18 March 2022

EUROCELL PLC (Symbol: ECEL)

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Strong 2021 performance and well positioned for 2022

Eurocell plc is a market leading, vertically integrated UK manufacturer, distributor and recycler of innovative window, door and roofline PVC building products

	2021	2020	Change	2019	Change
Key financial performance measures					
Revenue (£ million)	343.1	257.9	33%	279.1	23%
Gross margin %	50.5	49.4	110bps	51.2	(70)bps
Profit/(loss) before tax (£ million) (1)	27.0	(1.5)	n/a	22.7	19%
Basic earnings/(losses) per share (pence) (1) (2)	18.9	(2.0)	n/a	19.3	(2)%
Capital investment (£ million)	16.7	13.7	3.0	15.2	1.5
Net debt (£ million) (3)	69.7	58.3	11.4	68.7	1.0
Net debt, pre-IFRS 16 (£ million) (3)	11.0	9.9	1.1	34.6	(23.6)
Total dividends per share (pence)	9.6	-	9.6	3.2	6.4

For the purposes of this report, where appropriate we have compared financial and operating performance to 2020 and 2019, with the latter a more meaningful comparator given the disruption in 2020 due to the COVID-19 pandemic.

Financial headlines

- Continued successful deployment of commercial strategies supported by strong underlying demand in our end markets, with revenue up 23% vs 2019, including:
  - Profiles up 22%: good contribution from trade and new build fabricators, as well as a very strong performance from Vista doors
  - Building Plastics up 24%: excellent performance across full range of manufactured products and traded goods
  - c.8% from selling price increases and a surcharge implemented to recover raw material price inflation
- Surcharge successfully recovered higher raw material costs, but dilutive to gross margin percentage
- Profit before tax up 19% vs 2019, driven by higher sales volumes
- Continued investment in business growth, with capex of £16.7 million including c.£7 million to expand manufacturing capacity, c.£2 million to increase logistics capability and c.£2 million for new branches
- Robust balance sheet and liquidity, with pre-IFRS 16 net debt of £11.0 million (2020: £9.9 million)
- Final dividend proposed of 6.4 pence per share, taking total dividends for the year to 9.6 pence, or £10.8 million

Operational headlines

- Decisive action taken in response to significant supply chain challenges – recovered the impact of unprecedented raw material cost inflation and secured the materials, labour and transport needed to service demand
- Fit-out of new warehouse and next phase of manufacturing capacity expansion completed – key to delivering future improvements in operating efficiencies and margins
- 12 new branches opened in 2021 (of which 4 are new larger format), resulting in a total estate of 219 sites

Sustainability

- Strong performance on sustainability as the leading UK-based recycler of PVC windows:
  - Further improvement in proportion of recycled material used to 27% (2020: 25%)
  - More than 3 million end-of-life window frames recycled, avoiding landfill and driving a significant carbon reduction (more than 48k tonnes) and substantial cost saving compared to the use of virgin materials

- Commitment to substantial further progress on sustainability, with KPIs published covering the circular economy, emissions and energy management, and social targets
- Received the London Stock Exchange's Green Economy Mark, awarded to companies that derive more than 50% of revenues from environmental solutions, and reflects contributions to the global green economy
- Supporting PVC sector on sustainable development initiatives

Medium-term ambitions

- 3 to 5 year objectives:
  - Revenue – outperform our markets
  - Recycling – 33% of raw material consumption from recycled material
  - Operating profit margin – targeting improvement of 150bps

Mark Kelly, Chief Executive of Eurocell plc said:

"We entered 2021 well placed to take advantage of the continued recovery in our markets. A very good sales performance has been underpinned by the success of our commercial strategies and high levels of demand in the RMI[(4)] market, and we are very pleased to report good profit growth and a return to the payment of dividends.

"We expect supply chain constraints to ease over the coming months, and the actions we took last year have ensured we have the resources necessary to operate efficiently and support our growth aspirations for revenue and margins.

"The RMI sector remains robust, new build continues to grow and customer demand levels are good. With operating constraints resolved, our focus for 2022 will be on delivering improved returns from our strong sales growth.

"Notwithstanding the events in Ukraine and the attendant macroeconomic uncertainties, the year has started well, with sales volumes to the end of February up 6% on 2021. We therefore continue to see good potential to outperform our markets and deliver further progress."

Notes

(1) 2020 is stated after non-underlying items[(5)] and the related tax effect. There were no non-underlying items in 2021 or 2019.

(2) Based on a weighted average number of shares of 111.7 million for 2021, 108.2 million for 2020 and 100.3 million for 2019.

(3) Net debt is cash and cash equivalents less bank overdrafts, borrowings and lease liabilities. Pre-IFRS 16 net debt excludes lease liabilities.

(4) RMI is repair, maintenance and improvement.

(5) Non-underlying items for 2020 of £10.0 million included a goodwill impairment charge of £5.8 million, right-of-use asset impairment charges of £0.9 million, restructuring costs of £0.6 million and warehouse dual-running costs of £2.7 million.

Analyst presentation

There will be an audiocast presentation for analysts and investors at 9am today. The presentation can be accessed remotely via a live audiocast link as follows: https://streamstudio.world-television.com/782-2007-32092/en

Alternatively, you can join via conference call as follows:

United Kingdom (local)	020 3936 2999
United Kingdom (toll free)	0800 640 6441
United States	1 646 664 1960
All other locations	+44 20 3936 2999
Participant access code	101966

A copy of the presentation will be made available from 7am on 18 March on the Group's web site: https://investors.eurocell.co.uk/investors/

Following the presentation, a recording of the audiocast will also be made available on the Group's web site (link above).

CHAIRMAN'S STATEMENT

Introduction

The business has responded remarkably well to the impact of COVID-19, and to the new challenges posed in 2021, including supply chain disruption, major raw material cost inflation and tight labour markets. So I start this year's report by offering, on behalf of shareholders and of the Board, my sincere thanks to our teams in every part of the Group. The progress we made during 2021 is testament to their commitment, hard work and dedication during a period of continuing and unprecedented uncertainty.

Financial and operating performance

The business has delivered good results for 2021, underpinned by a strong repair, maintenance and improvement ('RMI') market and the continued successful deployment of our strategy. We acted decisively in response to significant supply chain challenges, recovered successfully the impact of unprecedented raw material cost inflation and secured the resources we need to service demand, despite tight labour markets.

Fit-out of our new warehouse was completed during the year, alongside the next phase of our manufacturing capacity expansion, leaving the business well placed to deliver ongoing sustainable growth with good operating efficiencies and improving returns.

Sales for the full year were £343 million, up 23% compared to 2019 and 33% compared to 2020, and profit before tax was £27.0 million (2020: loss of £1.5 million; 2019: profit of £22.7 million).

Net debt at 31 December 2021 on a pre-IFRS 16 basis stood at £11.0 million (31 December 2020: £9.9 million), demonstrating significant headroom on our bank facility. We have a strong balance sheet, which provides flexibility and options for the future.

Dividends

We paid an interim dividend of 3.2 pence per share in October 2021. The Board proposes a final dividend of 6.4 pence per share, resulting in total dividends for the year of 9.6 pence per share. No dividends were paid in respect of 2020 due to the impact of COVID-19.

Strategy

Our overall strategic objective remains to deliver sustainable growth in shareholder value, by increasing sales and profits above our market growth rates. We have seven strategic priorities to deliver this objective, and we continue to make good progress against each of them, with the key aspects of our performance described in the Chief Executive Officer's Review.

In 2021, we made further progress developing our approach to improving the sustainability of the Group, including carbon footprint and emissions reduction, supporting our people and their wellbeing, and improving the environment in which they work.

Overall, we are confident that, through the successful progression of our strategy, we will continue to outperform our markets and deliver sustainable growth in shareholder value.

Governance

As a Board, we are committed to the highest standards of corporate governance and we continue to comply with the UK Corporate Governance Code.

After 7 enjoyable years as Chair of Eurocell, I have notified the Board of my intention to step down and a process to recruit my successor has begun, led by Frank Nelson, the Senior Independent Director. During my tenure, it has been a delight to lead the Board and witness the transformation of Eurocell by the executive team, to become the market-leading business that it is today.

I would like to thank my fellow Board and Committee members for their valuable contribution and support throughout my whole tenure.

Finally, I would like to wish everyone at Eurocell, and all of its stakeholders, continued success for the future.

Bob Lawson

Chair

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

We entered 2021 well placed to take advantage of the continued recovery in our markets.

We have delivered a very good sales performance for the year, underpinned by the success of our commercial strategies and ongoing high levels of demand in the RMI market. Our products have continued to resonate well with customers seeking to improve their homes and create more usable space, both inside and outside their properties.

We also navigated successfully the challenges posed by supply chain disruption, major raw material cost inflation and tight labour markets. As a result, we have reported good financial results for the year.

Fit-out of our new warehouse was completed in 2021, along with a further step up in the expansion of our manufacturing capacity. With constraints resolved, we can now focus on delivering improved operating efficiencies from the new warehouse and production facilities.

Whilst demand has moderated from the unprecedented levels experienced in H2 2020 and H1 2021, the RMI sector remains strong and customer demand levels are good going into 2022. We also expect continued growth in new build and the return of commercial projects, which struggled to gain traction through 2021.

FINANCIAL RESULTS

For the purposes of this report, where appropriate, we have compared financial and operating performance to 2020 and 2019, with the latter a more meaningful comparator given the disruption in 2020 due to COVID-19.

Sales for the year were £343 million, or 33% above 2020 and 23% above 2019. We reported a profit before tax of £27.0 million, up 19% or £4.3 million on 2019 (£22.7 million), driven by higher sales volumes.

Adjusted profit before tax for 2020 was lower at £8.5 million, reflecting the impact of COVID-19. The reported loss before tax was £1.5 million.

Further information on our financial performance is included in the Chief Financial Officer's Review and Divisional Reviews.

OPERATIONAL PERFORMANCE

Health and safety

The safety and wellbeing of our employees and contractors is our first operational priority and we continue to maintain a good safety performance.

Our Lost Time Injury Frequency Rate ('LTIR') was 0.8 in 2021, compared to 0.7 in 2020 and 0.9 in 2019. There were no major injuries and 28 minor accidents recorded under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ('RIDDOR') in the year (2020 and 2019: 19 and 17 minor injuries respectively). We have improved our procedures for incident reporting during the year, leading to more incidents being included in the data, which contributed to the slight deterioration in the reported figures for 2021. COVID-19 safety procedures remained a priority throughout the year, with many good practices retained, despite the relaxation in government guidance.

Production

In 2021 we manufactured 57.2k tonnes of rigid and foam PVC profiles at our primary extrusion facilities, 26% higher than 2020 and 5% higher than 2019. This reflects the sales for each year, as well as, in 2019, higher production to increase stock holding at our branches and to mitigate the risk of raw material supply interruption due to Brexit. Overall Equipment Effectiveness ('OEE', a measure which takes into account machine availability, performance and yield) was 68% in 2021, (2020 and 2019: 75% and 73% respectively), with 2021 impacted by supply chain disruption and labour availability (see below). Having resolved these issues, we expect OEE to improve, with our target for 2022 being to reach 75% for the year.

RAW MATERIAL SUPPLY CHAIN, LABOUR AND TRANSPORT

Strong demand in our markets put sector supply chains under pressure, and we have experienced tighter supply and an inflationary environment, with prices of certain raw materials, particularly PVC resin, rising significantly in 2021. However, we have continued to secure the raw materials we require and we expect past constraints to ease over the coming months. We have also recovered raw material cost inflation with selling price increases and surcharges.

Our market-leading recycling plants also supported continuity of supply of resin in tight markets, whilst continuing to improve the proportion of recycled material used in our primary extrusion operations. These plants supplied 27% of our raw material consumption for the year (2020: 25%), driving significant cost and carbon savings compared to the use of virgin material (see Recycling below).

Availability of the incremental operational labour we needed to service strong demand in 2021 was very tight, and we also experienced an elevated level of absence through the summer months due to employees being required to self-isolate. In addition, in the light of a well-publicised shortage of HGV drivers in the UK, our outsourced transport provider

faced challenges providing the required number of vehicles to service higher than expected sales. However, the decisive action we took during the year to secure more labour and transport ensured that we have the resources necessary to operate efficiently and support our growth aspirations for revenue and margins.

STRATEGY

Strategic priorities

Our overall strategic objective remains to deliver sustainable growth in shareholder value, by increasing sales and profits above our market growth rates. We have seven strategic priorities to help us achieve this objective:

- Grow market share in Profiles
- Expand the branch network
- Increase the use of recycled materials
- Develop innovative new products
- Explore potential bolt-on acquisition opportunities
- Deliver sustained operational excellence
- Develop a sector-leading digital proposition

We have made good progress with our strategic priorities in 2021, with the key aspects described throughout this report.

Grow market share in Profiles

In 2018 we became the leading supplier of rigid PVC profile to the UK market, with a share of c.15%. We continue to consolidate our position and believe we now have a share of around 18%. Our objective is to increase this to at least 22% over the medium term. See the Profiles Divisional Review for further information on our progress.

Expand the branch network

Our strategic objective for Building Plastics is to achieve sector-leading operations from 270-300 sites. The growth will come by taking business from independent operators, who currently have more than 60% market share. We opened 12 new branches in 2021, resulting in a total estate of 219 sites. See the Building Plastics Divisional Review for further information on our progress.

Increase the use of recycled material

In 2021 we increased our use of recycled material to 27% of materials consumed (2020: 25%). Our objective is to increase this to around 33% over the next few years. See Sustainability for further information on our progress.

Develop innovative new products

We are committed to maintaining market leadership by offering the very latest in product improvement, both through development of existing products and the introduction of new ones. We work closely with our customers and technical advisors on development and to help maintain our product pipeline. Particularly for new build, we have been cooperating on product designs to meet technical compliance with Future Homes building regulations, which come into force in 2022, with a further upgrade in 2025.

Highlights for 2021 include:

- Development of the Aspect bi-fold door system to include flush French doors, which complement our Modus and Logik range of flush sash windows.
- Following the launch of our slate-effect Envirotile composite roof tiles in 2020, we have now extended the offering to include a solid tiled Equinox conservatory roof.
- Skypod Plus was added to the Skypod roof lantern range in 2021, with improved architectural aesthetics.
- Composite fencing products, made from sustainable materials, have been added to our decking range.
- Following the launch of the Kyube garden room in 2020, the range was expanded in 2021 to reflect continuing strong demand for affordable extra work and leisure space at home.

Outdoor living products have been one of our strongest growth categories in 2021, with sales of £8.6 million compared to £5.6 million in 2020 and £2.9 million in 2019. Conservatories, warm roofs, fencing and decking have all been particularly strong, alongside new products such as garden rooms. Building on this success, looking forward to 2022 we will be launching a new range of modern conservatories, alongside other garden products such as pergolas and awnings.

Explore potential bolt-on acquisitions

We have completed six acquisitions since our IPO in 2015. This remains an important strategic objective for the Group and we will continue to assess and consider bolt-on acquisition opportunities in the markets in which we operate as and when they arise.

Deliver sustained operational excellence

In 2021 we introduced a new strategic priority to 'deliver sustained operational excellence'. Through 2016-19, the success of our commercial strategies resulted in a strong compound annual growth rate in sales of 12%, which is well-ahead of our markets. However, profits for that period were impacted by sales running substantially ahead of our expectations, thereby exceeding the available operating capacity and leading to inefficiencies and extra costs.

Manufacturing and warehousing constraints have now been resolved through major investments in new capacity. Transition to the new warehouse was completed successfully in 2021, against a background of record volumes and supply chain disruption. As well as being central to increasing capacity, the facility is key to delivering further improvements in operational efficiencies as the new plant, systems and processes become embedded.

The new warehouse has also unlocked the operational footprint for the whole Group. In 2021, we converted our old warehouse to a specialist manufacturing site, relocating secondary operations, including foiling and conservatory roofs, providing a better environment to drive these businesses forward. This also freed up space to future-proof extrusion capacity for the medium-term.

We increased our extrusion capacity by more than 20% in 2018/19. With ongoing strong growth, we completed a further expansion in 2021, with the addition of five new extrusion lines, along with the associated mixing plant upgrade and tooling. With space now available, we plan to add a further five lines in 2022. Together, these investments increase extrusion capacity by more than 15% compared to the end of 2020, thereby enabling future sales and market share growth.

Our focus in 2022 will be on delivering improved operating efficiencies from the new warehouse and production facilities. Looking ahead, with constraints resolved, we expect the benefit of our strong sales growth to flow through to improved margins.

Develop a sector-leading digital proposition

Also in 2021, we introduced a new strategic priority to 'develop a sector-leading digital proposition'. Stakeholders increasingly require full end-to-end digital solutions, a trend accelerated by the COVID pandemic. We expect a sector-leading digital proposition to act as an enabler to our other priorities and improve the supplier, customer and employee experience, making Eurocell an even better business partner all round.

During the year we selected platforms for a new website, product information management system, e-commerce solution and employee management system. Development is under way, with these systems expected to launch in 2022 and 2023.

SUSTAINABILITY

Sustainability strategy and KPIs

During 2021 we published our sustainability strategy. Our objective is to continue to improve the sustainability of the Group. We have defined a suite of environmental and social targets and KPIs against which to measure our progress.

Our KPIs recognise the breadth of the Environmental, Social and Governance ('ESG') agenda. Taking into account the specific circumstances of 2021, we made good progress against these targets in the year.

However, increasing our use of recycled PVC compound in the manufacture of co-extruded rigid profiles will always be at the heart of sustainability for Eurocell, and therefore this Chief Executive's Review is focused on our environmental targets. The full suite of KPIs and commentary on our 2021 performance is set out in the Responsible Business section of the Annual Report.

Recycling (circular economy)

Expanding recycling improves product and business sustainability, with less plastic going to landfill. Closed-loop recycling (where windows being replaced are recycled into the new product) is attractive to decision makers such as local authorities and architects, which helps us develop tight specifications for our products. Recycling also increases our profits, because the cost of recycled compound is typically lower through the cycle than the price of virgin material, and it reduces our exposure to volatile commodity prices. This is very important at the moment, with the price of virgin resin reaching historic high levels in 2021.

We have been investing to increase our recycling capability through the expansion of our two market-leading recycling plants and by investment in new co-extrusion tooling, which allows a greater proportion of recycled material to be used in our products.

We have become the leading UK-based recycler of PVC windows. As well as keeping pace with increased demand, we have continued to improve the proportion of recycled material consumed in our primary extrusion operations. Usage increased from 9% of materials consumed (or 4.1k tonnes) in 2015 to 27% of consumption (or 16.8k tonnes) in 2021. In doing so, in 2021 we saved the equivalent of more than 3 million end-of-life window frames from landfill.

Overall, we estimate that our recycling operation saved more than 48k tonnes of carbon in the year compared to the use of virgin PVC (equivalent to the annual CO_2 output of over 7,000 UK homes). In terms of economic benefits, in 2021 our recycling operation drove a substantial cost saving compared to the use of virgin PVC compound, reflecting increased volumes and much higher prices for virgin compound.

In addition, substantially all scrap generated in extrusion is recycled back into our production processes, further reducing waste sent to landfill.

Emissions and energy management

Central to our environmental targets is reducing the carbon footprint of the business and our products. Our target is to deliver a 5% reduction in both the energy use intensity ratio and emissions intensity ratio by 2025, compared to the 2020 baseline.

The emissions intensity ratio was 51 tCO_2e per £m sales in 2021, resulting in a 27% reduction compared to 2020. The energy use intensity ratio was £222 MWh / £m sales in 2021, representing a 17% reduction compared to 2020.

The main drivers for these reductions in emissions and energy usage ratios are the increasing proportion of renewable electricity in the national mix, alongside the improving energy efficiency of our own plant and machinery reflecting our recent investments (new extrusion lines are significantly more efficient than our legacy fleet).

Responsible PVC sector

There are a number of major initiatives in progress across the PVC industry to address sustainability challenges, which Eurocell is proud to support. These initiatives look through the value chain at extraction and refining of raw materials, energy production and supply, and resource inputs and emissions. There is also a strong sector focus on recycling, and on seeking to differentiate between short life single-use plastics and those with longer more circular life cycles.

For example, VinylPlus 2030 is a 10-year commitment from the European PVC industry to a framework of sustainable development. The British Plastics Federation ('BPF') has established targets to increase energy efficiency and reduce CO_2 emissions, and launched Operation Clean Sweep, an initiative to reduce plastic pellet loss to the environment.

Eurocell is also aligned with the Ellen MacArthur Foundation New Plastics Vision, which seeks to: (i) eliminate the plastics we do not need, (ii) innovate to ensure the plastics we do use can be recycled and (iii) circulate the plastics we use, to keep them in the economy and out of the environment.

Inovyn is Europe's leading chlorovinyls producer and the largest supplier of PVC resin to UK window profile systems houses, including Eurocell. They are focused on sustainable development, including responsible production, carbon neutrality and circularity. Inovyn's carbon footprint for PVC is well below the industry average.

Inovyn has now launched the world's first commercially produced bio-attributed PVC (Biovyn), made using renewable feedstock derived via wood-based residue from sustainable forestry. The supply chain for Biovyn has been certified by the Roundtable on Sustainable Biomaterials to deliver a 90% greenhouse gas saving compared to conventional PVC.

Products such as Biovyn provide the potential for our longer-term transition towards carbon neutrality and net zero for PVC. We intend to begin trials using small quantities of Biovyn in our primary extrusion processes in 2022.

Looking to a sustainable future

Looking forward, there are four key themes to our work on sustainable development.

- Carbon, energy and water – defining our pathway to carbon neutrality and net zero, which will be driven primarily by reducing Scope 1 and 2 emissions in extrusion and recycling.
- Waste minimisation and circularity – further strengthening materials recovery and process optimisation.
- People and places – becoming the regional employer of choice and stepping up community engagement.
- Governance – reporting progress against published ESG targets and aligning with recognised sustainability indices.

SUMMARY AND OUTLOOK

We entered 2021 well placed to take advantage of the continued recovery in our markets. A very good sales performance has been underpinned by the success of our commercial strategies and high levels of demand in the RMI market, and we are very pleased to report good profit growth and a return to the payment of dividends.

We expect supply chain constraints to ease over the coming months, and the actions we took last year have ensured we have the resources necessary to operate efficiently and support our growth aspirations for revenue and margins.

The RMI sector remains robust, new build continues to grow and customer demand levels are good. With operating constraints resolved, our focus for 2022 will be on delivering improved returns from our strong sales growth.

Notwithstanding the events in Ukraine and the attendant macroeconomic uncertainties, the year has started well, with sales to the end of February up 6% on 2021. We therefore continue to see good potential to outperform our markets and deliver further progress.

Mark Kelly

Chief Executive Officer

DIVISIONAL REVIEWS

PROFILES

Strategy

In 2018 we became the leading supplier of rigid PVC profile to the UK market, with a share of c.15%. We continue to consolidate our position and believe we now have a share of around 18%. Our strategic objective is to increase this to at least 22% over the medium term.

There is a compelling case for larger trade fabricators to switch to Eurocell. This includes a strong product range and continued product development e.g. better aesthetics (such as flush windows), a more contemporary look to roofing and door products and improved environmental characteristics. In addition, the benefits of pull-through profile and hardware specifications and increasing opportunities to supply our branches, all delivered via improving service, remain attractive to prospective fabricator accounts.

In the Profiles division, new build represents approximately one-third of sales. Expanding our share of the new build market has been a key driver of recent growth, driven by sales of cavity closures where we are the clear market leader, and we believe favourable market dynamics are set to continue. We have strong relationships with large and medium-sized housebuilders, maintained by our specification and technical teams. Building regulations for windows are becoming increasingly complicated and our technical teams are working with our larger customers to enable them to conform to the regulations, including development of new product applications to meet changing requirements. In addition, with a focus on sustainability, we believe our use of recycled material is becoming increasingly attractive to housebuilders.

In the commercial sector, energy efficiency and lower cost underpin a strong case for the benefits of using PVC profile over aluminium, particularly in sub-sectors such as private rentals, build-to-rent, purpose-built student accommodation, education and local authority refurbishment – all habitual users of aluminium.

	2021 £m	2020 £m	Change %	2019 £m	Change %
Third-party revenue	**140.7**	**99.7**	**41%**	**115.7**	**22%**
Inter-segmental revenue	63.9	56.4	13%	59.5	7%
Total revenue	**204.6**	**156.1**	**31%**	**175.2**	**17%**
Adjusted operating profit(1)	**20.7**	**7.9**	**162%**	**17.9**	**16%**
Operating profit/(loss)	**20.7**	**(1.0)**	**n/a**	**17.9**	**16%**

(1) Before non-underlying items (no non-underlying items in 2019 and 2021).

Revenue

Profiles third-party revenue for the year was £140.7 million, 41% higher than 2020 and up 22% on 2019. We have seen good contributions from trade fabricators, who are substantially focused on the RMI market, and a very strong performance from Vista doors. New build has also enjoyed good sales, with increasing housing market activity supported by continued high levels of mortgage approvals and demand.

During the last five years we have added 75 new accounts, and our prospect pipeline remains good.

Operating profit

Adjusted operating profit for 2021 was £20.7 million, 162% higher than 2020 and up 16% on 2019, with the growth against both prior periods reflecting higher sales volumes.

The adjusted operating profit in 2020 is net of support received under the Coronavirus Job Retention Scheme (c.£3.5 million), offset by an increase to the IFRS 9 impairment charge (bad debts) in respect of certain fabricator customers (£0.7 million). The overall operating loss of £1.0 million is stated after non-underlying charges of £8.9 million, comprising the impairment of goodwill (£5.8 million), the impairment of right-of-use assets (£0.6 million), warehouse dual running costs (£2.3 million) and restructuring costs (£0.2 million). Further information on non-underlying charges is included in the Chief Financial Officer's Review.

BUILDING PLASTICS

Strategy

Our strategic objective for Building Plastics is to achieve world class operations from 270-300 sites. The growth will come mostly from independent operators, who currently have more than 60% market share.

Our goal is to be recognised as first for service for the tradesperson, seamlessly connecting the customer shopping journey from online through to the branches, with clear data-driven customer engagement plans (including targeting lapsed customers) and through the development of a sector-leading digital platform.

In terms of products, we intend to create the market leading proposition, including a redesigned best-in-class conservatory offering, and to exploit a significant market opportunity to extend our outdoor living product range, including decking, fencing and garden rooms.

In the existing estate, we are now testing an improved format for standard size branches, which better showcases the breadth of our range. We will also continue to identify opportunities for large format stores, with an expanded trade counter and showroom-style displays designed to engage customers and drive big-ticket purchases, such as windows and doors. This follows successful trials of this format in 2019/20.

We also continue to test an opportunity to develop and implement a sector-leading consumer online windows and doors proposition, using the branch network to provide infrastructure where needed (e.g. delivery point for installers). We began a trial in the North West towards the end of 2020. This proposition aligns well with our commercial strategy of continuing to create pull-through demand for our products, and we will provide a progress update in due course.

	2021 £m	2020 £m	Change %	2019 £m	Change %
Third-party revenue	**202.4**	**158.2**	**28%**	**163.4**	**24%**
Inter-segmental revenue	0.5	1.3	(62)%	1.3	(62)%
Total revenue	**202.9**	**159.5**	**27%**	**164.7**	**23%**
Adjusted operating profit[1]	**11.9**	**4.0**	**198%**	**8.6**	**38%**
Operating profit	**11.9**	**3.4**	**250%**	**8.6**	**38%**

(1) Before non-underlying items (no non-underlying items in 2019 and 2021).
(2) Like-for-like excludes new branches opened in 2019/20/21.

Revenue

Building Plastics third-party revenue for the year was £202.4 million, 28% higher than 2020 and up 24% on 2019. This is equivalent to like-for-like[2] sales growth of 20% compared to 2019, representing a strong performance across our full range of own-manufactured products and traded goods.

We opened 12 branches in total in 2021, with 8 new standard format branches, and 4 the new larger format. We are also making good progress reducing the time taken to reach break-even in new stores. At 31 December 2021, we had a total of 219 branches providing national coverage across the UK, which offers a significant competitive advantage. Branches opened in 2019/20/21 added £6.0 million to sales in 2021.

Operating profit

Adjusted operating profit for 2021 was £11.9 million, 198% higher than 2020 and up 38% on 2019, with the profit growth against both prior periods reflecting strong sales and good cost control.

The adjusted operating profit in 2020 is net of support received, including the Coronavirus Job Retention Scheme (£3.0 million) and retail grants / business rates relief (£1.8 million), offset by an increase to the IFRS 9 impairment charge (bad debts) to reflect higher risk in the Building Plastics receivables book (£1.5 million). The overall operating profit in 2020 of £3.4 million is stated after non-underlying costs of £0.6 million, comprising right-of-use asset impairment charges (£0.3 million) and restructuring costs (£0.3 million). Further information on non-underlying charges is included in the Chief Financial Officer's Review.

CHIEF FINANCIAL OFFICER'S REVIEW

	2021 £m	2020 £m	2019 £m
Revenue	**343.1**	**257.9**	**279.1**
Gross profit	173.4	127.4	142.9
Gross margin %	50.5%	49.4%	51.2%
Overheads	(122.4)	(93.9)	(99.0)
IFRS 9 impairments	0.7	(3.7)	(1.5)
Adjusted(1) EBITDA	**51.7**	**29.8**	**42.4**
Depreciation and amortisation	(22.7)	(19.5)	(17.8)
Adjusted(1) operating profit	**29.0**	**10.3**	**24.6**
Finance costs	(2.0)	(1.8)	(1.9)
Adjusted(1) profit before tax	**27.0**	**8.5**	**22.7**
Taxation	(5.9)	(1.5)	(3.4)
Adjusted(1) profit after tax	**21.1**	**7.0**	**19.3**
Adjusted(1) basic earnings per share (pence per share)	**18.9**	**6.5**	**19.3**
Non-underlying items	–	(10.0)	–
Tax on non-underlying items	–	0.8	–
Reported operating profit	**29.0**	**0.7**	**24.6**
Reported profit/(loss) before tax	**27.0**	**(1.5)**	**22.7**
Reported profit/(loss) after tax	**21.1**	**(2.2)**	**19.3**
Reported basic earnings/(losses) per share (pence)	**18.9**	**(2.0)**	**19.3**

(1) See alternative performance measures.

INTRODUCTION

Our effective response to the challenges of supply chain disruption, major raw material cost inflation and tight labour markets has allowed the business to capitalise on the continued strength in the RMI market and report good financial results for 2021.

REVENUE

Revenue for 2021 was £343.1 million, 33% higher than 2020 (£257.9 million) and up 23% on 2019 (£279.1 million). Growth compared to 2019 is comprised of 15% from volume and 8% from selling price increases / surcharges.

We experienced an inflationary environment in 2021, with prices for certain raw materials, particularly PVC resin increasing significantly. We recovered these higher costs through our market-leading recycling plants, as well as through selling price increases and a surcharge adjusted monthly in response to cost changes, with selling price inflation becoming a larger component of sales growth as the year progressed.

Growth compared to 2019 is also equivalent to a like-for-like increase of 21%, representing a strong performance across the business. Like-for-like excludes new branches opened in 2019/20/21.

GROSS MARGIN

Gross margin for the year was 50.5%, up from 49.4% in 2020 but down 70 basis points compared to 2019. As described above, the surcharge successfully recovered the higher material costs in 2021, and is therefore broadly neutral to profit, but it is dilutive to the margin percentage.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES (OVERHEADS) AND IFRS 9 IMPAIRMENTS

Overheads and IFRS 9 impairments were together £121.7 million, up 25% on underlying costs in 2020 (£97.6 million) and 21% higher than 2019 (£100.5 million), reflecting higher production and sales volumes.

Underlying overheads in 2020 included COVID-related UK Government support of £8.3 million, comprising receipts under the Job Retention Scheme of £6.5 million, retail grants of £0.7 million and retail rates relief of £1.1 million. Overheads in 2021 include retail rates relief of £1.0 million.

Following the first COVID-19 lockdown, we assessed the level of customer credit risk to have increased materially. As a result, IFRS 9 impairment charges of £3.7 million were reflected in the underlying income statement 2020. Subsequently, cash receipts have been good and the ageing profile in our ledgers has improved, and consequently an IFRS 9 credit of £0.7 million has been recorded in 2021.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation was £22.7 million compared to an underlying charge of £19.5 million in 2020 (reported: £20.8 million) and £17.8 million in 2019.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are used alongside statutory measures to facilitate a better understanding of financial performance and comparison with prior periods, and in order to provide audited financial information against which the Group's bank covenants, which are all measured on a pre-IFRS 16 basis, can be assessed.

Adjusted EBITDA, adjusted operating profit and adjusted profit before tax all exclude non-underlying items. Adjusted profit after tax and adjusted earnings per share exclude non-underlying items and the related tax effect.

Pre-IFRS 16 EBITDA is stated inclusive of operating lease rentals under IAS 17 Leases. Pre-IFRS 16 net debt is defined as total borrowings and lease liabilities less cash and cash equivalents, excluding the impact of IFRS 16 Leases.

We classify some material items of income and expense as non-underlying when the nature and infrequency merit separate presentation. Alongside statutory measures, this facilitates a better understanding of financial performance and comparison with prior periods.

NON-UNDERLYING ITEMS

No non-underlying items were recognised in 2021 and 2019.

Non-underlying items for 2020 of £10.0 million included a non-cash goodwill impairment charge of £5.8 million, right-of-use asset impairment charges of £0.9 million, restructuring costs of £0.6 million and warehouse dual-running costs of £2.7 million.

FINANCE COSTS AND TAXATION

Finance costs for 2021 were £2.0 million, compared to £1.8 million in 2020 on an underlying basis and £2.2 million in total, with £0.4 million of IFRS 16 lease interest classified as non-underlying in 2020, as it related to warehouse dual-running costs (see Non-underlying items).

The tax charge for 2021 was £5.9 million (2020: £1.5 million on an underlying basis, and £0.7 million in total). The effective tax rate on underlying profit before tax for 2021 of 22.0% is higher than the standard rate of corporation tax of 19% due to the impact of the change in the standard rate that will take effect in 2023 on the measurement of deferred taxes.

The effective underlying tax rate in 2020 of 17.6% was lower than the standard rate of 19%, due to the benefit of Patent Box relief. The effective tax rate on non-underlying items was 7.0% due to the £5.8 million goodwill impairment charge being non-deductible for tax purposes.

We were pleased to retain the Fair Tax Mark accreditation in 2021, reflecting our commitment to paying the right amount of tax at the right time.

PROFIT/(LOSS) BEFORE TAX AND EARNINGS/(LOSSES) PER SHARE

The profit before tax for the year was £27.0 million compared to an adjusted profit before tax of £8.5 million in 2020 and a profit before tax of £22.7 million in 2019. Improved profits compared to 2020 and 2019 reflect higher sales volumes.

The reported loss before tax in 2020 was £1.5 million.

Basic earnings per share for the year were 18.9 pence (2020: adjusted basic earnings per share of 6.5 pence; 2019: 19.3 pence), reflecting the increase in the weighted average number of shares issued (2021: 111.7 million shares; 2020: 108.2 million shares; 2019: 100.3 million shares). Reported basic losses per share for 2020 were 2.0 pence.

Diluted earnings per share for the year were 18.8 pence (2019: 19.2 pence). As a loss was recorded in 2020, share options were not considered to have a dilutive effect.

DIVIDENDS

We paid an interim dividend 3.2 pence per share in October 2021 (£3.6 million). The Board proposes a final dividend of 6.4 pence per share, taking total dividends for the year to 9.6 pence, or £10.8 million (2019: 3.2 pence or £3.2 million). The dividend will be paid on 18 May 2022 to Shareholders registered at the close of business on 22 April 2022. The ex-dividend date will be 21 April 2022.

Retained earnings as at 31 December 2021 were £83.1 million (2020: £65.5 million). The Company takes steps to ensure distributable reserves are maintained at an appropriate level through intra-Group dividend flows.

CAPITAL EXPENDITURE

Capital expenditure for 2021 was £16.7 million (2020: £13.7 million). 2021 includes c.£7 million to expand manufacturing capacity across a number of key product lines, c.£2 million to increase logistics capability and c.£2 million for new

branches. Other capital expenditure in the period of c.£6 million includes recycling, branch refurbishments, IT and maintenance capex.

CASH FLOW

Net cash generated from operating activities was £29.6 million (2020: £32.9 million).

A net outflow from working capital for 2021 of £19.4 million includes the substantial impact of inflation (c.£8 million net across all working capital components). The outflow is comprised of an increase in stocks of £17.8 million, an increase in trade and other receivables of £6.0 million and an increase in trade and other payables of £4.4 million. For stocks, the inflation impact alone is c.£7 million, with the year-on-year increase also including a build in Q4, when PVC resin was readily available, providing an opportunity to protect against any adverse impact from COVID-19 isolations in Q1 2022. This compares to a net inflow from working capital of £4.7 million in 2020.

Other items include payments for capital investments of £15.5 million (2020: £14.0 million) and financing costs paid of £0.6 million (2020: £0.7 million). Tax paid in the year was £3.5 million (2020: £1.0 million). Dividends of £3.6 million were paid in the year (none paid in 2020).

The principal elements of lease payments of £10.1 million (2020: £10.7 million) are presented within cash flows arising from financing activities. The finance elements of lease payments were £1.2 million (2020: £1.3 million).

NET DEBT

Net debt on a pre-IFRS 16 basis at 31 December 2021 was £11.0 million (31 December 2020: £9.9 million).

Lease liabilities increased by £10.3 million. Reported net debt at 31 December 2021 was £69.7 million (31 December 2020: £58.3 million).

	2021 **£m**	**2020** **£m**	**Change** **£m**
Cash	6.6	7.1	(0.5)
Bank overdrafts	(5.9)	(4.5)	(1.4)
Borrowings	(11.7)	(12.5)	0.8
Net debt (pre-IFRS 16)	**(11.0)**	**(9.9)**	**(1.1)**
Lease liabilities	(58.7)	(48.4)	(10.3)
Net debt (reported)	**(69.7)**	**(58.3)**	**(11.4)**

BANK FACILITY

We have an unsecured Revolving Credit Facility ('RCF') of £75 million which matures at the end of 2023. In 2020 we converted the facility into a Sustainable RCF, where modest adjustments to the margin are applied based on our achievement against annual recycling targets. We were pleased to meet our target for 2021, and plan to invest the interest saved in sustainability-related initiatives.

We operate comfortably within the terms of the facility and in compliance with our financial covenants, which are measured on a pre-IFRS 16 basis.

Michael Scott

Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December 2021			Year ended 31 December 2020		
	Note	Underlying £m	[1]Non-underlying £m	Total £m	Underlying £m	[1]Non-underlying £m	Total £m
Revenue	3	**343.1**	**–**	**343.1**	**257.9**	**–**	**257.9**
Cost of sales		(169.7)	–	(169.7)	(130.5)	–	(130.5)
Gross profit		**173.4**	**–**	**173.4**	**127.4**	**–**	**127.4**
Distribution costs		(24.5)	–	(24.5)	(15.8)	–	(15.8)
Administrative expenses		(120.6)	–	(120.6)	(97.6)	(3.8)	(101.4)
Impairment of goodwill[2]		–	–	–	–	(5.8)	(5.8)
IFRS 9 impairments[2]		0.7	–	0.7	(3.7)	–	(3.7)
Operating profit	3	**29.0**	**–**	**29.0**	**10.3**	**(9.6)**	**0.7**
Finance expense		(2.0)	–	(2.0)	(1.8)	(0.4)	(2.2)
Profit/(loss) before tax	3	**27.0**	**–**	**27.0**	**8.5**	**(10.0)**	**(1.5)**
Taxation	4	(5.9)	–	(5.9)	(1.5)	0.8	(0.7)
Profit/(loss) for the year and total comprehensive income/(expense)		**21.1**	**–**	**21.1**	**7.0**	**(9.2)**	**(2.2)**
Basic earnings/(losses) per share	5	**18.9p**		**18.9p**	**6.5p**		**(2.0)p**
Diluted earnings/(losses) per share	5	**18.8p**		**18.8p**	**6.5p**		**(2.0)p**

(1) Non-underlying items in 2020 are detailed in Note 2.

(2) The impairment of goodwill and IFRS 9 impairments have been disclosed on the face of the Consolidated Statement of Comprehensive Income due to the material nature of the credits/(charges).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	2021 £m	2020 £m
Assets		
Non-current assets		
Property, plant and equipment	59.2	50.8
Right-of-use assets	54.8	47.0
Intangible assets	18.6	19.9
Total non-current assets	**132.6**	**117.7**
Current assets		
Inventories	55.9	38.1
Trade and other receivables	44.5	38.5
Cash and cash equivalents	6.6	7.1
Total current assets	**107.0**	**83.7**
Total assets	**239.6**	**201.4**
Liabilities		
Current liabilities		
Trade and other payables	(48.7)	(42.8)
Lease liabilities	(11.9)	(8.9)
Bank overdrafts	(5.9)	(4.5)
Provisions	(0.7)	(0.8)
Corporation tax	–	(0.7)
Total current liabilities	**(67.2)**	**(57.7)**
Non-current liabilities		
Borrowings	(11.7)	(12.5)
Trade and other payables	(0.3)	(0.3)
Lease liabilities	(46.8)	(39.5)
Provisions	(0.8)	(0.7)
Deferred tax	(6.6)	(3.5)
Total non-current liabilities	**(66.2)**	**(56.5)**
Total liabilities	**(133.4)**	**(114.2)**
Net assets	**106.2**	**87.2**
Equity attributable to equity holders of the parent		
Share capital	0.1	0.1
Share premium account	21.9	21.1
Share-based payment reserve	1.1	0.5
Retained earnings	83.1	65.5
Total equity	**106.2**	**87.2**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash generated from operations	7	33.1	33.9
Income taxes paid		(3.5)	(1.0)
Net cash generated from operating activities		**29.6**	**32.9**
Investing activities			
Purchase of property, plant and equipment		(15.1)	(13.8)
Purchase of intangible assets		(0.4)	(0.2)
Net cash used in investing activities		**(15.5)**	**(14.0)**
Financing activities			
Proceeds from new share capital issued		0.5	19.2
Costs relating to the issuance of new shares		–	(0.5)
Repayment of bank and other borrowings		(1.0)	(27.2)
Principal elements of lease payments		(10.1)	(10.7)
Finance elements of lease payments		(1.2)	(1.3)
Finance expense paid		(0.6)	(0.7)
Dividends paid to equity Shareholders	6	(3.6)	–
Net cash used in financing activities		**(16.0)**	**(21.2)**
Net decrease in cash and cash equivalents		**(1.9)**	**(2.3)**
Cash and cash equivalents at beginning of year		2.6	4.9
Cash and cash equivalents at end of year		**0.7**	**2.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2021	**0.1**	**21.1**	**0.5**	**65.5**	**87.2**
Comprehensive income for the year					
Profit for the year	–	–	–	21.1	21.1
Total comprehensive income for the year	**–**	**–**	**–**	**21.1**	**21.1**
Contributions by and distributions to owners					
Exercise of share options	–	0.8	(0.6)	0.1	0.3
Share-based payments	–	–	1.2	–	1.2
Dividends paid	–	–	–	(3.6)	(3.6)
Total transactions with owners recognised directly in equity	**–**	**0.8**	**0.6**	**(3.5)**	**(2.1)**
Balance at 31 December 2021	**0.1**	**21.9**	**1.1**	**83.1**	**106.2**

	Share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020	**0.1**	**2.4**	**0.9**	**67.1**	**70.5**
Comprehensive expense for the year					
Loss for the year	–	–	–	(2.2)	(2.2)
Total comprehensive expense for the year	**–**	**–**	**–**	**(2.2)**	**(2.2)**
Contributions by and distributions to owners					
Share capital issued	–	17.1	–	–	17.1
Exercise of share options	–	1.6	(0.6)	0.6	1.6
Share-based payments	–	–	0.3	–	0.3
Deferred tax on share-based payments	–	–	(0.1)	–	(0.1)
Total transactions with owners recognised directly in equity	**–**	**18.7**	**(0.4)**	**0.6**	**18.9**
Balance at 31 December 2020	**0.1**	**21.1**	**0.5**	**65.5**	**87.2**

1 BASIS OF PREPARATION

The financial information for the year ended 31 December 2021 was approved by the Board on 17 March 2022. This financial information does not constitute the statutory accounts of the Company within the meaning of Section 435 of the Companies Act 2006, but is derived from those accounts, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its Consolidated Financial Statements on 1 January 2021. There were no changes in accounting policies arising from the transition, and therefore no impact on recognition, measurement or disclosure in the periods reported.

This information has been prepared under the historical cost method, using all standards and interpretations required for financial periods beginning 1 January 2021. The functional currency is Sterling, and the Financial Statements are presented in millions, unless otherwise stated. No standards or interpretations have been adopted before the required implementation date.

Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have reported on those accounts. Their reports were not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group funds its activities through a £75 million Revolving Credit Facility ('RCF'), provided by Barclays and HSBC, which matures in December 2023. The facility includes two key financial covenants, which are tested at 30 June and 31 December on a pre-IFRS 16 basis. These are that net debt should not exceed 3 times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least 4 times the interest charge on the debt (Interest Cover). Adjusted EBITDA is defined as operating profit before depreciation, amortisation and non-underlying items. See Alternative performance measures in the Chief Financial Officer's Review.

For the next measurement period, being 31 December 2021, and going forward, the Group expects to comply with its covenants.

In assessing going concern, the Directors have considered financial projections for the period to December 2024, which is consistent with the Board's strategic planning horizons. These forecasts have been compiled based on the best estimates of our commercial and operational teams. This includes a 'Downside' scenario, which reflects demand for our products being severely weakened.

In all scenarios tested, including sensitivities reducing sales forecasts to 10% below management's estimates for the period 2022-24, the Group operates with significant headroom on its RCF facility and remains compliant with its original covenants.

After reviewing the Group's projected financial performance and financing arrangements, the Directors consider that the Group has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing these Financial Statements.

Changes in accounting policies and disclosures applicable to the Company and the Group

The Group has applied the following amendments for the first time for the financial reporting period commencing 1 January 2021, with no material impact:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16; and
- COVID-19-Related Rent Concessions – amendments to IFRS 16.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 NON-UNDERLYING ITEMS

Amounts included in the Consolidated Statement of Comprehensive Income are as follows:

	2021 £m	2020 £m
Impairment of goodwill	–	5.8
Impairment of right-of-use assets	–	0.9
Warehouse dual-running costs	–	2.3
Restructuring costs	–	0.6
Non-underlying operating expenses	**–**	**9.6**
Finance expense	–	0.4
Total non-underlying expenses	**–**	**10.0**
Tax on non-underlying expenses	–	(0.8)
Impact on profit after tax	**–**	**9.2**

There were no non-underlying items in the current year.

Goodwill impairment charge

The goodwill in respect of Eurocell Recycle North (‘ERN’, formerly Ecoplas) was impaired in full in 2020, leading to a non-underlying charge of £5.8m. This charge arose as a result of lower projected short-term cash flows than previously expected, reflecting the impact of COVID-19 on selling prices, customer demand and production volumes (and therefore profitability) of the ERN Cash Generating Unit.

Right-of-use assets impairment charge

Right-of-use assets impairment charges were made in respect of a small number of loss-making branches and a number of leased assets no longer required following transition to the new warehouse. In total, right-of-use asset impairment charges amounted to £0.9 million in 2020. The majority of the lease contracts in relation to these assets have subsequently been terminated.

Warehouse dual-running costs

In January 2020 the Group entered into a lease arrangement for a new warehouse and Head Office facility close to its primary manufacturing operations. The warehouse was fitted-out during the year and was brought into active service in early 2021. Certain costs incurred during the fit-out process in 2020, such as IFRS 16 lease charges (including the related IFRS 16 finance expense), rates and other property-related costs were classified as non-underlying, as the warehouse was not operational in 2020, and therefore not contributing to the underlying performance of the business in that period.

Restructuring costs

Restructuring costs in 2020 relate to redundancies, with 35 roles impacted at a one-off cost of £0.6 million in the second half of 2020. These costs were classified as non-underlying as they related to roles that no longer exist within the organisation and therefore would not reoccur in future reporting periods.

3 SEGMENTAL INFORMATION

The Group organises itself into a number of operating segments that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Internal reporting provided to the chief operating decision-maker, which has been identified as the executive management team including the Chief Executive Officer and the Chief Financial Officer, reflects this structure.

The Group has aggregated its operating segments into three reported segments, as these business units have similar products, production processes, types of customer, methods of distribution, regulatory environments, and economic characteristics:

- Profiles – extrusion and sale of PVC window and building products to the new and replacement window market across the UK. This segment includes Vista Panels, S&S Plastics and Eurocell Recycle North.
- Building Plastics – sale of building plastic materials across the UK. This segment includes Security Hardware, Kent Building Plastics and Trimseal.

- Corporate – represents costs relating to the ultimate Parent Company and includes amortisation in respect of acquired intangible assets.

Inter-segmental sales relate to manufactured products distributed by the Building Plastics division.

	Profiles 2021 £m	Building Plastics 2021 £m	Corporate 2021 £m	Total 2021 £m
Revenue				
Total revenue	204.6	202.9	–	407.5
Inter-segmental revenue	(63.9)	(0.5)	–	(64.4)
Total revenue from external customers	**140.7**	**202.4**	–	**343.1**
EBITDA[1]	**31.8**	**20.8**	**(0.9)**	**51.7**
Amortisation of intangible assets	–	–	(1.9)	(1.9)
Depreciation of property, plant and equipment	(6.0)	(1.0)	(0.7)	(7.7)
Depreciation of right-of-use assets	(5.1)	(7.9)	(0.1)	(13.1)
Operating profit/(loss)	**20.7**	**11.9**	**(3.6)**	**29.0**
Finance expense				(2.0)
Profit before tax				**27.0**

[1] Included within EBITDA are IFRS 9 impairment credits of £1.0 million (Profiles) and charges of £0.3 million (Building Plastics).

	Profiles 2020 £m	Building Plastics 2020 £m	Corporate 2020 £m	Total 2020 £m
Revenue				
Total revenue	156.1	159.5	–	315.6
Inter-segmental revenue	(56.4)	(1.3)	–	(57.7)
Total revenue from external customers	**99.7**	**158.2**	**–**	**257.9**
Adjusted EBITDA[2]	16.5	12.7	0.6	29.8
Amortisation of intangible assets	–	–	(1.6)	(1.6)
Depreciation of property, plant and equipment	(5.1)	(1.1)	(0.6)	(6.8)
Depreciation of right-of-use assets	(3.5)	(7.6)	–	(11.1)
Adjusted operating profit	**7.9**	**4.0**	**(1.6)**	**10.3**
Impairment of goodwill	(5.8)	–	–	(5.8)
Non-underlying operating expenses	(3.1)	(0.6)	(0.1)	(3.8)
Operating (loss)/profit	**(1.0)**	**3.4**	**(1.7)**	**0.7**
Finance expense				(2.2)
Loss before tax				**(1.5)**

[2] Included within EBITDA are IFRS 9 impairment and bad debt charges of £3.7 million (Profiles £1.7 million; Building Plastics £2.0 million).

	Profiles 2021 £m	Building Plastics 2021 £m	Corporate 2021 £m	Total 2021 £m
Additions to plant, property, equipment and intangible assets	13.2	2.5	1.0	16.7
Segment assets	132.6	87.9	19.1	239.6
Segment liabilities	(61.2)	(45.0)	(8.9)	(115.1)
Borrowings				(11.7)
Deferred tax liability				(6.6)
Total liabilities				(133.4)
Total net assets				**106.2**

	Profiles 2020 £m	Building Plastics 2020 £m	Corporate 2020 £m	Total 2020 £m
Additions to plant, property, equipment and intangible assets	12.3	0.9	0.5	13.7
Segment assets[3]	116.6	64.9	19.9	201.4
Segment liabilities	(57.6)	(32.9)	(7.0)	(97.5)
Borrowings				(12.5)
Corporation tax payable				(0.7)
Deferred tax liability				(3.5)
Total liabilities				(114.2)
Total net assets				**87.2**

[3] Adjusted to reflect a more consistent classification between the segments.

Geographical information

	Revenue 2021 £m	Non-current assets 2021 £m	Revenue 2020 £m	Non-current assets 2020 £m
United Kingdom	341.6	132.6	256.3	117.7
Republic of Ireland[4]	1.5	–	1.6	–
Total	**343.1**	**132.6**	**257.9**	**117.7**

[4] Non-current assets in the Republic of Ireland are less than £50,000.

4 TAXATION

	2021 £m	2020 £m
Current tax expense/(credit)		
Current tax on profits/(losses) for the year	2.7	(0.1)
Adjustment in respect of prior years	0.1	–
Total current tax	**2.8**	**(0.1)**
Deferred tax expense		
Origination and reversal of temporary differences	2.2	0.5
Adjustment in respect of change in rates	0.9	0.1
Adjustment in respect of prior years	–	0.2
Total deferred tax	**3.1**	**0.8**
Total tax expense	**5.9**	**0.7**

The reasons for the difference between the actual current tax charge/(credit) for the year and the standard rate of corporation tax in the United Kingdom applied to profits/(losses) for the year are as follows:

	2021 £m	2020 £m
Profit/(loss) before tax	**27.0**	**(1.5)**
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0%	5.1	(0.3)
Taxation effect of:		
Expenses not deductible for tax purposes	0.5	0.4
Capital allowance super-deduction utilised	(0.7)	–
Impairment of goodwill not deductible for tax purposes	–	1.1
Patent Box claims	–	(0.7)
Deferred tax impact of share-based payments	0.2	–
Tax impact of share-based payments recognised in equity	–	(0.1)
Adjustments in respect of prior years	0.1	–
Tax effect of accelerated capital allowances	(2.4)	(0.5)
Total tax expense/(credit)	**2.8**	**(0.1)**

The reasons for the difference between the total tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2021 £m	2020 £m
Profit/(loss) before tax	**27.0**	**(1.5)**
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0%	5.1	(0.3)
Taxation effect of:		
Expenses not deductible for tax purposes	0.5	0.4
Capital allowance super-deduction utilised	(0.7)	–
Impairment of goodwill not deductible for tax purposes	–	1.1
Patent Box claims	–	(0.7)
Adjustments in respect of prior years	0.1	0.2
Tax on share-based payments recognised in equity	–	(0.1)
Adjustment in respect of change in rates	0.9	0.1
Total tax expense	**5.9**	**0.7**

Changes in tax rates and factors affecting the future tax charge

An increase in the mainstream rate of UK corporation tax from 19% to 25% from April 2023 was enacted during 2021. Consequently, deferred taxes have been remeasured using a higher rate based on expected reversal dates and reflected in the Financial Statements.

There are no material uncertain tax provisions.

Tax included in Other Comprehensive Income

The tax credit arising on share-based payments within Other Comprehensive Income is £nil (2020: £110,000).

Based on the current investment plans of the Group, and assuming the rates of capital allowances on capital expenditure continue into the future, there is little prospect of any significant part of the deferred tax liability becoming payable over the next three years.

Tax residency

Eurocell plc and its subsidiaries are all registered in the United Kingdom and are resident in the UK for tax purposes, except as described below.

The Group has two branches in the Republic of Ireland, with combined annual revenues of £1.5 million (2020: £1.6 million), total assets of less than £50,000 (2020: below £50,000) and 8 full-time employees (2020: 8 full-time employees). For tax purposes these two trading locations form a single branch within Eurocell Building Plastics Limited, and therefore any profits generated are subject to tax in the Republic of Ireland. The tax charge in relation to the Group's Republic of Ireland operations in 2021 is €nil (2020: €1,000) and no tax payments were made during the year (2020: €1,000). This is due to utilisation of losses brought forward. No deferred tax assets are recognised on unutilised losses due to the uncertainty of future profits.

5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Adjusted earnings per share excludes the impact of non-underlying items.

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 period, share options are not considered to have a dilutive effect.

	2021 £m	2020 £m
Profit/(loss) attributable to ordinary shareholders	21.1	(2.2)
Profit attributable to ordinary shareholders excluding non-underlying items	21.1	7.0

	Number	Number
Weighted average number of shares – basic	111,709,049	108,218,827
Weighted average number of shares – diluted	112,219,319	108,218,827

	Pence	Pence
Basic earnings/(losses) per share	18.9	(2.0)
Adjusted basic earnings per share	18.9	6.5
Diluted earnings/(losses) per share	18.8	(2.0)
Adjusted diluted earnings per share	18.8	6.5

6 DIVIDENDS

	2021 £m	2020 £m
Dividends paid during the year		
Interim dividend for 2021 of 3.2p per share	3.6	–
Dividends proposed		
Final dividend for 2021 of 6.4p per share	7.2	–

7 RECONCILIATION OF PROFIT/(LOSS) AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2021 £m	2020 £m
Profit/(loss) after tax	**21.1**	**(2.2)**
Taxation	5.9	0.7
Finance expense	2.0	2.2
Operating profit	**29.0**	**0.7**
Adjustments for:		
Depreciation of property, plant and equipment	7.7	6.8
Depreciation of right-of-use assets	13.1	12.4
Amortisation of intangible assets	1.9	1.6
Impairment of goodwill	–	5.8
Impairment of right-of-use assets	(0.4)	0.9
Share-based payments	1.2	0.3
Increase in inventories	(17.8)	(0.8)
(Increase)/decrease in trade and other receivables	(6.0)	2.4
Increase in trade and other payables	4.4	3.1
Increase in provisions	–	0.7
Cash generated from operations	**33.1**	**33.9**

8 EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any material events that have occurred after 31 December 2021 which would require disclosure under IAS 10.