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# Safestyle UK plc Annual Report 2022

The UK's No.1 for windows & doors

# Safestyle UK plc Annual Report 2022

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# The UK's No.1 for replacement windows and doors

## Based on FENSA installation data

## Highlights

**Revenue (£m)**

| | | |
|---|---|---|
| 2019 | 126.2 | |
| 2020 | 113.2 | -10% |
| 2021 | 143.3 | 27% |
| **2022** | **154.3** | **8%** |

**Underlying (loss) / profit before taxation[1] (£m)**

| | |
|---|---|
| 2019 | (1.5) |
| 2020 | (4.8) |
| 2021 | 7.6 |
| **2022** | **(4.4)** |

**Reported (loss) / profit before taxation (£m)**

| | |
|---|---|
| 2019 | (3.8) |
| 2020 | (6.2) |
| 2021 | 6.0 |
| **2022** | **(8.5)** |

**Net cash[2] (£m)**

| | |
|---|---|
| 2019 | 0.4 |
| 2020 | 7.6 |
| 2021 | 12.1 |
| **2022** | **8.0** |

**$CO_2$ (tonnes) per frame installed[3]**

| | | |
|---|---|---|
| 2019 | 0.0324 | |
| 2020 | 0.0304 | 6% reduction |
| 2021 | 0.0246 | 19% reduction |
| **2022** | **0.0227** | **8% reduction** |

**Average frame price (£)**

| | | |
|---|---|---|
| 2019 | 678 | |
| 2020 | 704 | 4% |
| 2021 | 791 | 12% |
| **2022** | **871** | **10%** |

**Frames installed**

| | | |
|---|---|---|
| 2019 | 190,252 | |
| 2020 | 163,617 | -14% |
| 2021 | 183,374 | 12% |
| **2022** | **178,652** | **-3%** |

[1] See the Financial Review on page 23 for definition of underlying (loss) / profit before taxation
[2] See the Financial Review on page 23 for definition of net cash
[3] This is after carbon offset credit. See the Chairman's Statement on page 17 for more details

# You're in safe hands with Safestyle, established 1992

**Proudly transforming homes for over 30 years**

# Rated great with over 30,000 five star reviews

**Trustpilot data March 2023**

Trustpilot

## In 2022 we received a total of 8,220 customer reviews!

## Safestyle have over 43,000 customer reviews rating us 'great'

**Great experience from start to finish**

Great experience from start to finish. From the initial consultation, pre-installation calls, post-installation check ups. Ive been very impressed with the professionalism of Safestyle, quality of work and would not hesitate to reccommend them to friends and family.

Najir Hussain - 30 January 2023

**Excellent quality of the windows and doors**

The quality of the windows and doors is excellent. The fitters were so professional and hardworking. They were perfectionists and nothing was too much trouble. So polite and respectful. Excellent at cleaning up afterwards. Highly recommended.

Mrs Susan Woods - 01 February 2023

**Absolutely fantastic**

Start to finish everything was smooth and quick. Salesman wasn't pushy, surveyor was efficient and the window installers were brilliant. Arrived right on time at 8am, cleaned up after themselves and did a fantastic job. Would 100% use again and recommend to anyone.

Jonathan Meighan - 24 January 2023


# Strategic Report


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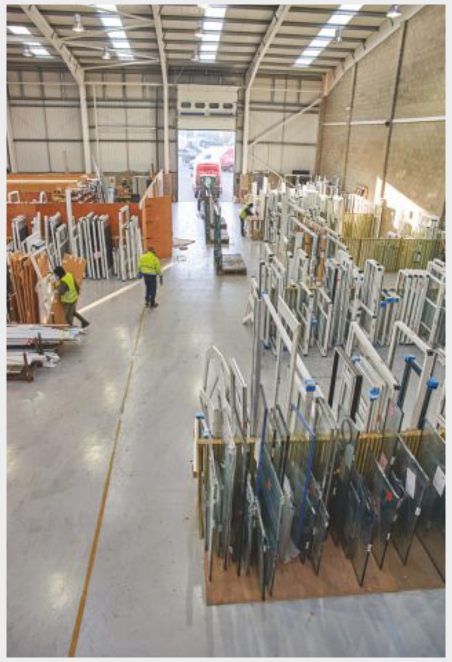
# We are a national company local to you

## Our experts are never far away...






# Our nationwide network of branches and depots

## We have 29 sales branches and 14 installation depots

29

**Sales Branches**

Our 29 sales branches provide coverage across the country with our teams generating enquiries and responding locally to our customers' needs.

14

**Installation Depots**

Our 14 installation depots are the hubs from which our fitting operation can efficiently fulfil our customers' orders. Our expert fitting teams visit their branch each day to unload and reload their vehicles, connect with the nerve centre of the company and set off to carry out the day's orders.

**1 Head Office**

**1 Manufacturing Facility**

**14 Installation Depots**

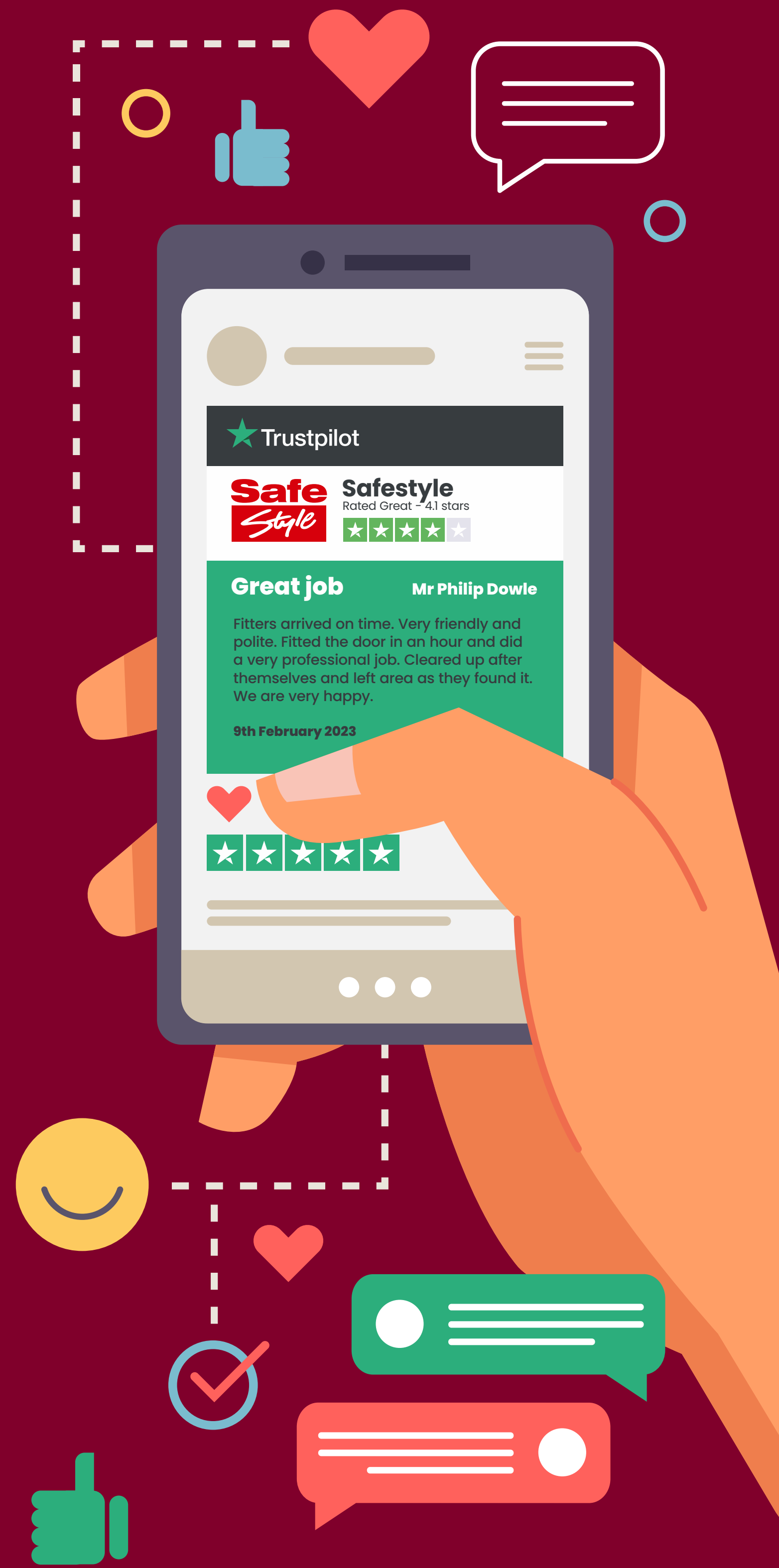
**29 Sales Branches**

# The Safestyle customer journey

## Personalised service from start to finish

**We are proud to be the UK's largest supplier of replacement windows and doors to the UK homeowner market. We control all aspects of the customer journey from start to finish which creates a personalised and long-term relationship with each of our customers.**

| | | |
|---|---|---|
| 01 | Marketing → | We generate 1,000s of appointments through various marketing channels with potential customers each year |
| 02 | Sales → | We help 1,000s of customers navigate the complexity of options that they face when changing their windows or doors |
| 03 | Survey → | We survey over 50,000 properties to precisely specify products ready for bespoke manufacture in Barnsley |
| 04 | Manufacture → | We efficiently manufacture customer specific, high quality, energy saving products and distribute to 14 installation depots |
| 05 | Installation → | We expertly install the new windows and doors before recycling the items we replace in 1,000s of homes every year |
| 06 | Service → | We provide complete peace of mind for every customer on every installation with our up to fifteen year warranty period |
| 07 | Feedback → | We contact our customers via email with a survey of our overall quality of service feeding into our Net Promoter Score |



# You'll almost be spoilt for choice...

## Mind-blowing number of combinations

As the UK's number one we offer a wide range of products, in a variety of styles and designs, all available in many stunning finishes with a huge choice of glass and furniture options to name but a few. Here's just a little taster of what we do...

20

### Composite doors

Featuring a stunning range of traditional, contemporary and cottage styles

16

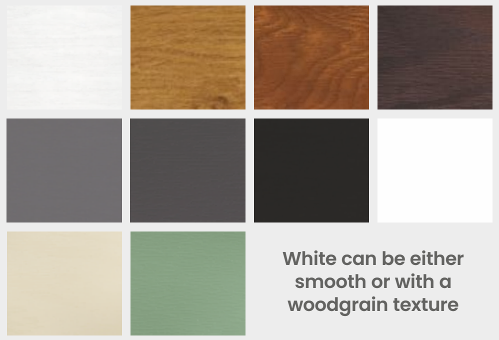
### Colour finishes

With a beautiful range of finishes, all you need to do is pick your favourite colour

10

### PVCu colours

From modern grey to traditional oak and all that's in-between, the below colour options apply to PVCu doors, all windows, garden doors and frames



White can be either smooth or with a woodgrain texture

11

### PVCu door designs

Open the door to a world of style, our PVCu doors are super smart, take your pick

03

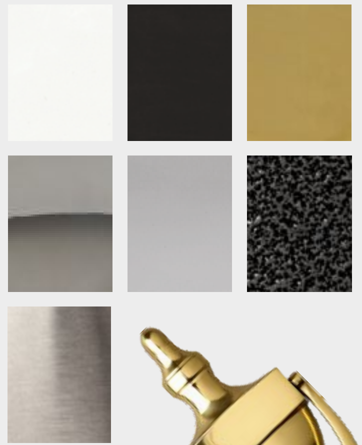
### Window types

Including casement, the very clever tilt & turn window and our range of sliding sash windows

07

### Furniture colours

White, black, gold, polished chrome, satin chrome, pewter and brushed chrome



03

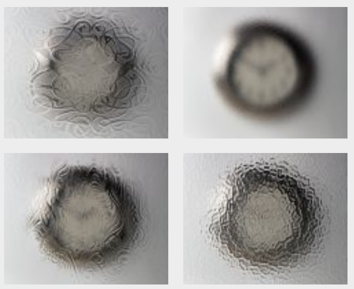
### Garden doors

Choose from French, patio or bi-folding doors

10

### Glass options

Our obscure glass range offers various levels of privacy



### Plus a huge range of furniture & handle options

Including a variety of door knockers to choose from, letter plates, spy holes, safety chains, numbers and more...

# The journey of a Safestyle customer order

## You're in safe hands with Safestyle

### 01 Interest registered

Up and down the country, hundreds of thousands of people every year contact Safestyle UK to register their interest in energy efficient windows & doors and request a free quote.

### 02 Arrange appointment

Our appointment agents based at Head Office or in our Sales Branches speak to the customer, confirm their interest and agree upon a convenient time & date for one of our representatives to visit. The appointment is then created within our lead management system.

### 03 Distribute to branch

Through our lead management system, the appointment data is received by the local branch. At which time the appointment is then assigned to a specific representative for the visit.

### 04 Visit the property

The representative will visit the property and go through all relevant product and service information with the potential customer. Next they will measure up, confirm all the requirements and present a no-obligation quote.

### 05 Confirm & book survey

If the customer is happy and wants to go ahead then back in Bradford the order is received, confirmed and all details are double checked. A survey will then be booked on our system and the customer will be notified.

### 06 Survey the property

One of our expert surveyors will visit the property to double check all measurements and aspects of the job. All details are confirmed with the customer including styles, designs etc. and we make sure we are meeting the full requirements of the customer.

### 07 Finalise survey to order


Head Office receive the detailed survey. It is passed through Quality Control for final checks before sending to the pricing team. Lastly, the installation date is confirmed with the customer, the order is created and is electronically sent for production to start.

### 08 Safestyle manufacturing

Under the watchful eyes of our highly-skilled craftsmen, every window & door is manufactured in our state-of-the-art facility in Barnsley to the customer's exact specifications. Having passed through all quality control checks, the products are then transferred to our network of depots ready for installation.

### 09 Ready for installation

Once the products arrive at the depot, the assigned team will collect these bright and early on the morning of installation. They will check in with the depot, go through the work sheets and head off to the installation.

### 10 Installation day

At the agreed time date, our fitting team will arrive ready for the transformation. All work will be carried out quickly, carefully and professionally, installing the customer's new products to their exact specifications. Great care will be taken, leaving the property as tidy and clean as we found it.

### 11 Peace of mind

Then the customer can sit back, relax and enjoy their brand new windows and doors knowing that for the next 15 years we are only a phone call or email away should they need us. Our expert service engineers are on hand to help with any issues, big or small, should they arise.

### 12 Feedback

Within the first 48 hours after their installation is complete, our customers receive a quality assurance call and an email with a link to a survey. The questions cover all relevant aspects of our service so we can accurately monitor our performance and this feeds into our Net Promoter Score.

# Go figure, Safestyle in numbers for 2022

**Wow, another very busy year for the UK's No.1**

148,228

**windows made in 2022, that's a lot of windows…**

8,220

**Trustpilot reviews from our customers during 2022**

5,604

**of those gave us a 5 star rating**

1,200

**Workplace messages**

32,000

**activities conducted on our applicant tracking system Team Tailor**

9,000

**applicants processed**

3,411,804

**new website visitors**

3,413,613

**metres of PVC profile we replaced last year. The equivalent of almost 30,000 football pitches**

11,647

**Net Promoter Score survey responses, almost the same number of people as 20 full Boeing 747 planes**

3,714

**tonnes of glass was recycled last year…**

2,157

**Workplace posts created during 2022**

11,116

**in total for 2022 we recycled 11,116 tonnes of all waste**

20,713

**Workplace reactions**

948

**tonnes of wood recycled**

6,296

**Workplace comments**

14,033

**online training modules completed**

2,158

**tonnes of post consumer PVCu was recycled**

8,540

**French and patio doors manufactured**

19,000

**visitors to our careers website**

347,363

**square metres of glass produced in 2022. That's enough to glaze the Burj Khalifa 3 times**

210,495

**minutes spent in 2022 completing online training. That's the same as watching over 2,300 football matches**

34,869

**that's a lot of PVCu and composite doors. Did you know, laid end to end that's roughly the same length as 18 Heathrow runways!**

# Chairman's Statement





## Introduction

After a stable and profitable 2021, I regret that Safestyle was again hit by untoward events in 2022 – a serious cyber-attack, a hot summer affecting equipment in the factory and the political volatility of the autumn – which meant that pre-investment profit reduced to around break-even. Despite these headwinds, the Board decided to persevere with its investment plans in the interests of building sustainable profits in the medium-term; these included getting the brand back on TV, a training programme for installation colleagues, IT development and an online trading brand. The Board expects these investments to start to make a difference in 2023 but to be more obvious in later years.

## Trading and financial performance

The Group delivered revenue growth of 7.7% to £154.3m over 2021, driven by pricing responses to the inflationary environment. This revenue growth would have been higher were a planned January price increase, designed to keep pace with rapidly-rising input costs, not delayed until April whilst we recovered from the cyber-attack. Consequently, these inflationary pressures across materials, energy, labour and lead generation resulted in cost of sales increasing faster than our top line revenue; gross profit reduced by 13.4% to £37.9m and gross margin percentage by 600bps to 24.5%.

The Group entered 2022 with a strong balance sheet, which the Board has used to continue to drive the investment agenda in people, training, customer service, brand development and our IT roadmap, all of which are critical to deliver on the Group's strategic priorities that were shared at the Capital Markets Day in November 2022. This investment, equating to c.£5m over 2022, is expected to underpin delivery of our medium-term performance targets, but did contribute to reduced profitability in 2022. We expect to continue with our investment agenda in 2023, albeit prudently utilising the levers at our disposal should market factors dictate more conservative investment.

Following the 2022 investment, the Group produced an underlying (loss) before taxation for the full year of £(4.4)m compared to an underlying profit in 2021 of £7.6m. After non-underlying items, reported (loss) before taxation[1] was £(8.5)m compared to a profit of £6.0m in the prior year. Basic EPS was a loss of (4.7)p versus 3.5p last year.

## Balance sheet and dividend

The net cash[2] position at the end of the year reduced to £8.0m (2021: £12.1m) as a result of the financial performance described above.

Pleasingly – and a representation of our lender's confidence in the Group's future – the £7.5m finance facility was renewed in January 2023. This new facility runs until December 2026 in the form of a lower cost revolving credit facility. Covenants have also been renegotiated and are either untested or scale in proportion to the drawn facility.

An interim dividend of 0.4p per share (2021: £nil) was declared and paid in the year. The Board has proposed a final dividend of 0.1p per share (2021: £nil). The return to the dividend list this year represents the Board's confidence in the future of the Group and the strength of the balance sheet. A progressive dividend is part of our wider capital allocation policy. This policy includes utilising operating cashflows to reinvest behind the strategic priorities of the Group as well as assessing opportunities to accelerate growth through acquisitions and new business development.

## Sustainability

I can report that our focus on sustainability in all the Group's operations has yielded further progress during 2022. The Group maintained its performance in recycling 95% of all waste generated from all processes, including materials removed from a customer's home during an installation. We continue to believe this is the highest level in the industry.

We are also continuing to make strong progress towards our targets for $CO_2$ emissions per frame installed. Last year, I reported that we had exceeded our original targeted reduction in this measure three years earlier than planned. Consequently, we reset our target for a further reduction of 6% before 2025. I am pleased to report that we are well on track to achieving this target having achieved, before carbon offsetting credits, a 2.0% reduction in $CO_2$ emissions per frame installed versus 2021. This year's reductions have been achieved through further moves to renewable energy, ongoing energy usage reduction programmes across the Group and increased collaboration with suppliers.

Vehicle emissions now account for well over 80% of the Group's total emissions and therefore the key remaining breakthrough required is to electrify the Group's vehicle fleet to which we added a further six electric vehicles in 2022. However, the largest segment of our fleet are our commercial vans and we require improved vehicle range as well as an improved charging infrastructure before we can fully transition to electric-powered vehicles.

As we target reductions in our emissions, we are also working with partners on various sustainability programmes including carbon offset programmes. I am pleased to report that we offset 247 tonnes of carbon emissions at the end of last year. Taking this into account, our $CO_2$ emissions per frame installed reduced by 7.7% versus 2021.

The Group's pre and post carbon offset credits emissions per frame performance will continue to be reported to show progress as we work to reduce emissions as much as possible with current technology and renewable energy and then additionally show any benefit achieved through offsetting residual emissions with Gold Standard carbon offsets.

## Board changes

At the end of the year, our previous CEO Mike Gallacher retired having led Safestyle through the Safeglaze saga in 2018, successfully navigated the global pandemic as well as overcoming the challenges described above in 2022. I once again thank Mike for his commitment to our people and our business during these turbulent times and we wish him and his family well for the future.

Consistent with our plans for succession, the Board appointed Rob Neale, who has been our CFO for four and a half years, to the role of CEO following Mike's retirement. The Board and I are confident in Rob's leadership ability and we look to the future positively as the business continues to target delivery against its strategic objectives.

On 1 March 2023, the Board appointed Michelle Williams, who has been Safestyle's HR Director since 2017, to the Board as Chief People Officer. Safestyle's people represent a core enabler of our strategic priorities and Michelle's appointment reflects that. Michelle has built a deep understanding of our people, our business and our industry and we look forward to her ongoing contribution to the Group as a Board director.

Finally, the search process for a new CFO is well advanced and we will provide an update on this in due course.

## Safestyle's people

Once again I conclude by recognising the hard work of all our people at Safestyle. 2022 had some unexpected events that tested our people who responded with passion, skill and resilience. Alongside overcoming numerous challenges, they also contributed to progress made with the foundations that I am confident will deliver future success.

I believe that Safestyle's team continue to make the difference and I look to the future with confidence.

Alan C Lovell
Chairman
22 March 2023

[1] See the Financial Review for the definition of underlying profit / (loss) before taxation
[2] See the Financial Review for the definition of net cash

# CEO's Statement

We began 2022 with the clear intention of building on the progress made over the last few years as we emerged from a period of sustained turbulence whilst also initiating a multi-year strategic investment programme. I am pleased to report that we achieved the latter, making significant steps forward in a programme to achieve our medium-term objectives. Despite clear progress in this regard, it has been frustrating that our financial performance was hindered by unforeseen events that represented a series of new challenges to overcome in the year. Whilst disappointing, it highlights the progress that we have made as a business over the past few years that we were able to continue with our strategic investment programme despite the headwinds we faced in 2022.

Before I expand on the year, it is most important to recognise that Safestyle's people have once again demonstrated that they possess all the qualities needed to ensure that the business ended the year ready to press ahead in 2023. Their loyalty, resilience, teamwork and determination have all once again come to the forefront throughout the year as they stared into the challenges presented to the business. I am proud to lead a strong team and look forward to continuing working with them and all stakeholders as we drive Safestyle towards our shared goals.

## 2022 headlines

2022 had barely begun before our promising momentum from 2021 was interrupted when, on 25 January 2022, the business was the subject of a highly-sophisticated cyber-attack which originated from Russia; at this point we became one of many businesses impacted by such an incident. Our people's immediate response was impressive and we were able to maintain our core operations, sales, surveying, manufacturing and installations although they were all hampered during the recovery period which took us into Q2 before operations were back to business as usual.

Inevitably, the disruption impacted our ability to service our customers at the high levels we set ourselves. As we moved into early summer, our typically reliable factory encountered issues attributable to the extraordinary heatwave in July. This caused operational, fulfilment and service issues for the next two months. Enhanced measures are now in place to ensure that if we experience similar temperature levels in the future, the same impact will not arise.

The economic and consumer outlook worsened as we moved into H2. Consumer confidence levels were reportedly at a 40-year low and inflation at a corresponding record high. We brought forward our next wave of TV advertising and looked to leverage our clear value proposition, the relevance of our product at a time of high household energy costs, market-leading finance options and a credible 10-year warranty.

However, despite our actions, order intake across the period from late September to the end of October was volatile. We attributed this to the political and economic news cycle of the period, which we believe had a direct, adverse impact on consumer confidence. Order intake (value) across this period was 2.7% lower than the prior year whilst, at the same time, the Group experienced higher costs of acquisition than prior years due to the challenging market context. Demand improved in early November which resulted in order intake (value) returning to expected levels and growing by over 30% year on year across the first three weeks of November with lead generation costs also returning to normalised levels.

This trading volatility had an adverse impact on the financial performance for the year, resulting in lower installation volume levels in Q4 as well as margin being diluted due to higher costs of lead generation. On a more positive note, the improved order intake later in the year resulted in an order book that closed the year significantly ahead of our original expectations, being only slightly lower than the record levels of the last two years and over 60% higher than pre-pandemic closing order book levels.

A final significant event of 2022 followed an extensive selection process and careful deliberation by the Board which led to notice being served on our existing PVCu profile supplier and a transition plan to a new supplier, Liniar, being enacted. I am pleased to report that this complex project was well-managed within a demanding timescale and the transition was successfully completed on time and on budget over the Christmas period. This represents one of many examples where we have made progress on strengthening the fundamentals of the business despite the challenging events of the year described above.

## Financial performance

Our financial performance, especially in the first half of the year, was materially impacted by the cyber-attack at the end of January. The Group's revenue delivery of £154.3m represented 7.7% growth over 2021. This revenue was achieved despite a delay to a planned pricing change designed to keep pace with inflationary cost push having to be delayed by three months due to the cyber-attack.

Installation volumes declined over 2021 by 2.6% to 178,652 with the cyber-attack and trading volatility later in the year both impacting our performance. Despite this volume decline, latest figures from FENSA suggest that our 2022 market share marginally increased versus 2021; this is encouraging given some of the volume challenges were unique to us and provides confidence that ongoing market share gains are achievable as we deliver on our strategic priorities.

Moving beyond topline performance, input costs in the year represent the highest levels of inflation in many years, increasing year on year by over 30% in some areas. The main drivers were rising energy costs being passed on by our suppliers as well as higher raw material, staffing and fuel costs. Our buying power and longer-term contracts with fixed pricing mitigated some of these effects for part of the year. We continue to move proactively to mitigate the impact of these costs on our margins


through price changes, while remaining conscious of our value proposition in the market alongside careful cost management.
2022 also represented a step-change in our investment programme as part of our medium-term plans to modernise the business, drive growth, provide a great customer service, reduce adverse quality costs and drive financial performance over the medium-term. This investment represented an increase in operating expenses in the year versus 2021 of c.£5m which includes £2.5m of TV spend, alongside further growth in people costs, IT, training and customer service investment. Our strong cash position has supported this activity.

The Group's underlying (loss) before taxation for the full year was £(4.4)m compared to an underlying profit in 2021 of £7.6m. The majority of the year on year difference can be attributed to the adverse impact on profits of the cyber attack which is estimated at c.£4m (largely due to the pricing delay described above) and the year on year investments in our strategic priorities of c.£5m.

## Dividend

We were pleased to report a return to dividend payments in our interim results, confirming an interim dividend of 0.4p per share (2021: £nil). Despite the challenges faced last year, we are confident about the future and it remains our intention to adopt a progressive dividend policy going forward. We have declared a final dividend of 0.1p per share (2021: £nil) which brings the total dividend for the year to 0.5p per share. Further details of the dividend, including a dividend timetable, are included in the Financial Review further below.

## Strategic priorities

The Group shared its strategic priorities and objectives at its Capital Markets Day in November 2022. At this event, the management team provided details of its programme that it will focus on in order to deliver its strategy and medium-term financial targets.

For 2022, the strategic investment programme delivered the following specific activities:

**Accelerating growth:** In a highly-fragmented market, the opportunity to grow the business is clear. Driving brand awareness is a key element of our accelerating growth strategy. From 2018 until the start of 2022, brand investment had been significantly curtailed, driving up digital marketing costs and causing erosion of our national brand awareness. We returned to TV advertising in February 2022 with a second wave beginning in August 2022 with a campaign that communicated a new, modernised 'Safestyle Saves' brand proposition fronted by David Seaman MBE, the former England goalkeeper.

Alongside the above the line investment described above, which totalled £2.5m in 2022, we have continued to make significant progress leveraging our scale in digital marketing excellence, supported by our class-leading agency that we appointed in 2020. Increasing the use of Artificial Intelligence ('AI') and other search and conversion optimisation strategies will continue to be essential to help offset what are rising levels of digital marketing rate inflation.

We aim to combine the above key pillars with rigorous customer insights and targeted expansion of our geographical presence to drive our accelerating growth strategy in the coming years.

# CEO's Statement

**Transforming the customer experience:** Our mission is to deliver a great customer experience every time for our thousands of customers. Our approach is based on designing and implementing robust business processes, supported by modern IT systems and effective training to provide speed, ease, certainty and empathy in everything we do. This is a phased multi-year initiative, which supports growth and reduces cost. Our focus in 2022 was on investing in customer service levels as we modernise our call centre, drive improvements in our complaints handling procedures as well as implementing Net Promoter Score ('NPS') across the installations network.

**Driving performance:** This strategic priority targets delivering consistency and improved results through standardisation, training, best practice alignment and innovation across our three initiatives of 'getting it right', 'levelling up' and 'capacity and productivity.'

We need to ensure that as our business grows, we have developed and implemented Standard Operating Procedures ('SOP's) that reduce the range of operational performance that exists across our network. In 2022, we launched our new SOPs across our installations network and also developed and began the roll out of our first 'Role Model Depot' training programme for depot management. This training will be deployed across our installations management population into 2023.

A key element of this strategy has been the launch of the Safestyle Academy. In 2022, 27 trainees have progressed through the adult fast-track installer training programme which is a structured, practical training programme with over 90% delivered on-the-job. This programme is now starting to deliver 'graduates' of well-trained window fitters to the business, addressing the current skill shortages across the UK and embedding the Safestyle approach to customer service. We target further new cohorts to join later in the year alongside deploying the Academy to other areas of the business.

**Leveraging sustainability and embedding compliance:** I am delighted that we have sustained progress in our environmental agenda. Our waste to landfill performance remains at 5%. Furthermore, having increased targets following early achievement last year, we remain well on track to achieve our 2025 targets following a further 2.0% reduction in $CO_2$ per frame installed versus 2021. This performance is before taking into account our new carbon offset partnership programme.

We have engaged with our largest suppliers with regards to their sustainability agenda and have started several working parties sharing best practices and learnings as we continue to focus on reducing the impact of our business on the environment. Included within these initiatives is a new offset programme that started at the end of the year which totalled 247 tonnes of carbon credits. Taking this into account, our $CO_2$ emissions per frame installed reduced by 7.7% versus 2021. As reported in the Chairman's statement, we will continue to report pre and post-carbon offset performance to clearly capture progress on reducing our own emissions as well as the impact of offset initiatives.

We have greatly-improved our compliance record over the last five years. Our health and safety performance remains excellent and our membership to the Association of Professional Sales has been renewed. Regular inspections and audits throughout the year have maintained our focus on our compliance responsibilities.

We also have two enablers to delivery of our strategic priorities:

**IT:** Our IT strategy is designed to drive productivity, improve the customer experience, support growth and reduce cost. Modernisation of our systems helped to mitigate the impact of the cyber-attack we experienced in Q1. Alongside a successful recovery from this, good progress has been made on our medium-term IT Roadmap delivering new capabilities through enhancements to core systems alongside more foundational work that is part of our longer-term journey.

**People:** 2022 represents a year where we have made good progress on many aspects of our People agenda. We have made steps to build a working environment that welcomes and encourages diversity. We have continued to successfully recruit, train and retain talent in our business. Achievements include our Training Academy scheme, SOP deployment, compliance and cyber security training and over 96% of our installers achieving the 'Minimum Technical Competency.' The latter is something that FENSA reported as industry-leading in their 2022 annual report.

As we aim to continue to develop these established programmes in 2023, we will also add further innovative components. Finally, we were delighted to welcome Michelle Williams to the Board as Chief People Officer on 1 March and I look forward to continuing to work with her as we continue to develop our Safestyle People Brand.

## New business development

During the year, we launched our new concept brand – Beam – as a digital channel-only brand. The proposition currently focusses purely on a composite door range offering. During 2022 and into early 2023, we have been running numerous test and learn programmes to understand more about how this business model operates. We aim to comprehend how we can provide, through a digital platform, what consumers require despite the infrequent, bespoke nature and technical complexity that most consumers naturally find daunting. New businesses such as this represent opportunities to access additional consumers and can complement our existing core Safestyle value brand.

## Business outlook

The trading context of the UK economy and consumer confidence remains challenging. Inflation currently remains at over 10% which combines with the impact of higher interest rates to put pressure on consumers' disposable income. The CPA Construction Industry Forecasts


(Autumn 2022) predicts that the private housing repair, maintenance and improvement market ('RMI') will fall by 9% in 2023 before returning to 1% growth in 2024.

Within this context, order intake for the year to date has been variable. January was in line with management's expectations, but February and March to date have been slower than expected. Such variability is expected in the short-term and indications are that we have increased market share (as measured by FENSA) in February versus our FY2021 level. Our order book has increased since the start of the year, but remains at the same levels as at the end of January.

We have continued to invest in our brand through a TV and radio campaign across February and March which is designed to amplify our value proposition and emphasise the relevance of our product at a time of high household energy costs. This proposition is supported by market-leading finance options and a credible 10-year warranty that has recently been extended to 15 years for the double-glazing unit.

We expect largely to mitigate the impact of weaker trading on our revenues through management of our cost base. In what appears to be a tougher market expected this year, we are very focused on continuing to increase our market share and the Board plans to continue with the strategic investment agenda described at our Capital Markets Day, albeit prudently, to ensure that the year still represents a return to profitability. This continued investment, much of which is variable, is a key part of the Group's growth agenda. Therefore, as a result of the challenging market conditions and continued strategic investment, the Board does now expect revenue to be below current expectations and full year underlying profitability to be at least £2.0m as a balance is struck between driving sales and the levels of investment made into the business. The medium-term strategic objectives remain unchanged.

Alongside our financial targets for the year, we have set a number of targets across all our strategic priorities and enablers to be able to measure and share the progress this year towards achieving all our medium-term plans.

- Against our **accelerating growth** plans, we aim for a further increase in unprompted brand awareness, opening new sales branches and to also grow our market share versus FY22.
- To progress on **transforming the customer experience**, we target an installation 'On Time In Full' ('OTIF') improvement, a reduction in open complaints and improvement in our contact centre call answer rate.
- As we drive **operational performance**, our goals are that all installation depot management have completed role model depot training, factory output per hour worked increases and that our exit rate cost of quality has reduced over 2022.
- Our **sustainability** targets for FY23 on the journey to our 2025 goals are to achieve waste to landfill of 3.5%, a mileage per frame installed reduction and a further 1.5% $CO_2$ per frame reductions.
- For our two enablers, starting with our People initiatives, we target an increase in our gender balance of women / men as well as reducing our employee turnover. Within IT our objectives are to deliver further Safestyle and Beam website developments, a new HR system and to be progressing with our multiyear CRM programme.

In summary, and notwithstanding the current uncertainties regarding consumer confidence, we remain confident that as the national value player operating in a historically-proven resilient sector, we are well-placed to attract consumers in these tougher economic times, increase market share and also make progress towards our medium-term financial and strategic objectives. I look forward to providing an update on our progress towards these objectives throughout the year.

Rob Neale

Rob Neale
Chief Executive Officer
22 March 2023

# Financial Review

| Financials | 2022 Underlying £000 | 2022 Non-Underlying items[1] £000 | 2022 Total £000 | 2021 Underlying £000 | 2021 Non-Underlying items[1] £000 | 2021 Total £000 | Change in underlying % |
|---|---|---|---|---|---|---|---|
| **Revenue** | 154,315 | - | 154,315 | 143,251 | - | 143,251 | 7.7% |
| Cost of sales | (116,441) | - | (116,441) | (99,496) | - | (99,496) | (17.0%) |
| **Gross profit** | 37,874 | - | 37,874 | 43,755 | - | 43,755 | (13.4%) |
| Other operating expenses[2] | (40,546) | (4,118) | (44,664) | (34,519) | (1,650) | (36,169) | (17.5%) |
| **Operating (loss) / profit** | (2,672) | (4,118) | (6,790) | 9,236 | (1,650) | 7,586 | n/a |
| Finance costs | (1,756) | - | (1,756) | (1,623) | - | (1,623) | (8.2%) |
| **(Loss) / profit before taxation[3]** | (4,428) | (4,118) | (8,546) | 7,613 | (1,650) | 5,963 | n/a |
| Taxation | | | 2,035 | | | (1,188) | |
| **(Loss) / profit for the year** | | | (6,511) | | | 4,775 | |
| Basic EPS (pence per share) | | | (4.7)p | | | 3.5p | |
| Diluted EPS (pence per share) | | | (4.7)p | | | 3.4p | |
| Cash and cash equivalents | | | 12,369 | | | 16,351 | |
| Borrowings | | | (4,372) | | | (4,231) | |
| **Net cash[4]** | | | 7,997 | | | 12,120 | |

| KPIs | 2022 | 2021 | Change % |
|---|---|---|---|
| Gross margin %[5] | 24.5% | 30.5% | (600)bps |
| Average Order Value (£ inc VAT) | 4,337 | 4,032 | 7.6% |
| Average Frame Price (£ ex VAT) | 871 | 791 | 10.1% |
| Frames installed (units) | 178,652 | 183,374 | (2.6%) |
| Orders installed | 43,050 | 43,167 | (0.3%) |
| Frames per order | 4.15 | 4.25 | (2.4%) |

As reported in the CEO's statement, the Group experienced several unforeseen challenges with a cyber-attack, record high summer temperatures causing disruption to customer fulfilment and political instability in the UK causing trading turbulence in the latter parts of the year all adversely impacting the financial results for the year. More pleasingly, demand improved into November which resulted in a stronger closing order book than expected which will support revenues in 2023. In addition, the Group invested c.£5m over 2022 in its strategic priorities as it focuses on its medium-term objectives.

As a result of the above, the Group made an underlying loss before taxation of £(4.4)m for the year. Net cash ended the year at £8.0m (2021: £12.1m), with the reduction in line with the trading performance for the year. As part of its capital allocation policy, the Group paid an interim dividend of 0.4p per share (2021: £nil) and has declared a final dividend of 0.1p per share (2021: £nil).

This Financial Review details the changes in the financial measures and KPIs of the business across the year within the above context and draws particular attention to the comparison with 2021.

[1] See the non-underlying items section in this Financial Review
[2] Underlying other operating expenses are defined in the 'Underlying performance measures' section below and the reconciliation between this measure and the GAAP measure is shown in the 'Financials' table at the front of this Financial Review
[3] Underlying (loss) / profit before taxation is defined in the 'Underlying performance measures' section below and the reconciliation between this measure and the GAAP measure is shown in the 'Financials' table at the front of this Financial Review
[4] Net cash is cash and cash equivalents less borrowings
[5] Gross margin % is gross profit divided by revenue




## Financial and KPI headlines

- Revenue increased to £154.3m, growth of 7.7% over 2021.
- Frames installed decreased by 2.6% to 178,652, with the decline attributable to the cyber-attack, manufacturing disruption caused by record summer temperatures and lower consumer enquiries during the period of political instability in late Q3 / early Q4.
- The Group continues to improve average frame price, achieving a 10.1% increase in the year due to necessary price increases to negate input cost inflation. This average price improvement was achieved despite a slightly reduced mix of higher average-priced composite guard doors which was 6.8% in 2022 compared to 7.3% in 2021.
- The Group also made changes to its consumer finance portfolio which has both maintained a strong promotional finance offering and also resulted in a reduction in finance subsidies of £0.5m.
- Gross profit reduced by 13.4% to £37.9m which is largely attributable to lower volume, inflationary cost push and the cost of growing the order book at increased rates. Gross margin percentage[5] decreased by 600bps vs 2021 to 24.5% with the largest single contributor being the delay of a planned price increase, to recover input cost inflation, due to the cyber-attack.
- Underlying other operating expenses[2] for the year increased by £6.0m (17.5%) over 2021. The £2.5m investment in TV, the full year cost of the Safestyle Technical Training Academy which opened in November 2021, salary inflation and the ongoing investment in IT and customer service are the key components of the increase.
- Finance costs have increased year on year as a result of the movement in LIBOR rate increasing the borrowing facility costs. This was offset somewhat by reduced interest rate costs on leased liabilities.
- Underlying (loss) / profit before taxation[3] was £(4.4)m for the year (2021: profit of £7.6m) with lower installation volume, inflationary costs and the continuation of our strategic investment agenda all contributing to the loss and reduction versus 2021.
- Non-underlying items were £4.1m for the period (2021: £1.7m), full details of which are provided on the following pages of this Financial Review and therefore reported (loss) / profit before taxation was £(8.5)m versus a profit of £6.0m in 2021.
- Net cash[4] reduced to £8.0m versus £12.1m at the end of last year which reflects the trading performance described above and after an interim dividend payment of £0.6m.

# Financial Review


## Underlying performance measures

In the course of the last five years, the Group has encountered a series of unprecedented and unusual challenges. Consequently, adjusted measures of underlying other operating expenses and underlying (loss) / profit before taxation have been presented as the primary measures of financial performance. Adoption of these measures results in non-underlying items being excluded to enable a meaningful evaluation of the performance of the Group compared to prior periods.

These alternative measures are entirely consistent with how the Board monitors the financial performance of the Group and the underlying (loss) / profit before taxation is the basis of performance targets for incentive plans for the Executive Directors and senior management team.

Non-underlying items consist of non-recurring costs, share based payments and Commercial Agreement amortisation. A full breakdown of these items is shown below. Non-recurring costs are excluded because they are not expected to repeat in future years. These costs are therefore not included in the Group's primary performance measures as they would distort how the performance and progress of the Group is assessed and evaluated.

Share based payments are subject to volatility and fluctuation and are excluded from the primary performance measures as such changes year to year would again potentially distort the evaluation of the Group's performance year to year.

Finally, Commercial Agreement amortisation is also excluded from the primary performance measures because the Board believes that exclusion of this enables a better evaluation of the Group's underlying performance year to year.

## Revenue

Revenue for 2022 was £154.3m compared to £143.3m for 2021, representing an increase of 7.7%. This was driven by price rises implemented to cover the significant inflationary cost increases that the Group experienced during the year.

Frames installed volume reduced by 4,722 (2.6%) versus 2021 to 178,652 frames. The revenue improvement exceeds the volume performance as a result of improvements in the following areas:

- The average frame price increased by 10.1% to £871 (2021: £791). This was the result of several price rises during 2022 that were necessary as the Group sought to pass on the significant material and other cost inflation. As referenced in the CEO's statement, planned price increases this year were delayed until Q2 as a result of the cyber-attack; the result being that despite the year on year increase, our average frame price exit rate is markedly higher than the average for the year.
- The growth in the average frame price was also despite a reduced mix of higher average-priced composite guard doors which reduced to 6.8% of installed volumes (2021: 7.3%).
- The above favourable average price gains were augmented by a further year on year reduction in the finance subsidy costs linked to our consumer finance offering. These reductions follow changes to our promotional finance portfolio which generated a £0.5m benefit in the year. The Group remains focused on ensuring we have a market-leading set of payment options available to customers.
- The average number of frames per order reduced by 2.4% to 4.15. The reduction in this metric was largely in H2 which we attribute to reduced consumer confidence as a result of the well-reported economic uncertainty and cost of living increases in the UK.
- Finally, as a result of price gains being partially offset by lower average frames per order, the average order value improved by 7.6% to £4,337.





## Gross profit

Gross profit was £37.9m, a reduction of 13.4% over 2021, while the gross margin percentage declined by (600)bps to 24.5% (2021: 30.5%). Gross margin percentage was significantly reduced as a result of the delayed price rise described above, significant inflationary material cost increases, higher costs of lead generation and a comparatively (to last year) smaller reduction over the year in the order book. Further detail on these factors is as follows:

- The closing order book reduced marginally by 2.7% year on year; it still remains high compared to pre-pandemic levels. By comparison, the order book reduced by 8.4% in 2021 which combined with unusually low lead costs in the first half of 2021 to boost gross margin percentage that year.
- Alongside the order book changes described above, the cost of lead generation increased versus 2021 which was buoyed by a strong consumer response following the restart of all selling activities when the third national COVID lockdown was ended in early 2021. The consequential rate impact over the full year equates to a £5.1m year on year increase.
- Finally, the inflationary cost increases linked to PVCu profile, glass, installation materials, scaffolding, labour and contractor costs represent a year on year rate increase of £10.2m which was recovered through sales price rises implemented during the year.

## Underlying other operating expenses

Underlying other operating expenses were £40.5m which includes TV investment of £2.5m and is an increase of £6.0m (17.5%) over 2021. Excluding the TV spend, which is a key element of rebuilding our brand to support the strategic initiative of accelerating growth, the increase of other operating expenses was £3.5m (10.2%). The key factors behind this increase are as follows:

- Wage inflation including the increase in employers' national insurance rates represents a key driver of the year on year cost increase. The costs of a 3% annual payrise for most staff have been incurred alongside higher percentage increases for a number of colleagues to underpin attraction and retention of people at all levels of the organisation. In the second-half of the year, additional payments were made to staff on fixed earnings in the form of an energy supplement to support the rapidly-increasing cost of living.
- In line with the Group's strategic priorities, we have continued to grow our customer service resource levels and invest in installations capacity in the last 18 months through the opening of a new depot in Milton Keynes (August 2021). The opening of the Safestyle Training Academy in November 2021 represents an investment to develop a pipeline of professionally trained installers, surveyors and service engineers. Increased operational headcount alongside the factors above are the other main drivers of the year on year increase in operating expenses.
- Finally, the Group continues its ongoing investment in IT and customer service as key enablers of the Group's strategic priorities. The ongoing investment in upgrading and implementing new IT systems is a critical enabler of our priorities. These investments have already delivered benefits that proved essential in helping to mitigate the full potential impact of the cyber-attack in January 2022.

## Underlying (loss) / profit before taxation

Underlying (loss) before taxation was £(4.4)m (2021: profit of £7.6m). This loss is before the non-underlying items described below.

# Financial Review

## Non-underlying items

A total of £4.1m has been separately treated as non-underlying items for the year (2021: £1.7m).

The current year consists of £3.6m of non-recurring costs (2021: £0.5m), a £0.0m share based payment charge (2021: £0.7m) and £0.5m (2021: £0.5m) of Commercial Agreement (intangible asset) amortisation. The table below shows the full breakdown of these items:

| Non-underlying items | 2022 £000 | 2021 £000 |
|---|---|---|
| Holiday pay accrual | (46) | (79) |
| RSA related costs | - | 147 |
| Litigation costs | 131 | 90 |
| Restructuring and operational costs | 473 | 300 |
| Modification of right-of-use assets and liabilities | (113) | (83) |
| Impairment of right-of-use assets | 27 | 122 |
| IT project impairment | - | 14 |
| Cyber incident related costs | 953 | - |
| Operational project costs | 1,663 | - |
| Previous CEO retirement costs | 556 | - |
| **Total non-recurring costs (note 7)** | **3,644** | 511 |
| Equity-settled share based payment charges (note 32) | 22 | 687 |
| Commercial Agreement amortisation (note 14) | 452 | 452 |
| **Total non-underlying items** | **4,118** | 1,650 |

The holiday pay accrual release represents a release for part of an accrual made at the end of 2020 which arose as a result of the impact of the shutdown of operations and resultant extension of 2020 leave entitlement until March 2023 for some employees. This increased the level of deferred holiday entitlement of our people at the end of 2020 which was recognised as an accrual in 2020 and will reverse fully in 2023. This item was excluded from the Group's underlying performance measures to ensure performance of the business is not skewed both the expense in 2020 or its subsequent use.

£1.0m of separately identifiable cyber incident-related costs are included in non-recurring costs in relation to the incremental costs incurred as part of the recovery from the cyber-attack.

At the end of 2022 the Group transitioned to a new provider of PVCu profile, Liniar. The Group incurred a one-off cost of £1.7m due to the incremental costs of transitioning to the new profile and the impairment of the remaining stock held that was specific to the old profile which will no longer be sold to customers.

The Group incurred £0.5m (2021: £0.3m) of restructuring and non-recurring operational costs.

The charge of £0.6m represents the costs of treatment of Mike Gallacher's remuneration arrangements following his retirement from the Board on 14 December 2022. More details can be found in the Directors' Remuneration Report (see page 69).

As reported in the last four years, the Commercial Agreement is an agreement entered into with Mr M Misra which encompassed a five year non-compete agreement and the provision of services by Mr Misra in support of the continued recovery of Safestyle. The Group agreed consideration with Mr Misra subject to the satisfaction of both clear performance conditions by him over five years and Safestyle's trading performance in 2019.

The non-compete element of the Commercial Agreement was accounted for as an intangible asset on the basis that it is an identifiable, non-monetary item without physical substance, which is within the control of the entity and is capable of generating future economic benefits for the entity. The intangible asset was measured based on the fair value of the consideration that the Group expects to issue under the terms of the agreement and is being amortised over 5 years which matches the term of the non-compete arrangement.

Share based payment charges reduced significantly versus 2021 predominantly due to the charges incurred when the Restricted Share Award granted in October 2020 that vested in June 2021.

The items classified as non-recurring costs in the Consolidated Income Statement, the share based payment charges and the amortisation of the intangible asset created as a result of the Commercial Agreement reached in 2018 have all been excluded from the underlying (loss) / profit before taxation performance measure to enable a meaningful evaluation of the performance of the Group from year to year.

## Earnings per share

Basic earnings per share were a loss of (4.7)p for the year compared to a profit of 3.5p for 2021. The basis for these calculations is detailed in note 9.

## Net cash and cashflow

The Group's net cash reduced by £4.1m during the year, closing at £8.0m compared to £12.1m at the end of 2021. £4.5m of the Group's £7.5m borrowing facility, being that of the term loan, remained drawn at the year end with the £3.0m revolving credit facility undrawn.

The facility, which was due to expire in October 2023 was replaced in January 2023 with a £7.5m revolving credit facility that can be utilised as required to support working capital needs. This facility is in place until 31 December 2026. As a result, the £4.5m term loan was repaid in January 2023.
Net cash inflow from operating activities, including the cashflow impact of non-underlying items, was a £1.6m inflow (2021: £9.6m inflow). The inflow for the period, although reduced versus the prior year due to the losses as described above, reflects the strong operating cashflow model of the Group and benefits from favourable working capital movements in the year.

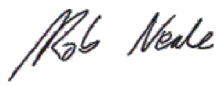
Capital expenditure of £1.4m increased from £1.2m in 2021 with the Group continuing to invest in its IT systems to support the strategic roadmap.

During the year the Group returned to the Dividend list and paid an interim dividend of 0.4p per share resulting in a £0.6m outflow (2021: nil).

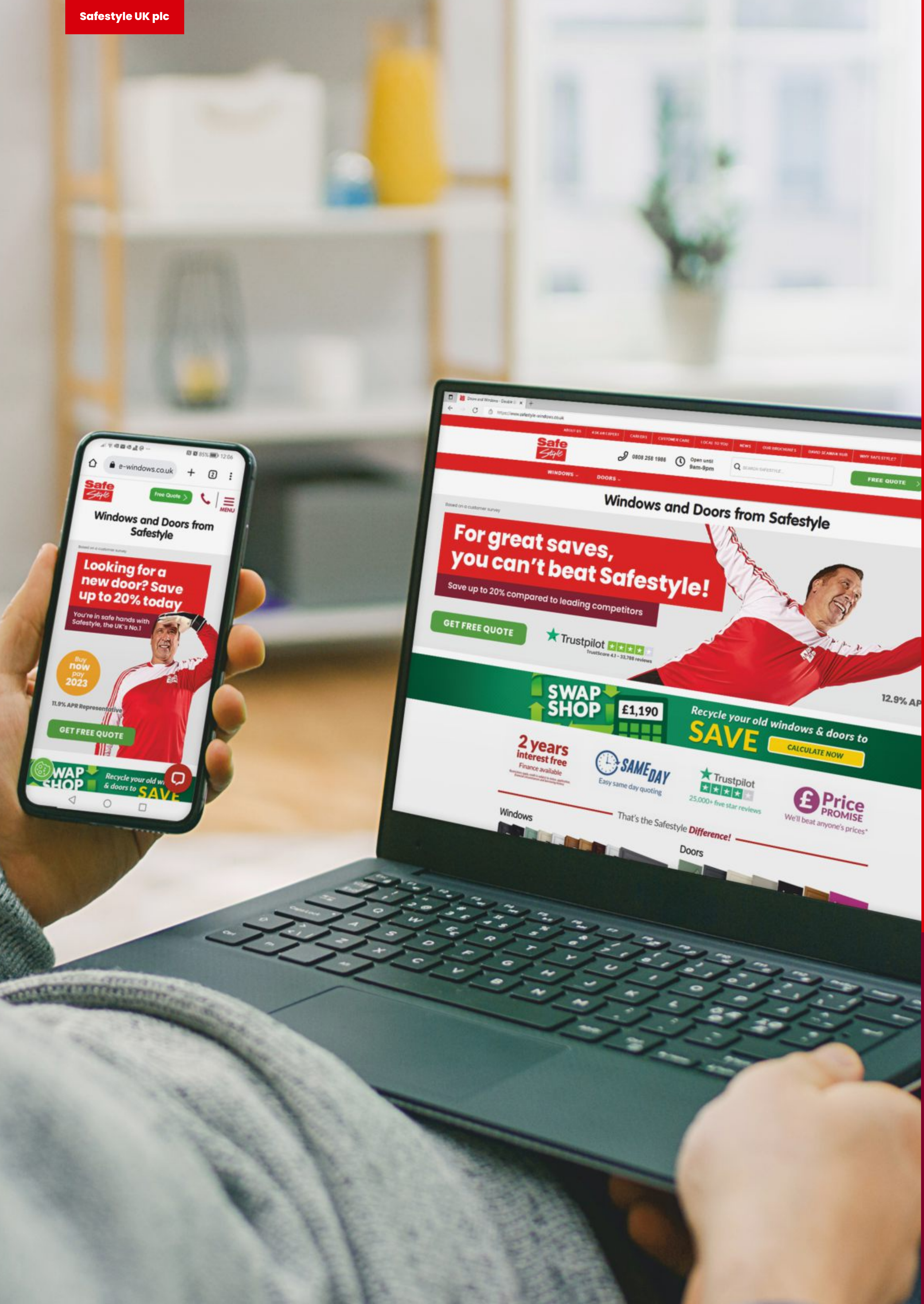
## Dividends

The Board has approved a final dividend of 0.1p per share (2021: £nil) following an interim dividend of 0.4p (2021: £nil). As reported previously, the Group's capital allocation policy is to firstly utilise surplus cash to fund forthcoming strategic initiatives. Subsequent to that, the policy is to return surplus cash to shareholders through the restoration of a progressive dividend followed by buyback programmes and latterly, special dividends in order to maximise returns to our shareholders.

The return to payment of dividends this year signals the Board drawing a line under the turbulence of the past few years and the Board reaffirms its commitment to adopt a progressive dividend policy from here. The final dividend will be paid on 1 June 2023 to shareholders on the register on 5 May 2023 and will have an ex-dividend date of 4 May 2023.



Rob Neale
Chief Executive Officer
22 March 2023




# Strategic Roadmap


33 Delivering our financial roadmap
35 Accelerating growth
37 Transforming the customer experience
39 Driving our operational performance
41 Leveraging sustainability and embedding compliance
47 Developing our people and our culture
53 Developing and maintaining secure IT systems

# Our strategic roadmap

The business has made progress delivering substantial modernisation despite the turbulence of recent years. Our focus will be to complete that transformation to enable the business to achieve and sustain growth momentum supported by effective business processes, systems and training.






# Our strategic priorities

**We have 5 strategic priorities...**

| | |
|---|---|
| 01 | Delivering our financial roadmap |
| 02 | Accelerating growth |
| 03 | Transforming the customer experience |
| 04 | Driving our operational performance |
| 05 | Leveraging sustainability and embedding compliance |

**...supported by 2 enablers**

| | |
|---|---|
| 01 | Developing our people and our culture |
| 02 | Developing and maintaining secure IT systems |

# Delivering our financial roadmap

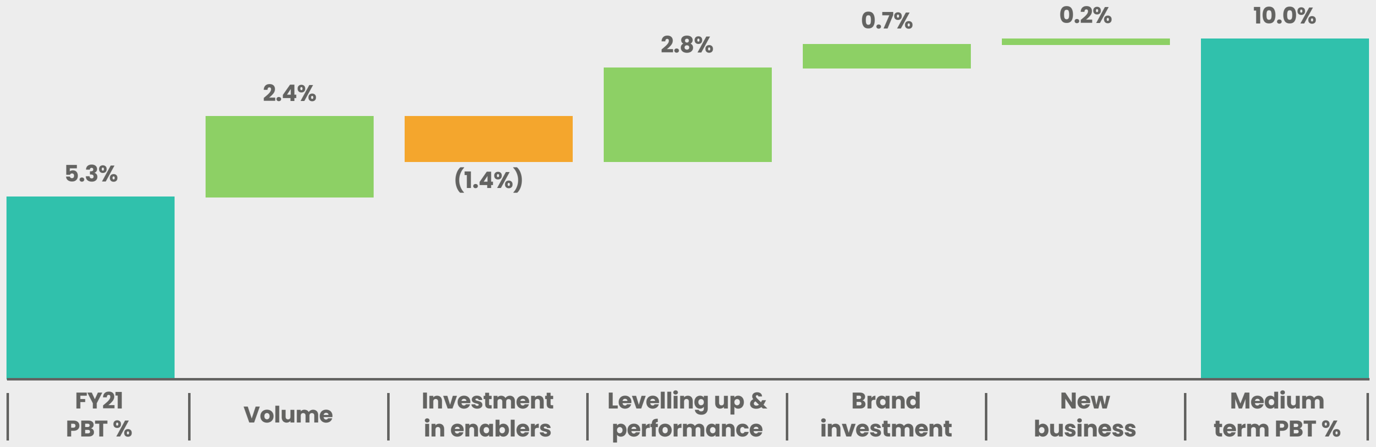
For the medium-term, the Group has set out clear targets summarised by the following performance levels:

| Installation Volume | Revenue | Gross Margin |
|---|---|---|
| Safestyle CAGR of 4% & incremental new business<br>Accelerating growth<br>Generating capacity<br>Business development | c.£200m*<br>Accelerating growth<br>Generating capacity<br>Business development | 34% target<br>Building our brand<br>Getting it right<br>Levelling up<br>Raising productivity |
| **Underlying PBT** | **Operating Cashflow** | **Capital Allocation** |
| c.£20m<br>10%+ | c.£22.5m<br>p.a. | Funding growth<br>M&A<br>Dividends and buybacks |

*Revenue at FY21 pricing i.e. not adjusted for inflation

**PBT % evolution to 10%**

This performance will be driven by a clear investment agenda to underpin successful execution of the Group's strategies with a PBT evolution to 10% demonstrated as follows:




Over the medium-term, the Group's PBT % evolution as a result of the strategies and associated investment can be analysed as follows:

- CAGR of 4% installation volume growth – the effect of drop through +2.4%
- Investment in enablers dilutes PBT %, but the return on investment improves PBT % by 2.8%
- Brand investment will reduce lead acquisition costs as well as underpinning volume growth
- New business development will add incremental volume at an improved PBT % to that of the Group

**Targeting PBT % of 10% in the medium-term with further operational leverage potential**





# Capital allocation

## Use of operating cashflow surplus

The Group has an efficient working capital model meaning that margin progression will flow into a positive operating cashflow-driven surplus. The Group's capital allocation policy is defined below:

### Re-investment

**Ongoing capex programme to maintain and improve the business and its processes**

### Growth

**Invest in high-returning new business development and other opportunities, e.g. M&A**

### Dividends

**Progressive dividend policy - targeting a 50%+ dividend payout ratio**

### Other returns to shareholders

**Buybacks**
**Special dividends**

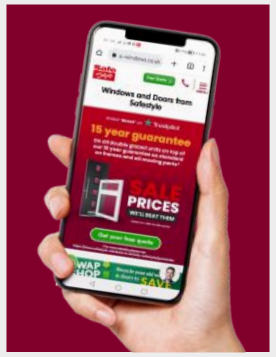
# Accelerating growth

## There are 5 key pillars to our accelerate growth strategy as follows:

Leveraging customer insight

Actioning our formula for growth

Building our value brand nationally



Driving digital marketing excellence

Expanding our footprint

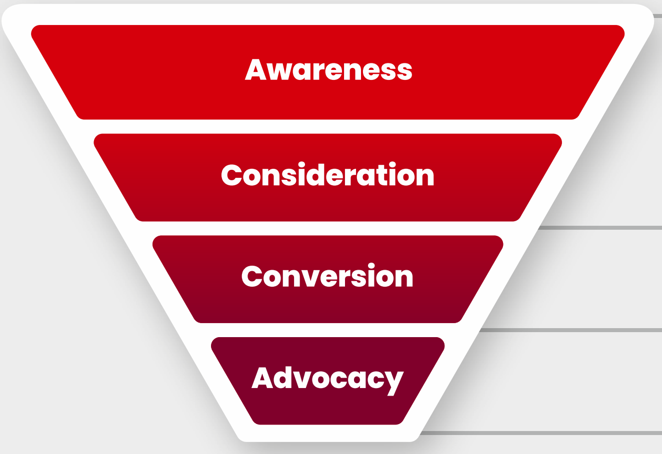
### Leveraging customer insight

In 2022, we have continued to perform quarterly pricing research to ensure we continue to position our proposition as the value player in the market. Furthermore, we have undertaken in-depth website user experience testing to continue to feed those learnings into developing and optimising our website. We have also performed TNS research to measures the uplift in our brand awareness following the launch of our new brand and TV campaigns which resulted in a 19% / 3ppts increase in unprompted awareness of the Safestyle brand.

### Our formula for growth

Our formula for growth is based on the insights identified from our detailed research which enables us to define our growth funnel and then target each component through our marketing strategy.

Growth Funnel




Strategy

**Brand**
TV, radio, outdoor, organic, influencer and video

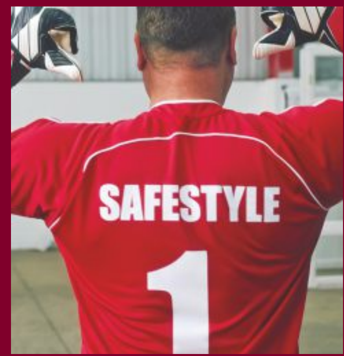
**Direct Response**
PPC, paid social and CRO

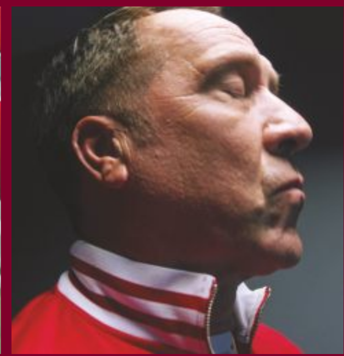
**Recommendations & reputation**
Trustpilot and customer testimonials





**During 2022, we have developed a holistic strategy for each stage of our growth funnel. Each of these strategies places the fundamental learnings from customer insights at their core, enabling us to maintain our customer orientated approach with our marketing efforts.**




### Building our value brand nationally

Historically our brand was built in our 'Heartland' region in the north of England, with TV campaigns being heavily weighted to this area. As a consequence, our brand awareness is high in our northern Heartland, but lower elsewhere in the UK.

In 2022, we returned to material investment in TV after a 5-year gap featuring our new brand ambassador, David Seaman. This TV campaign was run alongside radio advertising in a few select regions. This was a nationwide targeted approach which has helped us increase our brand awareness in our 'Frontierland' (midlands) and 'Hinterland' (south) regions alongside maintaining our strong presence in the north. We intend to continue with this TV and radio execution strategy to build the brand nationally in order to drive further growth in the coming years.

### Driving digital marketing excellence

Our strategy is to leverage our scale to gain a competitive advantage across digital marketing where the price of admission is high and growing with the components of our strategic initiatives defined as follows:

**SEO** – grow our organic ranking present on top ranking keywords through both technical SEO and PR activity
**PPC** – harness AI to optimise investment
**Website** – develop our website to drive conversion rate
**Content** – deliver organic content to include use of influencers and emerging platforms
**Reputation and advocacy** – focus on reviews and ratings whilst developing key advocates

### Expanding our footprint

We intend to grow our geographical presence and our sales and canvass teams over the next 3 years and target incremental growth delivered through door canvass activity as well as servicing the increased demand generated through our brand awareness activity.

We have defined our methodology for selecting new branch locations using a combination of data points including brand awareness, population data, alignment to our installation capacity and depot locations and search data. A shortlist of new areas has been developed and we expect to begin these footprint expansion plans in H1 2023.

# Transforming the customer experience

There are 4 key components to our strategic priority of **transforming the customer experience** which together are intended to provide speed, ease and empathy to our customers whilst also supporting growth and reducing costs.

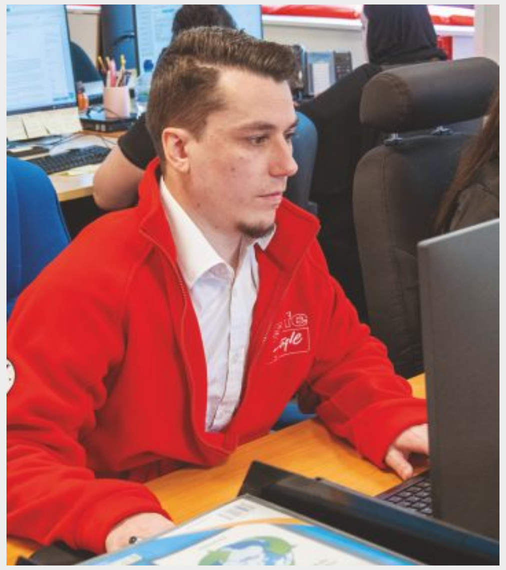
We have made good strides forward during 2022 with a significant focus on our people within the customer services function. This includes modernising our recruitment and onboarding program, establishing a fully funded NVQ level training qualification alongside improving reward and remuneration levels across all service roles. This has enabled us to retain and also attract high quality talent and experience into our teams, who in turn will better help us to look after our customers.

We have also made investments in new systems and processes which all support an improved customer experience alongside a newly-established Quality Assurance Team whose role it is to ensure all our customers are 'entirely satisfied' with their products and service following installation of their replacement windows and doors.

Overall, our service levels improved across our metrics in H2 as we recovered from the impact of the cyber-attack and returned to providing a more reliable and timely service to our customers which was also reflected in reducing backlog levels where customers are now experiencing a reduced wait time for warranty-related appointments.

As with all our strategic priorities, there is much more we plan to do in this area. Looking forward into 2023, we are upgrading our telephony solution to enable omni-channel capability and improve the options for customers on how they chose to communicate with us. We will also be starting our replacement CRM programme which will enable our teams to better service customers whilst driving efficiency and reducing adverse costs of quality.

The many components of this strategy will be managed through a 'Customer Experience Programme' which is a critical programme that will drive improvements across all elements of the customer journey.



## Our 4 key components are:

### 01

### Metrics, monitoring & rewards

Applying timely metrics across the business that focus on customer satisfaction, including:

- NPS
- Call centre response
- Complaints handling
- OTIF, RFT & RST
- Depot SOPs, SLAs & Rewards

### 02

### Warranty & aftercare modernisation

Delivering a step change improvement in our customer care.

- Improved response times
- Multichannel communications
- 1st call resolution

All supported by training and new standard operating processes.

### 03

### Customer care improvements

A faster and more effective warranty & aftercare service delivered at lower cost.

- Prioritisation of customer cases
- Improved route planning
- Early resolution & prevention

Supported by investment in our service engineer teams.

### 04

### A CRM system that gives us one view of the customers journey

# Driving our operational performance

Our strategy of driving our operational performance targets improved results delivered consistently through standardisation, training, best practice alignment and innovation.  There are three core initiatives which we expect to support growth and reduce cost.

## 01

### Getting it right

## 02

### Levelling Up

## 03

### Capacity & productivity

2022 presented a number of challenges as we recovered from the cyber-attack and the summer factory disruption referred to in the CEO's statement.  Notwithstanding this, we were able to strengthen foundations that are critical to driving improved performance in 2023 and beyond.

Key initiatives and actions included an ongoing focus on safety, investment in resource for enhanced delivery of content through our Training Academy, the launch of our Role Model Depot training to set the bar for standardisation, continuous improvement campaigns throughout the year and the creation of detailed data collection systems at a depot and installer level to underpin our levelling up programme.

We also maintained our attraction and retention performance throughout 2022 despite our operational challenges which ensured we kept the requisite level of capacity across our operational areas.





Finally, in late 2022, we took the strategic decision to switch our profile system provider to Liniar.  Despite being a highly-complex project and a relatively short timeframe, this change was also substantially completed before the end of the year and fully concluded in early 2023.  We expect this shift to deliver many benefits, not least being to underpin a reduction in adverse costs of quality and to deliver improvements in the overall customer experience at point of and post installation.


As we look ahead to 2023, our focus will remain on maintaining our ongoing and excellent safety performance and improving our product and process quality in order to reduce our cost of quality and contribute towards improved right first time and right second time customer satisfaction levels.

We aim to achieve performance improvement in the year ahead through the launch of a number of key projects which include the introduction of improved systems for our field-based teams, a new materials tracking system to improve tracking and visibility of thousands of components as well as optimisation of our organisational design to remove barriers to successful customer fulfilment.

With the launch of initiatives such as these, we target reductions in our cost base as well as improvements to the customer experience as we reduce the impact and frequency of not getting it right.   The resulting outcome will also contribute to our growth strategy through the power of positive referrals and customer recommendations.

# Leveraging sustainability and embedding compliance

## Compliance

We operate in a highly regulated industry – encompassing our advertising, our in-home sales, the selling of finance products, managing customer data and managing the health and safety of hundreds of contractors.

Throughout 2022, our **health and safety** focus has remained on key safety risk areas supported by increased levels of onsite safety inspections, training and audits which have together further improved our factory and field safety performance. This level is underpinned by a culture that has been developed which encourages open reporting led by our managers and leadership team.

Looking ahead, we will continue to prioritise the safety of our people through ongoing training and using increased levels of data obtained through additional site visits and audits. This will be supported by a series of programmes to focus on behaviours and safety consciousness across our activities.

The responsibilities we have of **treating our customer fairly** have remained at the core of our ways of working. We are proud that we are the first company in the industry to join the **Association of Professional Sales** and gain the **Ethical Sales Business Accreditation** which is supported by robust training for all our sales consultants. Our use of an electronic choice of funding system also provides a full and auditable record for our consumer finance programme compliance checks.

**Data security** has also remained a core area of focus for 2022. We have continued with an ongoing training and audit programme which has included a review from an independent third-party specialist. We have also made further enhancements to existing systems whilst procuring new ones to protect our data and that of our customers.





aps ETHICAL SALES BUSINESS ACCREDITATION 2021-23

# Embedding sustainability

## Doing the right thing...

**01**

### Out with the old, in with the new

It's the big day. Our team of expert fitters install a beautiful new set of energy efficient windows made to the happy customers' exact requirements and specifications.

**02**

### The old windows are taken away

After the installation and clean up is completed, all the old windows (and any other waste) are loaded onto the van and brought back to the installation depot ready for the next step.

**03**

### Sort and separate materials

Once the waste arrives back at the depot, we sort and separate all the different materials ready to be transported to our factory based in the heart of Yorkshire.

**04**


### Materials are expertly recycled

All the sorted and separated materials arrive back at our dedicated recycling centre. Whatever we can't use ourselves, we pass on to expert recyclers who can.

**05**

### New energy efficient glass is made

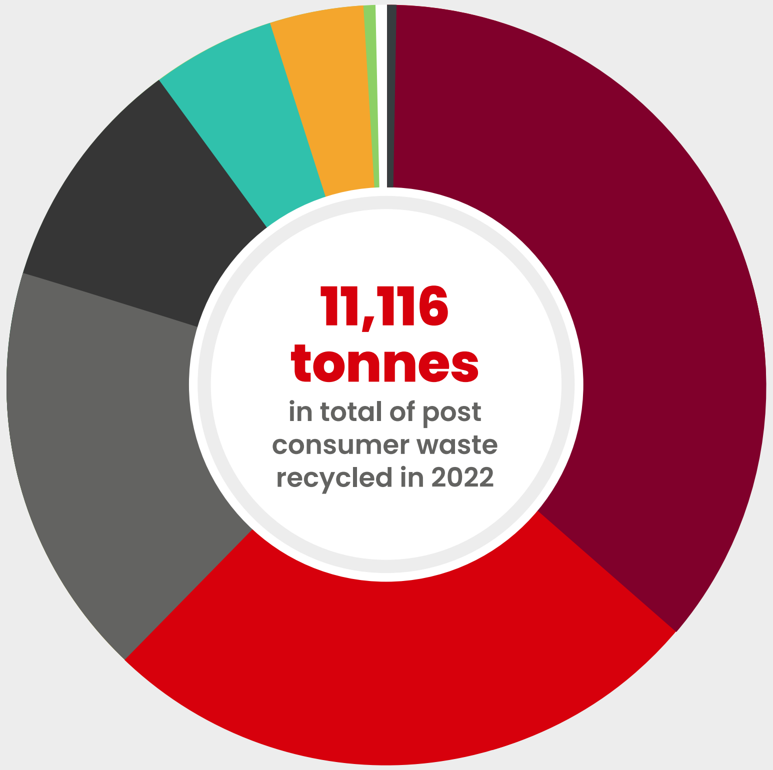
Old glass, (called 'cullet') is crushed ready to be recycled. Every month 80 tonnes of clean glass cullet was re-used and made into brand new, energy saving glass for our 'A' rated windows.

**06**

### New bespoke windows are born

Highly-skilled craftsmen combined with state-of-the-art machinery precisely manufacture new windows to the customer's exact order requirements.

**We are committed to recycling as much waste as possible. We've refined our recycling programmes to the point where we can recycle 95% of the waste we remove from a house, reducing landfill to an absolute minimum.**




### What we can't reuse we send to a recycler who can...

Last year we recycled vast amounts of various materials. Anything we couldn't use like post consumer plastic was sent off to be recycled into drainpipes and plastic decking. Huge amounts of wood is reused for Biomass heating fuels and metal waste gets melted down and is reused in various forms.

- 3,714 tonnes of glass
- 3,417 tonnes of general waste
- 2,185 tonnes of post consumer PVC
- 948 tonnes of wood
- 467 tonnes of rubble
- 309 tonnes of virgin PVC
- 55 tonnes of metal
- 36 tonnes of paper
- 35 tonnes of card & plastic

### Our lorries come back full

Rather than drive our lorries back to the depot empty, we converted them all to carry waste materials. This means they now have an important job to do, **saving 200,000 miles of fuel per year when they would have been empty.**

### We certainly pack it in

We use a Grab Machine to pick, crush and compact the old PVCu, so that where our lorries used to carry 4 tonnes, they can now carry 16! Which means we can cut out **3 lorries per day – saving 250,000 miles in transport each year.**

# Embedding sustainability

## Doing the right thing...

**We care about our planet and strive to lead the way in our industry in looking after it. Here's just a few of our projects and initiatives on our sustainability journey.**

### Cool Temper furnace process

The Cool Temper furnace is used for the glass toughening process. What this means is, once glass is toughened and if it is subsequently broken, the glass will fragment into lots of much smaller and safer pieces of glass - here's how it works...

The individual panes of glass are loaded onto the in-feed bed of the Cool Temper furnace.

The glass is then taken into the furnace on rollers ready for the transformation.

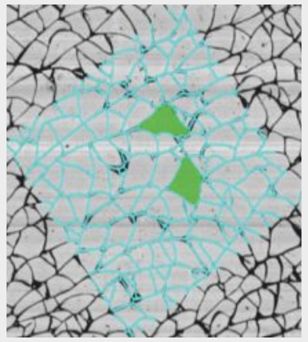

Super heating the glass to approximately 700°C before being rapidly cooled.

The toughened glass is now ready for the next stage of its manufacturing process.

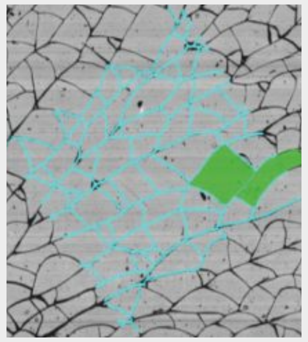
### Energy saving project

After toughening, a fragmentation test is performed. We smash the glass and count the fragments within a small area. To pass the test, we must have 40 fragments or more. Before our project, we had up to 140 meaning we were massively over-processing. Due to the furnace using a lot of energy, the equivalent of 600 homes, we began testing and found that by marginally lowering the heating and cooling time, this greatly reduced the amount of energy we use. With approximately 80 fragments we also still pass the test with flying colours.

**This project has resulted in huge amounts of energy being saved at our manufacturing facility, the equivalent of around 150 homes per year!**



**Before:** 140 fragments



**After:** 80 fragments


### Electric charging points

As more of our vehicle fleet become hybrid and fully electric we have installed various charging points at our factory.

### Designated cycle parking

To encourage local workers to use leg power, rather than petrol power, we have installed a designated cycle parking area.


### Single use plastics

Even the little things add up to make a big difference. We've been consciously replacing any single use plastics across the business with greener alternatives, such as paper cups for our drinking water machines.

### Compressed air project

At our manufacturing facility, many of our machines and tools are powered by compressed air. Making this process as efficient as possible has also saved huge amounts of energy.

### 95% green energy

Green energy is a term for energy that comes from renewable sources and when produced does not release toxic greenhouse gases into the atmosphere. At Safestyle we use 95% green energy across the entire business; this includes our network of sales branches and installation depots.

### Accelerating to zero

At Safestyle we are doing all we can to reduce the miles we travel and the emissions we produce. In December 2022, we partnered with Shell in their 'Accelerate to Zero' programme. This is designed to help fleet customers chart their decarbonisation course to net-zero emissions for a greener future.

# Developing our people and our culture

Skills | Knowledge | Coaching | Teaching | Development | Learning | Experience

### Building our People Brand

We anticipated that 2022 would be a return to a more recognisable 'normal' after the challenges of the pandemic, but in reality, it felt far from that. One thing that changed significantly was the UK labour market. With the lowest unemployment level since 1974, and the lowest active UK population since the late 1980's, there are simply not enough unemployed people in the UK to fill the UK's current vacancies. The labour market has therefore been buoyant and the competition for talent has intensified.

Against this backdrop, we accelerated work that was already underway to develop and articulate our People Brand to ensure we could attract and retain the people we need to deliver our business goals. This work will continue into 2023 and beyond, alongside the development of our People Value Proposition, supported by projects to continue to make the experience of working at Safestyle even better. Enhancing our credibility through our brand partnership with David Seaman, our People Brand strapline 'Your career is in safe hands with Safestyle' will really come to life in 2023 as it supports our activities under the four pillars of our people plan described below.

### Building an engaged and diverse workforce

During 2022, we introduced weekly **People Update** reports for our managers to ensure they have a regular overview of people activities, enabling embedding of simplistic people management processes, identification of any trends and collaboration on solutions to ensure we have happy, motivated, high performing teams.

In our Commercial Team, we created bespoke **Onboarding Maps** and **Probation Checks** for our key management roles in our canvass function, ensuring that our new starters receive all the information, training and support they need within the first few months to enable them to deliver in their role. These processes have created a blueprint that we can replicate for other roles across the business.

As part of our **Equality, Diversity & Inclusion** activities, we are delighted to have launched and hosted two **Women in Safestyle** virtual events. What began as a successful initiative in the Commercial Team is now reaching colleagues across our business as we celebrate and support our women. Diverse teams bring multiple perspectives which drive improvements and lift performance. Over the last few years, we have made changes that have not only made commercial sense, but also make us a more attractive employer in ways that will appeal to more women.

Women's experiences at work are influenced by their day-to-day interactions with their colleagues and managers which is why we welcome everyone in the business, not just women, to join our **Women in Safestyle** forums. The events raise awareness of the challenges women face within the workplace and enable discussion around how we can work together to reduce or remove those challenges. Guest speakers Julia Porter, one of our own non-executive directors, and Emma Langton, Executive Leadership Coach, joined us this year to share their individual experiences as women in leadership roles and shared hints and tips around how to overcome those challenges. We have made positive progress on our diversity goals, with 2% more women in our business than in the prior year.

We plan further **Equality, Diversity and Inclusion** activities to encourage everyone to play their part in leading by example in order that we can create a working environment that welcomes and encourages diversity.

# Developing our people and our culture


## Recruiting, retaining, and developing high quality leaders, staff, and agents

In recruitment, we saw strong collaboration between the HR, Recruitment, Commercial, Operations and Head Office management teams to trial and test innovative approaches for both our self-employed and PAYE vacancies.

In the year we had almost 19,000 visitors to our careers site, processed over 9,000 job applications, recruited over six hundred people and conducted almost 32,000 activities on our applicant tracking system, Team Tailor. These are impressive numbers given the labour market backdrop and the size of our recruitment team. I give a shout out to them for their arduous work.

The other significant backdrop to 2022 and our concern for our people was the substantial increase in the cost of living. We recognised the need to support our people and invested more in our commission schemes, increased our Safestyle Minimum Wage and implemented an Energy Supplement for employees on fixed earnings. We have continued this supportive approach in 2023 by awarding our highest ever annual wage increase as well as bringing forward the implementation date from April to January, the latter being a change benefitting two-thirds of our employees.

In the first full operational year of our **Technical Training Academy,** we have four cohorts of trainees progressing well on the **Adult Fast-Track Installer Training Programme.** Their commitment has been simply fantastic. Skills and knowledge grow weekly as they continue to develop into confident and competent installers. Our first trainee graduated in February 2023 – the first of many who we are excited to see progress through our unique training scheme. We have extended the use of the Academy to deliver new surveyor inductions as well as upskilling and refresher training for existing contractors. In 2023, we have plans to optimise the facility with the development of new trainee programmes for service engineers and surveyors.

We made noteworthy progress in our management of talent this year. We launched our **Role Model Depot Training Programme** for our installation management teams which is critical to driving our **Levelling Up** performance agenda. This consists of face-to-face training supported by an e-learning programme to help embed the skills learned and is a significant commitment from both the business and our colleagues. I am delighted to say that the roll-out was a tremendous success with terrific engagement and the next cohort of attendees have plenty to look forward to in 2023 as we look to enhance personal, depot and company performance.

Our **Apprenticeship Programme** was disrupted when one of our main providers closed, but we quickly secured an alternative provider enabling continuity in apprentices' development and learning. We currently have over forty colleagues on apprenticeship programmes and expect many more as we move into 2023.

In our Commercial Team, we supported the roll-out of **LEAP (Leadership Excellence Accreditation Programme)** to our Branch Canvass Managers by working with our Sales Training & Development Team to ensure that the new skills learnt on the programme were continuously developed through experience and exposure to new scenarios.

In 2023, we will be implementing a structured management training program such as ILM to reach the wider management teams across Safestyle. This will be underpinned by a coaching and mentoring program to support personal development and succession planning.

# Developing our people and our culture

**Establishing a customer focussed culture and lean organisation**

Structuring our organisation and ways of working to enable people to deliver a great customer experience is critical. During the year we have delivered projects that are contributing to our transformation in customer service. Having the right structure, tools and processes is only one part of the equation though. To truly win at this we need to have the right attitude and behaviours and these are encouraged and rewarded through the whole employee / contractor life cycle.

This starts with recruiting people with aligned values. For example, our partnership with the Institute of Sales Professionals and our introduction of NPS monitoring appeals to those candidates looking for a company that cares about the consumer and our sustainability commitments appeal to those candidates seeking an ethical business.

Once in the business, we ensure that the way we set and measure objectives, and the way we reward our people, is driving the right behaviours for our customers and the right results for our business. One example of a change this year is the introduction of new metrics within the contact centres that help us to understand productivity and performance, alongside the introduction of performance related pay for certain roles. Coupled with workforce planning to ensure we have the right number of people in the right place at the right time, this sets us up for success to deliver a great customer experience.

This customer experience must be at the heart of our training activities whether they are core compliance modules through our **Workwise** platform, technical training on site such as the Minimum Technical Competency **('MTC')** programme for lead installers, roll out of **Standard Operating Procedures,** or more developmental programmes such as **LEAP**. 2023 will see more training, more development, and more focus on the customer running through these programmes.

The focus throughout 2022 on key compliance training and awareness has resulted in achieving 90%+ course completion across the business. We start 2023 in a strong place with a compliance refresher system and a Subject Matter Expert content review process in place, allowing for compliance training to remain above target. This is now our natural way of working and thus supports the building of our desired culture.

A blended approach to training and, specifically, compliance is essential. Through implementing various sources of knowledge and awareness channels, such as Workplace, management training, communications, online and classroom style training, everyone's style of learning is supported. Cyber security training remains a central component of our training programme for all our people. In 2023, we expect to evolve this training with a plan to simplify the modules, increase completion frequency and target specific awareness areas to increase knowledge and reduce risk.

MTC accreditation for our lead installers at 96% has been a tremendous success and highlighted in the 2022 year-end FENSA report as industry-leading. With robust processes in place, these levels will be maintained at 90%+ as a minimum to allow for installer movement during the year.


**Setting our People up for Success**

Our Commercial organisation structure has evolved over the last few years to integrate teams, create alignment to our strategy, increase professional and leadership development and enable greater collaboration. It also now offers clearer career progression paths for our people with twenty-four promotions across the commercial team achieved in the last 18 months.

Through LEAP our teams have been on a journey of discovery, understanding more about themselves; learning new ways to interact with others both in terms of the people they lead and manage; and the people they need to collaborate with. We have introduced simple tools to help managers drive performance through their people – coaching and feedback techniques, and a one to one structure for quality performance conversations. They have also learned more about delivering the right business performance and through our standard operating procedures, shared best practice ways of working to level up performance across our sales network.

Our people theme at our 2022 Annual Sales Conference was 'practice makes better'; we continue to review and refresh our skills, knowledge and ways of working to meet the changing needs of our customers.

In summary, 2022 was a busy and challenging year where we have made noteworthy progress on our journey. I am incredibly proud of how the Safestyle team has grown in the year, yet again meeting challenges head on with commitment, energy, resilience and enthusiasm.

**Michelle Williams**
**Chief People Officer**

# Developing and maintaining secure IT systems

### IT

IT is the second key enabler to delivery of our strategic priorities. Our IT strategy is designed to drive productivity, improve the customer experience, support growth and reduce cost.

2022 was an incredibly challenging year for the IT team with the combination of the successful recovery from the January cyber-attack along with good progress on our medium-term IT Roadmap delivering new capabilities across the business. Despite the former, it is pleasing to report that we have continued to progress both the delivery of enhancements to core systems alongside more foundational work that is part of our longer-term journey.

### Modernising core systems

In 2022, we continued investment in our IT applications and infrastructure. We have increased the use of cloud-based solutions and developed further our technical landscape, including a new back-up & restore solution, a desktop refresh programme and continuous improvement cyber risk management tools.

A new route booking and optimisation system for our surveying function was implemented in H1 which has driven efficiency, improved the customer experience and contributed to achievement of our sustainability targets. Exciting additional enhancements to this new system are planned for 2023.

An agile change programme for our current customer service systems has driven a tangible improvement in the availability of information and our ability to respond to customers. We are also pleased to have started a major strategic programme for a step-change in our end-to-end processes for the customer; this will run into multiple years delivering improvements for colleagues and customers with benefits in efficiency, productivity and scalability.
We have commenced the detailed discovery phase for this new solution to ensure there is a clear understanding of the scope and business impact which includes completion of a detailed requirement survey.

Finally, the support provided by the IT team to ensure successful delivery of the Liniar transition project in the last stages of the year was a huge success at the end of what was such a demanding year.


### Focusing on our customer facing digital channels

Our core customer-facing digital channel is the Safestyle website which has continued to evolve as we work to drive conversion and improve leadflow as part of our accelerating growth strategy. There have also been further enhancements for capacity planning, cyber security and business continuity behind the scenes. We target further development activity in 2023 to improve engagement and conversion.

The Beam website, being the platform for our new concept brand for online sales of composite doors, was also launched during the year. This platform is being operated under a trial and learn iterative framework which is an approach that we will continue to take into 2023.

### Building a digitally integrated team

We have a strong, capable and committed IT team which has achieved so much in a challenging year. We have an excellent foundation for delivery of our future plans and shall continue with a people development and training programme augmented with new resources.

We plan to develop further skills and competencies in customer-facing digital technologies and emerging architecture alongside the development and utilisation of project and programme management skills.

This approach to developing our IT team alongside our planning framework and governance processes underpins how we will deliver what is an ambitious IT change and transformation programme aimed at providing the tools that will enable execution of our strategic priorities.


# Risk Management

# Risk Management

### Risk management

The Board's strategy is to grow the business organically and, if appropriate, through carefully planned acquisitions. This section sets out the Group's risk management processes and the principal risks and uncertainties that the Board consider to be material and may have a significant impact on the Group's financial performance.

**Approach to risk**

The Board has ultimate responsibility for setting the Group's risk appetite, for the Group's internal control systems and for the effective monitoring and management of risk. The Board recognises risk can be fluid and can change unexpectedly with significant consequences on the performance of the business.

**The key features of the Group's systems of internal control are:**

- The Group recognises ISO 31000: 2018 standards and processes. ISO 31000 is a framework that facilitates the development of a risk management strategy which effectively identifies and mitigates risks, thereby enhancing the likelihood of an organisation achieving its objectives and increasing the protection of its assets. The overarching goal is to develop a risk management culture where employees and stakeholders are aware of the importance of monitoring and managing risk.
- Risks faced by the Group are identified during the formulation of the annual business plan and budget process, which sets objectives and agrees initiatives to achieve the Group's goals, taking account of the risk appetite set by the Board.
- An ongoing process is in place to assess key risks which is performed by senior management and presented to the Board at least annually. A risk register is maintained and reviewed by the Executive Team. All risks are assessed and scored, taking into consideration the likelihood of the event occurring and its consequence. Once the risks have been assessed, ownership and mitigation measures as well as any proposed further actions (and timescale for completion) for each significant risk are identified and enacted.
- The Group has a Compliance Committee which was chaired by Rob Neale, in his role as Chief Financial Officer, in 2022. This committee meets on a regular basis (generally monthly). The status of the risks and mitigations are reviewed at each meeting, with the minutes being reported and discussed at each Board meeting.
- The Group began an Internal Audit programme in late 2019 which was supported by outside service providers. In 2020, the Group appointed an internal auditor, reporting into the Audit Committee, who has been providing additional independent assurance on key processes and controls during 2022. This programme will continue in 2023.

## Principal risks and uncertainties

| Risk Description | Mitigation |
|---|---|
| **Regulatory**<br><br>The Group operates in a highly regulated sector including consumer protection and consumer credit regulations. Should the Group be found liable for breaches of such regulations, the business could face significant brand damage, financial or existential consequences. | The Group has a wide-ranging set of programmes of appropriate training to ensure legal compliance and to minimise mistakes. This training is for both new joiners and also in the form of refresher training.<br><br>This is supported with comprehensive record keeping, audits and systems which, among others, provide an electronic audit trail of how consumer finance choices have been presented to our customers.<br><br>A Compliance Committee also meets on a monthly basis to ensure regulatory requirements are being met. |





| Risk Description | Mitigation |
|---|---|
| **Health & safety**<br><br>The Group's operations take place in a diverse range of domestic operating environments. In 2022, there were 43k installations, of which approximately 40% involve working at height.<br><br>These operations require on-going management of health and safety risks in order to ensure a safe working environment for our employees and others we engage with.<br><br>A failure to manage these risks may give rise to significant potential liabilities or result in serious injury to employees or agents. | The Group has continued its priority of managing its safety performance for its employees and stakeholders, using a proactive strategy of focusing on key control measures in the activities conducted to ensure mitigation of risk. Although the Group has an expansive approach, emphasis is of course given to the key risk areas involving working at height and glass handling.<br><br>The approach is aligned across all areas of the Group with a structure that supports positive engagement from suppliers to end customers. The Group engages with its suppliers, emphasising those providing working at height equipment, to ensure that standardised solutions are delivered to meet operational needs for the activities that are required to work safely.<br><br>The Group has commissioned bespoke Working at Height ('WAH') training modules from Tetra, a leading WAH supplier. This is physical competency training activity for all the Group's ladder users whether they are direct employees or contractor stakeholders. In addition to this, best practice exercises have taken place with our main glass supplier to review methods of working with glass and equipment used for Personal Protective Equipment ('PPE') to ensure the Group is operating at the highest level.<br><br>This strategy is supported by a team of health and safety professionals embedded and working within the operational teams. The resource levels of this team have risen which has enabled an increase in the monitoring and audit of on-site activities. This ensures continual improvement which are supported by a programme of training and investment in people and facilities. This is further underpinned by proactive audit and data collection, allowing live confirmation of compliance to processes.<br><br>During 2022, the Group also maintained its accreditations for Occupational Health and Safety Management ISO 45001. |
| **Reputation with customer base**<br><br>As the UK's largest provider of replacement windows and doors, the Group's success is affected by its reputation with its customer base.<br><br>Should the Group's reputation fall, future performance could be adversely impacted. | The Group recognises the importance of providing excellent customer service and continues to invest in its people and systems. Transforming the customer experience is one of the Group's 5 strategic priorities and the progress and plans are described in more detail in the Strategic Roadmap section of this Annual Report, although some specifics are also provided below.<br><br>The Group continues to work closely with West Yorkshire Trading Standards and the volume of complaints originating from this source remains lower than historical levels.<br><br>The Group continues to make enhancements to its customer complaints handling process, and has invested in new systems, additional resource at head office and in the form of field-based service engineers to provide a quicker response to customer complaints and appointments under their warranty.<br><br>Finally, the Group has also invested in the resources available to monitor online reviews and social media comments, in order that complaints can be identified and responses made promptly to maintain the Group's reputation. |

# Risk Management

| Risk Description | Mitigation |
|---|---|
| **Market and competition**<br><br>The Group operates in a competitive market which is exposed to the UK's economic performance and general consumer confidence.<br><br>Reasonably low barriers to entry exist for new competitors to be established on a regional scale which could disrupt the market locally. | The Group has a strong brand and has historically taken market share in tough market conditions as a value-based company. The Board believes the Group remains well placed to compete effectively against both existing and new competitors in the long-term because of its people, speed and modern manufacturing facility.<br><br>The Group has returned to TV advertising at the start of 2022; a return after a five-year gap in running above the line activity. The new campaign features David Seaman MBE, the ex-England Goalkeeper, and proud Yorkshireman, as our brand ambassador. This investment, which is continuing in 2023 as part of the Group's accelerating growth strategic priority, is designed to raise our brand awareness nationally, ensuring we keep ahead of our competitors who have limited visibility in this space, and to continue to promote our 'brand value' messaging.<br><br>Our existing relationship with Journey Further continues to develop with the emergence of new digital opportunities, as does our relationships with Running Total (TV planning & buying) and IMA Home (brand). Working with these agencies provides access to external expertise that helps us to develop our brand further.<br><br>These partnerships mean it continues to be difficult for a new competitor to establish significant scale and an efficient operating model. Substantial capital investment would be required.<br><br>Regular research on consumer confidence and the health of the brand are undertaken, including benchmarking of the competition, to ensure the Group maintains its leading market position. |
| **IT system dependency and cyber security**<br><br>The Group is reliant on a number of key IT systems and processes. A failure in the Group's IT systems or a cyber attack could result in a loss of information, cause significant disruption and lead to a material financial loss.<br><br>This risk has been clearly highlighted and realised in January 2022 when the Group was the subject of a highly sophisticated cyber-attack that emanated from Russia. | During the last four years, the Group has invested significantly in its IT systems and people, with security, compliance and capacity planning at the forefront of its plans. Investment has been made into new Anti-Virus, Web Filtering and Firewall technologies, and the Group has retired systems, such as its on-site email servers, to make way for the introduction of Office365 and associated Advanced Threat Protection.<br><br>The Group has also segregated parts of its internal networks to protect key parts of the infrastructure and invested in the building of a new, modern server infrastructure at its Head Office. Capacity and resilience has been improved further with old servers being retired and core systems migrated to cloud-hosted solutions.<br><br>The Group has also implemented a market-leading multi-site and cloud backup and restore system and is also running regular penetration tests to confirm cyber security resilience levels.<br><br>Finally, the Group has also focused on training and education of its system users, as well as phishing test simulations, to raise awareness of the methods adopted by cyber criminals to cause disruption and financial harm to the business. |
| **Facilities management**<br><br>The Group is heavily dependent on its physical infrastructure. Significant business disruption could follow as a result of interruption caused by natural occurrence or other events. | The Group is focused on creating safe operating environments to ensure the protection of people, property, information and reputation, providing the framework in which the Group operates.<br><br>The Group has an Incident Management Plan with facility and business function-specific business continuity plans that it continues to develop. Plans capture natural events, critical infrastructure outage and malicious acts. Mitigation measures include a robust physical and technical security plan. |





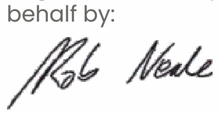
| Risk Description | Mitigation |
|---|---|
| **Data security and data privacy**<br><br>The Group's operations are subject to complex regulatory requirements relating to data security and data privacy which will protect customers and their data.<br><br>The Group takes data security and privacy extremely seriously and recognises the value in changes to individual privacy rights brought about by regulatory changes implemented by the General Data Protection Regulation ('GDPR') and Data Protection Act 2018.<br><br>A major breach of regulations could result in significant reputational damage and financial loss. | Awareness is pivotal to data security and our GDPR training programme has matured well, with a good cadence built into refresher training across the organisation and new people trained as they are inducted into the business.<br><br>The Compliance Committee regularly reviews the activity of the business with regard to matters such as data subject rights requests and responsiveness thereto, training statistics and data incident monitoring.<br><br>The development of our privacy programme continues and a data governance platform has recently been invested in to make further progress. Data compliance audits are undertaken by the data compliance officer, risks and opportunities being identified and mitigating actions implemented as appropriate.<br><br>These internal audits have been augmented by a data audit via a third party in 2022, with responses to findings and actions being monitored for progress at every Board meeting. |
| **Reliance on key suppliers**<br><br>The Group relies upon certain key suppliers. If relationships with such suppliers are not maintained or key suppliers fail, there could be potential disruption to the Group's business.<br><br>This is particularly applicable in respect of the suppliers of PVCu to the Group who went through an administration process before recommencing operations in 2020.<br><br>Although alternative suppliers are available to provide the supplies required by the Group, the transition of suppliers could cause disruption to normal operations which may adversely impact the Group's performance. | The Group maintains strong working relationships with key suppliers through regular review meetings and open communication channels.<br><br>A risk register that includes all large suppliers, both direct and indirect, is regularly reviewed and actions that emerge from this process are taken to negate any potential impact.<br><br>In addition, robust contractual arrangements are maintained and supplier performance is monitored against agreed standards.<br><br>Specifically in response to the potential risk of failure by the supplier of PVCu to the Group, the plan to transition to a new supplier was successfully concluded in January 2023.<br><br>Furthermore, additional stocks of other materials that are critical to maintaining operational performance have been acquired as further mitigation to any short-term supply chain disruption.<br><br>In the event of significant disruption to supply, alternative suppliers have been identified and a documented disaster recovery process is in place to minimise the impact on performance. |
| **Dependence on key personnel**<br><br>The current and future success of the Group is reliant on the recruitment and retention of the right people with the right capabilities.<br><br>The Group has a relatively small management team and the loss of key individuals or the inability to attract appropriate personnel could impact on its ability to execute its business strategy successfully and provide quality services to its customers, which could negatively impact upon the Group's future performance. | The Group maintains competitive and attractive employment terms and conditions, and takes proactive steps to maximise job satisfaction.<br><br>The Group incentivises key management through performance-related pay in the short-term and through share options and other forms of remuneration for medium and long-term retention.<br><br>The Group also continues to develop its Senior Management Team using its performance appraisal process which also facilitates personal development and succession planning.<br><br>Finally, the Group continues to focus on improving employee engagement and communication with a detailed Group communications strategy now in place. |

# Risk Management

| Risk Description | Mitigation |
| --- | --- |
| **Reliance on key equipment**<br><br>The Group relies on certain key manufacturing equipment. Although most of the manufacturing equipment has back-up capacity there are some machines that have no in-house back-up. In the event of significant downtime on these machines there is a risk of short term disruption and increased costs. | The Group has an experienced maintenance and engineering team on site at its manufacturing facility, and it operates a preventative maintenance programme for all key equipment. Alongside this, the group has strong relationships with the machinery Original Equipment Manufacturers ('OEMs') and a network of local subject matter experts.<br><br>For the critical machines identified, there is either a critical spare holding, or an availability plan, whereby the Group has sourced suppliers capable of manufacturing the required products.<br><br>The Group has a documented disaster recovery process in place to minimise the impact on performance of factory machine downtime. Site security is of a high standard and is manned 24/7 throughout the year |
| **Liquidity risk**<br><br>Liquidity risk is the risk that the Group will have insufficient funds to meet its financial obligations as they fall due. | The Group has implemented a detailed forecasting process that provides the basis for longer-term cashflow and liquidity forecasting.<br><br>Sensitivities are applied to the Group's forecasts to ensure that unexpected events can be withstood and managed within the liquidity available.<br><br>The Group also prepares a detailed weekly cashflow forecast that is reviewed by its Chief Financial Officer which looks forward three months. This forecast identifies any emerging liquidity challenges in order that they can be managed proactively.<br><br>The Group has in place a committed £7.5m banking facility which is in place until December 2026. This facility was renewed in January 2023 and as part of this renewal, covenant thresholds were removed when the facility is undrawn. Regular forecasts and assessments of the Group's compliance with these covenants are performed.<br><br>The Group's objective when managing its liquidity is to protect the Group's ability to continue as a Going Concern, whilst providing a platform for delivering sustainable returns to its shareholders. |
| **Self-employed status**<br><br>The Group uses the services of a large number of self-employed individuals for marketing, sales, surveying and installation purposes. These individuals are engaged on self-employed agreements and payments are accordingly paid on this basis.<br><br>During the year, a compliance review by HMRC that had been ongoing for over six years has been closed without any action. In January 2023, the Glass and Glazing Federation, of which Safestyle is a member, received communication from HMRC informing them that HMRC are conducting a review of the employment status position of sales and canvassing roles in the double glazing and home improvement industry.<br><br>There remains a risk if HMRC determine that the incorrect employment status has been applied for some or all its agents that the Group could be required to pay employment taxes not collected on this basis. | The Group continues to monitor developments in legislation and case law and will review its arrangements accordingly.<br><br>The Group's approach in this area is comparable with many other companies operating in this industry and wider sector where the use of self-employed agents and contractors is the primary source of specialised resource.<br><br>The Group is aware that HMRC has previously agreed to its assessment of some of its self-employed agents, and has recovered unpaid taxes from these individuals on that basis.<br><br>The Group will continue to work with HMRC to respond to any further queries, and believes that it has followed professional advice and applied the requirements diligently. |
| **Self-employed individuals**<br><br>The Group uses the services of a large number of self-employed individuals for marketing, sales, surveying and installation purposes.<br><br>These individuals are engaged on standard form self-employed agreements.<br><br>There is a risk of potential claims for employee or worker status, resulting in additional costs for the Group.<br><br>Legislation and case law are evolving in this area and could have an impact on self-employed status.<br><br>By their very nature, self-employed individuals are not required to give notice or work specific hours, which can lead to higher levels of turnover and short-term resource gaps which in turn could impact the consistent operation of the Group. | The Group obtains confirmation from the individual of self-employed status. The Group respects the rights of self-employed people to self-determine their working hours.<br><br>The Group constantly monitors developments in legislation and case law and will respond as necessary to any changes.<br><br>Historically, excluding what the Group believes was an exceptional set of events in 2018, retention of self-employed staff has not been a significant issue for the Group due to the opportunities that the scale of the business can provide.<br><br>In order to reduce self-employed individuals' turnover, the Group continues to focus on the provision of what it believes are market-leading commission plans and incentives. The Group has also reduced the number of self-employed roles within some areas of its business. |

**Approved**

Pages 7 to 62 comprise the Strategic Report and they were approved by the Board on 22 March 2023 and signed on its behalf by:



Rob Neale
Chief Executive Officer
22 March 2023


# Governance

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# Board of Directors

## Alan Lovell, Non-Executive Chairman

Alan joined the board as Non-Executive Chairman on 16 July 2018. He has held numerous listed company directorships, both executive and, more recently, non-executive. Alan is Chair of the Environment Agency, Chairman of Interserve Group Limited and Senior Independent Director at SIG plc. He was National Chairman of the Consumer Council for Water from 2015 to 2019 and a Non-Executive Council Member of Lloyd's of London from 2007 to 2016.

Alan has a huge breadth of experience, including both strategic and complex situations, with a particular focus on companies undergoing turnaround or business improvement initiatives.

In his executive career, Alan was Chief Executive Officer of six companies, including two in renewable energy and three in the construction sector: Jarvis plc, Costain Group plc and Conder Group plc.

In the not-for-profit world, Alan is Chair of the Hampshire Cultural Trust and a Lay Canon of Winchester Cathedral.

## Fiona Goldsmith, Non-Executive Director

Fiona joined the Safestyle Board in September 2018 and she is Senior Independent Director and Chair of the Audit Committee. She is also a Non-Executive Director and the Audit Chair designate at the listed housebuilder MJ Gleeson plc. She was previously Chair of the Audit Committee at Walker Greenbank plc (2008 to 2018).

Fiona is a Chartered Accountant who started her career with KPMG, where for nine years she focused on the retail and leisure sectors in various roles, she then moved to First Choice Holidays plc, where she became European Finance Director. Prior to embarking on a portfolio career, Fiona was CFO of Land Securities Trillium, the outsourcing division of Land Securities Group plc.

## Julia Porter, Non-Executive Director

Julia joined the Safestyle Board in November 2018 and she is Chair of the Remuneration Committee. She is also a Non-Executive Director and Remuneration Chair at Hollywood Bowl Group. Her non-executive career has previously included board member of Freeview (UK's largest free-to-air digital TV platform) and Origin Housing.

Julia is an experienced CMO who started her career in the advertising industry. She has held a number of senior marketing roles in the media and technology sectors including Guardian News & Media, Getty Images and ITV. Julia's consulting roles include strategic advice for business start-ups as well as marketing and CRM/data strategy consulting and accessible practitioner-led GDPR advice. She also holds an MBA from London Business School.

## Rob Neale, Chief Executive Officer

Rob joined the board as Chief Financial Officer on 16 July 2018 and was appointed Chief Executive Officer on 14 December 2022. He was previously Head of Leisure Travel Finance at Jet2.com and Jet2 Holidays, a division of AIM-listed Dart Group plc where he worked since 2013. As Head of Leisure Travel Finance, Rob was responsible for providing all aspects of finance support to both the commercial and operational areas of the Leisure Travel business that operates under the brands of Jet2.com and Jet2holidays.

Rob's early career included roles at Dyson Limited as well as Commercial Finance Director for Europe, Africa and ANZ for ghd, a designer, manufacturer and supplier of professional hair styling products. He also served as Finance Director for Stanley UK, part of the $30 billion NYSE-listed Stanley Black & Decker Inc. Group. Rob is a fellow of the Institute of Chartered Accountants of England and Wales and started his career at Arthur Andersen.

## Michelle Williams, Chief People Officer

Michelle joined the Board as Chief People Officer in March 2023 having served 5 years as Safestyle's HR Director. Prior to joining Safestyle, Michelle's HR career of 25 years has been in both growth and turnaround business environments in sectors including construction, printing, FMCG food manufacturing, and automotive aftermarket. She has experience working within B2B and B2C business models in both private and public companies and has successfully managed both human and organisational aspects of business acquisitions and disposals.

Immediately before joining Safestyle, Michelle spent 9 years with Symington's Ltd, a private equity backed leading UK manufacturer of branded and own-label ambient food. As HR Director for Symington's Michelle was responsible for delivering the people agenda for c1,000 people over 8 sites in England and Australia. In her earlier career Michelle's roles included HR Manager for subsidiaries of Rentokil Initial plc and Associated British Foods, and Group HR Manager for UK Greetings, part of the American Greetings Corporation. Michelle has an MSc in Strategic Personnel & Development and is a Fellow of the Chartered Institute of Personnel & Development.

# Audit Committee Report

During the year the Committee has continued to assist the Board in fulfilling its oversight responsibilities. The objective of the Committee is to provide oversight and governance to the Group's financial reports, its internal controls and processes in place, its risk management systems and maintained oversight of the external auditor.

This report provides details of the role of the Audit Committee and the work it has undertaken during the year and at its meeting in March 2023 when this annual report and financial statements were approved.

## Principal duties

The principal duties of the Committee are to:

- Oversee the integrity of the Group's financial statements and public announcements relating to financial performance.
- Review and challenge the critical management judgments and estimates which underpin the financial statements;
- Advise on the clarity of disclosure and information contained in the Annual Report and Accounts;
- Assist the Board in confirming that, taken as a whole, the Annual Report is fair, balanced and understandable;
- Ensure compliance with applicable accounting standards and review the consistency of methodology applied;
- Review the adequacy and effectiveness of the internal control and risk management systems;
- Oversee the relationship with the external auditor, reviewing performance and advising the board on their appointment and remuneration;
- Monitor the effectiveness of the Group's whistleblowing process, including awareness within the business, types of issues raised and how matters are investigated.

## Committee membership

The Committee comprises two independent Non-Executive Directors: Julia Porter and myself. The Committee met three times during the year and had 100% attendance. The Company Secretary acts as secretary to the Committee. Although not members of the Audit Committee, the Chief Executive Officer, Chief Financial Officer and the Chairman of the Board usually attend meetings by invitation, along with representatives from the external auditor. Detailed information on the experience, skills and qualifications of the Committee members can be found on page 65. The Board is satisfied that the Committee Chair has recent and relevant financial experience.

## Terms of reference

These were adopted by the Board on 11th December 2013 and are available on the Group website. The terms of reference are reviewed annually.

## Meetings

The Committee meets three times per year; in March and September being the appropriate time to review the Annual Report and Accounts and the interim report respectively, and in November to review and agree the Audit plan for the year ahead. At meetings, the findings of the external audit are discussed, and the effectiveness of the Group's system of internal controls and risk management is reviewed. The Committee and the Board also receives regular updates from the Compliance Committee.

The Committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls.

The Committee also manages the relationship with the external auditor.

The Committee undertook the following activities during the year:

## Financial reporting

The Committee reviewed the half year and annual financial statements and matters raised by management and the auditors. The Committee satisfied itself that.

- The accounting policies used are consistent both year on year and across the Group (other than as disclosed in note 1 of the financial statements).
- The methods used to account for significant transactions are appropriate.
- The financial statements give a true and fair view and the disclosures made are balanced and understandable.
- Appropriate estimates and judgements have been used, considering the views of the external auditor.
- The appropriate accounting standards have been applied.

The Committee kept up to date with changes to accounting standards and developments in financial reporting, company law and other regulatory matters.

## External audit and auditors' independence

During the year, the Committee reviewed the independence and objectivity of the external auditor, which was confirmed in their independence letter containing information on procedures providing safeguards established by the external auditor.

Relations with the external auditors are managed through a series of meetings and regular discussions and the Committee ensures a high-quality audit by challenging the key areas of the external auditor's work.

The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years. During the year, Grant Thornton only provided audit services with tax compliance work provided by KPMG. To ensure auditor objectivity and independence, the Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services, which include financial limits above which the Audit Committee must approve. Any non-audit fees above £10,000 per engagement must be approved by the Chair of the Audit Committee before the work commences.





The Committee had discussions with the external auditor on audit planning, fees, accounting policies, audit findings and internal controls. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditor.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of Grant Thornton.

## Internal Audit

During the year the Internal auditor performed audits on the Service remake process, Revenue Recognition, S75 issues raised and carried out installation depot audits. They also reviewed controls around compensation and refunds and the stock controls around the transition to a new supplier of PVCu profile.

## Risk management

The risks identified and the mitigating actions were reviewed regularly by the Executive Committee and annually by the Audit Committee. In managing risk, the Committee analyses the nature and extent of risks and considers their likelihood and impact, both on an inherent and a residual basis, after taking account appropriate mitigation and the Group's appetite. The Risk Management section on pages 57 to 62 sets out the key risks that the business may face and how it mitigates them. The Executive Team implements the internal controls and processes to put the Committee's policies on risk and control into effect and provides assurance on compliance with these policies and processes.

Unfortunately, the Group was hit by a cyber-attack, emanating from Russia, at the end of January 2022. Business continuity actions helped mitigate the impact although it caused a level of operational disruption. We were able to maintain our core operations, sales, surveying, manufacturing and installations. Following the attack further planned investment was accelerated and the IT function was further strengthened. The ongoing investment in upgrading and implementing new IT systems continues to be a significant focus of the business. The CIO reports regularly to the Board and Audit Committee.

The Compliance Committee is made up of managers from across the business. This Committee meets monthly and is focussed on managing Data Compliance and other regulatory risks.

## Internal controls

The Committee is responsible for reviewing and monitoring the effectiveness of internal controls and risk management systems on behalf of the Board. The Group's system of internal control includes the following processes:

- Each department has defined procedures and controls to identify and minimise operational and financial risks. These procedures include segregation of duties and the regular monitoring of KPI's.
- The Board and management meet regularly to monitor the performance of the business against the KPI's.
- The Board meets regularly to consider the matters reserved for its consideration.
- There is a clear organisational structure with defined responsibilities and levels of authority which are regularly reviewed

In addition, our external auditors, Grant Thornton, report annually to the Audit committee on their review of the control environment.

## Whistleblowing

The Group's whistleblowing policy was reviewed during the year and following a tender process the maintenance of the whistleblowing reporting line was outsourced to an external, independent, confidential, established provider. Following this the policy was updated and recommunicated to all staff. All cases of whistleblowing are appropriately investigated.

The Company's Modern Slavery Statement, which sets out details of policies in relation to slavery and human trafficking, as well as its due diligence processes is published on the website.

## Significant issues considered during the financial year.

Within its terms of reference, the Committee monitors the integrity of the annual and interim reports, including a review of the significant financial reporting issues and judgements contained in them. At its meetings in September 2022 and March 2023, the Committee reviewed the Group's results and other information provided by the Chief Financial Officer to support the Directors' going concern statements.

The Committee also considered a paper prepared by the external auditor, which included significant reporting and accounting matters.

The Committee considered the appropriateness of the areas of significant judgement, complexity or estimation in the financial statements. The Key Audit matters identified by Grant Thornton were the Revenue Cycle including fraudulent transactions and Going Concern. The Committee reviewed the report prepared by the auditors on these areas and are satisfied that there are no material misstatements.

The Committee's review on Going Concern is set out below:

## Going concern

The Audit Committee and the Board reviewed the financial information prepared by management to support the fact that it is appropriate to adopt the going concern basis of preparation for the Group. This included financial forecasts which reflected current trading and anticipated performance for the period to the end of financial year 2024. The forecasts include a number of assumptions in relation to sales volume, pricing, margin improvements and overhead investment. As part of the going concern review the Board has considered sensitised scenarios for both 2023 and 2024. For 2023 and 2024, the scenario assumes an installed volume level consistent with 2020 when business was significantly impacted by the Covid lock down. This is considered to be a highly pessimistic scenario.

The Committee also considered mitigating actions proposed by management including proposed reductions in discretionary spend. The Audit Committee concluded that it was appropriate to prepare the financial statements on a Going Concern basis.

Fiona Goldsmith
Chair of the Audit Committee
22 March 2023

# Directors' Remuneration Report

## Statement from the Chair of the Remuneration Committee

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the financial year 2022, which comprises two sections:

- This annual statement; and
- The Annual Report on Remuneration, which provides details of the amounts earned in respect of the financial year 2022 and remuneration for the financial year 2023.

Our Directors' Remuneration Policy was approved as part of an advisory vote on the 2020 Directors' Remuneration Report at the May 2021 AGM. The Policy has not been reproduced here but is available in our 2020 Directors' Remuneration Report.

Similar to previous years, the Directors' Remuneration Report is subject to an advisory vote at the 18 May 2023 AGM. The Committee believes the advisory vote provides a greater degree of accountability and provides shareholders with a say on executive pay.

### Changes to the Board

Mike Gallacher retired from the Board on 14 December 2022. Rob Neale was appointed as CEO on the same date. The treatment of Mike Gallacher's remuneration arrangements is set out on page 74. Rob Neale's base salary was increased from £242,050 to £285,000 with effect from 1 January 2023 and is part of a phased set of salary increases in 6 months and 12 months' time. Further details are set out below.

Michelle Williams was appointed to the Board as Chief People Officer with effect from 1 March 2023. Michelle Williams' base salary is £175,000. She will participate in the annual bonus and performance share plan in accordance with the Directors' Remuneration Policy.

### Review of the financial year 2022

As detailed in the CEO's Statement and Financial Review, following what was an encouraging performance in 2021, 2022 was a far more difficult year, with the impact of the cyber-attack at the start of the year, heat-related factory disruption in the summer and the trading volatility in the fourth quarter representing headwinds to our underlying performance.

The Group achieved revenue growth over 2021, driven by pricing responses to the inflationary environment albeit costs across materials, energy, labour and lead generation increased faster than our top line revenue and gross profit therefore reduced versus 2021. With the improved health of the balance sheet, the business continued with its investment plans which are critical to deliver on the Group's medium-term strategic priorities that are described fully in the CEO's Statement. This investment, equating to c.£5m over last year, is expected to underpin medium-term performance targets, but did contribute to reduced profitability in 2022.

Consequently, the Group achieved an underlying (loss) before taxation for the full year of £(4.4)m compared to an underlying profit in 2021 of £7.6m. After non-underlying items, reported (loss) before taxation was £(8.5)m compared to a profit of £6.0m in the prior year.

Overall, despite the executives meeting all unexpected challenges in 2022 in a responsive and tireless manner, the Group fell short of its annual bonus profit targets.

### Annual bonus and performance share awards

Mike Gallacher and Rob Neale were each granted an annual bonus with a maximum opportunity equal to 100% of salary, based on delivering against stretching underlying PBT targets (as regards 70% of the award), and a range of strategic and personal objectives (as regards the remaining 30% of the award).

The Committee considered it appropriate that Mike Gallacher remain eligible to receive a bonus on the basis he was CEO for circa 11.5 months during the financial year 2022 and that he retired from the Board.

The threshold PBT target was not achieved and therefore the PBT element has not paid out.

Mike Gallacher and Rob Neale earned a bonus equal to 9% and 28% of salary respectively based on performance against strategic and personal objectives, which were focused on key metrics to deliver the 2022 plan. See page 72 for further details.

Mike Gallacher and Rob Neale therefore earned a total bonus equal to 9% and 28% of salary respectively.

Given the uncertain outlook presented by the COVID-19 pandemic and in line with guidance published by the Investment Association, the Committee chose to defer the grant of the 2020 performance share plan awards. Awards were subsequently granted to Mike Gallacher and Rob Neale in February 2021 with a maximum opportunity equal to 45% of salary. Vesting was subject to EPS performance (as regards 75% of the award) and absolute TSR performance (as regards 25% of the award) over a three-year performance period to the end of the financial year 2022. The threshold EPS and absolute TSR targets were not achieved and therefore the awards have lapsed in full. See page 72 for further details.

The Committee carefully considered the vesting outcome of the annual bonus and performance share plan awards and considered it to be appropriate taking into account underlying business performance and the experience of stakeholders during the respective performance periods.

### Outlook for the 2023 financial year

### Salary / fees

Rob Neale received a 17.8% salary increase to £285,000 effective from 1 January 2023 as a result of his transition to the role of CEO. This is part of a phased set of salary increases in the next year to £310,000 on 1 July 2023 and finally to £330,000 plus an annual cost of living increase on 1 January 2024. This is the result of consideration of wider market benchmarks and will be subject to a personal performance review at each stage. Michelle Williams' salary was set at £175,000 on her appointment to the Board.

Alan Lovell, non-executive chairman, received a fee increase of 4.0% to £130,000. Both non-executive directors received a fee increase of 5.9% to £60,000.

Excluding the increase for Rob Neale, which was a result of his new role, salary and fee increases for the other members of the board were in line or below the average increase awarded to the wider workforce.

### Annual bonus

Rob Neale and Michelle Williams will each be granted an annual bonus with a maximum opportunity equal to 100% and 80% of salary respectively, based on delivering against stretching PBT targets and a range of strategic and personal objectives. The performance metrics, their weighting and the targets will be disclosed retrospectively in the 2023 Annual Report on Remuneration. See page 76 for further details.

### Performance share plan awards

Performance share plan awards are expected to be granted in accordance with the levels permitted under the Directors' Remuneration Policy (i.e. up to 100% of salary). The performance metrics, their weighting and the targets will be disclosed retrospectively in the 2023 Annual Report on Remuneration.

### Conclusion

The Committee aims to provide clear and transparent reporting on executive pay and performance at Safestyle, taking into account best practice amongst larger AIM listed companies. I look forward to receiving your support at our 18 May 2023 AGM, where I will be available to respond to any questions shareholders may have on this Directors' Remuneration Report or in relation to any of the Committee's activities.

Julia Porter
Chair of the Remuneration Committee
22 March 2023

# Directors’ Remuneration Report

## Annual Report on Remuneration

### 2022 Remuneration

The table below details the elements of remuneration received by each Director for the financial year 2022, and the total remuneration received by each Director for that financial year and also for the financial year 2021.

| | Salary and fees £000 | Benefits[1] £000 | Annual bonus £000 | Long term incentives £000 | Pension £000 | **Total remuneration 2022 £000** | Total remuneration 2021 £000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| M Gallacher[2] | 295 | 17 | 28 | - | 24 | 364 | 806 |
| R Neale[3] | 242 | 2 | 69 | - | 19 | 332 | 502 |
| **Total** | **537** | **19** | **97** | **-** | **43** | **696** | **1,308** |
| **Non-executive directors** | | | | | | | |
| A C Lovell | 125 | - | - | - | - | 125 | 120 |
| F Goldsmith | 57 | - | - | - | - | 57 | 55 |
| J Porter[4] | 67 | - | - | - | - | 67 | 55 |
| **Total** | **249** | **-** | **-** | **-** | **-** | **249** | **230** |

[1] Benefits include car allowance, private fuel and private medical insurance.
[2] Mike Gallacher retired from the Board on 14 December 2022. The treatment of his remuneration arrangements on his retirement, totalling an additional £462k, are set out on page 74.
[3] Rob Neale was appointed as CEO from 14 December 2022.
[4] Julia Porter received a supplementary £10,000 fee during the 2022 financial year in recognition of additional duties provided during the year.

### Individual elements of remuneration

#### Base salary

The salaries for 2022 are as set out below.

| Executive Director | **Base salary 1 January 2022 £'000** | **Base salary 1 January 2021 £'000** | % increase in salary between 2021 and 2022 |
|---|---|---|---|
| M Gallacher | 309 | 300 | 3.0% |
| R Neale | 242 | 220 | 10.0% |

Rob Neale's salary was increased to £235,000 effective from 1 July 2021 and then to £242,050 effective from 1 January 2022. The mid-year change was the last part of a phased set of salary increases across a two-year period, which took into account his significant development in role, additional management responsibilities assumed and his overall contribution to the business since he joined the company.

#### Annual bonus

Mike Gallacher and Rob Neale were each granted an annual bonus with a maximum opportunity equal to 100% of salary, based on delivering against stretching PBT targets (as regards 70% of the award) and a range of strategic and personal objectives (as regards the remaining 30% of the award).

The Committee considered it appropriate that Mike Gallacher remain eligible to receive a bonus on the basis he was CEO for circa 11.5 months during the financial year 2022 and that he retired from the Board.

The threshold PBT target was not achieved and therefore the PBT element has not paid out.

#### Strategic and personal objectives (30% of award)

The strategic and personal objectives were tailored to each executive and focused on key performance metrics to deliver the 2022 plan.

| Executive director | Performance metrics | Performance achieved (% of salary) |
|---|---|---|
| M Gallacher | Performance relating to a set of metrics that included customer service, quality, brand development, training, sustainability targets and development and communication of the medium-term strategy. | 9% |
| R Neale | Performance relating to a set of deliverables that included completion of the refinancing of the Group, the development and communication of the medium-term strategy and financial roadmap with the CEO, the launching of key performance projects and overall leadership of IT following the cyber-attack. | 28% |

Mike Gallacher and Rob Neale therefore earned a bonus equal to 9% and 28% of salary respectively. The Committee considered the bonus outcome to be appropriate taking into account underlying business performance and the experience of stakeholders during the year.

#### Share awards

#### Awards vesting in respect of the financial year

#### Performance share plan awards

Given the uncertain outlook presented by the COVID-19 pandemic and in line with guidance published by the Investment Association, the Committee chose to defer the grant of the 2020 performance share plan awards. Awards were subsequently granted to Mike Gallacher and Rob Neale in February 2021 with a maximum opportunity equal to 45% of salary. Vesting was subject to EPS performance (as regards 75% of the award) and absolute TSR performance (as regards 25% of the award) over a three-year performance period to the end of the financial year 2022. The threshold EPS and absolute TSR targets were not achieved and therefore the awards have lapsed in full.

| EPS for the financial year 2022 | Percentage of award vesting |
|---|---|
| 6.23p | 100% |
| 5.74p | 75% |
| 5.25p | 50% |
| 4.75p | 25% |
| Less than 4.75p | 0% |
| Straight-line vesting between points. | |
| Actual performance: (4.7)p | 0% |

| Absolute TSR for the financial year 2022 | Percentage of award vesting |
|---|---|
| 90p or more | 100% |
| 82.5p | 75% |
| 75p | 50% |
| 60p | 25% |
| Less than 60p | 0% |
| Straight-line vesting between points. | |
| Actual performance: 29.4p | 0% |

# Directors' Remuneration Report

## Annual Report on Remuneration

### Awards granted in respect of the financial year

#### Performance share plan awards

On 2 September 2022, performance share plan awards were granted to Mike Gallacher and Rob Neale with a maximum opportunity equal to 83% and 66% of salary respectively (based on the share price at the time of grant). Vesting of the awards is subject to EPS targets (as regards 75% of the award) and absolute Total Shareholder Return targets (as regards 25% of the award) over the three-year performance period to the end of the financial year 2024. Thereby incentivising the Executive Directors to deliver long-term earnings and share price growth.

| Executive director | Type of award | Date of grant | Percentage of salary | Number of shares | Exercise price | Performance period | Date of grant |
|---|---|---|---|---|---|---|---|
| M Gallacher | Nil cost option | 2 September 2022 | 83% | 813,158 | £nil | Beginning of the financial year 2022 to the end of the financial year 2024 | 2 September 2025 |
| R Neale | Nil cost option | 2 September 2022 | 66% | 509,579 | £nil | Beginning of the financial year 2022 to the end of the financial year 2024 | 2 September 2025 |

The EPS and TSR targets for the financial year 2024 are set out below.

| EPS for the financial year 2024 | Percentage of EPS element vesting |
|---|---|
| 4.39p | 100% |
| 3.74p | 75% |
| 3.10p | 50% |
| 2.46p | 25% |
| Less than 2.46p | 0% |
| Straight line vesting between points. | |

| Absolute TSR for the financial year 2024 | Percentage of EPS element vesting |
|---|---|
| 65.78p or more | 100% |
| 56.15p | 75% |
| 46.52p | 50% |
| 36.90p | 25% |
| Less than 36.90p | 0% |
| Straight line vesting between points. | |

The Committee has discretion to amend the vesting outcome where it considers that it is not a fair and accurate reflection of underlying business performance or the experience of stakeholders during the performance period. This includes consideration of any potential "windfall gains" at the point of vesting.

#### One-off retention awards

The Committee believes that the Executive Directors and senior management team have performed well over the last five years, ensuring that the business was resilient enough to overcome a number of challenging events whilst also preparing the business for success over the medium-term. In order to recognise this performance, to continue to incentivise and also retain the Executive Directors and senior management team, one-off cash-based retention awards were granted on 16 June 2022. The awards will vest on 1 July 2024 subject to continued employment.

Mike Gallacher and Rob Neale were each granted an award equal to 100% of salary. The treatment of Mike Gallacher's award upon his retirement from the Board is set out on page 74.

During the financial year 2022, Mike Gallacher and Rob Neale were each granted, in aggregate, a performance share plan opportunity and one-off retention award opportunity equal to 183% and 166% of salary respectively. This is less than the maximum long-term incentive opportunity of 200% of salary permitted in exceptional circumstances under the Directors' Remuneration Policy.





### Payments made to former Directors during the year and payments for loss of office during the year

Mike Gallacher retired from the Board on 14 December 2022. The treatment of his remuneration arrangements is set out in the table below. This has been agreed by the Committee taking into account his contribution to the business over the last four years.

| | Agreed treatment |
|---|---|
| Payment in lieu of notice | He received a payment of £399,784 based on the value of his salary, pension allowance and contractual benefits for the duration of his 12 month notice period. |
| Annual bonus | He remained eligible to earn a bonus for the financial year 2022. He earned a bonus equal to 9% of salary following the outcome of the performance metrics (see page 72). |
| One-off retention award | His award was pro-rated for time served as CEO during the vesting period (five months of the two year vesting period) and he was paid £61,800 following his retirement. |
| Performance share plan awards | Unvested performance share plan awards will:<br>• Continue to vest in accordance with their normal vesting timetable, subject to the achievement of the relevant performance metrics; and<br>• Be pro-rated for time served as CEO during the relevant vesting periods. |

### Statement of Directors' shareholding and share interests

| | Year end 2022 Number | 31 Year end 2021 Number |
|---|---|---|
| **Executive directors** | | |
| M Gallacher[1] | **796,012** | 611,740 |
| R Neale | **584,954** | 464,125 |
| **Non-executive directors** | | |
| A C Lovell | **800,000** | 700,000 |
| F Goldsmith | **50,000** | 50,000 |
| J Porter | **88,671** | 38,671 |

[1] As at the date of his retirement from the Board (14 December 2022).

# Directors' Remuneration Report

## Annual Report on Remuneration

The interests of each individual, who served as a Director of the Group during the year, as at the end of financial year 2022 in the Group's share schemes were as follows:

| Director | Award | Date of grant | Options held at beginning of year | Options granted in the year | Options vested in the year | Options exercised in the year | Options lapsed in the year[2] | **Options held at end of year** | Status |
|---|---|---|---|---|---|---|---|---|---|
| M Gallacher | Performance share award | 27 June 2019 | 200,000 | – | 56,000 | (56,000) | (144,000) | **–** | Vested and exercised |
| | Performance share award | 23 February 2021[1] | 275,000 | – | – | – | (17,564) | **257,436** | Unvested |
| | Restricted share award | 10 June 2021 | 461,538 | – | – | – | (229,085) | **232,453** | Unvested |
| | Performance share award | 2 September 2022 | – | 813,158 | – | – | (736,739) | **76,419** | Unvested |
| R Neale | Performance share award | 27 June 2019 | 127,273 | – | 35,636 | (35,636) | (91,637) | **–** | Vested and exercised |
| | Performance share award | 23 February 2021[1] | 205,000 | – | – | – | – | **205,000** | Unvested |
| | Restricted share award | 10 June 2021 | 270,769 | – | – | – | – | **270,769** | Unvested |
| | Performance share award | 2 September 2022 | – | 509,579 | – | – | – | **509,579** | Unvested |

[1] The performance share plan awards granted on 23 February 2021 lapsed in full following the end of the 2022 financial year as the threshold EPS and absolute TSR targets were not achieved. See page 72.
[2] The performance share awards granted to Mike Gallacher on 23 February 2021, 10 June 2021 and 2 September 2022 have been pro-rated for his time in office as CEO during the relevant vesting period. See page 74.

### Implementation of Directors' Remuneration Policy for the financial year 2023

Information on how the Group intends to implement the Directors' Remuneration Policy for the financial year 2023 is set out below.

### Salary / fees

Rob Neale received a 17.8% salary increase to £285,000 effective from 1 January 2023 as a result of his transition to the role of CEO. This is part of a phased set of salary increases in the next year to £310,000 on 1 July 2023 and finally to £330,000 plus an annual cost of living increase on 1 January 2024. This is the result of consideration of wider market benchmarks and will be subject to a personal performance review at each stage. Michelle William's salary was set at £175,000 on her appointment to the Board.

Alan Lovell, non-executive chairman, received a fee increase of 4.0% to £130,000. Both non-executive directors received a fee increase of 5.9% to £60,000.

Excluding the increase for Rob Neale, which was a result of his new role, salary and fee increases for the other members of the board were in line or below the average increase awarded to the wider workforce.



### Annual bonus

Rob Neale and Michelle Williams will each be granted an annual bonus with a maximum opportunity equal to 100% and 80% of salary respectively, based on delivering against stretching PBT targets and a range of strategic and personal objectives. The performance metrics, their weighting and the targets will be disclosed retrospectively in the 2023 Annual Report on Remuneration. This provides a balanced scorecard approach to measuring and rewarding management performance during the year. PBT will be measured before share based payments and non-underlying items.

The strategic and personal objectives will be tailored to each executive and will focus around key performance metrics to deliver the 2023 plan. The PBT targets and strategic and personal objectives will be disclosed retrospectively in the 2023 Annual Report on Remuneration, where further detail of performance against the targets and objectives will also be provided.

### Performance share plan awards

Performance share plan awards are expected to be granted in accordance with the levels permitted under the Directors' Remuneration Policy (i.e. up to 100% of salary). The performance metrics, their weighting and the targets will be disclosed retrospectively in the 2023 Annual Report on Remuneration.

### Consideration by the Directors of matters relating to Directors' remuneration

The Committee is composed of the Group's independent Non-Executive Directors, Julia Porter (Chair), Alan Lovell and Fiona Goldsmith. Executives only attend meetings by invitation.

The Committee's key responsibilities are:

- reviewing the on-going appropriateness and relevance of remuneration policy;
- reviewing and approving the remuneration packages of the executives;
- monitoring the level and structure of remuneration of the senior management;
- determining the treatment of remuneration for any departing Executive Directors or Executive Directors being appointed to the Board; and
- production of the Directors' Remuneration Report.

### Advisors

During the year, the Committee received independent advice from Deloitte LLP. Deloitte is a founder member of the Remuneration Consultants Group and voluntarily operates under its code of conduct in its dealings with the Committee.

### Directors' Remuneration Report voting at the 2022 AGM

The table below sets out the voting outcome at the Group's AGM held on 8 June 2022 in respect of the resolution to approve the Directors' Remuneration Report contained in the Group's 2021 Annual Report and Accounts.

| | Votes for | % for | Votes against | % against | Total votes cast | Votes withheld (abstentions) |
|---|---|---|---|---|---|---|
| Approval of Directors' Remuneration Report | 87,306,023 | 88.95% | 10,841,059 | 11.05% | 98,147,082 | 2,922,858 |

### Approval

This Report was approved by the Board on 22 March 2023 and signed on its behalf by:

Julia Porter

Julia Porter
Chair of the Remuneration Committee
22 March 2023

# Directors' Report

**The directors present their annual report and audited financial statements of the Group for the financial year 2022**

## Registered office

The registered office of Safestyle UK plc is 47 Esplanade, St Helier, Jersey, JE1 0BD.

## Principal activities

Safestyle UK plc is an AIM listed company. The Group's principal activities are the sale, manufacture and installation of replacement PVCu windows and doors for the UK homeowner market.

## Business review

The Chairman's statement, the CEO's statement and the Financial Review on pages 17 to 28 report on the Group's performance during the year and future developments.

## Dividends

The directors propose a final dividend of 0.1p per share for the year (2020: £nil).

## Governance

Safestyle UK plc is an evolving organisation and one that has ethics, integrity and high standards of corporate governance as key priorities. The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (2018) as its Governance Framework. The Board understands its responsibility in managing the business for the long term benefit of its stakeholders, through effective and efficient decision making, and acknowledges the importance of the ten principles set out within the QCA code. Further details of how the Group applies each principle of the QCA code can be found on the Group's website at www.safestyleukplc.co.uk/investor-relations/corporate-governance. An overview of the Group's corporate governance procedures is given below.

## The Board

The Group is controlled through a Board of Directors which comprises a non-executive chairman, two executive directors and two non-executive directors. The non-executive chairman and the non-executive directors are considered to be independent and bring a wide range of experience and provide a strong balance to the executive directors. The Board meets at least 9 times a year and is responsible, amongst other things, for business strategy, approval of interim and annual financial results, approval of annual budgets, approval of major capital expenditure and the framework of internal controls.

## Audit Committee

The Audit Committee report on pages 67 to 68 provides details regarding the Audit Committee members and its responsibilities.

## Remuneration Committee

The Chair of the Remuneration Committee is Julia Porter with Alan Lovell and Fiona Goldsmith as the other non-executive members. The Committee reviews the performance of the executive directors and determines their terms and conditions of service, including their remuneration and the grant of options. The Remuneration Committee meets at least once a year.

## Nomination Committee

The Chairman of the Nomination Committee is Alan Lovell with Fiona Goldsmith and Julia Porter as the other non-executive members. The Committee identifies and nominates for the approval of the Board candidates to fill board vacancies as and when they arise. The Nomination Committee meets at least once a year.

## Promoting the success of the Group

The Board consider, both individually and collectively, that they have acted in a way they consider, in good faith, to promote the success of the company for the longer term. 2022 has been a challenging year. The Group experienced several unforeseen challenges with a cyber-attack, record high summer temperatures causing disruption to customer fulfilment and trading turbulence in the latter parts of the year during a period of political instability in the UK. All adversely impacted the financial results for the year. The Board responded to these challenges with a focus on ensuring the safety of the Group's people and its customers whilst also making progress on the strategic priorities of the Group.

The Board understands that the Group can only grow and prosper through having regard for the views and needs of our customers, colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable. The Board ensures that these requirements are met and the interests of our stakeholder groups are considered through a combination of the following:

- Standing agenda points and papers presented at each Board meeting.
- A rolling agenda of matters to be considered by the Board throughout the year, which includes strategy review days that consider the Group strategy for the longer-term.
- Board presentations and reports which include monthly updates on Health & Safety, compliance with regulatory requirements along with operational, performance and people matters.
- Regular engagement with our stakeholders, including, but not limited to, suppliers, customers and employees.
- Consideration of the impact of the Group's operations on the community and the environment, and how this can be improved.

## Shareholder communication

The Board is committed to maintaining good communication with both institutional and private investors. Dialogue with fund managers, institutional investors and analysts to discuss performance and future prospects is actively pursued. The Annual General Meeting provides an opportunity for shareholders to address questions to the Chairman and the Board directly.

## Risk management and internal controls

The Board has overall responsibility for the Group's system of internal controls and for reviewing the effectiveness of this system. It should be recognised that such a system is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives and can only provide reasonable, and not absolute, assurances against material misstatement or loss.

## Directors' indemnities and insurance

Safestyle UK plc indemnifies its officers and officers of its subsidiary companies against liabilities arising from the conduct of the Group's business, to the extent permitted by law, by the placing of directors' and officers' insurance.
The insurance policy indemnifies individual directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with Group business.

## Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and IFRS as adopted by the EU. Company law requires the directors to prepare Group financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.
- The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# Directors' Report

## Substantial shareholdings

As at 3 March 2023, the Group has confirmed the following interests in more than 3% of its ordinary share capital.

| Significant Shareholders | Shares Held | % |
|---|---|---|
| Alantra Asset Management | 31,911,957 | 22.98% |
| Soros Fund Management | 26,647,733 | 19.19% |
| Janus Henderson Investors | 14,918,402 | 10.74% |
| Hargreaves Lansdown plc | 5,802,504 | 4.18% |
| UBS Group AG | 5,737,797 | 4.13% |
| FIL Investment International | 5,040,054 | 3.63% |
| Invesco Advisors Inc | 4,465,000 | 3.22% |

## Carbon reporting

Our manufacturing sites and our large commercial fleet continue to be the main sources of the Group's carbon emissions. We have now changed our manufacturing site to a full, clean source of energy. The majority of the portfolio is now on green energy with the exception of some leased site that have the energy included which we are working on with the landlords to move to green energy. We continue to upgrade our fleet and aim to double the number of hybrid/electric vehicles we have by the end of 2023.

We are pleased to say that we have reduced our $CO_2$ per frame installed by 2.0% before the benefit of a new carbon offset programme (see below) and remain well on track for our 2025 targeted reduction of 6% lower than 2021. We also continue to target reductions in the 5% of waste that was sent to landfill from our installation depots by pursuing new ways of working and using new partners to reduce this to our 0% target by 2025.

The Group has recently launched a group-wide sustainability team who are working on embedding a sustainability culture as well as implementing several energy saving and waste reduction initiatives. We have engaged with our largest suppliers with regards to their sustainability agenda and have started several working parties focussed on sharing best practices and learnings.

Finally, the Group have recently engaged in a partnership with their vehicle fuel card provider which aims to offset emissions generated by its vehicle fleet. In 2022, the carbon offset equated to 247 tonnes of $CO_2$ which reduced the Group's $CO_2$ per frame installed by a further 5.7ppts to a 7.7% year on year reduction.

The Group's pre and post carbon offset performance will continue to be reported to measure progress as we work to reduce emissions as much as possible with current technology and renewable energy and then additionally show any benefit achieved through offsetting of residual emissions with Gold Standard carbon offsets.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | $CO_2$ (Tonnes) | $CO_2$ (Tonnes) / Frame installed | $CO_2$ (Tonnes) | $CO_2$ (Tonnes) / Frame installed |
| Manufacturing | 89 | 0.0005 | 541 | 0.0030 |
| Vehicles | 4,054 | 0.0227 | 3,736 | 0.0204 |
| Offices / depots | 157 | 0.0009 | 240 | 0.0013 |
| **Total pre carbon offset** | **4,300** | **0.0241** | **4,517** | **0.0246** |
| Carbon offset | (247) | (0.0014) | - | - |
| **Total post carbon offset** | **4,053** | **0.0227** | **4,517** | **0.0246** |

This above data is aligned with the Greenhouse Gas Protocol methodology ('GHG Protocol'). The GHG Protocol establishes comprehensive global standardised frameworks to measure and manage greenhouse gas ('GHG') emissions from private and public sector operations, value chains and mitigation actions. The framework has been in use since 2001 and forms a recognised structured format to calculate a carbon footprint. This is a market-based report and covers the fact that emissions factors have been taken from each of Safestyle UK Plc's relevant suppliers where applicable (i.e. for green tariff it would be zero emissions).

## Going concern

For the purposes of assessing the appropriateness of the preparation of the Group's accounts on a going concern basis, the Directors have considered the current cash position, available banking facilities and forecasts of future trading through to June 2024, the end of the going concern period, including performance against financial covenants where appropriate. Further disclosure of the factors considered are given in the basis of preparation note to the accounts.

Having considered this information, the directors have a reasonable expectation that the Group has adequate resources to continue to trade for the foreseeable future. Consequently, the directors continue to adopt the going concern basis of preparation in preparing the financial statements for the financial year 2022.

## Auditors

Grant Thornton were appointed as the Group's auditors in June 2022. The Board will put forward a resolution to reappoint Grant Thornton as auditors at the forthcoming AGM of the Group.

## Statement of disclosure of information to auditors

As at the date this report was signed, so far as each of the Directors is aware, there is no relevant information of which the auditor is unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Directors and signed on behalf of the Board on 22 March 2023.

Rob Neale
Chief Executive Officer
22 March 2023

# Independent auditor's report to the members of Safestyle UK plc

## Opinion

**Our opinion on the Group financial statements is unmodified**

We have audited the Group financial statements of Safestyle UK plc (the 'Group') for the year ended 1 January 2023, which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standard (IFRSs) as adopted by the European Union.

In our opinion, the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 1 January 2023 and of its loss for the year then ended in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

## 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 Group financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group 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.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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.

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 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.

## Our approach to the audit


**Overview of our audit approach**

Overall materiality: £616,000 which represents 0.4% of revenue

Key audit matters were identified as:

- the going concern assumption (same as previous year; and
- the revenue cycle includes fraudulent transactions (same as previous year).

Our auditor's report for the year ended 2 January 2022 included no key audit matters that have not been reported as key audit matters in our current year's report.

We performed a full-scope audit of the financial information using component materiality for the trading subsidiary H.P.A.S. Limited.

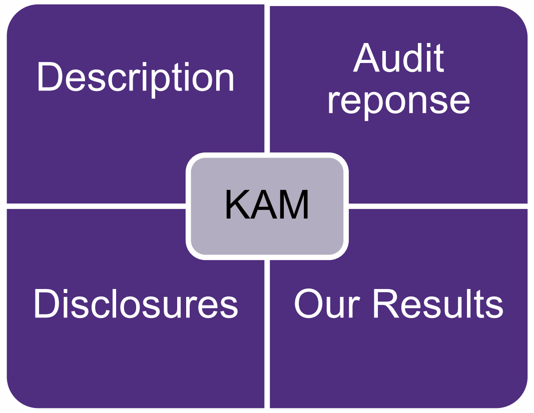
We performed specific audit procedures on the financial statements of Safestyle UK plc and of the financial information of Style Group UK Limited.

We performed analytical procedures on the financial information of Style Group Holdings Limited.

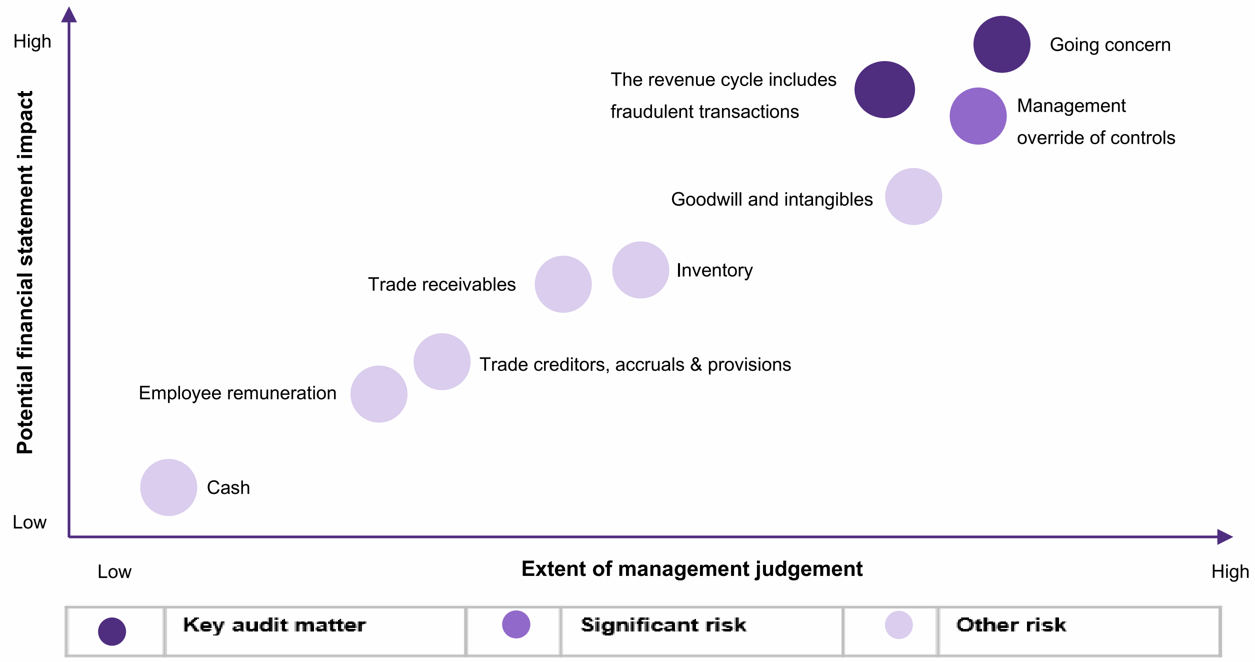
In total, our full-scope and specific audit procedures covered 98% of the Group's total assets, 100% of the Group's revenue and 100% of the Group's loss before tax.

## 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) that we identified. These matters included those that 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.




In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.




| Key Audit Matter | How our scope addressed the matter |
|---|---|
| **The going concern assumption**<br>We identified the going concern assumption as one of the most significant assessed risks of material misstatement due to the level of judgement required by management to conclude whether there is a material uncertainty related to going concern.<br><br>In the current macro-economic environment, significant judgement is applied in developing cashflow forecasts. The Directors have concluded, based on the various scenarios that they developed, that the Group has sufficient working capital during their assessment period, and that headroom exists between forecast sales and those required to maintain adequate liquidity. They have concluded that there are no material uncertainties relating to the going concern assumption. | In responding to the key audit matter, we performed the following audit procedures:<br>• Obtained an understanding of, and evaluated the design and implementation of, key controls with respect to management's going concern assessment;<br>• Considered the inherent risks associated with the Group's business model including effects arising from macro-economic uncertainties, including inflationary pressures and the cost-of-living crisis;<br>• Obtained management's assessment, including base case, sensitised model and reverse stress test each covering the period to 31 July 2024 and assessed its integrity and suitability as a basis for management to assess going concern by casting the models;<br>• Assessed whether forecasts used for going concern are consistent with other areas of the audit such as impairment review;<br>• Evaluated the key assumptions within the cash flow forecasts, including the quantum and timing of cash outflows and inflows, and determined whether these had been applied appropriately. We also considered whether the assumptions are consistent with our |

| Key Audit Matter | How our scope addressed the matter |
|---|---|
| | understanding of the business and current external economic pressures;<br>• Evaluated management's reverse stress test analysis over the forecast period, considering the impact of changing key assumptions and understanding how these could break the forecast and assessing the likelihood of such a situation occurring;<br>• Assessed the accuracy of management's past forecasting by comparing management's forecasts for the last two financial periods to the actual results for those periods and considering the impact on the cash flow forecast;<br>• Corroborated the existence of the Group's new loan facilities, including the related monthly EBITDA covenant requirements, for the period covered by management's forecasts;<br>• Assessed the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, and considered assumptions relating to the availability of additional facilities;<br>• Compared post year end results achieved to those forecasted to determine if the business is trading in line with forecast; and<br>• Assessed the adequacy of the going concern disclosures included within the Annual Report and Accounts. |
| **Relevant disclosures in the Annual Report and Accounts**<br>• Financial statements: Note 2, Summary of significant accounting policies, Going concern.<br>• Audit Committee report: Page 68. | **Our results**<br>We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report. |
| **The revenue cycle includes fraudulent transactions**<br>We identified the risk that the revenue cycle includes fraudulent transactions as one of the most significant assessed risks of material misstatement due to fraud.<br>Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumption that there are risks of fraud in revenue recognition.<br>Revenue of £154.3m (2021: £143.3m) is the most significant item in the consolidated statement of profit and loss and impacts a number of key | In responding to the key audit matter, we performed the following audit procedures:<br>• Obtained an understanding of, and evaluated the design and implementation of, key controls with respect to the recognition of revenue;<br>• Evaluated the revenue recognition accounting policies for consistency with IFRS 15 'Revenue from Contracts with Customers';<br>• Used data analytics to identify revenue transactions that fall outside of the expected revenue cycle, and agreeing these exceptions |





| Key Audit Matter | How our scope addressed the matter |
|---|---|
| performance indicators and key strategic decisions set out in the report and financial statements.<br>The principal performance obligation is discharged on installation of the products at which point control of the goods has transferred. We determined that the significant risk in revenue is related to revenue impacting entries falling outside of the expected transaction flow where there is an increased risk that management may record fraudulent or erroneous revenue transactions. | to supporting documentation. We tested the operating effectiveness of controls over the bank reconciliation process to support this testing;<br>• Performed substantive testing across material revenue streams by agreeing a sample of transactions to supporting documentation and vouching that income has been appropriately recognised. |
| **Relevant disclosures in the Annual Report and Accounts**<br>• Financial statements: Note 2, Summary of significant accounting policies, Revenue recognition; and Note 5, Segmental information. | **Our results**<br>Based on our audit work, we did not identify any material misstatement or fraudulent transactions in revenue recognised during the year ended 1 January 2023. |

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

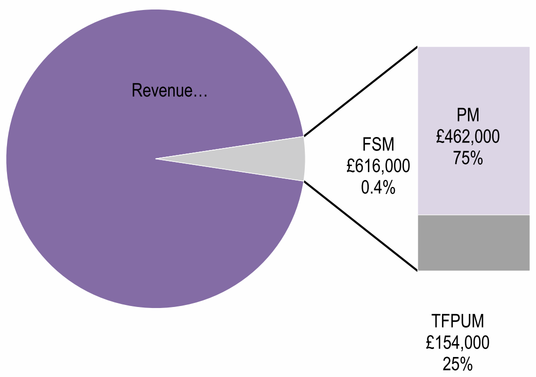
Materiality was determined as follows:

| Materiality measure | Group |
|---|---|
| **Materiality for financial statements as a whole** | We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work. |
| Materiality threshold | £616,000, which was calculated as 0.4% of revenue. |
| Significant judgements made by auditor in determining materiality | In determining materiality, we made the following significant judgements:<br>• We determined revenue to be the most appropriate benchmark for the Group as it is a key performance indicator for the Group and a more stable measure year on year than profit or loss before tax.<br>• A market-based measurement percentage was chosen which reflected our knowledge of the business from the prior year audit and our risk assessment of the business.<br>Materiality for the current year uses the same benchmark as the prior year.<br>Materiality for the current year is higher than the level that we determined for the year ended 2 January 2022 to reflect the increase in revenue generated. |
| **Performance materiality used to drive the extent of our testing** | We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. |

| Materiality measure | Group |
|---|---|
| Performance materiality threshold | £462,000, which is 75% of financial statement materiality. |
| Significant judgements made by auditor in determining performance materiality | In determining performance materiality, we made the following significant judgements:<br>• Considered control findings and misstatements from the prior year audit; and<br>• Assessed the strength of the information systems used for key business processes and reporting. |
| **Communication of misstatements to the audit committee** | We determine a threshold for reporting unadjusted differences to the audit committee. |
| Threshold for communication | £30,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. |

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality




FSM: Financial statements materiality

PM: Performance materiality

TFPUM: Tolerance for potential uncorrected misstatements

### An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's business and in particular matters related to:

Understanding the Group, its components, and their environment, including group-wide controls

- We obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level;
- We obtained and documented an understanding of the design of relevant controls that management have implemented over the process for evaluating the areas of significant risks and performed walkthrough testing of these controls to confirm that understanding.

Identifying significant components

- We evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined by reference to each component's contribution to the Group's total revenue, loss before tax and total assets as well as considering qualitative factors, such as a component's specific nature or circumstances.

Type of work to be performed on financial information of components (including how it addressed the key audit matters)

- Full scope audit was performed on the financial information of the trading subsidiary H.P.A.S. Limited using component materiality.
- The financial statements Safestyle UK plc and the financial information of Style Group UK Limited were subject to specific audit procedures.
- We performed analytical procedures on Style Group Holdings Limited.
- In total, our full scope and specific audit procedures covered 98% of the Group's total assets, 100% of the Group's revenue and 100% of the Group's loss before tax.

Performance of our audit

- Both of our key audit matters were addressed with our full-scope audit procedures.
- All audit procedures to support the Group audit opinion were performed by the Group audit team.
- We performed the full-scope audit and specific-scope audits across the components in line with the scope described.

| Audit approach | No. of components | % coverage **revenue** | % coverage **LBT** | % coverage **total assets** |
|---|---|---|---|---|
| Full-scope audit | 1 | 100 | 15 | 98 |
| Specified audit procedures | 2 | - | 85 | - |
| Analytical procedures | 1 | - | - | 2 |

### Other information

The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and accounts. 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 Group financial statements or our knowledge obtained in 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 there is a material misstatement of the Group 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.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the parent company; or
- Proper returns adequate for our audit have not been received from branches not visited by us; or
- The parent company's accounts are not in agreement with the accounting records and returns; or
- We have failed to obtain from the parent company any information or explanation that, to the best of our knowledge and belief, was necessary for the audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page xxx, the directors are responsible for the preparation of the Group 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 Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Group financial statements

Our objectives are to obtain reasonable assurance about whether the Group 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 Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the industry in which it operates. We determined that the following laws and regulations were most significant; IFRSs as adopted by the European Union, the Companies (Jersey) Law 1991, the Financial Services and Markets Act 2000 and the relevant tax compliance regulations for the Group.
- We obtained an understanding of how the Group is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and papers provided by the Audit Committee.
- We enquired of management whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews and papers provided by the Audit Committee.
- To assess the potential risk of material misstatement, we obtained an understanding of:
  - The Group's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement and
  - The Group's control environment including the adequacy of procedures for authorisation of transactions.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - Testing manual journal entries, in particular journal entries relating to management estimates and journal entries determined to be large or relating to unusual transactions. In addition we performed specific testing on journals between fixed assets and expenses;
  - Challenging assumptions and judgements made by management in its significant accounting estimates; and
  - Identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner has assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the Group operates, and their practical knowledge through training and participation with audit engagements of a similar nature. All team members are qualified accountants or are working towards that qualification and are considered to have sufficient knowledge and experience of Groups of a similar size and complexity, appropriate to their role within the team;
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition and application of going concern assumption. These matters are also reported as key audit matters in the key audit matters section of our report, where the matters are explained in more detail and the specific procedures we performed in response to the key audit matters are described in more detail.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 Article 113A of the Companies (Jersey) Law 1991. 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.

MOverfield

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
22 March 2023

# Financials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# Consolidated Income Statement

for the year ended 1 January 2023

| | Note | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Revenue** | 2,5 | **154,315** | 143,251 |
| Cost of sales | | **(116,441)** | (99,496) |
| **Gross profit** | | **37,874** | 43,755 |
| Expected credit losses expensed | 18 | **(293)** | (362) |
| Other operating expenses[1] | | **(44,371)** | (35,807) |
| **Operating (loss) / profit** | 6 | **(6,790)** | 7,586 |
| Finance income | | **-** | - |
| Finance costs | 12 | **(1,756)** | (1,623) |
| **(Loss) / profit before taxation** | | **(8,546)** | 5,963 |
| **Underlying (loss) / profit before taxation before non-recurring costs, Commercial Agreement amortisation and share based payment charges** | | **(4,428)** | 7,613 |
| Non-recurring costs | 7 | **(3,644)** | (511) |
| Equity settled share based payment charges | 32 | **(22)** | (687) |
| Commercial Agreement amortisation | 14 | **(452)** | (452) |
| (Loss) / profit before taxation | | **(8,546)** | 5,963 |
| Taxation | 13 | **2,035** | (1,188) |
| **(Loss) / profit after taxation** | | **(6,511)** | 4,775 |
| **Earnings per share** | | | |
| Basic EPS (pence per share) | 9 | **(4.7)p** | 3.5p |
| Diluted EPS (pence per share) | 9 | **(4.7)p** | 3.4p |

[1] Other operating expenses includes £3,644k (2021: £511k) of non-recurring costs, £452k (£2021: £452k) of Commercial Agreement amortisation and £22k (2021: £687k) of share based payments charges. Adjusting for these gives underlying other operating expenses of £40,253k (2021: £34,157k). See Financial Review for details.

There is no other comprehensive income for the year. 2021 represents the year ended 2 January 2022.

All operations were continuing throughout all years.

The accompanying notes form part of the financial statements.





# Consolidated Statement of Financial Position

at 1 January 2023

| | Note | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets - Trademarks | 14 | **504** | 504 |
| Intangible assets - Goodwill | 14 | **20.758** | 20,758 |
| Intangible assets - Software | 14 | **1,305** | 870 |
| Intangible assets - Other | 14 | **380** | 832 |
| Property, plant and equipment | 15 | **10,024** | 10,811 |
| Right-of-use assets | 26 | **9,416** | 11,146 |
| Deferred taxation asset | 16 | **2,984** | 1,053 |
| **Non-current assets** | | **45,371** | 45,974 |
| Inventories | 17 | **3,939** | 5,298 |
| Current taxation asset | | **114** | - |
| Trade and other receivables | 18 | **5,106** | 4,880 |
| Cash and cash equivalents | 19 | **12,369** | 16,351 |
| **Current assets** | | **21,528** | 26,529 |
| **Total assets** | | **66,899** | 72,503 |
| **Equity** | | | |
| Called up share capital | 20 | **1,389** | 1,386 |
| Share premium account | | **89,495** | 89,495 |
| Profit and loss account | | **3,856** | 10,893 |
| Common control transaction reserve | | **(66,527)** | (66,527) |
| **Total equity** | | **28,213** | 35,247 |
| **Liabilities** | | | |
| Trade and other payables | 21 | **21,069** | 18,052 |
| Lease liabilities | 26 | **4,154** | 4,104 |
| Corporation taxation liability | | **-** | 159 |
| Provision for liabilities and charges | 23 | **1,338** | 1,274 |
| Borrowings | 24 | **4,372** | - |
| **Current liabilities** | | **30,933** | 23,589 |
| Provision for liabilities and charges | 23 | **2,160** | 2,109 |
| Lease liabilities | 26 | **5,593** | 7,327 |
| Borrowings | 24 | **-** | 4,231 |
| **Non-current liabilities** | | **7,753** | 13,667 |
| **Total liabilities** | | **38,686** | 37,256 |
| **Total equity and liabilities** | | **66,899** | 72,503 |

The accompanying notes form part of the financial statements. 2021 represents the financial position at 2 January 2022.

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2023 and were signed on their behalf by:

Rob Neale
Chief Executive Officer

# Consolidated Statement of Changes in Equity

for the year ended 1 January 2023

| | Share capital £000 | Share premium £000 | Profit and loss account £000 | Common control transaction reserve £000 | **Total equity £000** |
|---|---|---|---|---|---|
| **Balance at 4 January 2021** | 1,368 | 89,495 | 5,347 | (66,527) | **29,683** |
| Total comprehensive profit for the year | - | - | 4,775 | - | **4,775** |
| Transactions with owners reported directly in equity: | | | | | |
| Issue of new shares | 18 | - | (18) | - | **-** |
| Deferred taxation asset taken to reserves (see note 16) | - | - | 4 | - | **4** |
| Current taxation asset taken to reserves | - | - | 98 | - | **98** |
| Equity settled share based payment transactions | - | - | 687 | - | **687** |
| **Balance at 2 January 2022** | 1,386 | 89,495 | 10,893 | (66,527) | **35,247** |
| Total comprehensive (loss) for the year | - | - | (6,511) | - | **(6,511)** |
| Transactions with owners reported directly in equity: | | | | | |
| Issue of new shares (see note 20) | 3 | - | (3) | - | **-** |
| Deferred taxation asset taken to reserves (see note 16) | - | - | 10 | - | **10** |
| Dividends (see note 8) | - | - | (555) | - | **(555)** |
| Equity settled share based payment transactions | - | - | 22 | - | **22** |
| **Balance at 1 January 2023** | **1,389** | **89,495** | **3,856** | **(66,527)** | **28,213** |

The accompanying notes form part of the financial statements.





# Consolidated Statement of Cash Flows

for the year ended 1 January 2023

| | *Note* | **2022 £000** | 2021 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss) / profit for the year | | **(6,511)** | 4,775 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | *15* | **1,368** | 1,473 |
| Depreciation of right-of-use assets | *26* | **3,729** | 3,882 |
| Amortisation of intangible fixed assets | *14* | **875** | 842 |
| Modification of right-of-use assets and liabilities | *26* | **(113)** | (83) |
| Impairment of right-of-use assets | *26* | **27** | 122 |
| Finance expense | *12* | **1,756** | 1,623 |
| IT project impairment | *14* | **-** | 14 |
| Equity settled share based payment charges | *32* | **22** | 687 |
| Taxation (credit) / charge | *13* | **(2,035)** | 1,188 |
| | | **(882)** | 14,523 |
| Decrease / (increase) in inventories | | **1,359** | (753) |
| (Increase) / decrease in trade and other receivables | | **(226)** | 783 |
| Increase / (decrease) in trade and other payables | | **3,017** | (3,877) |
| (Decrease) / increase in provisions | | **(226)** | 195 |
| | | **3,924** | (3,652) |
| Other interest (paid) | | **(1,274)** | (1,250) |
| Taxation (paid) | | **(159)** | - |
| **Net cash inflow from operating activities** | | **1,609** | 9,621 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | *15* | **(730)** | (809) |
| Acquisition of intangible fixed assets | *14* | **(709)** | (424) |
| **Net cash (outflow) from investing activities** | | **(1,439)** | (1,233) |
| **Cash flows from financing activities** | | | |
| Dividends paid | *8* | **(555)** | - |
| Payment of lease liabilities | *26* | **(3,597)** | (3,742) |
| **Net cash (outflow) from financing activities** | | **(4,152)** | (3,742) |
| Net (outflow) / inflow in cash and cash equivalents | | **(3,982)** | 4,646 |
| Cash and cash equivalents at start of year | | **16,351** | 11,705 |
| **Cash and cash equivalents at end of year** | | **12,369** | 16,351 |

The accompanying notes form part of the financial statements. 2021 represents the year ended 2 January 2022.

# Notes to the Consolidated Financial Statements

## General information

The financial statements set out herein are in respect of Safestyle UK plc (the Company) and its subsidiaries (the Group) for the financial year 2022 which ended on 1 January 2023.

The Group's principal activities are the sale, manufacture and installation of replacement PVCu windows and doors for the UK homeowner market. Safestyle UK plc is a publicly listed company incorporated in Jersey. The company's shares are traded on AIM. The company is required under AIM rule 19 to provide shareholders with audited consolidated financial statements. The registered office address of the Safestyle UK plc is 47 Esplanade, St Helier, Jersey JE1 0BD. The company is not required to present parent company information.

## 1 Basis of preparation

The Group's financial statements for the financial year 2022 ("financial statements") have been prepared on a going concern basis under the historical cost convention and are in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the International Financial Reporting Standards Interpretations Committee interpretations issued by the International Accounting Standards Board ("IASB") that are effective or issued and early adopted as at the time of preparing these financial statements.

Safestyle UK plc was incorporated on 8 November 2013. On 3 December 2013 Safestyle UK plc acquired Style Group Holdings Limited through a share for share exchange. This was accounted for as a common control transaction. The result of this is that the financial statements of Style Group Holdings have been included in the Group consolidated financial statements of Safestyle UK plc at their book value at the IFRS transition date of 1 January 2010 with the assumption that the Group was in existence for all the periods presented. The excess of the cost at the time of acquisition over its book value has been recorded as a common control transaction reserve.

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

The preparation of financial statements requires Management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 4.

(a) New and amended standards adopted by the Group.
The Group has adopted the following new standards and amendments for the first time. Unless otherwise stated, they have not had a material impact on the financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- 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 (2018-2020 Cycle):
    - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
    - Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
    - Lease Incentives (Amendments to IFRS 16)
    - Taxation in Fair Value Measurements (Amendments to IAS 41)

(b) New standards, amendments and interpretations issued but not effective and not early adopted. At the date of approval of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- 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)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

### Basis of consolidation

Subsidiaries are entities that the Company has power over, exposure or rights to variable returns and an ability to use its power to affect those returns. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Intragroup transactions and balances are eliminated on consolidation.

### Year end

The financial statements are presented for the year ended on the closest Sunday to the end of December. This date was 1 January 2023 for the current reporting year and 2 January 2022 for the prior year. All references made throughout these accounts for the financial year 2022 are for the period 3 January 2022 to 1 January 2023 and references to the financial year 2021 are for the period 4 January 2021 to 2 January 2022.

### Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Group made a statutory loss of £(6.5)m in the financial year 2022 (2021: profit of £4.8m) and had net current liabilities of £(9.4)m at the end of the financial year 2022 (2021: net current assets of £2.9m). As detailed in the Financial Review, the loss reported of £(6.5)m was a result of the Group experiencing several unforeseen challenges with a cyber-attack, record high summer temperatures causing disruption to customer fulfilment, and political instability in the UK causing trading turbulence in the latter part of the year. Demand improved into November which resulted in a stronger closing order book than expected which will support revenues in 2023. However, the investment of growing the order book was incurred in 2022 and will be realised in 2023 when the orders are installed. In addition, the Group invested c.£5m over 2022 in its strategic priorities as it focusses on its medium-term objectives. Net cash ended the year at £8.0m (2021: £12.1m), with the reduction in line with the trading performance for the year.

At the year end, the Group had banking facilities which consist of a £4.5m term loan and a £3.0m revolving credit facility ("RCF"). The RCF remained undrawn throughout 2022, which has been the case since May 2020, and following a revision to the banking covenants in place there were no covenant tests applicable at year end as the RCF was undrawn. The Group replaced its existing borrowing facility in January 2023 with a new RCF of £7.5m extending out to December 2026. The agreement is covenant-lite, whereby there are no covenant tests in place whilst the facility is undrawn.

In addition, the Group's net cash position was £4.4m at 26 February 2023 (February 2022: net cash of £14.5m).

The Directors have prepared forecasts covering the period to the end of 2024, to cover an assessment period until June 2024. The forecasts include a number of assumptions in relation to sales volume, pricing, margin improvements and overhead investment. The Directors believe the key assumptions to be a cautious reflection of the economy and realistic with installation volume 4.6% below FY22 levels which was impacted by the cyber attack. This target is deemed to be realistic. The Group has a strong opening order book following increased demand in November 2022, and order intake at this level would match the current capacity of the installation network. The Group is forecasting the continuation of significant increases in manufacturing costs as suppliers pass on increasing energy and raw material prices that they are incurring themselves. Increases in overhead costs have also been forecast as the Group continues its strategic agenda to invest in IT, customer services, as well as annual pay increases in line with rising inflation. These forecasts result in further increases in net cash and liquidity, with no covenant tests in place in line with the new facility, as the RCF is forecast to remain undrawn throughout the year.

Whilst the Directors believe the assumptions above to be sensible, the operating environment is exposed to a number of risks which could impact the actual performance achieved in 2023. These risks include, but are not limited to, reducing consumer confidence due to the general economic conditions, (delivering the required levels of order intake in the current economic environment), competition from other sectors increases, and the Group's ability to maintain margins given the rising input costs.

The Directors have modelled various sensitised downside scenarios for 2023 and 2024. For 2023, these included a scenario which modelled an 8% reduction in installation volumes versus 2022 and installation volumes at similar levels to the COVID impacted year of 2020. In this scenario, mitigating actions within the control of management, including reductions in areas of discretionary spend could be deployed. Even with the above significant reductions in activity, the resultant cash flow forecasts, after mitigation that are entirely within management's control, result in a positive cashflow. Projections show that the Group will be able to increase its net cash position and operate within the financial covenants of the borrowing facility.

In forming their view on preparing the financial statements on a going concern basis, the Board notes that considerable headroom exists between sales required in its forecast scenario and those required to maintain positive net cash and available liquidity. The Board considers that the reverse stress test scenario which would result in a covenant breach, represents a highly unlikely downside trading performance scenario.

The Board of Directors therefore conclude that, in its opinion, the Group has sufficient working capital for its present requirements until the end of the going concern period, with downside scenarios consistent with levels achieved in the year where the business shutdown operations for 2 months in the height of the COVID pandemic.

Based on the above indications and work prepared, the Board of Directors believes that it is appropriate to prepare the financial statements on a going concern basis.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies

**Revenue recognition**

The Group earns revenue from the design, manufacture, delivery and installation of domestic double-glazed replacement windows and doors.

There are five main steps followed for revenue recognition:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when or as an entity satisfied performance obligations.

The various stages of the performance obligations are the design, manufacture, delivery and installation of domestic double-glazed replacement windows and doors.

In applying the principal of recognising revenue related to satisfaction of performance obligations under IFRS 15, the Group considers that the final end product is dependent upon a number of services in the process that may be capable of distinct identifiable performance obligations. However, where obligations are not separately identifiable, in terms of a customer being unable to enjoy the benefit in isolation, the standard allows for these to be combined. The Group considers that in the context of the contracts held these are not distinct. As such, the performance obligations are treated as one combined performance obligation and revenue is recognised in full, at a point in time, being on completion of the installation. Revenue is shown net of discounts, sales returns, charges for the provision of consumer credit, VAT and other sales related taxes. Revenue is measured based on the consideration specified in a contract with a customer.

There is no identifiable amount included in the final price for a warranty, as the Group provides a guarantee on all installations.

Payments received in advance are held within other creditors, as a contract liability. The final payment is due on installation.

A survey fee is paid at the point of agreeing the contract and the customer has up to 14 days, defined in the contract, to change their minds. If the customer changes their mind after this cooling off period, the Group has the right to retain this survey fee and as such revenue for this is recognised at the point in time that this becomes non-refundable.

The Group offers consumer finance products from a range of providers whilst acting as a credit broker and not the lender. The Group earns commission and pays subsidies for its role as a credit broker. As the Group is acting as the agent and not the principal, commission is not disclosed as a separate income stream.

In addition to the above, the Group recognises revenue from the sale of materials for recycling. The revenue is recognised when the materials are collected by the recycling company which represents the completion of the performance obligation. The Group has determined that this revenue is derived from its ordinary activities and as such this balance is recognised within revenue.

**Foreign currencies**

(a) Functional and presentational currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency") which is UK Sterling (£). The financial statements are presented in UK Sterling (£), which is the Group's presentational currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net profit or loss in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**Cost of sales**

Cost of sales principally comprises the costs of materials, direct labour, commissions and lead generation.

**Employee benefits**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

**Government grants**

Grants under the Coronavirus Job Retention Scheme ('CJRS') that compensate the Group for expenses incurred are recognised in profit or loss in staff costs on a systematic basis in the periods in which the expenses are recognised.

**Goodwill**

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment.

**Intangible fixed assets**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. The trademark is considered to have an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the business. The trademark is not amortised, but is tested annually to determine whether there is any indication of impairment.

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

The non-compete element of the Commercial Agreement has been accounted for as an intangible asset on the basis that it is an identifiable, non-monetary item without physical substance, which is within the control of the entity and is capable of generating future economic benefits for the entity. The intangible asset has been measured based on the fair value of the consideration that the Group expects to issue under the terms of the agreement.

Amortisation of other intangibles is done on a straight-line basis over the estimated useful economic lives of the particular asset categories as follows:

| | |
|---|---|
| Software development | 25% on cost |
| Commerical Agreement | 20% on cost |

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

| | |
|---|---|
| Leasehold improvements | 25% on cost |
| Plant and machinery | 15% on cost |
| Office and computer equipment | 20% to 33.3% on cost |
| Mobile devices | 50% on cost |
| Motor vehicles | 25% reducing balance |

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

**Impairment**

The carrying amounts of the Group's assets, other than inventories and deferred taxation assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised (not relating to other intangible assets specifically) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the group of assets identified on acquisition that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of assets or the cash-generating unit is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Work in progress comprises direct materials, labour costs, site overheads and other attributable overheads.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(continued)*

**Bank and other borrowings**

Interest-bearing borrowings, bank and other borrowings are carried at amortised cost. Finance charges, including issue costs, are charged to the income statement using an effective interest rate method.

**Provisions**

A provision is recognised in the balance sheet if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-taxation rate which reflects current market assessments of the time value of money and the risks specific to the liability.

The Group gives guarantees against all its products which in the majority of cases covers a period of 10 years. The level of provision required to cover the expected future costs of rectifying faults and the future rate of product failure arising within the guarantee period requires judgement.

A provision for these guarantees is recognised when the underlying products are sold. The expected cost, which is included in cost of sales, is calculated based on historical service call data and determined by discounting the expected future cash flows at a pre-taxation rate which reflects current market assessments of the time value of money and the risks specific to the liability.

**Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**Trade receivables**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss model'. Instruments within the scope of the requirements included trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the trade receivables.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on age.

Refer to note 25 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

**Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, demand deposits, restricted cash paid over to various counterparties as collateral against relevant exposures and other short-term highly liquid investments that are readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value.

**Trade and other payables**

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the effective interest rate to the carrying amount of the liability.

**Financial liabilities – non-current borrowings**

Borrowings, including advances received from related parties, are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

**Taxation**

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

Deferred taxation is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. The amount of deferred taxation provided is based on the carrying amount of assets and liabilities, using the prevailing taxation rates. The deferred taxation balance has not been discounted.

Current taxation is the expected taxation payable on the taxable income for the year, using prevailing taxation rates enacted or substantively enacted at the reporting date and any adjustment to taxation payable in respect of previous years.

**Leases**

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**As a lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated, using the straight-line method, from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Group is reasonably certain to exercise
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases where the expected remaining term is less than 12 months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(continued)*

**Share based payments**

The fair value of share based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market based performance conditions at the vesting date. For share based payment awards with non-vesting conditions or with market-based vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

For share based transactions with parties other than employees, the fair value of the goods or services received and the length of the vesting period is estimated. An expense is recognised for the fair value of the goods or services over the specified vesting period or service, with a corresponding increase in equity.

Where the fair value of the goods or services received cannot be reliably estimated, the entity measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

**Dividends**

Dividends are only recognised as a liability to the extent that they are declared prior to the year end.

**Non-underlying items**

Non-underlying items consist of non-recurring costs, share based payments and Commercial Agreement amortisation. Non-recurring costs are excluded because they are not expected to repeat in future years.

## 3 Financial risk management

**Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Board of Directors. They identify and evaluate financial risks in close co-operation with key employees.

**3.1 Market risk**
Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

**3.2 Credit risk**
Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances.

**3.3 Liquidity risk**
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Board monitors forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

**Capital risk management**

The Group is funded principally by equity and a long term borrowing facility. The components of shareholders' equity are as follows:

- The share capital and the share premium account arising on the issue of shares.
- The retained surplus/deficit reflecting financial result incurred to date.

The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity and its profits. There are no externally imposed capital requirements.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic circumstances.

Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

**Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because the short term nature of such assets and the effect of discounting liabilities is negligible.

## 4 Accounting estimates and judgements

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses. Actual results can differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**Significant management judgements**
The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on these consolidated financial statements.

**Recognition of deferred taxation assets**
The extent to which deferred taxation assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and taxation loss carry-forwards can be utilised. The deferred taxation asset of £2,984k (2021: £1,053k) has been recognised on the basis that the Group is forecasting to make sufficient levels of profits in future periods. Further details can be found in note 16.

**Estimation uncertainty**

**Impairment of goodwill**
In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an appropriate rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. A pre-taxation discount rate of 16% has been applied to the impairment assessment calculation. This was calculated using publicly available third party data sources. Management used judgement in the decision to use a discount factor of 16%. Further detail can be found in note 14, alongside the other key judgements made in assessing the value in use calculations, including expected growth.

**Dilapidations provision**
The Group has a portfolio of leased properties that sales branches and installation depots operate from. A dilapidations provision is provided for leased properties where the lease agreement contains a contractual obligation to undertake remedial works at the end of the lease term and where wear-and-tear or damage on the property has occurred. The calculation of the estimate is based on historical experience of cost to rectify upon exiting similar properties. The estimated costs are subject to estimation uncertainty as the final payment agreed may differ to the estimated cost given the process whereby dilapidations are negotiated. If the effect of discounting is material, the dilapidations provision is determined by calculating the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money, and when appropriate, the risks specific to the liability. This value of the provision at the year end is disclosed in note 23.

**Product guarantee provision**
The Group guarantees all of its products, which in the majority of cases covers a period of 10 years. The provision is calculated to cover the cost of fulfilling any guarantee work to its customers and is based on the expected future costs of rectifying faults and the future rate of product failure arising within the guarantee period. The level of provision required to cover this cost is subject to estimation uncertainty. If the effect of discounting is material, the guarantee provision is determined by calculating the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money, and when appropriate, the risks specific to the liability. Further details can be found in note 23.

**Expected credit loss for trade receivables**
The Group assesses, on a forward-looking basis, the expected credit losses ('ECLs') associated with its trade receivables. This is based on historical experience, external indicators and forward-looking information to calculate the expected credit losses. Further detail can be found in note 25.

## 5 Segmental information

The Directors consider that there are no significant identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business. The Group generates a small income from the sale of recycling waste materials as part of the Group's ESG agenda. Due to the non-significant value of the income generated, this is not identified as a separate business segment. The information reported to the Group's Executive Directors for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is "the sale, design, manufacture, installation and maintenance of domestic, double-glazed replacement windows and doors". The Group's revenue and results and assets for this one reportable segment can be determined by reference to the Group's statement of comprehensive income and statement of financial position.

The Group carries out all of its activities in the UK and as such only has a single geographic segment. During the periods of the financial statements, no customer generated more than 10 per cent of total revenue.

The Group generally receives deposit payments prior to installation. Of the revenue recognised in financial year 2022, £1.3m (2021: £0.5m) relates to revenue which was sat within contract liabilities at the end of the previous financial year. At the end of the financial year 2022, £3.4m (2021: £3.8m) of deposits are held on the balance sheet relating wholly to existing contracts where performance obligations are unsatisfied at year end.

# Notes to the Consolidated Financial Statements

## 6 Expenses and auditor's remuneration

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Operating (loss) / profit is stated after charging / (receiving): | | |
| Income from the Coronavirus Job Retention Scheme | - | (255) |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 1,368 | 1,473 |
| Amortisation of intangible assets | 875 | 842 |
| Depreciation, reversal of impairment and net modification of right-of-use assets and liabilities | 3,643 | 4,317 |
| Auditor's remuneration: | | |
| Audit of financial statements relating to subsidiaries | 90 | 80 |
| Audit of financial statements relating to parent | 40 | 35 |
| Non-audit services; other related services | 5 | 3 |
| Commissions | 46,584 | 44,502 |
| Lead generation costs | 17,301 | 13,238 |
| Staff costs | 31,539 | 26,123 |
| Cost of materials | 29,514 | 24,146 |
| Other direct and indirect operational costs | 30,146 | 21,161 |
| **Total** | 161,105 | 135,665 |

## 7 Non-recurring costs

| | Note | 2022 £000 | 2021 £000 |
|---|---|---|---|
| Holiday pay accrual | a | (46) | (79) |
| RSA related costs | b | - | 147 |
| Litigation costs | c | 131 | 90 |
| Restructuring and operational costs | d | 473 | 300 |
| Modification of right-of-use assets and liabilities | e | (113) | (83) |
| Impairment of right-of-use assets | f | 27 | 122 |
| IT project impairment | g | - | 14 |
| Cyber incident related costs | h | 953 | - |
| Operational project costs | i | 1,663 | - |
| Previous CEO retirement costs | j | 556 | - |
| **Total non-recurring costs** | | 3,644 | 511 |

a The holiday pay accrual arose as a result of the impact of the shutdown of operations and resultant extension of 2020 leave entitlement which, for some employees, is up to March 2023. The release in the current reporting period represents a partial-unwinding of the original accrual booked in 2020 due to the deferred holiday subsequently taken in the year.
b RSA related costs are the employer related taxes associated with the issue of Restricted Share Award Scheme during the prior year.
c Litigation costs are mainly expenses incurred as a result of a legal dispute between the Group and an ex-agent. These costs are predominantly legal advisor's fees.
d Restructuring and operational costs are expenses incurred, including redundancy payments, as a result of changes being made to reduce the cost structure of the business.
e Modification of right-of-use assets relates to the closure of properties identified as right-of-use assets during the year.
f Impairment of right-of-use asset costs relates to the closure of properties identified as assets under IFRS 16 where the lease commitment extended beyond 2022.
g IT project impairment charge represented the impairment of a capital investment made in a new electronic survey system that was stopped following results of field trials.
h Cyber incident related costs are costs directly incurred and associated with the cyber-attack that took place in January 2022. Immediately following the attack, there was a short term impact on the Group's operations as it implemented business continuity workarounds whilst it recovered its systems.
i Operational project costs are the incremental costs of transitioning to the Group's new profile supplier and the costs of impairing the remaining stock held of the old profile that was specific to the old profile which will no longer be sold to customers.
j Previous CEO retirement costs as detailed in the Directors' Remuneration Report (see page 69) represent the costs of treatment of Mike Gallacher's remuneration arrangements following his retirement.

## 8 Dividends

The following dividends were declared and paid by the Group in the year:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Final dividend paid of £0.4p (2021: £nil) per ordinary share | 555 | - |

## 9 Earnings per share

| | 2022 | 2021 |
|---|---|---|
| Basic earnings per ordinary share (pence) | (4.7) | 3.5 |
| Diluted earnings per ordinary share (pence)* | (4.7) | 3.4 |

a) Basic earnings per share

The calculation of basic earnings per share has been based on the following (loss) / profit attributable to ordinary shareholders and weighted-average number of shares outstanding.

| i) (Loss) / profit attributable to ordinary shareholders (basic) | 2022 £000 | 2021 £000 |
|---|---|---|
| (Loss) / profit attributable to ordinary shareholders | (6,511) | 4,775 |
| ii) Weighted-average number of ordinary shares (basic) | No. of shares '000 | No. of shares '000 |
| In issue during the year | 138,748 | 137,753 |

b) Diluted earnings per share

*Due to a net loss for the year, diluted earings per share is the same as basic for 2022.

The calculation of diluted earnings per share has been based on the following (loss) / profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

| i) (Loss) / profit attributable to ordinary shareholders (diluted) | 2022 £000 | 2021 £000 |
|---|---|---|
| (Loss) / profit attributable to ordinary shareholders | (6,511) | 4,775 |
| ii) Weighted-average number of ordinary shares (diluted) | No. of shares '000 | No. of shares '000 |
| Weighted-average number of ordinary shares (basic) | 138,748 | 137,753 |
| Effect of conversion of share options | - | 3,589 |
| | 138,748 | 141,342 |

The average market value of the Group's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. In the event that a loss is recorded for the year, share options are not considered to have a dilutive effect.

# Notes to the Consolidated Financial Statements

## 10 Key management remuneration

Key management personnel, as disclosed under IAS24 (Related Party Disclosures), have been identified as the Board of Directors and other senior operational management.

A summary of key management remuneration is as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Salary, bonus and other benefits | 2,384 | 2,398 |
| Pensions | 122 | 111 |
| Share based payments and associated costs | 20 | 538 |
| Compensation on loss of office | 525 | 44 |
| Total remuneration | 3,051 | 3,091 |

Details of long term incentive plans can be found in note 32.

## 11 Staff numbers and costs

The average monthly number of persons (including directors) employed by the Group during the year analysed by category, were as follows:

| | 2022 Number | 2021 Number |
|---|---|---|
| Manufacturing | 244 | 272 |
| Sales and distribution | 255 | 116 |
| Administration | 306 | 312 |
| | 805 | 700 |
| | **2022 £000** | **2021 £000** |
| The aggregate payroll costs were as follows: | | |
| Wages and salaries | 27,478 | 22,439 |
| Social security costs | 3,211 | 2,317 |
| Other pension costs (see note 27) | 828 | 680 |
| Share based payment expenses (see note 32) | 22 | 687 |
| | 31,539 | 26,123 |

The analysis of Directors' remuneration is shown in the Directors' Remuneration Report.

During the year £nil (2021: £255k) was received under the Government Coronavirus Job Retention Scheme ('CJRS'). The above note does not include the beneficial effect of the CJRS grant income.

## 12 Finance costs

| | 2022 £000 | 2021 £000 |
|---|---|---|
| On borrowing facility | 727 | 593 |
| Unwind of discount on provisions | 341 | 269 |
| On lease liabilities | 688 | 761 |
| | 1,756 | 1,623 |

## 13 Taxation

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Recognised in the statement of comprehensive income | | |
| *Current taxation* | | |
| Current taxation on (loss) / income for the year | (96) | 257 |
| Adjustments in respect of prior years | (18) | - |
| Total current taxation (credit) / charge | (114) | 257 |
| *Deferred taxation* | | |
| Origination and reversal of timing differences | (1,709) | 961 |
| Effect of change in taxation rate | (252) | (10) |
| Adjustments in respect of prior years | 40 | (20) |
| Total deferred taxation (credit) / charge (see notes 16 and 22) | (1,921) | 931 |
| Total taxation (credit) / charge | (2,035) | 1,188 |
| The current year taxation (credit) / charge is split into the following: | | |
| Taxation (credit) / charge | (2,035) | 1,188 |
| Total taxation (credit) / charge | (2,035) | 1,188 |
| **Reconciliation of effective taxation rate** | | |
| *Taxation reconciliation* | | |
| (Loss) / profit for the year | (6,511) | 4,775 |
| Total taxation (credit) / charge | (2,035) | 1,188 |
| (Loss) / profit excluding taxation | (8,546) | 5,963 |
| Expected taxation (credit) / charge based on the standard rate of corporation taxation in the UK of 19.00% (2021: 19.00%) | (1,624) | 1,133 |
| *Effects of:* | | |
| Expenses not deductible for taxation purposes | 178 | 137 |
| Share based payments | 74 | (23) |
| Adjustments to taxation charge in respect of prior year | 22 | (20) |
| Effect of change in taxation rate: | | |
| Current year | (433) | (39) |
| Previous year | (252) | - |
| Total taxation (credit) / charge | (2,035) | 1,188 |

The March 2021 budget announced an increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) which was substantively enacted on 24 May 2021. This will increase the company's future corporate taxation charge accordingly. The deferred taxation asset at 1 January 2023 has been calculated at 25% based on the expected rate of reversal (2021: 19% - 25%).

# Notes to the Consolidated Financial Statements

## 14 Intangible assets

| | Goodwill £000 | Trademark £000 | Software £000 | Assets under the course of construction £000 | Commercial Agreement £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 4 January 2021 | 20,788 | 504 | 2,954 | 278 | 2,263 | 26,787 |
| Additions | – | – | 70 | 354 | – | 424 |
| Transfer | – | – | 53 | (53) | – | – |
| At 2 January 2022 | 20,788 | 504 | 3,077 | 579 | 2,263 | 27,211 |
| Additions | – | – | 650 | 59 | – | 709 |
| Recategorisation from PPE | – | – | – | 149 | – | 149 |
| Transfer | – | – | 729 | (729) | – | – |
| **At 1 January 2023** | **20,788** | **504** | **4,456** | **58** | **2,263** | **28,069** |
| **Accumulated amortisation and impairment** | | | | | | |
| At 4 January 2021 | 30 | – | 2,269 | 113 | 979 | 3,391 |
| Charge for the year | – | – | 390 | – | 452 | 842 |
| Impairment | – | – | – | 14 | – | 14 |
| At 2 January 2022 | 30 | – | 2,659 | 127 | 1,431 | 4,247 |
| Charge for the year | – | – | 423 | – | 452 | 875 |
| Transfer | – | – | 127 | (127) | – | – |
| **At 1 January 2023** | **30** | **–** | **3,209** | **–** | **1,883** | **5,122** |
| NBV at 3 January 2021 | 20,758 | 504 | 685 | 165 | 1,284 | 23,396 |
| NBV at 2 January 2022 | 20,758 | 504 | 418 | 452 | 832 | 22,964 |
| **NBV at 1 January 2023** | **20,758** | **504** | **1,247** | **58** | **380** | **22,947** |

The goodwill is allocated to one cash generating unit (CGU) being Style Group Holdings Limited. Management have performed impairment reviews on the carrying value of the goodwill at the end of the financial year 2022. As described in the going concern basis of preparation, the Directors have prepared forecasts covering the period to the end of the financial year 2024. These forecasts have also been used with regards to the impairment assessment. The forecasts include a number of assumptions in relation to sales volume, pricing and cost inflation. The Directors believe they have taken a cautious approach in these forecasts with the core assumptions for order intake representing order volume of (9.2)% below COVID impacted 2020 and in line with 2022 despite the cyber-attack impacting Q1. This is deemed to be highly achievable with the assumptions curtailed to match the capacity of the installation network. Revenues are modelled to grow by c.12% in 2023 and again in 2024. The growth vs 2022 is in part the full year effect of the FY22 exit prices and anticipated price increases for FY23 and is supported by a strong opening order book. After the second year inflationary cost increases of 3% are forecast to be recovered through price increases which is realistic given the historic price rises delivered and this has been modelled to perpetuity. As a result, profitability and cash generated are cautiously forecast to remain constant.

For the review at the end of the financial year 2022, the recoverable amount of the CGU of £100m has been determined from value in use calculations. The assessment was performed on a value in use basis using a 16% discount rate (2021: 11%). There are no reasonably possible changes in the key assumptions on which assessments of recoverable amounts have been based which would cause the carrying amount of goodwill to exceed its recoverable amount.

The trademark represents the Safestyle trademark which was acquired in 2010. The trademark is considered to have an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the business. The trademark is not amortised, but is tested annually to determine whether there is any indication of impairment and is included in the review above.

The Commercial Agreement represents the fair value of the share consideration that the Group issued under the terms of the Commercial Agreement for the non-compete services received. The Commercial Agreement is in place for a 5 year period, therefore the cost is amortised over the 5 year period. Under the terms of the agreement, 4,000,000 shares were issued for nil cash consideration in October 2020.

## 15 Property, plant and equipment

| | Freehold property £000 | Leasehold improvement £000 | Plant and machinery £000 | Office and computer equipment £000 | Motor vehicles £000 | Assets under the course of construction £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 4 January 2021 | 9,507 | 495 | 10,076 | 1,946 | 8 | 51 | 22,083 |
| Additions | 20 | 22 | 77 | 288 | – | 402 | 809 |
| Transfers | – | – | 22 | 28 | – | (50) | – |
| At 2 January 2022 | 9,527 | 517 | 10,175 | 2,262 | 8 | 403 | 22,892 |
| Additions | 94 | 19 | 151 | 466 | – | – | 730 |
| Recategorisation to intangible asstes | – | – | – | – | – | (149) | (149) |
| Transfers | – | – | 252 | 2 | – | (254) | – |
| **At 1 January 2023** | **9,621** | **536** | **10,578** | **2,730** | **8** | **–** | **23,473** |
| **Depreciation** | | | | | | | |
| At 4 January 2021 | 972 | 413 | 7,635 | 1,582 | 6 | – | 10,608 |
| Charge for the year | 279 | 42 | 940 | 210 | 2 | – | 1,473 |
| At 2 January 2022 | 1,251 | 455 | 8,575 | 1,792 | 8 | – | 12,081 |
| Charge for the year | 273 | 36 | 790 | 269 | – | – | 1,368 |
| **At 1 January 2023** | **1,524** | **491** | **9,365** | **2,061** | **8** | **–** | **13,449** |
| NBV at 3 January 2021 | 8,535 | 82 | 2,441 | 364 | 2 | 51 | 11,475 |
| NBV at 2 January 2022 | 8,276 | 62 | 1,600 | 470 | – | 403 | 10,811 |
| **NBV at 1 January 2023** | **8,097** | **45** | **1,213** | **669** | **–** | **–** | **10,024** |

## 16 Deferred taxation asset

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Balance at beginning of year | 1,053 | 1,980 |
| Movement in deferred taxation asset on (losses) / profit recognised in income | 1,921 | (931) |
| Share based payments credits recognised in equity | 10 | 4 |
| **Balance at end of year** | 2,984 | 1,053 |

The deferred taxation asset provided in the financial statements at 19-25% (2021: 19-25%) is as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Losses | 2,663 | 718 |
| Share based payments | 45 | 125 |
| Provisions | 72 | 48 |
| Capital allowances | 204 | 162 |
| **Balance at end of year** | 2,984 | 1,053 |

There are no unrecognised taxation losses (2021: £nil).

In accordance with IFRS 12, actual and expected taxation relief in excess of relief in respect of the related cumulative share-based payment expense is reflected directly in equity.

The deferred taxation asset of £2,984k has been recognised on the basis that the Group is forecasting to make sufficient levels of profits to utilise the asset in approximately 3 years.

# Notes to the Consolidated Financial Statements

## 17 Inventories

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Raw materials and consumables | 3,017 | 4,329 |
| Work in progress | 79 | 80 |
| Finished goods | 843 | 889 |
| | 3,939 | 5,298 |

Stock recognised in cost of sales during the period was £29,514k (2021 £24,146k).

## 18 Trade and other receivables

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade receivables (net of ECL allowance) | 1,828 | 1,271 |
| Other receivables | 94 | 476 |
| Prepayments | 3,184 | 3,133 |
| | 5,106 | 4,880 |

Contractual payment terms with the Group's customers are typically zero days. Payment is due upon installation. The above receivables are shown net of the ECL allowance.

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Opening ECL allowance for trade receivables | 1,506 | 1,717 |
| Allowance utilised in year | (865) | (573) |
| Expensed in year | 293 | 362 |
| Closing ECL allowance for trade receivables | 934 | 1,506 |

## 19 Cash and cash equivalents

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Cash and cash equivalents | 12,369 | 16,351 |
| **At end of year** | 12,369 | 16,351 |

All of the Group's cash and cash equivalents are at floating interest rates and are denominated in UK Sterling (£). The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value. For details of the Group's credit risk management policies, refer to note 25.

Included within cash and cash equivalents is £128k (2021: £54k) of cash which is restricted by the Group's merchant acquirers as collateral and is paid to the group after a set period of deferral days.

## 20 Share capital

| | Share capital £000 |
|---|---|
| **Authorised** | |
| **At 2 January 2022** | 1,386 |
| 252,006 Ordinary Shares @ 1p each on 24th June 2022 | 3 |
| **At 1 January 2023** | 1,389 |
| | |
| **Allotted, issued and fully paid** | |
| **At 2 January 2022** | 1,386 |
| 252,006 Ordinary Shares @ 1p each on 24th June 2022 | 3 |
| **At 1 January 2023** | 1,389 |

## 21 Trade and other payables

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade payables | 8,512 | 7,118 |
| Other taxation and social security costs | 3,649 | 3,169 |
| Other creditors and deferred income | 4,298 | 4,747 |
| Accruals | 4,610 | 3,018 |
| | 21,069 | 18,052 |

## 22 Deferred taxation liability

There was no deferred taxation liability at the end of the financial year 2022 (2021: £nil).

## 23 Provisions for liabilities and charges

| | Dilapidations | | Product guarantees | | Total | |
|---|---|---|---|---|---|---|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Balance at beginning of year | 623 | 783 | 2,760 | 2,136 | 3,383 | 2,919 |
| Utilised in year | (139) | (253) | (2,753) | (1,917) | (2,892) | (2,170) |
| Unwind of discount (see note 12) | 65 | 45 | 276 | 224 | 341 | 269 |
| Provided in year | (25) | 48 | 2,691 | 2,317 | 2,666 | 2,365 |
| **At end of year** | 524 | 623 | 2,974 | 2,760 | 3,498 | 3,383 |
| Current | 83 | 183 | 1,255 | 1,091 | 1,338 | 1,274 |
| Non current | 441 | 440 | 1,719 | 1,669 | 2,160 | 2,109 |
| **At end of year** | 524 | 623 | 2,974 | 2,760 | 3,498 | 3,383 |

Dilapidations - As disclosed in note 4, the Group has a portfolio of leased properties which contain dilapidations clauses. A dilapidations provision is provided for expected costs of rectifying existing wear-and-tear and then discounted at 16% to a net present value.

Product Guarantee - The Group gives guarantees against all its products, which in the majority of cases covers a period of 10 years. A warranty provision is made for the expected future costs of rectifying faults arising within the guarantee period and then discounted at 16% to a net present value.

# Notes to the Consolidated Financial Statements

## 24 Borrowings

The total borrowing facilities available at the end of the financial year were as follows:

| | Nominal interest rate | Maturity date | Amounts drawn down 2022 £000 | Amounts drawn down 2021 £000 | Facilities available 2022 £000 | Facilities available 2021 £000 |
|---|---|---|---|---|---|---|
| Term bank loan | LIBOR + 7.0% | October 2023 | **4,500** | 4,500 | **4,500** | 4,500 |
| Revolving credit facility | LIBOR + 7.0%[1] | October 2023 | **-** | - | **3,000** | 3,000 |
| Less: Prepaid arrangement fees[2] | | | **(128)** | (269) | **-** | - |
| | | | **4,372** | 4,231 | **7,500** | 7,500 |

[1]Interest is payable monthly. In addition to the rates disclosed above, a non-utilisation fee of LIBOR +3.5% is charged on all undrawn amounts on the revolving credit facility.
[2]Prepaid arrangement fees relate to legal, advisory and facility arrangement fees in relation to the borrowing facility. These fees are prepaid and amortised over the term of the facility which was due to expire in October 2023, and which was replaced in January 2023 with a £7.5m revolving credit facility. This facility is in place until December 2026.
The term loan was repaid in January 2023.

The changes in loans and borrowings from financing activities, during the financial year were as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **At beginning of year** | **4,231** | 4,127 |
| **Other changes** | | |
| Interest expense | **727** | 593 |
| Interest paid (cash) | **(586)** | (489) |
| **Total other changes** | **141** | 104 |
| **Balance at 1 January 2022** | **4,372** | 4,231 |

See note 26 for changes in lease liabilities.

## 25 Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

### Capital risk management

The Group manages its capital to ensure that it wil be able to continue as a going concern while maximising the return to stakeholders. The group is funded principally by equity although loans have been utilised during the review period of these financial statements. As at the end of financial year 2022, £4,500k of loans were outstanding (2021: £4,500k). The term loan was repaid in January 2023. The capital structure of the Group consists of equity, comprising issued share capital. The Group has no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:
- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents

The carrying value of these financial instruments is considered to approximate to their fair value.

The Group has identified a reduced credit risk based on the profile of debtors and as such the expected credit loss expense has reduced. The weighted average loss rate in the year has not increased.

### Financial assets

At the reporting date, the Group held the following financial assets:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade receivables | **1,828** | 1,271 |
| Other receivables | **94** | 476 |
| Cash and cash equivalents | **12,369** | 16,351 |
| | **14,291** | 18,098 |

### Financial liabilities

At the reporting date, the Group held the following financial liabilities, all of which were classified as other financial liabilities:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade payables | **8,512** | 7,118 |
| Lease liabilities | **9,747** | 11,431 |
| Other creditors | **468** | 366 |
| Accruals | **4,610** | 3,018 |
| Borrowings | **4,372** | 4,231 |
| | **27,708** | 26,164 |

# Notes to the Consolidated Financial Statements

## 25 Financial instruments (continued)

**Market risk**

The Group is not materially exposed to changes in foreign currency exchange rates or interest rate movements. Trade receivables totalling £541k (2021: £546k) are secured by charges against the debtors' properties.

**Interest rate sensitivity**

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the end of financial year 2022, the Group is exposed to changes in market interest rates through its borrowing facility at variable interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 1% (2021: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

| | Profit for the year +1% | -1% |
|---|---|---|
| Financial year 2022 | 75 | (75) |
| Financial year 2021 | 75 | (75) |

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade and other receivables. The concentration of the Group's credit risk is considered by counterparty.

The Group gives careful consideration to which organisation it uses for its banking services in order to minimise credit risk. The Group has a significant concentration of cash held in accounts with one large bank in the UK, an institution with an A credit rating (long term, as assessed by Moody's). The amounts of cash held on deposit with that bank at each reporting date can be seen in the financial assets table above. All of the cash and cash equivalents held with that bank at each reporting date were denominated in UK Sterling.

The nature of the Group's business and current stage of its development are such that customers comprise a significant proportion of its trade and other receivables at any point in time. The Group mitigates the associated risk by close monitoring of the trade receivable ledger.

At the end of the financial year 2022, the Group's trade receivables balance was £1,828k (2021: £1,271k). The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. In the Directors' opinion, there has been some impairment of trade receivables during the year in the trade receivable ECL allowance table shown in note 18.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less the ECL allowance. Appropriate loss allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events expected over the life of a financial instrument.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

| | Weighted average loss rate* |
|---|---|
| Debt over 1 year old | 100.0% |
| Specific Debtors to be written off | 100.0% |
| Standing orders | 33.0% |
| Debt less than 1 year old | 22.0%** |
| Debt with charges over property | 0.0% |

* The weighted average loss rates in the table above were in place for the financial years 2022 and 2021.
** (2021: 26%)

The following table provides information about the exposure to ECLs for the trade receivables at the end of financial years 2022 and 2021.

| | **Gross 2022 £000** | **Loss allowance 2022 £000** | **Net 2022 £000** | Gross 2021 £000 | Loss allowance 2021 £000 | Net 2021 £000 |
|---|---|---|---|---|---|---|
| < 1 month overdue | **507** | **(80)** | **427** | 244 | (106) | 138 |
| 1-2 months overdue | **245** | **(62)** | **183** | 285 | (112) | 173 |
| 2-3 months overdue | **96** | **(34)** | **62** | 249 | (89) | 160 |
| 3-12 months overdue | **909** | **(388)** | **521** | 631 | (393) | 238 |
| > 1 year | **1,005** | **(370)** | **635** | 1,368 | (806) | 562 |
| Total receivables | **2,762** | **(934)** | **1,828** | 2,777 | (1,506) | 1,271 |

All debtors are categorised the same and are not credit impaired.

The range of reasonably possible outcomes within the next financial year is that debtors provided for of £934k (2021: £1,506k) may be recovered in full or some of the unprovided debtors may become irrecoverable.

£541k (2021: £546k) of trade receivables over one year overdue are secured by fixed charges over properties and therefore no provision is made for these balances. £280k (2021: £211k) of the balance relates to customers setup on standing order.

# Notes to the Consolidated Financial Statements

## 25 Financial instruments (continued)

**Liquidity risk management**

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Group's cash requirements by reference to short term cash flow forecasts and medium term working capital projections.

The Group's banking facilities have the following financial covenants:

- EBITDA - monthly test on a rolling basis for the period that the RCF is drawn.
- Borrowing base - drawn facility has to be less than 75% of assets plus credit card finance/finance receivables
- Monthly cleardown - drawings on the RCF have to be zero for five business days each month

The Group has increased its covenant headroom during 2022 and the covenant tests were removed in the second half of the year where the lender had no exposure under the term loan. There is no judgement applied in assessing compliance against any of these covenants.

In January 2023, the Group's borrowing facility was extended until 31 December 2026. The new facility is a revolving credit facility of £7.5m. The £4.5m term bank loan was repaid in January 2023. All of the Group's other non-derivative financial liabilities and its financial assets at each reporting date are either payable or receivable within one year. There are no covenant tests in place where the facility is undrawn and management is not forecasting to utilise the facility.

At the end of financial year 2022, the Group had £12,369k (2021: £16,351k) of cash reserves. After deducting borrowings of £4,372k (2021: £4,231k) which are stated net of arrangement fees, net cash of the group was £7,997k at the end of the year (2021: £12,120k). The £3,000k revolving credit facility was undrawn at the end of the year.

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

| 1 January 2023 | Less than 1 year £000 | 1-2 years £000 | 2-5 years £000 | More than 5 years £000 |
|---|---|---|---|---|
| Borrowings | 4,372 | - | - | - |
| Trade payables | 8,512 | - | - | - |
| Other creditors | 468 | - | - | - |
| Accruals | 4,610 | - | - | - |
| Lease liabilities | 4,188 | 2,990 | 3,061 | 1,344 |
| | **22,150** | **2,990** | **3,061** | **1,344** |

| 2 January 2022 | Less than 1 year £000 | 1-2 years £000 | 2-5 years £000 | More than 5 years £000 |
|---|---|---|---|---|
| Borrowings | 495 | 4,912 | - | - |
| Trade payables | 7,118 | - | - | - |
| Other creditors | 366 | - | - | - |
| Accruals | 3,018 | - | - | - |
| Lease liabilities | 4,240 | 3,862 | 4,802 | 886 |
| | **15,237** | **8,774** | **4,802** | **886** |

**Foreign currency risk management**

Historically, the Group's exposure to foreign currency risk has been limited, all of its invoicing and the majority of its payments are in UK Sterling. There are no balances held in foreign currencies at each reporting date and it has made no payments in foreign currencies other than US dollar and Euro. Accordingly, the Board has not presented any sensitivity analysis in this area as it is immaterial.

## 26 Right-of-use assets and liabilities

| | Properties £000 | Motor vehicles £000 | Equipment £000 | Total £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| At 4 January 2021 | 4,770 | 3,034 | 200 | 8,004 |
| Additions | 2,080 | 5,123 | 256 | 7,459 |
| Impairment | (122) | - | - | (122) |
| Modification | (253) | (60) | - | (313) |
| Depreciation | (1,298) | (2,411) | (173) | (3,882) |
| **At 2 January 2022** | **5,177** | **5,686** | **283** | **11,146** |
| Additions | 1,591 | 814 | 22 | 2,427 |
| Impairment | (27) | - | - | (27) |
| Modification | (355) | (46) | - | (401) |
| Depreciation | (1,310) | (2,329) | (90) | (3,729) |
| **At 1 January 2023** | **5,076** | **4,125** | **215** | **9,416** |
| **Liabilities** | | | | |
| At 2 January 2022 | 5,372 | 5,765 | 294 | 11,431 |
| Payment | (1,585) | (2,596) | (104) | (4,285) |
| Additions | 1,591 | 814 | 22 | 2,427 |
| Interest | 353 | 326 | 9 | 688 |
| Modification | (469) | (45) | - | (514) |
| **At 1 January 2023** | **5,262** | **4,264** | **221** | **9,747** |

**Reconciliation of movements of liabilities to cash flows arising from financial activities**

| | Properties £000 | Motor vehicles £000 | Equipment £000 | Total £000 |
|---|---|---|---|---|
| Balance at 2 January 2022 | 5,372 | 5,765 | 294 | 11,431 |
| Payment of lease liabilities | (1,232) | (2,270) | (95) | (3,597) |
| **Total changes from financing cash flows** | **(1,232)** | **(2,270)** | **(95)** | **(3,597)** |
| **Other changes** | | | | |
| New leases | 1,591 | 814 | 22 | 2,427 |
| Impairment | (469) | (45) | - | (514) |
| Interest expense | 353 | 326 | 9 | 688 |
| Interest paid | (353) | (326) | (9) | (688) |
| **Total liability-related other changes** | **1,122** | **769** | **22** | **1,913** |
| **At 1 January 2023** | **5,262** | **4,264** | **221** | **9,747** |

**Liabilities classification**

| | Properties £000 | Motor vehicles £000 | Equipment £000 | Total £000 |
|---|---|---|---|---|
| Current (<1 year) | 1,586 | 2,489 | 79 | 4,154 |
| Long term (>1 year) | 3,676 | 1,775 | 142 | 5,593 |
| | **5,262** | **4,264** | **221** | **9,747** |

The interest expense recognised in the profit and loss statement is in the table above. No expenses relating to short-term leases and low value leases has been recognised. The total cash outflow for leases is £4,285k (2021: £4,503k). This comprises the payment of the lease liabilities of £3,597k (2021: £3,742k) and the interest paid £688k (2021: £761k).

The Group has a number of leases within the business, including properties for installation depots and sales branches, vehicles and plant & equipment. With exception of short-term leases of low value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. For leases relating to properties, the Group must keep those properties in a good state of repair and return the properties to their original condition at the end of the lease.

## 27 Pension costs

The charge for the period amounts to £828k (2021: £680k) and relates to contributions paid into a money purchase scheme in the period.

## 28 Commitments

There were no capital commitments at the end of the financial year 2022 (2021: £11k).

# Notes to the Consolidated Financial Statements

## 29 Group companies

Safestyle UK plc holds more than 20% of the share capital of the following companies:

| | Principal activity | Country of incorporation | Class of shares | % held by parent |
|---|---|---|---|---|
| Style Group Holdings Limited | Holding company | England and Wales | Ordinary | 100 |
| Style Group UK Limited* | Holding company | England and Wales | Ordinary | 100 |
| HPAS Limited* | Home improvements and double glazing contractors | England and Wales | Ordinary | 100 |
| Windowstyle UK Limited* | Dormant | England and Wales | Ordinary | 100 |
| Safestyle Windows Limited* | Dormant | England and Wales | Ordinary | 100 |
| Style Group Europe Limited* | Dormant | England and Wales | Ordinary | 100 |

*Owned Indirectly
The registered address of all companies is Style House, 14 Eldon Place, Bradford, BD1 3AZ.

## 30 Related party transactions

During the financial year 2022 (2021: £nil) there were no related party transactions.

Transactions with key management personnel are shown in note 10.

## 31 Ultimate controlling party

Safestyle UK plc is quoted on the stock exchange (AIM) and ultimate control is exercised by the shareholders.

## 32 Share based payments

At the end of the financial year 2022 the Group had the following share based payment arrangements:

**LTIP**

The Group operates an equity-settled Long-Term Incentive Plan ("LTIP") remuneration scheme for Directors and certain management ("LTIP 2022", "LTIP 2021" and "LTIP 2020").

All schemes require a combination of specific performance based criteria and remaining an employee for a minimum period. The numbers of share options in existence during the year were as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |
| Outstanding at start of the year | 3,852,716 | £nil | 3,132,989 | £nil |
| Granted during the year | 2,253,905 | £nil | 2,994,186 | £nil |
| Lapsed during the year | (1,755,511) | £nil | (2,274,459) | £nil |
| Exercised during the year | (252,006) | £nil | - | - |
| Outstanding at end of the year | 4,099,104 | £nil | 3,852,716 | £nil |
| Exercisable at end of the year | - | - | - | - |

Options are valued using the Black-Scholes option pricing model and Monte-Carlo simulation. Prior to 2021, all options were valued using the Black-Scholes pricing model. The following information is relevant in the determination of the fair value of the options granted during the year.

| | LTIP 2022 | LTIP 2021 | LTIP 2020* |
|---|---|---|---|
| Grant date | 02/09/2022 | 10/06/2021 | 22/02/2021 |
| Vesting date | 01/05/2025-02/09/2025 | 10/06/2024 | 30/06/2023-22/02/2024 |
| Lapsing date | 02/09/2032 | 10/06/2031 | 22/02/2031 |
| Risk free interest rate | 2.88% | 0.11%-0.15% | 0.00%-0.03% |
| Expected volatility | 68.4%-69.9% | 76.58%-81.87% | 73.26%-80.14% |
| Expected option life (in years) | 2.33-3.00 | 2.56-3.00 | 1.85-3.00 |
| Dividend yield | 2%-3.9% | 4.54% | 0.00% |
| Weighted average exercise price | £0.00 | £0.00 | £0.00 |
| Weighted average fair value of options granted | 14p-28.42p | 45.43p-54.89p | 22.20p-44.40p |
| Remaining contractual life | 9.68 | 8.44 | 8.15 |

*LTIPS granted on 22 February 2021 were awarded in respect of the financial year 2020. These are therefore named "LTIP 2020".

**SAYE**

On 10 November 2022, the company launched a new share save (SAYE) scheme ("SAYE 2022") in addition to the existing schemes ("SAYE 2021" and "SAYE 2020") for employees. All schemes allow employees to acquire a certain number of shares at a discount of 20% of the share price prior to the invitation to join the scheme, using amounts saved under a 'Save As You Earn' savings contract.

The numbers of share options in existence during the year were as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |
| Outstanding at start of the year | 2,291,267 | £0.36 | 2,019,077 | £0.39 |
| Granted during the year | 1,367,058 | £0.24 | 1,084,986 | £0.43 |
| Lapsed during the year | (467,644) | £0.37 | (237,979) | £0.65 |
| Cancelled during the year | (150,500) | £0.72 | (574,817) | £0.49 |
| Outstanding at end of the year | 3,040,181 | £0.29 | 2,291,267 | £0.36 |
| Exercisable at end of the year | - | - | - | - |

Options are valued using the Black-Scholes option pricing model. The following information is relevant in the determination of the fair value of the options granted during the year.

| | SAYE 2022 | SAYE 2021 | SAYE 2020 |
|---|---|---|---|
| Grant date | 10/11/2022 | 11/11/2021 | 11/11/2020 |
| Vesting date | 11/11/2025 | 1/11/2024 | 11/11/2023 |
| Lapsing date | 10/05/2026 | 11/05/2025 | 11/05/2024 |
| Risk free interest rate | 3.08% | 0.62% | 0.02% |
| Expected volatility | 68.80% | 70.15% | 80.01% |
| Expected option life (in years) | 3.25 | 3.25 | 3.36 |
| Dividend yield | 3.90% | 5.80% | 0.00% |
| Weighted average exercise price | £0.24 | £0.43 | £0.23 |
| Weighted average fair value of options granted | 13.71p | 22.43p | 23.23p |
| Remaining contractual life | 3.36 | 2.36 | 1.36 |

# Notes to the Consolidated Financial Statements

## 32 Share based payments (continued)

**SAYE**

The total share-based expense comprises:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Equity settled - LTIP | (104) | 224 |
| Equity settled - RSA | – | 318 |
| Equity settled - SAYE | 126 | 122 |
| Equity settled - Alan Lovell Options | – | 23 |
| | 22 | 687 |

# Notes

# Notes