,219.09).

Such authorities shall apply until the close of business on 30 June 2024 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 that 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.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

7. That, subject to the passing of resolution 6, 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 6 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 £3,632.86; and

   (unless previously revoked, varied or renewed) shall expire on 30 June 2024 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 that 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.

8. 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 that may be purchased is 14,531,451;

   (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) that 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 2024 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
4 April 2023

Company Number: 07742256

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

## EXPLANATORY NOTES TO THE NOTICE OF MEETING: ORDINARY BUSINESS

Resolutions 1 to 5 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 2022 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 2022 (the "Annual Report") to shareholders. Shareholders are invited to adopt the Annual Report and Accounts.

### RESOLUTION 2: TO DECLARE A FINAL DIVIDEND

A final dividend of 2.55 pence per ordinary share is proposed. If approved, the final dividend will be paid on 5 June 2023 to shareholders on the register at close of business on 12 May 2023.

### RESOLUTIONS 3 AND 4: TO APPROVE THE RE-APPOINTMENT OF THE AUDITORS AND ALSO AUTHORISE THE BOARD TO DETERMINE THEIR REMUNERATION

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, RSM UK Audit LLP, on behalf of the Board.

Following the Audit Committee's review of the effectiveness of the external auditor referred to above, the Board has decided to put RSM UK Audit LLP forward to be 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 ELECT STEPHEN HARRISON AS DIRECTOR OF THE COMPANY

Stephen Harrison was appointed as Director of the Company on 2 November 2022 and is proposed for election at the forthcoming AGM.

## SPECIAL BUSINESS

As well as the ordinary business of the meeting outlined above, special matters will be dealt with at the Annual General Meeting. Resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 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 6: 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 £24,219.09. This amount represents one-third of the issued ordinary share capital of the Company as at 3 April 2023, 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 £48,438.17.

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

### RESOLUTION 7: 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 7 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 £3,632.86, equivalent to 5% of the total issued ordinary share capital of the Company as at 3 April 2023 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.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

### RESOLUTION 8: 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 8 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 that 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.

## FURTHER INFORMATION

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 19 May 2023. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the Meeting.
2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
3. In the case of joint holders, where more than one of the joint-holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter that 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, by emailing shareholderenquiries@linkgroup.co.uk or calling on 0371 664 0300. 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.
   - Link Group, the company's registrar, has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

     **Apple App Store** **GooglePlay**

   - 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 by emailing shareholderenquiries@linkgroup.co.uk or calling on Tel: 0371 664 0300. 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 19 May 2023. Alternatively, you may send any document or information relating to proxies to the electronic address indicated on the form of proxy.
7. To appoint more than one proxy using a hard copy form of proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If possible, all forms should be returned together in the same envelope.
8. If you return more than one proxy appointment, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com). 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 & International 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 19 May 2023. 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 & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

12. Any corporation that 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 3 April 2023 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 145,314,511 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 3 April 2023 are 144,926,511.
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. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
16. Questions from shareholders may also be submitted via email (including a Shareholder Reference Number), in good time ahead of the meeting, to epwin@mhpc.com. Subject to normal considerations, written answers in respect of frequently asked questions will be posted on the Company's website following the meeting.
17. The following documents are available for inspection during normal business hours, via secure electronic means only, on any business day from the date of this Notice until the time of the Meeting and may also be inspected via secure electronic means from 10.45 am on the day of the Meeting until the conclusion of the Meeting:

    (a) copies of the Directors' letters of appointment or service contracts.
18. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.epwin.co.uk.



# INFORMATION FOR INVESTORS

## ADVISORS

### NOMINATED ADVISER 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

### INDEPENDENT AUDITORS
RSM UK Audit LLP
10th Floor
103 Colmore Row
Birmingham
B3 3AG

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

## SHAREHOLDER SERVICES

### REGISTRARS
For any enquiries relating to your shareholding please contact:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Email: shareholderenquiries@linkgroup.co.uk
Telephone: +44 (0) 371 664 0300

(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)

### EPWIN GROUP PLC
Registered office:
1b Stratford Court
Cranmore Boulevard
Solihull
B90 4QT

Registered in England
Company number: 07742256

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

Epwin Group

1b Stratford Court
Solihull
Birmingham
B90 4QT

**0121 746 3700**

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