16 March 2021

Polypipe Group plc
Audited results for the year ended 31 December 2020

Continued recovery in challenging markets

Polypipe Group plc ("Polypipe", the "Company" or the "Group"), a leading provider of sustainable water and climate management solutions for the built environment, today announces its audited results for the year ended 31 December 2020.

Martin Payne, Chief Executive Officer, said:

"I would like to thank our employees who have risen to, and overcome, the challenges that we have faced in what was an unprecedented year. The health and wellbeing of our colleagues, customers and communities remains our priority. We have continued to invest in new products, technologies and businesses to emerge stronger out of the pandemic. Trading conditions since the end of the year, together with the structural growth markets we are aligned to, provide confidence in the outlook for the current year and over the medium term."

Financial Results

	2020	**2019**	**Change**
Statutory measures			
Revenue	£398.6m	£447.6m	(10.9)%
Operating profit	£30.4m	£67.6m	(55.0)%
Profit before tax	£23.8m	£60.1m	(60.4)%
Earnings per share (basic)	8.5p	24.9p	(65.9)%
Dividend per share	4.8p	4.0p	+20.0%
Alternative performance measures			
Underlying operating profit[1]	£42.2m	£78.1m	(46.0)%
Underlying cash generated from operations[2]	£39.3m	£72.8m	(46.0)%
Underlying operating margin[1]	10.6%	17.4%	(680)bps
Underlying profit before tax[1]	£35.7m	£70.8m	(49.6)%
Underlying earnings per share (basic)[1]	13.5p	29.6p	(54.4)%
Leverage[4] (times pro forma EBITDA[3])	0.3	1.6	(1.3)

Highlights

- Revenue decline of 10.9% reflecting unprecedented trading environment in Q2, followed by a strong recovery, with second half in line with prior year
- Underlying operating profit severely impacted by reduced volumes in H1 and investment in Covid-19 measures; a much improved second half
- Basic earnings per share of 8.5p
- Focus on operational cash management with tight cost control
- Continued strategic investment in business, capital expenditure of £25.1m
- Proposed final 2020 dividend of 4.8p per share, being a 40% payout ratio of net income

- Capital raise of £120m in H1 to strengthen balance sheet allowing continued investment in new businesses, products and technology through the pandemic with Group pro forma leverage of 0.3x (2019: 1.6x) at the year end
- In February 2021, the Group acquired three businesses; Adey, Nu-Heat and Plura - with a strongly supported £96m capital raise helping to fund the Adey acquisition. Continuing to invest in market leading brands with sustainability growth drivers.
- Polypipe Group plc to change its name to Genuit Group plc on 6 April 2021 reflecting continued progression of the Group, including the development of new product areas and the acquisition of a number of strong trading brands. We remain committed to our customer-facing brands, including Polypipe.

ESG Highlights

- We will continue to focus on serving the needs created by four key sustainability drivers:
    - Increasing need for resilient drainage
    - Need for green urbanisation
    - Increased focus on clean healthy indoor air and ventilation; and
    - A move towards a low, or zero carbon, built environment
- We have set out a clear strategy and will measure performance in:
    - Circular economy – leading the industry in recycling and waste: For 2020, 45.9% of material was from recycled inputs – we have set a target of 62% by 2025
    - Climate change – reducing carbon emissions through products and operations – we achieved ISO50001 accreditation and a reduction in CO_2 intensity of 7.8% in 2020
    - Innovation – driving new areas of growth – new Digital Director appointed
    - Our Vitality Index for 2020 was 22.8% - we have set a target of 25% by 2025
    - Developing our colleagues - we have joined The 5% Club and in the year 3.8% of our workforce were in accredited work and learn programmes
    - Key ESG metrics now incorporated into senior management long-term incentive plan

Outlook

Our markets continue to recover, with recent extensions to the stamp duty holiday and the existing Help to Buy scheme, together with the recently announced Government mortgage guarantee scheme, providing further confidence in the new housebuilding sector. There remains continued improvement in RMI, commercial and infrastructure markets. Our medium-term demand drivers are stronger than ever – a continued structural UK housing shortage, the regulatory and environmental drivers around water and climate management, and increasingly indoor air quality, will be helpful tailwinds.

The robust response to the crisis to strengthen the Group's balance sheet and continue investment in new products has positioned the Group on the front foot coming out of the crisis. Our businesses have started the new year strongly with no discernible impact on demand from the current lockdown. With our newly acquired businesses Adey, Nu-Heat and Plura, the Board believes the Group is in a strong position to deliver an improved performance in 2021.

[1] Underlying profit and earnings measures exclude certain non-underlying items and, where relevant, the tax effect of these items. The Directors consider that these measures provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.

[2] Underlying cash generated from operations is defined as cash generated from operations, adjusted for non-underlying cash items, after movement in net working capital and capital expenditure net of proceeds from disposals of property, plant and equipment.

[3] Pro forma EBITDA is defined as underlying operating profit before depreciation for the 12 months preceding the balance sheet date, adjusted, where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.

[4]Leverage is defined as net debt divided by pro forma EBITDA. Net debt within the leverage calculation is defined as loans and borrowings net of unamortised issue costs less cash and cash equivalents, excluding the effects of IFRS 16.

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A copy of this report will be available on our website www.polypipe.com today from 0700hrs (GMT).

There will be a webcast presentation for analysts and investors at 0830hrs (GMT) on Tuesday 16 March 2021 via web-conference. Please access the presentation on the following link: https://www.investis-live.com/polypipe/6046294e9a13881000f59191/rans

We recommend you register by 0815hrs (GMT). Details of the conference call dial-in numbers for questions and answers will be given at the end of the webcast presentation.

The presentation is also available on the Reports, results and presentation page on Polypipe's website at http://investors.polypipe.com/

Notes to Editors:

Polypipe Group plc ("Polypipe", the "Company" or the "Group"), a leading provider of sustainable water and climate management solutions for the built environment, is the largest manufacturer in the UK, and among the ten largest manufacturers in Europe, of piping systems for the residential, commercial, civils and infrastructure sectors by revenue. It is also a leading designer and manufacturer of energy efficient ventilation systems in the UK.

In 2020, the Group operated from 19 facilities in total, and with over 20,000 product lines, manufactures the UK's widest range of piping systems for heating, plumbing, drainage and ventilation. The Group primarily targets the UK and European building and construction markets with a presence in Italy, the Netherlands, Ireland and the Middle East and sales to specific niches in the rest of the world.

Group Results

Following an encouraging start to the year, the Covid-19 pandemic had a significant impact on the Group's performance with a two thirds loss of volume happening at the end of March 2020. However, following a recovery in the second half, revenue for the year ended 31 December 2020 was 10.9% lower than the prior year at £398.6m (2019: £447.6m).

Underlying operating profit of £42.2m was 46.0% lower than the prior year (2019: £78.1m) due to significantly lower volumes in the first half of the year. Underlying operating margin improved during the second half of the year despite ongoing costs associated with Covid-19. The full year underlying operating margin was 10.6% compared to 17.4% in the prior year.

Underlying finance costs were lower than the prior year at £6.5m (2019: £7.3m) as net debt declined following a £120m equity placing in May 2020 and the measures taken by the Group to preserve cash during the pandemic. The Group also benefited from use of the Bank of England's Covid Corporate Financing Facility by drawing on £100m of funds, which was repaid in September 2020. Interest cover was 7.8x for the year (2019: 11.3x).

Net debt, pre IFRS 16, decreased to £14.8m (2019: £150.0m). Including the impact of IFRS 16, net debt was £27.7m (2019: £164.8m). Cash conversion for the year was 93% (2019: 93%), leaving net debt to pro forma EBITDA at 0.3x (2019: 1.6x).

Profit before tax was 60.4% lower than the prior year at £23.8m (2019: £60.1m).

Non-underlying operating costs of £11.9m (2019: £10.7m) primarily relate to non-cash amortisation charges of £7.8m (2019: £7.5m) in respect of intangible assets arising from acquisitions since 2015, £2.9m of costs related to acquisitions and other M&A costs. There was also £1.1m associated with the Group's restructuring during the Covid-19 pandemic.

The total tax charge for the year of £5.3m (2019: £10.5m) represents an effective tax rate of 22.3% (2019: 17.5%). The underlying effective tax rate of 17.6% (2019: 16.8%) was lower than the standard UK rate of tax of 19.0% (2019: 19.0%) primarily due to the benefit of patent box relief.

Underlying net profit for the year was 50.1% lower than the prior year at £29.4m (2019: £58.9m), with underlying basic earnings per share at 13.5 pence (2019: 29.6 pence).

Chief Executive Officer's Review

In what has been the most challenging year of our working lives, the Group has demonstrated a robust response to the Covid-19 pandemic. The crisis severely impacted the Group through the second and third quarters, but a sustained recovery in our markets through the fourth quarter left Group revenue for the year 10.9% lower than prior year at £398.6m (2019: £447.6m), with underlying operating profit 46.0% lower than prior year at £42.2m (2019: £78.1m) and underlying basic earnings per share 54.4% lower at 13.5 pence (2019: 29.6 pence).

This resilient performance is down to our incredible colleagues around the Group who have risen to, and overcome, the challenges in taking significant actions to ensure the health, safety and wellbeing of employees and their families, customers, suppliers, and visitors. Notwithstanding the actions that were taken to protect our people, the Group continued to supply through the first lockdown to Covid-19 projects such as the Nightingale Hospitals and other NHS and care facilities, as well as for essential repair and maintenance. In addition, throughout the year, the commitment of our employees to help communities was inspiring. Activities such as repurposing some of our machinery to manufacture and assemble visors in conjunction with local higher education establishments and distributing them to local NHS and care facilities, to donating spare PPE to local hospitals, to raising money and providing transport for local food banks, are just a few examples of our people supporting their communities. I am very proud of colleagues' contributions through what have been extremely difficult times.

2020 started well, with activity levels across the Group improving following the General Election result, albeit impacted by flooding in the North and Midlands in February 2020. The Covid-19 crisis then struck with volumes impacted across the Group, with overall demand levels reducing by up to two thirds in the second quarter driven by the closure of the housing market through April and part of May 2020 and ongoing Covid-19 compliant working practices on sites.

The Group took a number of actions throughout the year to keep our people safe, protect the business, preserve cash, and ensure the Group could continue to invest in its key product developments and projects, and exit the crisis on the front foot.

The Group implemented strict health and safety policies ensuring social distancing, mandatory use of PPE, temperature testing and enhanced cleaning regimes which have continued to be in place as volumes have increased.

We secured a £120m equity raise from investors in May 2020, drew down £100m under the Bank of England's Covid Corporate Financing Facility (CCFF) in May 2020, and agreed an extra £50m Covid-19 facility with our banks in addition to the Group's £300m RCF. The £100m CCFF loan was repaid to the Bank of England in September 2020. We initially deferred HMRC tax payments which have since been paid. We cancelled the 2019 final dividend, which was due for payment on 28 May 2020 with no 2020 interim dividend. The Board took a 20% voluntary reduction in salary between April and August 2020 inclusive.

In order to safeguard jobs, up to 60% of our workforce, 1,771 employees, were furloughed under the Government's Coronavirus Job Retention Scheme (CJRS), between March and August 2020 reflecting a reduction in volumes of up to 66% during that period. The £7.7m the Group claimed under the CJRS was paid to our employees, ensuring they had an income whilst avoiding large scale redundancies. Regrettably, restructuring actions needed to be taken in the second half of the year, including 104 redundancies, significantly fewer than the 250 at risk positions announced in July 2020. 1,667 employees have now returned to work and the Group has repaid CJRS amounts of £0.7m for employees subsequently made redundant.

In the latter part of May, the housing markets and new build developments reopened, and commercial and infrastructure sites continued to improve productivity, all under Covid-19 safe operating practices. The UK Government implemented temporary, but welcomed, policies to help boost the housing market such as stamp duty holidays and Help to Buy extensions. Consequently, our markets started to recover through the third and fourth quarters, with RMI markets performing particularly strongly in this period as household expenditure was diverted from hospitality and leisure activities to home improvements. Overall, according to the Construction Products Association Winter forecast, the UK construction market contracted 14.3% in the year, and against this backdrop, the Group has performed well to deliver the results it has.

Strategy aligned to structural growth drivers

Whilst managing our way through the crisis, we have also focused on the future direction of the Group. We presented a strategy refresh at our Capital Markets Event in November 2020, reiterating our commitment to water and climate management solutions and delivering growth ahead of the UK construction market by both organic and inorganic focus on environmental, regulatory and sustainability-led drivers in this space. We are focused on four key growth drivers given the increasing needs in: resilient drainage; green urbanisation; clean, healthy air and low/zero carbon in heating, and construction more widely. We continue to deliver on this strategy with investment in new products and technologies including Safe Haven, the ventilation system concept for high occupancy buildings including ultraviolet filters to kill airborne viruses, launched by our Nuaire business in November 2020. These initiatives continue to drive organic growth in these areas. Subsequent to the year end, we made three acquisitions, consistent with these strategic objectives. On 2 February 2021, we completed the £27m acquisition of Nu-Heat, the leading supplier of sustainable underfloor heating solutions, air and ground source heat pumps, and other renewable heating systems. On 10 February, the Group completed the £210m acquisition of Adey, the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance issues in water-based heating systems and improve energy efficiency. This was done in conjunction with a £96m equity raise which was achieved with a small premium to the previous market close, demonstrating the strong shareholder support Polypipe has for this acquisition and its wider strategic direction. The Group also completed the £1.25m acquisition of a 51% stake in the Plura group of companies, a manufacturer of a range of products for utility companies, road and rail operators, network builders and designers in the construction and maintenance of their networks and has some unique manufacturing expertise in pultrusion technology, compression moulding, injection moulding and fabrications. These additions to the Group are squarely in line with our strategy and demonstrate the Group's ability to deliver on that strategy.

These recent acquisitions follow Manthorpe, Alderburgh, Surestop, Permavoid and Nuaire, carried out since our IPO in 2014. They are all strong brands and leverage our commercial strengths. These acquisitions are part of our strategy of focusing on structural growth drivers and adjacent sectors, broadening our portfolio of products and technology. Given the significant evolution of the

Group we will change the name of the Company from Polypipe Group plc to Genuit Group plc on 6 April 2021. We remain committed to our strong customer-facing brands of which Polypipe is a key example.

Sustainability is core to the Group's strategy, and during the year the Group committed to some stretching but achievable ESG targets by 2025 covering the circular economy, carbon emissions reductions, innovation, digital, diversity and inclusion and talent management. We have made good progress on a number of these initiatives, with some already yielding improvements against our targets. Our LFL carbon impact measure of CO_2e intensity improved by 7.8% compared to prior year. Polypipe Building Products have been awarded certification of ISO50001, reflecting the focus they have put into their energy management processes. We see recycling as being core to our place in the circular economy, and by 2025 we have committed to at least 62% of our output being from recycled inputs; the maximum which current standards allow across our range. 2020 was a challenging year for recycled content, as the volatility in our markets moved our mix towards those products which do not currently allow its use. Nonetheless, we achieved a result of 45.9% of our tonnage being from recyclate. To achieve our goals and vision, we need a well-trained and engaged workforce. We are now signed up to the pledge of The 5% Club as part of our commitment to increase the proportion of our colleagues involved in some form of accredited learning programmes such as apprenticeships, graduate traineeships, or part time learning. In 2020, despite the pressures of the pandemic, we increased this proportion to 3.8%, compared to 2.8% in 2019. We undertake an annual survey to assess the level of engagement of our colleagues. We have targeted a 5% improvement per annum, and are delighted that, despite the obvious challenges of the working environment in 2020, the survey results were 6.1% better than prior year; a tremendous credit to our people at all levels in the business. We are deploying a number of diversity and inclusion initiatives to ensure that we are recruiting from the widest talent pool, and that our businesses reflect the communities and markets in which they operate. Our median gender pay gap in 2020 was 9.9%, compared to a UK wide measure of 15.5%. In November 2020, we stated a number of digital and innovation initiatives to help future proof our Group. We have now recruited a Group Digital Director to help us on that journey. We also stated that by 2025 we would have a five-year Vitality Index (VI) of 25%, meaning that a quarter of our revenue in that year would derive from products as yet to be launched. We also want 40% of that total to come from genuinely innovative and breakthrough developments. Our launch of Safe Haven was one such development which has triggered significant interest. In 2020, our VI score was 22.8%, reflecting our already successful track record of innovation.

Business review

Revenue	**2020 £m**	**2019 £m**	**Change %**	**LFL Change %**
Residential Systems	223.9	260.3	(14.0)	(14.0)
Commercial and Infrastructure Systems	174.7	187.3	(6.7)	(12.0)
	398.6	447.6	(10.9)	(13.2)

Underlying operating profit	**2020 £m**	ROS %	2019 £m	ROS %
Residential Systems	29.8	13.3	53.4	20.5
Commercial and Infrastructure Systems	12.4	7.1	24.7	13.2
	42.2	10.6	78.1	17.4

Residential Systems

Revenue in our Residential Systems segment, which is almost exclusively derived from the UK market, was 14.0% lower than the prior year at £223.9m (2019: £260.3m). Residential markets were significantly adversely impacted by Covid-19 in 2020, although much of this impact related to the earlier part of the year with first half revenue 28.1% lower than prior year. Second half revenue was

broadly in line with prior year at £131.1m, just 0.2% lower, reflecting the significant improvement in performance in this segment as residential markets recovered.

According to the Construction Products Association, the overall private new house build market declined by 18.1% in the year, with the entire housing market closed down during April and much of May, and then with house developers slowly returning to site as they adjusted to Covid-19 safe operating practices through the Summer. There was some helpful stimulus from the UK Government, notably the stamp duty holiday for housing transactions below £500,000, and extension to the existing Help to Buy scheme, both of which have helped demand recover. Private new housing completions were 21.8% down on prior year but new housing starts were 32.4% lower than the prior year, as housebuilders continued to reduce work in progress and worked existing sites harder in the face of the uncertain outlook. Given the majority of the Group's products in this segment are used in the early stages of site and plot development, this has made the year even more challenging. The private RMI market was more resilient in the year, being 11.8% down on prior year, with household expenditure being diverted from the hospitality and leisure sectors into home improvements. Within this performance, inflation related price increases of approximately 2% were successfully implemented early in the year. However, this leaves volumes for the year around 16% lower than the prior year, a strong performance given this challenging market backdrop.

Our innovation and product launches continued throughout the challenging environment of 2020 and were recognised by our industry. Manthorpe launched its Redshield range, which combines the requirements of fire integrity and thermal performance in a single cavity closer without the need for liners. This breakthrough innovation was recognised as Product of the Year at the Housebuilder Awards. Manthorpe also launched Thru-Air and Diamond Weep. These products address the complexities of cavity wall construction and reflect our deep knowledge of the applications they serve, and the challenges that users face. Innovation is not only about products, but also about looking at new ways to partner and to add value to our distribution partners. Polypipe Building Products was recognised for its best-in-class performance, when it was awarded Best Plumbing & Heating Manufacturer, in the Builders Merchants Journal Awards.

Residential Systems delivered underlying operating profit of £29.8m (2019: £53.4m) representing a 13.3% margin (2019: 20.5%). As with volumes, the bulk of Covid-19 impact on margin occurred in the first half of the year, with second half margins improving to 17.1%, some 3.3 percentage points below prior year. Continued Covid-19 related costs and operating inefficiencies and increased virgin polymer prices in the latter part of the year prevented margins from returning to normal levels, but this performance still indicates a resilient recovery in margins as we come out of the crisis.

Commercial and Infrastructure Systems

Revenue in our Commercial and Infrastructure segment was 6.7% lower than the prior year at £174.7m (2019: £187.3m), and 12.0% lower on a like-for-like basis excluding the acquisition in October 2019 of Alderburgh. Again, the second half has seen significant recovery compared to the first half with revenue only 2.5% lower than the prior year on a like for like basis in the second half.

UK revenue, which accounts for approximately 80% of the overall segment revenue, was 7.0% lower than the prior year, with strong recovery towards the end of the year. The commercial and infrastructure markets remained more resilient through the height of the crisis compared to the residential markets, with contractors being quicker back to work with Covid-19 safe operating procedures compared to house developers, with large scale infrastructure projects, such as Smart Motorway upgrades, able to continue largely without delay. The Construction Products Association shows the UK Commercial new work market 18.6% below prior year in 2020 which gives an indication of the resilience of the segment's performance in the year.

We launched several new ventilation and climate ranges during the year, with the focus on clean, healthy, air growing during the pandemic. Safe Haven is a revolutionary new system which combines options for fresh air replenishment alongside virus eradication, and particulate removal. It is tailored for the requirements of individual projects, to deliver clean fresh air around people's workspaces. We also launched XBoxer Hybrid, which is specifically designed to circulate healthy cool air around classrooms. Both ranges are attracting interest as specifiers seek assistance in improving the management of airflow in shared spaces. It was also pleasing to see XBoxer being recognised at the Heating & Ventilation Awards. Elsewhere, the Click Weld technology in the MecFlow range, from Polypipe Building Services, has received an enthusiastic response from contractors and specifiers needing a fast, secure, jointing method. The range is particularly suited to high rise construction and was recognised in the Construction News Specialist Products Award.

Our successes extended beyond the UK, and it was particularly pleasing that our sustainable water management Permavoid range was recognised in the Middle East, as Green Building Product of the Year, at the Qatar Sustainability Awards.

Export revenue, which accounts for approximately 20% of overall segment revenue, was 6.0% lower than the prior year, with all markets impacted to varying degrees by Covid-19. One exception to this was Permavoid which recorded revenue growth of 30% in the year as it delivered on a number of key overseas projects in the green roof, podium deck and sports pitch markets.

Commercial and Infrastructure Systems delivered an underlying operating profit of £12.4m (2019: £24.7m) and represents a 7.1% margin (2019: 13.2%). Second half margins recovered to 9.9% from 3.8% in the first half, approximately 3.5 percentage points below normal levels, and again being impacted by Covid-19 related costs and operational inefficiencies, and higher virgin polymer prices.

Outlook

Our markets continue to recover, with recent extensions to the stamp duty holiday and the existing Help to Buy scheme, together with the recently announced Government mortgage guarantee scheme, providing further confidence in the new housebuilding sector. There remains continued improvement in RMI, commercial and infrastructure markets. Our medium-term demand drivers are stronger than ever – a continued structural UK housing shortage, the regulatory and environmental drivers around water and climate management, and increasingly indoor air quality, will be helpful tailwinds.

The robust response to the crisis to strengthen the Group's balance sheet and continue investment in new products has positioned the Group on the front foot coming out of the crisis. Our businesses have started the new year strongly with no discernible impact on demand from the current lockdown. With our newly acquired businesses Adey, Nu-Heat and Plura, the Board believes the Group is in a strong position to deliver an improved performance in 2021.

Martin Payne

Chief Executive Officer

Financial Review

REVENUE AND OPERATING MARGIN

	2020 £m	2019 £m	Change
Revenue	**398.6**	447.6	-10.9%
Underlying operating profit	**42.2**	78.1	-46.0%
Underlying operating margin	**10.6%**	17.4%	-680bps

Revenue by geographic destination	**2020 £m**	2019 £m	Change
UK	**354.6**	401.2	-11.6%
Rest of Europe	**27.6**	23.6	+16.9%
Rest of World	**16.4**	22.8	-28.1%
Group	**398.6**	447.6	-10.9%

Group revenue for the year ended 31 December 2020 was £398.6m (2019: £447.6m), a decrease of 10.9%. UK revenue declined by 11.6% as volumes were significantly impacted by the Covid-19 pandemic. On a like-for-like basis, Group revenue decreased by 13.2%. This was ahead of the overall UK construction market where the Construction Products Association (CPA) Winter forecast suggested a year-on-year decline of 14.3%. Private housing new build and repair, maintenance and improvements (RMI) were the worst affected sectors in the initial lockdown but activity recovered mid-May. Private housing RMI activity returned to pre-Covid-19 levels in October. Infrastructure activity was less affected by the pandemic than other sectors of the construction industry, with output between January and October 2020 falling 5.9% compared to the prior year. By quarter, the business tracked the impact of the Covid-19 pandemic with a two-thirds loss of volume in April 2020 and the suddenness of the loss of volume created a high drop through impact on margins in Q2, resulting in an operating margin loss of over 15% for that quarter. The Group experienced a strong recovery in Q3, benefitting from an element of pent-up demand, with recovery momentum continuing into Q4 and the new year with minimal impact on operations from the third lockdown.

Operating profit was £30.4m, a decrease of 55.0%. The Group underlying operating margin declined to 10.6% (2019: 17.4%) as volumes were significantly lower in the first half of the year due to the impact of Covid-19 with the Group also bearing the ongoing costs of addressing the impact of the pandemic. Profit before tax decreased by 60.4% to £23.8m (2019: £60.1m).

The Group received £7.7m from the UK Government's Coronavirus Job Retention Scheme (CJRS). This was subsequently reduced by £0.7m following the repayment of funds received for employees made redundant as part of the Group's restructuring programme during the pandemic. The Group ceased with the JRS on 31 August 2020 and repaid its loan under the CCFF in September 2020. In addition, all deferred taxes have been repaid and the Group is no longer availing of Covid-19 related Government support.

Investment in product development and innovation continues to be a key area of focus for the Group. In 2020, underlying operating profit benefited from £1.0m of HMRC approved Research & Development Expenditure Credit scheme, relating to the year ended 31 December 2019. The prior year included £1.6m relating to the years ended 31 December 2017 and 31 December 2018.

NON-UNDERLYING ITEMS

Non-underlying items of £11.9m (2019: £10.7m) primarily relate to non-cash amortisation charges of £7.8m (2019: £7.5m) in respect of intangible assets arising from acquisitions since 2015, £2.9m of costs related to acquisitions and other M&A costs. There was also £1.1m associated with the Group's restructuring during the Covid-19 pandemic.

Non-underlying items comprised:

	2020	2019
	£m	£m
Amortisation of intangible assets	**7.8**	7.5
Acquisition costs	**0.6**	2.4
Contingent consideration on acquisitions	**2.4**	0.8
Restructuring costs	**1.1**	-
Non-underlying items before taxation	**11.9**	10.7
Taxation	**(1.0)**	(1.4)
Non-underlying items after taxation	**10.9**	9.3

EXCHANGE RATES

The Group trades predominantly in Sterling but has some revenue and costs in other currencies, mainly the US Dollar and the Euro, and takes appropriate forward cover on these cash flows using forward currency derivative contracts in accordance with its hedging policy.

FINANCE COSTS

Underlying finance costs were lower than prior year at £6.5m (2019: £7.3m) as net debt declined following the £120m equity placing in May 2020, the drawing down of £100m of funds under the Bank of England's CCFF between March and August, and the measures taken by the Group to preserve cash during the pandemic. Interest cover was 7.8x for the year (2019: 11.3x). In 2021, we expect net finance charges of circa £7-8m due to higher post acquisition drawdown of the revolving credit facility.

Interest is payable on the RCF at LIBOR plus an interest rate margin ranging from 0.90% to 2.75%. The interest rate margin at 31 December 2020 was 1.40% (2019: 1.65%).

In order to reduce the Group's exposure to potential future increases in interest rates, the Group previously entered into interest rate swaps which expired in August 2020, with interest payable at a fixed rate return of 1.735% (2019: 1.735%) (excluding margin).

TAXATION

Underlying taxation:

The underlying tax charge in 2020 was £6.3m (2019: £11.9m) representing an effective tax rate of 17.6% (2019: 16.8%). This was below the UK standard tax rate of 19.0% (2019: 19.0%). Patent box relief contributes to a lowering of the underlying effective tax rate by some 1.12 percentage points.

Taxation on non-underlying items:

The non-underlying taxation credit of £1.0m represents an effective rate of 8.4% (2019: 13.1%).

EARNINGS PER SHARE

	2020	2019
Pence per share:		
Basic	**8.5**	24.9
Underlying basic	**13.5**	29.6
Diluted	**8.4**	24.6
Underlying diluted	**13.3**	29.2

The Directors consider that the underlying basic earnings per share (EPS) measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.

Underlying basic EPS declined by 54.4% in 2020 due to the significant impact the Covid-19 pandemic had on the Group's underlying operating result after taxation.

DIVIDEND

Our dividend policy is to pay a minimum of 40% of the Group's annual underlying profit after tax. Under normal circumstances, the Directors intend that the Group would pay the total annual dividend in two tranches, an interim dividend and a final dividend, to be announced at the time of announcement of the interim and preliminary results respectively, with the interim dividend being approximately one half of the prior year's final dividend. During the Covid-19 pandemic, as part of cash preservation measures, the Directors cancelled the final 2019 dividend, and no interim 2020 dividend was paid.

The Directors recognise the importance of dividends to shareholders and, following careful consideration and with the Group performing ahead of expectations, a final dividend of 4.8 pence per share is being recommended for payment on 26 May 2021 to shareholders on the register at the close of business on 23 April 2021. The ex-dividend date will be 22 April 2021.

BALANCE SHEET

The Group's balance sheet is summarised below:

	2020	2019
	£m	£m
Property, plant and equipment	**134.2**	125.8
Right-of-use assets	**12.9**	14.8
Goodwill	**345.4**	345.6
Other intangible assets	**48.4**	56.2
Net working capital	**2.0**	3.0
Taxation	**(10.2)**	(14.3)
Other current and non-current assets and liabilities	**(4.1)**	(4.9)
Net debt (loans and borrowings, and lease liabilities, net of cash and cash equivalents)	**(27.7)**	(164.8)
Net assets	**500.9**	361.4

The net value of property, plant and equipment has increased by £8.4m reflecting the Group's continued strategic investment in its businesses. The value of right-of-use assets has decreased by £1.9m.

Goodwill decreased by £0.2m following the final review of the fair value of assets and liabilities acquired in October 2019 in respect of the Alderburgh group of companies. Other intangible assets reduced by £7.8m following the amortisation charge in the year of the same amount. Net working capital decreased by £1.5m as the Group focused on cash preservation measures during the Covid-19 pandemic, successfully limiting the risk of debtor delinquency in particular. Net debt is discussed below.

PENSIONS

The Group does not have any defined benefit pension schemes and only has defined contribution pension arrangements in place. Pension costs for the year amounted to £4.2m (2019: £3.4m) reflecting the inclusion of the prior year acquisition and an overall increase in the number of scheme participants.

CASH FLOW AND NET DEBT

The Group's cash flow statement is summarised below:

	2020	2019
	£m	£m
Operating cash flows before movement in net working capital	**60.0**	95.3
Add back non-underlying cash items	**2.3**	1.4
Underlying operating cash flows before movement in net working capital	**62.3**	96.7
Movement in net working capital	**1.5**	(5.9)
Capital expenditure, net	**(24.5)**	(21.9)
Proceeds from sale and leaseback	**-**	3.9
Underlying cash generated from operations after net capital expenditure	**39.3**	72.8
Income tax paid	**(8.2)**	(12.4)
Interest paid	**(5.4)**	(7.4)
Non-underlying cash items	**(2.3)**	(1.4)
Settlement of deferred and contingent consideration	**(1.8)**	-
Acquisition of businesses	**-**	(12.2)
Issue of Euro-Commercial Paper	**99.4**	-
Buyback of Euro-Commercial Paper	**(99.7)**	-
Net proceeds from issue of share capital	**116.4**	-
Debt issue costs	**(0.4)**	-
Dividends paid	-	(23.7)
Proceeds from exercise of share options net of purchase of own shares	**2.1**	2.4
Other	**(4.2)**	(3.9)
Movement in net debt – pre IFRS 16	**135.2**	14.2
Movement in IFRS 16 lease liabilities	**1.9**	(14.8)
Movement in net debt – including IFRS 16	**137.1**	(0.6)

Delivery of good cash generation remains core to the Group's strategy. Covid-19 initially had a significant impact on the Group's cash generation, but cash preservation measures taken during the pandemic helped preserve liquidity. Underlying cash generated from operations after net capital expenditure at £39.3m (2019: £72.8m) represents a conversion rate of 93% (2019: 93%). Net capital expenditure investment increased to £24.5m (2019: £18.0m) as the Group focused on investing in key, strategic and innovative projects. In 2021, we anticipate that capital expenditure will be approximately £34m with the acquisitions. The prior year included net proceeds of £3.9m from the sale and leaseback of the Group's truck fleet.

The HMRC approved PAYE and NIC payments deferral was utilised and paid in June 2020, and £9.8m of VAT due for payment in April and July 2020 was deferred to and paid in February 2021.

Net debt of £27.7m comprised:

	2020	2019	Change
	£m	£m	£m
Bank loans	**(60.0)**	(199.0)	139.0
Cash and cash equivalents	**44.1**	47.7	(3.6)
Net debt (excluding unamortised debt issue costs)	**(15.9)**	(151.3)	135.4
Unamortised debt issue costs	**1.1**	1.3	(0.2)
IFRS 16	**(12.9)**	(14.8)	1.9
Net debt	**(27.7)**	(164.8)	137.1
Net debt (excluding unamortised debt issue costs): pro forma EBITDA	**0.5**	1.7	(1.2)

FINANCING

The Group has an RCF committed through to November 2023 with two further uncommitted annual renewals through to November 2025. The facility limit is £300m with a committed Covid-19 facility of £50m negotiated in May 2020 with a 12-month term expiring in May 2021. At 31 December 2020, £60m of the RCF was drawn down.

The Group is subject to two financial covenants. At 31 December 2020, there was significant headroom and facility interest cover and net debt to EBITDA covenants were comfortably achieved:

Covenant	**Covenant requirement**	**Position at 31 December 2020**
Interest cover	>4.0:1	7.8:1
Leverage	<3.0:1	0.3:1

Year end leverage for 2021 is expected to be under 1.5x EBITDA for the year after the three acquisitions and the £96.3m equity raise in February 2021.

EVENTS AFTER THE BALANCE SHEET DATE

During February 2021, the Group acquired 51% of the share capital of Plura for £1.25m and £27.0m for 100% of the share capital of Nu-Heat – both paid for from the existing RCF. Adey was also acquired in February for £210.0m, part funded by the RCF and a strongly supported equity placing of 8.2%, raising gross proceeds of £96.3m.

GOING CONCERN

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits. The Group's bank financing facilities consist of a £300m RCF, with an extended committed Covid-19 facility of £50m. £240m of the RCF and the Covid-19 facility of £50m were undrawn at 31 December 2020. The Group issued commercial paper under the CCFF to the value of £100m, originally scheduled to mature on 12 March 2021 but was repaid early in September 2020. At 31 December 2020, liquidity headroom (cash and undrawn committed banking facilities) was £284.1m (2019: £148.7m). Focus will continue to be on deleveraging and our net debt to EBITDA ratio stood at 0.3x pro forma EBITDA at 31 December 2020 (2019: 1.6x), increasing to 1.7x including the effects of IFRS 16. This headroom means the Group enters 2021 well-positioned with a strong balance sheet.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 15 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Principal Risks and Uncertainties

The principal risks and uncertainties which could impact the Group are those detailed in the Group's Annual Report and Accounts. These cover the Strategic, Financial and Operational risks and have not changed significantly during the year.

Forward-Looking Statements

This report contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the Group's control and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this report and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this report should be construed as a profit forecast.

Directors' Responsibilities

Each of the Directors confirms that, to the best of their knowledge, the consolidated financial statements, prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606 / 2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and undertakings included in the consolidation taken as a whole; and the Group Results, Chief Executive Officer's Review and Financial Review includes a fair review of the development and performance of the business and the position of the Group and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Annual General Meeting

The Annual General Meeting is scheduled to be held on 20 May 2021.

By order of the Board.

Martin Payne	**Paul James**
Chief Executive Officer	Chief Financial Officer

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020			2019		
	Notes	**Underlying £m**	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Revenue	2	**398.6**	**–**	**398.6**	447.6	–	447.6
Cost of sales	3	**(242.5)**	**–**	**(242.5)**	(255.2)	–	(255.2)
Gross profit		**156.1**	**–**	**156.1**	192.4	–	192.4
Selling and distribution costs		**(65.0)**	**–**	**(65.0)**	(71.7)	–	(71.7)
Administration expenses	4	**(48.9)**	**(4.0)**	**(52.9)**	(42.6)	(3.0)	(45.6)
Trading profit		**42.2**	**(4.0)**	**38.2**	78.1	(3.0)	75.1
Amortisation of intangible assets	4	**–**	**(7.8)**	**(7.8)**	–	(7.5)	(7.5)
Operating profit	2, 3	**42.2**	**(11.8)**	**30.4**	78.1	(10.5)	67.6
Finance costs	4, 5	**(6.5)**	**(0.1)**	**(6.6)**	(7.3)	(0.2)	(7.5)
Profit before tax	2	**35.7**	**(11.9)**	**23.8**	70.8	(10.7)	60.1
Income tax	6	**(6.3)**	**1.0**	**(5.3)**	(11.9)	1.4	(10.5)
Profit for the year attributable to the owners of the parent company		**29.4**	**(10.9)**	**18.5**	58.9	(9.3)	49.6
Basic earnings per share (pence)	7			**8.5**			24.9
Diluted earnings per share (pence)	7			**8.4**			24.6
Dividend per share (pence) – interim	8			**–**			4.0
Dividend per share (pence) – final	8			**4.8**			–
	8			**4.8**			4.0

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £m	2019 £m
Profit for the year attributable to the owners of the parent company	**18.5**	49.6
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**0.3**	(0.4)
Effective portion of changes in fair value of interest rate swaps	**0.5**	0.5
Effective portion of changes in fair value of forward foreign currency derivatives	**-**	0.1
Tax relating to items which may be reclassified subsequently to the income statement	**(0.1)**	(0.1)
Other comprehensive income for the year net of tax	**0.7**	0.1
Total comprehensive income for the year attributable to the owners of the parent company	**19.2**	49.7

GROUP BALANCE SHEET

AT 31 DECEMBER 2020

	Notes	**31 December 2020 £m**	31 December 2019 £m
Non-current assets			
Property, plant and equipment	9	**134.2**	125.8
Right-of-use assets	10	**12.9**	14.8
Intangible assets	11	**393.8**	401.8
Total non-current assets		**540.9**	542.4
Current assets			
Inventories		**52.6**	59.7
Trade and other receivables		**61.6**	40.8
Income tax receivable		**0.6**	-
Cash and cash equivalents		**44.1**	47.7
Total current assets		**158.9**	148.2
Total assets		**699.8**	690.6
Current liabilities			
Trade and other payables	13	**(112.2)**	(97.5)
Lease liabilities	13	**(3.5)**	(2.9)
Deferred and contingent consideration	13	**(3.4)**	(3.4)
Derivative financial instruments	13	**-**	(0.5)
Income tax payable		**-**	(3.8)
Total current liabilities		**(119.1)**	(108.1)
Non-current liabilities			
Loans and borrowings	13	**(58.9)**	(197.7)
Lease liabilities	13	**(9.4)**	(11.9)
Other liabilities	13	**(0.7)**	(1.0)
Deferred income tax liabilities		**(10.8)**	(10.5)
Total non-current liabilities		**(79.8)**	(221.1)
Total liabilities		**(198.9)**	(329.2)
Net assets		**500.9**	361.4
Capital and reserves			
Equity share capital		**0.2**	0.2
Capital redemption reserve		**1.1**	1.1
Hedging reserve		**-**	(0.4)
Foreign currency retranslation reserve		**0.4**	0.1
Other reserves		**116.5**	-
Retained earnings		**382.7**	360.4
Total equity		**500.9**	361.4

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity share capital £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 31 December 2018	0.2	1.1	(3.8)	(0.9)	0.5	–	334.1	331.2
Profit for the year	–	–	–	–	–	–	49.6	49.6
Other comprehensive income	–	–	–	0.5	(0.4)	–	–	0.1
Total comprehensive income for the year	–	–	–	0.5	(0.4)	–	49.6	49.7
Dividends paid	–	–	–	–	–	–	(23.7)	(23.7)
Share-based payments charge	–	–	–	–	–	–	1.2	1.2
Share-based payments settled	–	–	3.8	–	–	–	(1.4)	2.4
Share-based payments excess tax benefit	–	–	–	–	–	–	0.6	0.6
At 31 December 2019	0.2	1.1	–	(0.4)	0.1	–	360.4	361.4
Profit for the year	–	–	–	–	–	–	18.5	18.5
Other comprehensive income	–	–	–	0.4	0.3	–	–	0.7
Total comprehensive income for the year	–	–	–	0.4	0.3	–	18.5	19.2
Issue of share capital	–	–	–	–	–	120.0	–	120.0
Transaction costs on issue of share capital	–	–	–	–	–	(3.5)	–	(3.5)
Share-based payments charge	–	–	–	–	–	–	1.4	1.4
Share-based payments settled	–	–	–	–	–	–	2.1	2.1
Share-based payments excess tax benefit	–	–	–	–	–	–	0.3	0.3
At 31 December 2020	**0.2**	**1.1**	**–**	**–**	**0.4**	**116.5**	**382.7**	**500.9**

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020 £m**	2019 £m
Operating activities			
Profit before tax		**23.8**	60.1
Finance costs	5	**6.6**	7.5
Operating profit		**30.4**	67.6
Non-cash items:			
Profit on disposal of property, plant and equipment		**(0.2)**	(0.8)
Transaction costs on issue of share capital		**0.1**	–
Research and development expenditure credit		**(1.0)**	(1.6)
Non-underlying items:			
– amortisation of intangible assets	4	**7.8**	7.5
– provision for acquisition costs	4	**2.9**	3.0
– provision for restructuring costs	4	**1.1**	–
Depreciation: property, plant and equipment	9	**16.3**	16.6
Depreciation: right-of-use assets	10	**3.5**	3.2
Share-based payments		**1.4**	1.2
Cash items:			
– settlement of acquisition costs		**(1.2)**	(1.4)
– settlement of restructuring costs		**(1.1)**	–
Operating cash flows before movement in working capital		**60.0**	95.3
Movement in working capital:			
Receivables		**(21.3)**	2.2
Payables		**15.6**	(7.3)
Inventories		**7.2**	(0.8)
Cash generated from operations		**61.5**	89.4
Income tax paid		**(8.2)**	(12.4)
Net cash flows from operating activities		**53.3**	77.0
Investing activities			
Settlement of deferred and contingent consideration		**(1.8)**	–
Acquisition of businesses net of cash at acquisition		**–**	(12.2)
Proceeds from disposal of property, plant and equipment		**0.6**	0.9
Purchase of property, plant and equipment		**(25.1)**	(22.3)
Net cash flows from investing activities		**(26.3)**	(33.6)
Financing activities			
Issue of share capital		**120.0**	–
Transaction costs on issue of share capital		**(3.6)**	–
Debt issue costs		**(0.4)**	–
Issue of Euro-Commercial Paper		**99.4**	–
Buyback of Euro-Commercial Paper		**(99.7)**	–
Net repayment of bank loan		**(139.0)**	(13.0)
Proceeds from sale and leaseback of plant and equipment		**-**	3.4
Interest paid		**(5.4)**	(7.4)
Dividends paid	8	**–**	(23.7)
Proceeds from exercise of share options		**2.1**	2.4
Settlement of lease liabilities	10	**(4.0)**	(3.5)
Net cash flows from financing activities		**(30.6)**	(41.8)
Net change in cash and cash equivalents		**(3.6)**	1.6
Cash and cash equivalents at 1 January		**47.7**	46.2
Net foreign exchange difference		**–**	(0.1)
Cash and cash equivalents at 31 December		**44.1**	47.7

1. Basis of preparation

The preliminary results for the year ended 31 December 2020 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606 / 2002 as it applies in the European Union. Whilst the financial information included in this preliminary announcement has been computed in accordance with the recognition and measurement requirements of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies adopted have been consistently applied in all material aspects to all the periods presented.

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2019 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2020 will be filed in due course. The auditor's report on these accounts was not qualified or modified and did not contain any statement under Sections 498(2) or (3) of the Companies Act 2006 or any preceding legislation.

There were no accounting standards or interpretations that have become effective in the current reporting period which had an impact on disclosures, financial position or performance.

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 18 months ending 30 June 2022, sales gradually recover to pre-Covid-19 levels and then grow in line with construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with our Principal Risks and Uncertainties these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks, and reverse stress testing.

At 31 December 2020, the Group had available, excluding the £50m Covid-19 facility, £240m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least November 2023, subject to covenant headroom. In addition, on 11 February 2021, the Company conducted a non-pre-emptive placing of new ordinary shares generating gross proceeds of £96m and drew down £120m net from the RCF as part of the post year end acquisition funding. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand adjustments to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 15 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

There have been no related party transactions in the period to 31 December 2020.

Four non-statutory measures have been used in preparing the condensed set of consolidated financial statements:

- Underlying profit and earnings measures exclude certain non-underlying items and, where relevant, the tax effect of these items. The Directors consider that these measures provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.
- Underlying cash generated from operations is defined as cash generated from operations, adjusted for non-underlying cash items, after movement in net working capital and capital expenditure net of proceeds from disposals of property, plant and equipment.

- Pro forma EBITDA is defined as underlying operating profit before depreciation for the 12 months preceding the balance sheet date, adjusted, where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.
- Leverage is defined as net debt divided by pro forma EBITDA. Net debt within the leverage calculation is defined as loans and borrowings net of unamortised issue costs less cash and cash equivalents, excluding the effects of IFRS 16.

2. Segment information

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Board of Directors, who are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group has two reporting segments – Residential Systems and Commercial and Infrastructure Systems. The reporting segments are organised based on the nature of the end markets served. There are no significant judgements in aggregating operating segments to arrive at the reporting segments. Inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties.

	2020			2019		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Segmental revenue	**228.4**	**183.0**	**411.4**	264.8	197.1	461.9
Inter-segment revenue	**(4.5)**	**(8.3)**	**(12.8)**	(4.5)	(9.8)	(14.3)
Revenue	**223.9**	**174.7**	**398.6**	260.3	187.3	447.6
Underlying operating profit*	**29.8**	**12.4**	**42.2**	53.4	24.7	78.1
Non-underlying items – segmental	**(4.4)**	**(7.4)**	**(11.8)**	(3.5)	(5.4)	(8.9)
Segmental operating profit	**25.4**	**5.0**	**30.4**	49.9	19.3	69.2
Non-underlying items – Group			**-**			(1.6)
Operating profit			**30.4**			67.6
Non-underlying items – finance costs			**(0.1)**			(0.2)
Finance costs			**(6.5)**			(7.3)
Profit before tax			**23.8**			60.1

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies in the Annual Report and Accounts and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £11.9m (2019: £10.7m) are set out below at Non-underlying items before tax.

Geographical analysis

Revenue by destination	**2020 £m**	2019 £m
UK	**354.6**	401.2
Rest of Europe	**27.6**	23.6
Rest of World	**16.4**	22.8
Total – Group	**398.6**	447.6

3. Operating profit

	2020 £m	2019 £m
Income statement charges		
Depreciation of property, plant and equipment (owned)	**16.3**	16.6
Depreciation of right-of-use assets	**3.5**	3.2
Cost of inventories recognised as an expense	**242.5**	255.2
Research and development costs written off	**1.0**	0.9
Income statement credits		
Profit on disposal of property, plant and equipment	**0.2**	0.8

4. Non-underlying items

Non-underlying items comprised:

	2020			2019		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Administration expenses: Acquisition costs – acquisition and other M&A activity	**2.9**	**(0.4)**	**2.5**	3.0	(0.1)	2.9
Administration expenses: Restructuring costs	**1.1**	**(0.2)**	**0.9**	–	–	–
Amortisation of intangible assets	**7.8**	**(0.4)**	**7.4**	7.5	(1.3)	6.2
Finance costs: Unwind of discount on contingent consideration	**0.1**	**–**	**0.1**	0.2	–	0.2
Total non-underlying items	**11.9**	**(1.0)**	**10.9**	10.7	(1.4)	9.3

Acquisition costs in 2020 relate to the contingent consideration treated as remuneration in respect of the acquisition of Permavoid in 2018 and costs associated with the acquisitions that completed subsequent to the year end (see Note 14). The costs in 2019 relate to the acquisition of the Alderburgh group of companies and other M&A activity.

5. Finance costs

	2020 £m	2019 £m
Interest on bank loan	**4.2**	6.2
Debt issue cost amortisation	**0.6**	0.3
Unwind of discount on lease liabilities	**0.5**	0.3
Other finance costs	**1.2**	0.5
Unwind of discount on contingent consideration	**0.1**	0.2
	6.6	7.5

6. Income tax

(a) Tax expense reported in the income statement

	2020 £m	2019 £m
Current income tax:		
UK income tax	**5.0**	11.6
Overseas income tax	**0.1**	0.1
Current income tax	**5.1**	11.7
Adjustment in respect of prior years	**(0.3)**	(0.2)
Total current income tax	**4.8**	11.5
Deferred income tax:		
Origination and reversal of temporary differences	**(1.1)**	(1.3)
Effects of changes in income tax rates	**1.4**	–
Deferred income tax	**0.3**	(1.3)
Adjustment in respect of prior years	**0.2**	0.3
Total deferred income tax	**0.5**	(1.0)
Total tax expense reported in the income statement	**5.3**	10.5

Details of the non-underlying tax credit of £1.0m (2019: £1.4m) are set out in Note 4.

(b) Reconciliation of the total tax expense

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK standard rate of income tax for the years ended 31 December 2020 and 2019 is as follows:

	2020 £m	2019 £m
Accounting profit before tax	**23.8**	60.1
Accounting profit multiplied by the UK standard rate of income tax of 19.0% (2019: 19.0%)	**4.5**	11.4
Expenses not deductible for income tax	**0.2**	0.6
Non-taxable income	**(0.2)**	(0.3)
Adjustment in respect of prior years	**(0.1)**	0.1
Effects of patent box	**(0.4)**	(0.8)
Effects of changes in income tax rates	**1.2**	(0.4)
Effects of other tax rates/credits	**0.1**	(0.1)
Total tax expense reported in the income statement	**5.3**	10.5

The effective rate for the full year was 22.3% (2019: 17.5%). If the impact of non-underlying items is excluded, the underlying income tax rate would be 17.6% (2019: 16.8%).

(c) Deferred income tax

The deferred income tax included in the Group balance sheet is as follows:

	31 December 2020 £m	31 December 2019 £m
Deferred income tax liabilities/(assets)		
Short-term timing differences	8.8	9.2
Capital allowances in excess of depreciation	4.3	3.3
Share-based payments	(1.8)	(1.4)
Tax losses	(0.5)	(0.6)
	10.8	10.5

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set-off current income tax assets and current income tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority.

A reconciliation of deferred income taxes for the years ended 31 December 2020 and 2019 is as follows:

	2020 £m	2019 £m
Deferred income tax reported in the income statement	**0.5**	(1.0)
Deferred income tax reported in other comprehensive income	**0.1**	0.1
Share-based payments excess tax benefit	**(0.3)**	(0.6)
Deferred income tax acquired	**–**	1.0
	0.3	(0.5)

(d) Change in corporation tax rate

The Finance (No.2) Act 2015 reduced the main UK corporation tax rate to 19%, effective from 1 April 2017. A further reduction in the main UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the rate, thereby maintaining the current rate of 19%. Deferred income tax on the balance sheet has been measured at 19% (2019: 17%) which represents the future main UK corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the main UK corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred income tax balances at the year end.

(e) Unrecognised tax losses

A deferred income tax asset of £0.5m (2019: £0.6m) is held in respect of surplus non-trading losses of £2.7m (2019: £3.2m).

7. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of potential ordinary shares that would be issued on the conversion of all the dilutive share options into ordinary shares.

The calculation of basic and diluted earnings per share is based on the following:

	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	**218,122,445**	199,330,121
Effect of dilutive potential ordinary shares	**2,545,315**	2,263,540
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**220,667,760**	201,593,661

Underlying earnings per share is based on the result for the year after tax excluding the impact of non-underlying items of £10.9m (2019: £9.3m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	2020	2019
Underlying profit for the year attributable to the owners of the parent company (£m)	**29.4**	58.9
Underlying basic earnings per share (pence)	**13.5**	29.6
Underlying diluted earnings per share (pence)	**13.3**	29.2

8. Dividend per share

	2020 £m	2019 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2019 of nil per share (2018: 7.9p)	–	15.7
Interim dividend for the year ended 31 December 2020 of nil per share (2019: 4.0p)	–	8.0
	–	23.7
Proposed final dividend for the year ended 31 December 2020 of 4.8p per share (2019: nil)	**11.8**	–

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

9. Property, plant and equipment

	Freehold land and buildings £m	Plant and other equipment £m	Total £m
Cost			
At 1 January 2019	46.6	179.0	225.6
Additions	2.4	19.3	21.7
Disposals	–	(11.8)	(11.8)
Acquisition of businesses	3.1	2.8	5.9
Exchange adjustment	–	(0.3)	(0.3)
At 31 December 2019	52.1	189.0	241.1
Additions	3.4	21.4	24.8
Disposals	(1.2)	(50.5)	(51.7)
Acquisition of businesses	–	0.2	0.2
Exchange adjustment	–	0.3	0.3
At 31 December 2020	54.3	160.4	214.7
Depreciation and impairment losses			
At 1 January 2019	6.5	100.7	107.2
Provided during the year	1.2	15.4	16.6
Disposals	–	(8.3)	(8.3)
Exchange adjustment	–	(0.2)	(0.2)
At 31 December 2019	7.7	107.6	115.3
Provided during the year	2.0	14.3	16.3
Disposals	(1.2)	(50.1)	(51.3)
Exchange adjustment	–	0.2	0.2
At 31 December 2020	8.5	72.0	80.5
Net book value			
At 31 December 2020	**45.8**	**88.4**	**134.2**
At 31 December 2019	44.4	81.4	125.8

Included in freehold land and buildings is non-depreciable land of £17.4m (2019: £16.2m).

During the year, the Group carried out a review of its plant and other equipment register. Assets no longer in use or fully depreciated were removed from the register. The gross cost of these assets was £50.5m with accumulated depreciation of £50.1m.

10. Right-of-use assets and lease liabilities

	Freehold land and buildings	Plant and other equipment	Motor vehicles	Total	Lease liabilities
	£m	£m	£m	£m	£m
At 1 January 2019	8.5	5.1	0.4	14.0	(14.0)
Additions	0.1	3.8	0.1	4.0	(4.0)
Depreciation	(1.5)	(1.4)	(0.3)	(3.2)	–
Unwind of discount	–	–	–	–	(0.3)
Settlements	–	–	–	–	3.5
At 31 December 2019	7.1	7.5	0.2	14.8	(14.8)
Additions	0.2	1.3	–	1.5	(1.5)
Depreciation	(1.5)	(1.9)	(0.1)	(3.5)	–
Unwind of discount	–	–	–	–	(0.5)
Settlements	–	–	–	–	4.0
Exchange adjustment	0.1	–	–	0.1	(0.1)
At 31 December 2020	**5.9**	**6.9**	**0.1**	**12.9**	**(12.9)**

11. Intangible assets

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Licences £m	Total £m
Cost						
At 1 January 2019	343.0	32.7	29.1	15.5	0.8	421.1
Acquisition of businesses	2.6	1.7	1.2	1.9	–	7.4
At 31 December 2019	345.6	34.4	30.3	17.4	0.8	428.5
Acquisition of businesses	(0.2)	–	–	–	–	(0.2)
At 31 December 2020	345.4	34.4	30.3	17.4	0.8	428.3
Amortisation and impairment losses						
At 1 January 2019	–	6.3	8.7	4.2	–	19.2
Charge for the year	–	2.8	2.8	1.8	0.1	7.5
At 31 December 2019	–	9.1	11.5	6.0	0.1	26.7
Charge for the year	–	3.0	2.8	1.9	0.1	7.8
At 31 December 2020	–	**12.1**	**14.3**	**7.9**	**0.2**	**34.5**
Net book value						
At 31 December 2020	**345.4**	**22.3**	**16.0**	**9.5**	**0.6**	**393.8**
At 31 December 2019	345.6	25.3	18.8	11.4	0.7	401.8

Goodwill arising on the acquisition of businesses was reduced by £0.2m during the year following finalisation of the calculation of the fair value of assets and liabilities acquired in October 2019 in respect of the Alderburgh group of companies.

Impairment testing of goodwill

Goodwill is not amortised but is subject to annual impairment testing. Goodwill has been allocated for impairment testing purposes to a number of cash-generating units (CGUs) which represent the lowest level in the Group at which goodwill is monitored for internal management purposes. The carrying amount of goodwill allocated to each of the CGUs is as follows:

CGU	**31 December 2020 £m**	31 December 2019 £m
Building Products	**146.1**	146.1
Building Services	**31.4**	31.4
Civils	**36.0**	36.0
Manthorpe	**21.3**	21.3
Nuaire	**91.3**	91.3
Others	**19.3**	19.5
	345.4	345.6

Impairment tests on the carrying amounts of goodwill are performed by analysing the carrying amount allocated to each CGU against its value-in-use. Value-in-use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and growth of between 2.68% to 2.80% thereafter (2019: 1% to 2%). The expected impact of Covid-19 has been reflected in the Group's approved budgets with sales, margins and cash flows reflecting new standard operating procedures and potential increased costs to reflect revised Government and industry health and safety guidelines as well as potential delays to customers' projects due to site curtailments or closures.

A pre-tax discount rate of 10.0% (2019: 10.0%) has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital.

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. The application of these sensitivities did not cause an impairment of goodwill.

However, the headroom resulting from the value-in-use calculations indicates that the Alderburgh CGU is sensitive to changes in the key assumptions and management considers that a reasonably possible change in any single assumption could give rise to an impairment of the corresponding carrying amount of goodwill and other intangible assets of £2.5m and £4.3m, respectively. The detailed sensitivity analysis indicates that the following changes in each of these key assumptions would result in the headroom being eliminated and thus an impairment recognised:

- Operating margins declining to 7.7% per annum from that used in the value-in-use calculations of 10.3% per annum.
- The pre-tax discount rate increasing to 12.5% from that used in the value-in-use calculations of 10.0%.
- A reduction of 25% in the overall forecast operating cash flows used in the value-in-use calculations.

It should be noted that a deterioration in a combination of these key assumptions could result in a larger reduction in assessed headroom.

12. Acquisitions

Alderburgh

On 1 October 2019, the Group acquired the Alderburgh group of companies (Alderburgh), a leading designer, manufacturer and installer of plastic injection-moulded stormwater attenuation tanks, structural waterproofing and geocellular membranes, gas barrier and ventilation materials, supplying the UK, Irish and Scandinavian markets. The initial cash consideration of £9.7m included a payment of £0.5m for net cash on completion and was net of loans and borrowings at acquisition of £3.0m. Additional debt and debt like items amounted to £1.8m. Deferred consideration of £0.3m was paid during the year upon agreement of the completion accounts.

Patents, the 'Alderburgh' brand and customer relationships have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally related to the recognition of intangible assets, the application of fair values to property, plant and equipment and the deferred income tax liabilities arising on these adjustments. The goodwill arising on the acquisition, which was reduced by £0.2m during the year following finalisation of the calculation of the fair value of assets and liabilities acquired, primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Commercial and Infrastructure Systems segment.

Permavoid

On 31 August 2018, the Group acquired 100% of the share capital of Permavoid Limited (Permavoid), a specialist designer and supplier of surface water management solutions in commercial, residential, and sports pitch applications, for an initial cash consideration of £4.3m on a cash and debt free, normalised working capital basis, and further contingent consideration depending on the EBITDA performance of Permavoid in the two years to 30 September 2020.

During the year a payment of £1.5m was made that was contingent on EBITDA performance in the first year of trading following acquisition and was included in the purchase consideration in 2019. Contingent consideration at fair value of £3.4m has been recognised at 31 December 2020 and relates to a payment that is contingent on EBITDA performance in the second year of trading following acquisition and the continued employment of key personnel. This payment was accrued over the two-year period. No other contingent consideration is being accrued or is expected to be paid. Accordingly, the aggregate consideration is expected to be approximately £9.2m.

Contingent consideration was determined using the Directors' assessment of the likelihood that financial targets would be achieved. The fair value of the consideration was derived by discounting the estimated cash consideration at 10.0% (being the Group's estimated risk adjusted cost of capital). The actual cash consideration paid was in line with the prior year estimate and was derived from the actual performance of Permavoid.

13. Financial liabilities

	31 December 2020 £m	31 December 2019 £m
Non-current loans and borrowings:		
Bank loan – principal	**60.0**	199.0
– unamortised debt issue costs	**(1.1)**	(1.3)
Total non-current loans and borrowings	**58.9**	197.7
Cash at bank and in hand	**(44.1)**	(47.7)
Net debt excluding lease liabilities	**14.8**	150.0

	31 December 2020 £m	31 December 2019 £m
Other financial liabilities:		
Trade and other payables	**112.2**	97.5
Interest rate swaps	**-**	0.5
Lease liabilities	**12.9**	14.8
Other liabilities	**0.7**	1.0
Deferred and contingent consideration	**3.4**	3.4
	129.2	117.2

Bank loan

On 19 November 2018, the Group entered into an Amendment and Restatement Agreement with various lenders in respect of the Group's previous revolving credit facility agreement dated 4 August 2015. The bank loan, which comprised a £300.0m revolving credit facility and £50.0m uncommitted accordion facility, was secured and would have matured in November 2023 (with two further uncommitted annual renewals through to November 2025 possible). The Group incurred

£1.7m of debt issue costs in respect of entering into the Amendment and Restatement Agreement dated 19 November 2018 which were capitalised and are being amortised to the income statement over the term of the facility to November 2023.

On 4 May 2020, the Group entered into a revised Amendment and Restatement Agreement with its banking group to provide the additional £50.0m Covid-19 facility for a period of 12 months, leaving the Group with £350.0m of total revolving credit facilities for the next 12 months. The Group also secured agreement from its banking group to temporarily waive certain requirements within the Group's RCF and suspend the June 2020 quarterly leverage covenant test. The Group incurred £0.3m of debt issue costs in respect of entering into the revised Amendment and Restatement Agreement which were capitalised and are being amortised to the income statement over the 12-month term of the facility.

Interest is payable on the bank loan at LIBOR plus an interest margin ranging from 0.90% to 2.75% which is dependent on the Group's leverage (net debt excluding lease liabilities as a multiple of pro forma EBITDA) and reduces as the Group's leverage reduces. The interest margin at 31 December 2020 was 1.40% (2019: 1.65%). Pro forma EBITDA for the year was £59.6m (2019: £97.1m) and is defined as pre-IFRS 16 underlying operating profit (excluding depreciation, amortisation and share-based payment charges), for the 12 months preceding the balance sheet date adjusted where relevant to include a full year of EBITDA from acquisitions made during those 12 months.

At 31 December 2020, the Group had available, subject to covenant headroom and excluding the £50.0m Covid-19 facility, £240.0m (2019: £101.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt, excluding lease liabilities, as a multiple of pro forma EBITDA and interest cover. At 31 December 2020, the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	Covenant requirement	Position at 31 December 2020
Interest cover (Underlying operating profit: Finance costs excluding debt issue cost amortisation)	>4.0:1	7.8:1
Leverage (Net debt excluding lease liabilities: pro forma EBITDA)	<3.0:1	0.3:1

The interest cover and leverage covenants remain at 4.0:1 and 3.0:1, respectively, throughout the remaining term of the revolving credit facility to November 2023, though there exists the option to apply to extend the leverage covenant to 3.5:1 for a limited period of time if the Group makes an acquisition.

The interest rate on the Group's £300m revolving credit facility is variable, being payable at LIBOR plus a margin. In order to reduce the Group's exposure to potential future increases in interest rates, the Group previously entered into interest rate swaps which expired in August 2020, with interest payable at a fixed rate return of 1.735% (2019: 1.735%) (excluding margin).

On 1 May 2020, the Group entered into a £100.0m Euro-Commercial Paper Programme with Citibank N.A. (acting as Issuing and Paying Agent) under the UK Government's joint HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF). On 14 May 2020, the Company drew down £99.463m under the CCFF and issued £100.0m of Euro-Commercial Paper to the Bank of England at a coupon rate of 0.65% per annum maturing on 12 March 2021. On 8 September 2020, the Euro-Commercial Paper was bought back for £99.710m inclusive of accrued coupon. The Company incurred minimal costs in respect of entering into the CCFF, which have been charged to the income statement in 2020.

On 7 May 2020, the Group conducted a non-pre-emptive placing of 26,966,300 new ordinary shares at £4.45 per share generating gross proceeds of £120.0m. The placing was undertaken using a cashbox structure. As a result, the Group was able to take relief under Section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to other reserves. Advisors' fees of £3.5m were netted off against the gross

proceeds. A further £0.1m of listing fees were incurred and charged to the income statement in 2020.

14. Subsequent events

Subsequent to the year end, on 2 February 2021, the Group announced the acquisition of Nu-Heat (Holdings) Limited (Nu-Heat), the leading supplier of sustainable underfloor heating solutions, air and ground source heat pumps, and other renewable heating systems, for a cash consideration of £27.0m on a cash-free, debt-free basis. The acquisition was funded via the Group’s existing debt facilities, with total proceeds paid on completion.

On 5 February 2021, the Group took a 51% controlling interest in Plura Composites Ltd (Plura) for a cash consideration of £1.25m. Plura provides a range of products for utility companies, road and rail operators, network builders and designers in the construction and maintenance of their networks. Plura’s manufacturing expertise lies in pultrusion, compression moulding, injection moulding and fabrications.

On 10 February 2021, the Group announced it had entered into an agreement to acquire London Topco Limited (Adey) for a cash consideration of £210.0m on a cash-free, debt-free basis. Adey is the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance issues in water-based heating systems and improve energy efficiency, operating in predominantly residential end markets. The acquisition was initially funded via the Group's existing debt facilities.

The purchase prices in respect of Adey, Nu-Heat, and Plura are in the process of being allocated in accordance with IFRS 3. Accordingly, the initial accounting for these acquisitions is incomplete and therefore no tables of the identifiable assets and liabilities have been presented.

On 11 February 2021, the Group conducted a non-pre-emptive placing of 18,704,085 new ordinary shares with Deutsche Bank AG, London Branch and Numis Securities Limited, acting as joint bookrunners, at £5.15 per share generating gross proceeds of £96.3m. Advisors’ fees of £2.6m were incurred.