

Chief Executive Officer's Report continued

Operational performance

Health and safety

The safety and well-being of our employees and contractors is always our first operational priority and we continue to maintain good health and safety performance. Our Lost Time Injury Frequency Rate ('LTIR') was 0.7 in 2020, compared to 0.9 in 2019. There were no major injuries and 19 minor accidents (2019: no major injuries, 17 minor injuries) recorded under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ('RIDDOR').

Production

In 2020 we manufactured 45.5k tonnes of rigid and foam PVC profiles at our primary extrusion facilities, down from 54.6k tonnes in 2019, a decrease of 17%. This reflects lower sales in H1 2020 as a result of the first COVID lockdown. In addition, 2019 production included a stock build programme to increase availability at our branches and mitigate the risk of raw material supply interruption due to Brexit.

Also in 2019, we completed a substantial capex programme, at a cost of c.£5 million, to improve manufacturing efficiency and increase co-extrusion and foam capacity by 30% and 15% respectively. In extrusion, Overall Equipment Effectiveness ('OEE'), a measure which takes into account machine availability, performance and yield, improved to 75% in 2020 (2019: 73%).

Recycling

We used 12.4k tonnes of recycled PVC compound alongside virgin resin in the manufacture of co-extruded rigid profiles, representing 25% of overall material consumption, up from 23% (13.4k tonnes) in 2019, driving a substantial saving compared to the cost of using virgin material.

Brexit and supply chain

We took several steps to protect the business from the potential negative effects of Brexit. In this context, it is worth noting that over 95% of our sales are to UK-based customers and that the vast majority of our workforce has the right to work in the UK.

Some of our key raw materials do originate from Europe, so any disruption in supplies could impact our manufacturing operations. With that in mind, whilst we have only limited capacity to hold additional raw materials at our own sites, we completed a significant investment in additional stocks in 2019, adding c.£5 million to finished goods for key product lines, most of which remained in place throughout 2020.

Now that the nature of the future trading relationship between the UK and the EU has been substantially defined, the risks relating to the imposition of import tariffs are largely behind us.

More generally, whilst the impact of increased demand, supplier production outages and new administrative requirements for EU imports have together put sector supply chains under pressure, we have continued to secure the raw materials we require. So far, we have not experienced any significant adverse effects from the delays at UK ports.

However, PVC resin prices began to increase towards the end of 2020 and this trend has continued into the new year. We are therefore implementing selling price increases, starting in February 2021, to recover this and other cost inflation.



Warehousing capacity expansion

Towards the end of 2019 we concluded that our existing main warehouse was a major constraint to future growth and operating efficiency. Early in 2020 we secured a new facility, located within three miles of our primary manufacturing site, existing main warehouse and head office. The new site has 260,000 square feet of high bay, state-of-the-art warehouse accommodation, dedicated office space and car parking.

In designing the new facility, we have taken the opportunity to modernise our storage solutions, using cantilever racking to store up to 12 stillages high (our existing warehouse is restricted to seven); and mobile racking to allow high density storage, which has increased capacity by more than 60%. Similarly, we have modernised picking processes, with the use of mobile platforms to replace manual techniques, thereby providing a safer and more productive solution.

The project to fit-out the new warehouse has progressed well and remains on track. We achieved a major milestone in January 2021, with commercial operations beginning successfully from the new site. In line with our plans, transition will continue over the coming weeks, with the final stages expected to complete in Q2 2021.

We will convert our existing warehouse to a specialist manufacturing site, relocating, beginning later in 2021, secondary operations including foiling and conservatory roofs. This will free up space to future-proof extrusion capacity.

We are excited about the opportunities for growth opened up by this investment. As well as being central to increasing capacity, the new warehouse is key to delivering anticipated improvements in operating efficiencies.