11 March 2022

SIG plc
Full year results for the year ended 31 December 2021
A pivotal year: growing momentum

SIG plc ("SIG", "the Group" or "the Company") today announces its results for the full year ended 31 December 2021 ("FY 2021" or "the year").

Strategic highlights

- Group back to underlying profit, driven by market share gains and margin discipline in challenging supply markets
- Strategy delivering ahead of expectations, reinforcing the value of SIG's core model
- Leadership further strengthened; platform for growth established; industry reputation regained and acknowledged
- Accelerating revenue growth throughout 2021 against pre Covid-19 2019 comparators
- €300m (£253m) bond issue in November 2021 further increases financial stability and longer-term flexibility

Financial highlights

- Group like-for-like ("LFL") sales up 24% on prior year, and 8% up on non Covid-19 affected 2019; H2 growth of 15% vs 2019
- Strong margin progression: H2 2021 gross margin of 26.6%, 70bps higher than H1 2021 and 120bps higher than H2 2020; underlying operating profit margin improved consistently throughout 2021
- £41.4m underlying operating profit (2020 restated: £53.1m loss)
- Statutory loss before tax for the year of £15.9m (2020 restated: £194.6m loss) after reflecting other items of £35.2m (2020 restated: £118.5m)
- Net debt of £365.0m post IFRS 16 (2020: £238.2m) and £128.6m pre-IFRS 16 (2020: £4.1m), reflecting investment in inventory to optimise customer service at a time of supply shortages, as previously guided, as well as one-off costs related to refinancing and M&A investment
- Gross cash of £145m; new and increased revolving credit facility ("RCF") of £50m remains undrawn

Current trading and outlook

- Trading well in 2022 to date, and ahead of plan
- Supply challenges being managed
- Confidence in 3% Group operating profit margin for FY23, and in the Group's medium-term path towards 5%
- Cash generation expected in H2; full year cash neutral

	2021	*Restated[5] 2020*	Change vs 2020
Underlying[1] revenue	**£2,291.4m**	£1,872.7m	*22.4%*
LFL[2] sales growth	**24.3%**	(13.3%)	
Gross margin	**26.3%**	25.1%	*120bps*
Underlying[1] operating profit/(loss)	**£41.4m**	(£53.1m)	
Underlying[1] profit/(loss) before tax	**£19.3m**	(£76.1m)	
Underlying[1] earnings/(loss) per share	**0.3p**	(10.0p)	*10.3p*
Underlying operating margin	**1.8%**	(2.8%)	*460bps*
Net debt	**£365.0m**	£238.2m	
Net debt (pre-IFRS 16)	**£128.6m**	£4.1m	

Statutory results	**2021**	**Restated[5] 2020**
Revenue[3]	**£2,291.4m**	£1,874.5m
Operating profit/(loss)[3]	**£14.0m**	(£160.0m)
Loss before tax[3]	**(£15.9m)**	(£194.6m)
Basic loss per share[3]	**(2.4p)**	(23.1p)
Total loss after tax[4]	**(£28.3m)**	(£131.5m)
Dividend per share	**n/d**	n/d

1.Underlying represents the results before Other items. Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group.
2. Like-for-like ("LFL") is defined as the growth/(decline) in sales per working day in constant currency excluding any current and prior year acquisitions and disposals. Sales are not adjusted for branch openings or closures.
3. Statutory results of continuing operations only in 2020.
4. Statutory results including both continuing and discontinued operations in 2020.
5. 2020 restatement is due to the change in accounting policy regarding configuration and customisation costs incurred in implementing cloud computing arrangements following the IFRS Interpretations Committee (IFRIC) Agenda Decision published in April 2021.

Commenting, Steve Francis, Chief Executive Officer, said:

"2021 was a pivotal year – accelerating progress on our strategy has returned the Group to profitability ahead of expectations, delivering above market growth rates and consistent margin improvement, the result of record performance in France and Poland, and strong turnaround in the UK."

"In uncertain times, SIG demonstrated in 2021, as it has in previous decades, its ability to manage successfully through inflationary and volatile market conditions, thanks to our strong relationships with suppliers and customers, and the quality of our people."

"Growth momentum, resilience of our businesses, and experienced leadership all underpin our confidence in the organic growth path towards 5% underlying operating margin in the medium term."

"I'm proud that SIG has a long-established focus on energy efficient solutions, and we will play a leadership role in the shift to sustainable construction."

"SIG is back to winning ways, and we look forward to 2022 and beyond with confidence."

Investor and Analyst presentation will be available on www.sigplc.com from 7:15am on Friday 11 March. A live Q&A session, hosted by Steve Francis, CEO, Ian Ashton, CFO, and Phil Johns, Managing Director of SIG UK, will take place at 10:00am.

Join from a PC, Mac, iPad, iPhone or Android device:
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About
SIG plc is a leading European supplier of specialist building solutions to trade customers across the UK, France, Germany, Ireland, Benelux and Poland. As a distributor of insulation and interiors products and merchant of roofing and exteriors products, SIG facilitates one-stop access to an extensive product range, provides expert technical advice and coordinates often complex delivery requirements. For suppliers, SIG offers a channel through which products can be brought to a highly fragmented market of smaller customers and sites that are of insufficient scale to supply direct. SIG employs approximately 6,800 employees across Europe and is listed on the London Stock Exchange (SHI). For more information, please visit the Company's website, www.sigplc.com.

Trading overview

FY21 LFL revenues grew 24% vs prior year, which was distorted by Covid-19, notably in H1, and 8% vs 2019. Reported Group revenues from underlying operations were 22% higher in the year vs 2020, including an adverse 3% currency movement.

LFL sales growth 2021 vs <u>2020</u>	**H1**	**Q3**	**Q4**	**H2**	**FY**	***FY 2021 sales £m***
UK Interiors	54%	30%	21%	26%	38%	508
UK Exteriors	58%	24%	17%	20%	36%	422
UK	**56%**	**27%**	**19%**	**23%**	**37%**	**930**
France Interiors	38%	2%	10%	6%	20%	195
France Exteriors	34%	6%	17%	12%	22%	406
Germany	11%	7%	9%	8%	10%	393
Benelux	2%	0%	17%	9%	5%	92
Poland	22%	44%	46%	45%	33%	187
Ireland	14%	18%	9%	13%	14%	88
EU	**22%**	**11%**	**16%**	**14%**	**17%**	**1,361**
Group	**33%**	**17%**	**17%**	**17%**	**24%**	**2,291**

LFL sales growth 2021 vs <u>2019</u>	**H1**	**Q3**	**Q4**	**H2**	**FY**
UK Interiors	(19)%	0%	15%	7%	(8)%
UK Exteriors	14%	26%	29%	28%	21%
UK	**(7)%**	**10%**	**22%**	**15%**	**4%**
France Interiors	8%	1%	13%	7%	7%
France Exteriors	19%	11%	40%	25%	22%
Germany	1%	3%	12%	7%	4%
Benelux	(10)%	(12)%	(1)%	(6)%	(8)%
Poland	20%	33%	41%	36%	29%
Ireland	(21)%	6%	14%	10%	(5)%
EU	**7%**	**8%**	**22%**	**15%**	**11%**
Group	**1%**	**9%**	**22%**	**15%**	**8%**

Strategic progress

2021 saw a step change in the Group's performance, driven by the major strategic initiatives initiated at the outset of the Return to Growth strategy in the summer of 2020.

Reinforcing our decentralised business model, with a focus on driving operational performance at branch level, has driven record performance in France and Poland and strong growth in the UK, as a result of:

- Empowered local teams - investing in their sites, giving them the tools to operate, simplifying targets, and upgrading incentives has generated huge energy and increased employee engagement
- Disciplined margin management in inflationary conditions
- Superior product range and availability, leveraging our supplier partnerships to secure scarce products, and supporting customers in a very challenging supply year

The UK organisation has been rebuilt and is back in profit:

- Decentralised operating model re-established, slimmed down national and central structures and strengthened regional and branch structures, underpinned by branch P&L accountability
- Recovery of market share lost since 2018 well under way
- Gross margins back to target levels
- Improved supplier relationships – rebates, terms, stock allocation
- Improved pricing disciplines and focus on enhancing mix of higher margin products
- The UK business overall returned to underlying profitability for the year, with Interiors returning to profit in H2

Group wide, investment in our strategy is paying off and laying the foundations for sustainable growth:

- We invested in stock availability, more expertise, more people in the field, better training and incentives, modernising and decarbonising the fleet, and improving our branches
- We opened branches in most countries, with a multi-year programme of branch openings now underway to in-fill geographic gaps or upgrade our presence in major urban markets
- Our Germany and Benelux businesses both have new, experienced leadership in place, and we are confident that they will continue to build on the early signs of improvement already seen in the later months of the year
- We strengthened our leadership bench whilst streamlining and upskilling the corporate centre, moving the corporate office from central London to our new depot at Heathrow airport
- Recent acquisitions - SM Roofing, F30 (construction accessories) and Penlaw (insulation), all in the UK - are performing well, beating 2021 profit expectations, and fit our specialist model
- We see a clear opportunity to accelerate delivery against the strategic plan through targeted investment in extending our product range, specialist solutions and footprint

As a result, SIG's reputation and influence has been regained:

- Larivière (France Exteriors) awarded "2021 Best Specialist Distributor" (Geste D'Or 2021) and UK Interiors awarded "Distributor of the Year" in the supply category (BMJ awards)
- SIG appointments to high profile leadership roles in key industry associations
- Increasingly viewed as an attractive and trusted home by prospective industry recruits and M&A targets

Strong Balance Sheet

The Group's liquidity position remained strong throughout 2021, and on 18 November 2021 the Group completed the restructuring of its debt arrangements, comprising the issue of €300m 5.25% fixed rate senior secured notes and the establishment of a new RCF of £50m. The senior secured notes are subject to incurrence-based covenants, and the RCF has a leverage maintenance covenant which only applies if the facility is over 40% drawn at a quarter end reporting date. The RCF was undrawn at 31 December 2021.

Where possible and appropriate we have built up increases in our inventory holding levels, in light of the supply challenges experienced by the industry in recent months. Our strong balance sheet can accommodate this short-term investment in inventory, and our strong liquidity position continues to provide an appropriate buffer given the prevailing macro-economic uncertainties. Inflation was a headwind in working capital and cash flow during the year, and the cash outflow was also affected by acquisitions and one-offs, including those related to the refinancing.

Dividend

No dividend will be paid for 2021. However, continued successful execution of the Return to Growth strategy, including sensible investment where appropriate, will return the Group to sustainable, profitable growth and cash generation, supporting a range of capital allocation priorities. The Board reiterates its medium-term commitment to return to a progressive dividend policy, appropriately covered by underlying earnings.

The Group completed a share capital reduction in June by cancelling its share premium account. This has created distributable reserves to provide flexibility for dividend payments in future.

People

The Board would like to thank all employees of SIG for their continued commitment and resilience. Their efforts over the last two years were the key to the excellent results in 2021, and will remain the key for the next phase of the Group's evolution, as we focus on building a stronger business with a high performing workforce that is rewarded for making a positive difference. We are committed to building a great business that can play a key role in the construction supply chains across Europe for many years to come.

Covid-19

The safety of our people, customers and suppliers continues to be our primary concern. Safety protocols developed during the pandemic continue to be adhered to across the Group, in line with the government guidance across all jurisdictions in which it operates.

Despite various lockdowns and restrictions throughout the year, the business was able to trade broadly as normal, albeit within the new operating norms and protocols. The Irish market was, uniquely in the Group, impacted by further government restrictions on construction from January until May 2021.

Outlook

The Group has strong positions in its core markets, and the fundamentals of those markets remain attractive. The Board believes that we have the right strategy and foundations in place to deliver long term, sustainable, profitable growth and to build a strong and growing Group for the future.

With no direct exposure to Russia or Ukraine, we are currently not seeing any significant impact on our business arising from the current conflict, but we will continue to monitor the situation closely. The conflict, and the response to it, could affect, amongst other things, energy prices, commodity supply, and exchange rates. This is alongside the existing global backdrop of inflationary pressures.

In the near-term we are anticipating some remaining impact from material shortages, but these are gradually abating. We have started the year well, and ahead of plan, helped by a continuation of the robust demand seen in late 2021. This, together with the effectiveness of our supply chain management and commercial agility, gives the Board increasing confidence over the full year performance. We expect to be free cash flow neutral for the year, before returning to sustainable free cash generation thereafter, enabling us to continue to invest in and drive our strategic goals.

FINANCIAL REVIEW

Revenue and gross margin

The Group saw a 24.3% increase in its LFL revenue over the year, with Group underlying revenue up to £2,291.4m (2020: £1,872.7m), reflecting a strong recovery from the Covid-19 impact in 2020, driven by the effective implementation of the Return to Growth strategy as well as the inflationary tailwind. Underlying results exclude businesses that are classified as non-core, and Other items, in order to provide a better understanding of the performance of the Group. On a statutory basis, Group revenue was £2,291.4m (2020: £1,874.5m), with no sales from non-core businesses (2020: £1.8m).

Pass through of product price inflation added to the top line in all geographies, to an increasing degree in H2. We estimate the impact on revenue for the full year to be approximately 8%.

Underlying gross profit increased 28% to £602.1m (2020: £470.0m) with a gross profit margin of 26.3% (2020: 25.1%). This primarily reflects increased rebate receipts due to increased sales. On a statutory basis, gross profit increased from £470.5m to £602.1m with gross margin increasing by 120bps to 26.3% (2020: 25.1%).

Operating costs and profit

The Group's underlying operating costs were £560.7m (2020 restated: £523.1m). The increase was primarily due to the increased trading volumes, inflation, increased variable compensation, and the non-recurring government support schemes in the prior year, such as furlough and other wage initiatives. The Group's underlying operating profit was £41.4m (2020 restated: £53.1m loss), and at a statutory level the Group's operating profit was £14.0m (2020 restated: £160.0m loss) after Other items of £27.4m (2020 restated: £107.4m). The latter included £9.9m impairment of goodwill, £4.7m amortisation of intangibles, £2.0m of onerous contract costs, £2.4m costs associated with refinancing, £3.7m costs relating to restructuring activities, and £3.3m related to cloud computing costs following IFRS Interpretation Committee guidance on this topic issued during the year. Prior year operating profit has also been restated as a result of the cloud computing guidance issued.

Profitability continued to improve in H2 compared to the first half, with underlying operating profit approximately doubling in H2 vs H1.

Segmental analysis

UK

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales v2020	LFL sales v 2019	Underlying operating (loss)/profit 2021 £m	Underlying operating loss restated 2020 £m
UK Interiors	507.4	357.4	38%	(8)%	(2.5)	(45.3)
UK Exteriors	422.2	310.1	36%	21%	25.0	(7.3)
UK	**929.6**	**667.5**	**37%**	**4%**	**22.5**	**(52.6)**

Underlying revenue in UK Interiors, a specialist insulation and interiors distribution business, was up 42% to £507.4m (2020: £357.4m). This included a 5% impact from acquisitions in the year. LFL growth was 38%. The LFL decline against 2019 (pre Covid-19) included a decline in H1 and then good growth in H2, reflecting the strong progress being made. Despite supply chain shortages and consequent adoption of "allocations" by suppliers, especially around dry lining, daily sales showed strong growth throughout the year. The improved trading volume drove a substantially lower loss, with the business driving the additional volumes through the existing capacity in the network. This resulted in an underlying operating loss of £2.5m (2020 restated: £45.3m loss).

UK Exteriors, a specialist roofing merchant, which also includes our Building Solutions business, traded extremely well, benefitting from both the strong demand environment and strategic stock management, with underlying revenues of £422.2m (2020: £310.1m), a LFL increase of 36%. The increase in revenue, further benefit from an increased margin due to rebates, and favourable product mix resulted in an underlying operating profit of £25.0m (2020 restated: £7.3m loss).

France

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales v 2020	LFL sales v 2019	Underlying operating profit 2021 £m	Underlying operating profit/(loss) 2020 £m
France Interiors	195.3	168.1	20%	7%	11.2	7.1
France Exteriors	406.0	344.8	22%	22%	17.4	8.3
France before non-core	601.3	512.9	21%	17%	28.6	15.4
Non-core businesses	-	1.8	-	-	-	(0.3)
France	**601.3**	**514.7**	**21%**	**17%**	**28.6**	**15.1**

France Interiors, trading as LiTT, a structural insulation and interiors business, saw underlying revenue increase by 16% to £195.3m (2020: £168.1m), and by 20% on a LFL basis. 2021 continued the revenue growth experienced in the second half of 2020. The increases in revenue, coupled with an improved margin as a result of increased supplier rebates, partially offset by higher operating costs due to trading levels and inflation, resulted in a £4.1m increase in underlying operating profit to £11.2m (2020: £7.1m).

Underlying revenue in France Exteriors, trading as Larivière, a specialist roofing business, increased by 18% to £406.0m (2020: £344.8m), and by 22% on a LFL basis. The strong demand in the RMI market witnessed in late 2020 continued throughout 2021. The increase in revenue together with increased supplier rebates and strict pricing discipline, partially offset by increased costs to fulfil higher trading volumes, resulted in an underlying operating profit increase of £9.1m to £17.4m (2020: £8.3m).

Germany

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales v 2020	LFL sales v 2019	Underlying operating profit 2021 £m	Underlying operating profit 2020 £m
Germany	**393.2**	**370.7**	**10%**	**4%**	**3.6**	**0.4**

Underlying revenue in WeGo/VTi, our specialist insulation and interiors distribution business in Germany, increased by 6% to £393.2m (2020: £370.7m) and by 10% on a LFL basis. The improvement in Germany was aided by proactive stock management, allowing the business to meet customer demand despite supply shortages, and input price inflation that was largely passed on to customers. The increased trading levels resulted in an underlying operating profit of £3.6m (2020: £0.4m). We have new management in place in our German business and are encouraged by early progress.

Benelux

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales v 2020	LFL sales v 2019	Underlying operating loss 2021 £m	Underlying operating profit 2020 £m
Benelux	**92.4**	**91.6**	**5%**	**(8)%**	**(4.9)**	**2.5**

Underlying revenue from the Group's business in Benelux increased slightly by £0.8m to £92.4m (2020: £91.6m), with increased volumes following recovery from Covid-19 in the prior year largely offset by the impact of strong competitive pressure in the Netherlands, combined with certain regulatory changes. This, along with a temporary increase in the cost base necessary to improve operational effectiveness has resulted in an operating loss of £4.9m compared to an operating profit of £2.5m in 2020. The new management appointed in mid-2021 have made good initial progress in addressing both the operational issues and the cost base.

Ireland

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales v 2020	LFL sales v 2019	Underlying operating profit 2021 £m	Underlying operating profit 2020 £m
Ireland	**88.2**	**80.5**	**14%**	**(5)%**	**2.8**	**0.8**

Our business in Ireland is a specialist distributor of interiors and exteriors, as well as a specialist contractor for office furnishing, industrial coatings and kitchen/bathroom fit out. The business was affected by further Covid-19 related Government restrictions in the Republic of Ireland from January until early May 2021, but saw a strong rebound in the second half, with underlying revenue increasing by 10% to £88.2m (2020: £80.5m), and by 14% on a LFL basis. Underlying operating profit improved by £2.0m, finishing at £2.8m (2020: £0.8m) as the business saw a shift in sales mix towards its higher margin offerings.

Poland

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales v 2020	LFL sales v 2019	Underlying operating profit 2021 £m	Underlying operating profit 2020 £m
Poland	**186.7**	**149.5**	**33%**	**29%**	**6.3**	**2.0**

In our Polish business, a market leading distributor of insulation and interiors, underlying revenue increased to £186.7m (2020: £149.5m), with LFL sales up 33% due to an increase in customer numbers, branch openings and significant price inflation. The business had a record year with underlying profit of £6.3m (2020: £2.0m), driven by the sales growth and partially offset by volume-related increases in operating costs.

Reconciliation of underlying to statutory result

Other items, being items excluded from underlying results, during the period amounted to £35.2m (2020 restated: £118.5m) on a pre-tax basis and are summarised in the table below:

	2021 £m	Restated 2020 £m
Underlying profit/(loss) before tax	19.3	(76.1)
Other items – impacting profit/(loss) before tax:		
Amortisation of acquired intangibles	(4.7)	(5.6)
Impairment charges	(10.2)	(61.5)
Net restructuring costs	(3.7)	(6.7)
Onerous contract costs	(2.0)	(13.2)
Cloud computing configuration and customisation costs	(3.3)	(7.1)
Costs associated with acquisitions	(1.5)	(0.2)
Costs associated with refinancing	(2.4)	(7.4)
Non-underlying finance costs	(7.8)	(11.6)
Profit on agreed sale or closure of non-core businesses and associated impairment charges	-	0.6
Net operating losses attributable to businesses identified as non-core	-	(0.3)
Investment in omnichannel retailing	-	(4.2)
Other specific items	0.4	(1.3)
Total Other items	**(35.2)**	**(118.5)**
Statutory loss before tax	**(15.9)**	**(194.6)**

Further details on Other items are as follows:

- Impairment charges of £10.2m (2020: £61.5m) includes £9.9m relating to the impairment of goodwill in Benelux
- Net restructuring costs of £3.7m (2020: £6.7m) were incurred principally in connection with the restructuring of corporate functions as part of the implementation of the Return to Growth strategy, and restructuring in Germany and Benelux
- Onerous contract costs of £2.0m (2020: £13.2m) related to provisions recognised for licence fee commitments where no future economic benefit is expected, principally in relation to the SAP 1HANA implementation
- Cloud computing costs relate to project configuration and customisation costs associated with cloud computing arrangements, which are expensed rather than being capitalised as intangible assets following IFRS Interpretation Committee guidance on this topic issued during the year
- Costs associated with refinancing of £2.4m (2020: £7.4m) includes adviser, legal and other professional fees of £4.9m offset by a £2.5m gain in relation to the recycling of the cash flow hedging reserve following the termination of hedging arrangements in connection with the refinancing
- Non-underlying finance costs of £7.8m (2020: £11.6m) comprise £12.9m make whole payment on settlement of the previous private placement notes, £2.8m write-off of arrangement fees in relation to the previous debt arrangements, offset by £8.0m release of the loss on modification previously recognised in relation to the amendment of the private placement notes in 2020, together with £0.1m unwinding of the discount on the onerous contract provision

Taxation

The effective tax rate for the Group on the total loss before tax of £15.9m (2020 restated: £122.6m) is negative 78.0% (2020 restated: negative 7.3%). As the Group operates in several different countries, tax losses cannot be surrendered or utilised cross border. Tax losses are not currently recognised in respect of the UK business, which also impacts the overall effective tax rate. The combination of these factors means that the effective tax rate is less meaningful as an indicator or comparator for the Group.

In accordance with UK legislation, the Group publishes an annual tax strategy, which is available on our website (www.sigplc.com).

Pensions

The Group operates four (2020: four) defined benefit pension schemes and a number of defined contribution pension schemes. The largest defined benefit scheme is a UK scheme, which was closed to further accrual in 2016.

The Group's total pension charge for the year, including amounts charged to interest, was £6.9m (2020: £6.9m), of which a charge of £0.6m (2020: £0.7m) related to defined benefit pension schemes and £6.3m (2020: £6.2m) related to defined contribution schemes.

The total net liability in relation to defined benefit pension schemes at 31 December 2021 was £10.7m (2020: £25.1m). The last triennial actuarial valuation of the UK scheme as at 31 December 2019 was concluded at the end of March 2021. This showed that the market value of the scheme's assets had increased by 20% to £196m and that their actuarial value covered 102% of the benefits accrued to members after allowing for expected future increases in pensionable salaries. As part of the funding discussions the Company paid an additional one-off contribution of £2.5m into the Plan in July 2021 to accelerate plans to achieve a secondary funding target.

Financial position

Overall, the net assets of the Group have decreased by £37.2m to £264.7m (2020 restated: £301.9m), with a cash position at year-end of £145.1m (2020: £235.3m) and net debt of £365.0m (2020: £238.2m).

Cash flow

	2021 £m	Restated 2020 £m
Underlying operating profit/(loss)	41.4	(53.1)
Add back: Depreciation	68.3	68.4
Add back: Amortisation	3.4	4.8
Underlying EBITDA	**113.1**	20.1
Cash exceptionals	(10.9)	(19.7)
Increase in working capital	(85.4)	(42.1)
Repayment of lease liabilities	(57.3)	(54.8)
Capital expenditure	(18.6)	(13.3)
Other	(15.0)	5.1
Operating cash flow	**(74.1)**	(104.7)
Interest and financing	(22.7)	(22.6)
Refinancing cash costs	(16.9)	(8.3)
Tax	(10.4)	(9.7)
Free cash flow	**(124.1)**	(145.3)
(Acquisitions)/disposals	(10.6)	147.0
Drawdown/(repayment) of debt	52.0	(85.2)
Net proceeds from equity raise	-	151.9
Total cash flow	**(82.7)**	68.4
Cash and cash equivalents at beginning of the year[1]	235.3	145.1
Effect of foreign exchange rate changes	(7.5)	21.8
Cash and cash equivalents at end of the year	**145.1**	235.3

1. Cash and cash equivalents comprise cash at bank and on hand of £145.1m (2020: £235.3m) less bank overdrafts of £nil (2020: £nil). Cash and cash equivalents at 1 January 2020 include £110.0m from continuing operations and £35.1m from businesses held for sale.

Free cash flow represents the cash available after supporting operations, including capex and the repayment of lease liabilities, and before acquisitions and any movements in funding.

During the year, the Group reported a free cash outflow of £124.1m (2020 restated: £145.3m outflow) as a result of the increased underlying operating profit in the year being offset by an increase in working capital, together with payments in relation to interest, tax and capital expenditure, and exceptional and other cash flows. The costs associated with the refinancing exercise totalled £16.9m. “Other” includes payments to the Employee Benefit Trust to fund share plans, and payments of £5m to the UK pension scheme, including the additional £2.5m referenced above.

The increase in working capital was £85m of which £76m related to inventory movements. There were three key factors driving the increase being sales volume growth, year-over-year inflation, and the increases in holding levels referenced above.

Other movements in cash below free cash flow include £10.6m cash outflow in relation to the purchase of businesses (2020: £147.0m inflow from the sale of businesses) and £52.0m net cash inflow from the restructuring of the debt facilities, consisting of £200.3m repayments of previous facilities offset by £251.5m net proceeds from the new senior secured notes and £0.8m receipt on settlement of derivatives (2020: £85.2m repayments).

Financing and funding

On 18 November 2021 the Group completed a restructuring of its debt arrangements, comprising the issue of €300m 5.25% fixed rate senior secured notes and the establishment of a new RCF of £50m. The existing private placement notes of £129.8m and £70m term loan were repaid, together with a £12.9m make-whole payment on early settlement of the private placement notes. The Group now has committed facilities in place to November 2026 (senior secured notes) and May 2026 for the RCF. The senior secured notes are subject to incurrence based covenants, and the RCF has a leverage maintenance covenant set at 4.75x which only applies if the facility is over 40% drawn at a quarter end reporting date. The RCF was undrawn at 31 December 2021.

The Group has significant available liquidity, and on the basis of current forecasts is expected to remain in compliance with all banking covenants throughout the forecast period to 31 March 2023.

Directors' responsibility statement on the Annual Report

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2021. Certain parts solely thereof are not included within this announcement.

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with the relevant applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

(b) the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

(c) the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 10 March 2022 and signed on its behalf by:

By order of the Board

Steve Francis	Ian Ashton
Director	Director
10 March 2022	10 March 2022

Cautionary statement

The securities of the Group have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or transferred , directly or indirectly, in, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any relevant state or other jurisdiction of the United States. There has been and will be no public offering of the securities of the Group in the United States.

This announcement has been prepared to provide the Company's shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

This announcement contains forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building and construction sectors. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. Forward-looking statements in this Announcement include, but are not limited to, statements about the Group's future financial and operational performance, the management's ability to successfully execute the strategy, and the ability of the Group and the construction industry generally to respond to the effects and aftermath of the Covid-19 pandemic. No assurance can be given that the forward-looking statements in this announcement will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Group's control. Actual results could differ materially from the Group's current expectations.

It is believed that the expectations set out in these forward-looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially, including but not limited to, changes in risks associated with the level of market demand, fluctuations in product pricing and changes in foreign exchange and interest rates.

The Company's shareholders are cautioned not to place undue reliance on the forward-looking statements. This announcement has not been audited or otherwise independently verified. The information contained in this announcement has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this announcement during the financial year ahead.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Consolidated income statement

for the year ended 31 December 2021

	Note	**Underlying*** **2021** **£m**	**Other items**** **2021** **£m**	**Total** **2021** **£m**	Underlying* Restated 2020 £m	Other items** Restated 2020 £m	Total Restated 2020 £m
Continuing operations							
Revenue	2	**2,291.4**	**-**	**2,291.4**	1,872.7	1.8	1,874.5
Cost of sales		**(1,689.3)**	**-**	**(1,689.3)**	(1,402.7)	(1.3)	(1,404.0)
Gross profit		**602.1**	**-**	**602.1**	470.0	0.5	470.5
Other operating expenses	3	**(560.7)**	**(27.4)**	**(588.1)**	(523.1)	(107.4)	(630.5)
Operating profit/(loss)		**41.4**	**(27.4)**	**14.0**	(53.1)	(106.9)	(160.0)
Finance income		**0.7**	**-**	**0.7**	0.7	-	0.7
Finance costs		**(22.8)**	**(7.8)**	**(30.6)**	(23.7)	(11.6)	(35.3)
Profit/(loss) before tax from continuing operations		**19.3**	**(35.2)**	**(15.9)**	(76.1)	(118.5)	(194.6)
Income tax (expense)/credit	4	**(15.6)**	**3.2**	**(12.4)**	(10.7)	4.1	(6.6)
Profit/(loss) after tax from continuing operations		**3.7**	**(32.0)**	**(28.3)**	(86.8)	(114.4)	(201.2)
Discontinued operations							
Profit after tax from discontinued operations	11	**-**	**-**	**-**	-	69.7	69.7
Profit/(loss) after tax for the year		**3.7**	**(32.0)**	**(28.3)**	(86.8)	(44.7)	(131.5)
Attributable to:							
Equity holders of the Company		**3.7**	**(32.0)**	**(28.3)**	(86.8)	(44.7)	(131.5)
Loss per share							
From continuing operations:							
Basic	5			**(2.4)p**			(23.1)p
Diluted	5			**(2.4)p**			(23.1)p
Total:							
Basic	5			**(2.4)p**			(15.1)p
Diluted	5			**(2.4)p**			(15.1)p

* Underlying represents the results before Other items.

** Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group. Further details are disclosed in Note 3.

The 2020 results have been restated as disclosed in Note 1.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	2021 £m	Restated 2020 £m
Loss after tax for the year	**(28.3)**	(131.5)
Items that will not subsequently be reclassified to the Consolidated Income Statement:		
Remeasurement of defined benefit pension liability	**9.1**	(1.7)
Deferred tax movement associated with remeasurement of defined benefit pension liability	**0.1**	0.3
Current tax movement associated with remeasurement of defined benefit pension liability	**-**	0.4
	9.2	(1.0)
Items that may subsequently be reclassified to the Consolidated income statement:		
Exchange difference on retranslation of foreign currency goodwill and intangibles	**(3.7)**	5.1
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	**(10.7)**	13.2
Exchange and fair value movements associated with borrowings and derivative financial instruments	**8.6**	(11.0)
Tax credit on fair value movements arising on borrowings and derivative financial instruments	**-**	-
Exchange differences reclassified to the Consolidated income statement in respect of the disposal of foreign operations	**-**	(5.9)
Gains and losses on cash flow hedges	**0.7**	(0.5)
Transfer to profit and loss on cash flow hedges	**(3.1)**	(0.7)
	(8.2)	0.2
Other comprehensive income/(expense)	**1.0**	(0.8)
Total comprehensive expense	**(27.3)**	(132.3)
Attributable to:		
Equity holders of the Company	**(27.3)**	(132.3)
	(27.3)	(132.3)

The 2020 results have been restated as disclosed in Note 1.

Consolidated balance sheet

as at 31 December 2021

	2021	Restated 2020	Restated 1 January 2020
	£m	£m	£m
Non-current assets			
Property, plant and equipment	**66.9**	63.2	58.6
Right-of-use assets	**230.9**	229.6	255.2
Goodwill	**120.1**	128.8	159.0
Intangible assets	**16.7**	18.5	30.2
Lease receivables	**2.9**	3.6	4.4
Deferred tax assets	**4.8**	5.7	4.4
Derivative financial instruments	**-**	0.1	1.7
	442.3	449.5	513.5
Current assets			
Inventories	**242.0**	170.3	156.5
Lease receivables	**0.8**	0.7	0.8
Trade and other receivables	**371.3**	294.4	294.7
Current tax assets	**-**	-	0.9
Derivative financial instruments	**0.2**	-	0.9
Cash at bank and on hand	**145.1**	235.3	110.0
Assets classified as held for sale	**-**	-	258.4
	759.4	700.7	822.2
Total assets	**1,201.7**	1,150.2	1,335.7
Current liabilities			
Trade and other payables	**369.7**	301.4	327.4
Lease liabilities	**50.7**	50.6	51.5
Interest-bearing loans and borrowings	**-**	-	275.1
Deferred consideration	**1.1**	0.5	-
Other financial liabilities	**0.4**	0.5	1.5
Derivative financial instruments	**0.5**	0.5	0.2
Current tax liabilities	**4.6**	4.2	3.7
Provisions	**12.9**	10.5	6.7
Liabilities directly associated with assets classified as held for sale	**-**	-	115.7
	439.9	368.2	781.8
Non-current liabilities			
Lease liabilities	**210.4**	211.6	224.1
Interest-bearing loans and borrowings	**249.6**	212.2	-
Deferred consideration	**0.7**	0.4	-
Derivative financial instruments	**-**	0.4	1.9
Other financial liabilities	**0.6**	1.2	1.4
Other payables	**3.8**	3.5	1.0
Retirement benefit obligations	**10.7**	25.1	24.8
Provisions	**21.3**	25.7	18.6
	497.1	480.1	271.8
Total liabilities	**937.0**	848.3	1,053.6
Net assets	**264.7**	301.9	282.1
Capital and reserves			
Called up share capital	**118.2**	118.2	59.2
Share premium account	**-**	447.7	447.3
Treasury shares	**(12.5)**	(0.2)	-
Capital redemption reserve	**0.3**	0.3	0.3
Share option reserve	**4.4**	2.0	1.8
Hedging and translation reserves	**2.4**	10.5	10.2
Cost of hedging reserve	**0.1**	0.2	0.3
Merger reserve	**92.5**	92.5	-
Retained profits/(losses)	**59.3**	(369.3)	(237.0)
Attributable to equity holders of the Company	**264.7**	301.9	282.1
Total equity	**264.7**	301.9	282.1

The 2020 and 2019 Consolidated balance sheets have been restated as disclosed in Note 1.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Called up share capital £m	Share premium account £m	Treasury shares reserve £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserves £m	Cost of hedging reserve £m	Merger reserve £m	Retained profits/ (losses) £m	Total £m
At 1 January 2020 (restated)	59.2	447.3	-	0.3	1.8	10.2	0.3	-	(237.0)	282.1
Loss after tax (restated)	-	-	-	-	-	-	-	-	(131.5)	(131.5)
Other comprehensive income/(expense)	-	-	-	-	-	0.3	(0.1)	-	(1.0)	(0.8)
Total comprehensive income/(expense)	-	-	-	-	-	0.3	(0.1)	-	(132.5)	(132.3)
Issue of share capital	59.0	0.4	-	-	-	-	-	92.5	-	151.9
Transfer of unallocated treasury shares	-	-	(0.2)	-	-	-	-	-	0.2	-
Credit to share option reserve	-	-	-	-	0.2	-	-	-	-	0.2
At 31 December 2020 (restated)	**118.2**	**447.7**	**(0.2)**	**0.3**	**2.0**	**10.5**	**0.2**	**92.5**	**(369.3)**	**301.9**
Loss after tax	-	-	-	-	-	-	-	-	(28.3)	(28.3)
Other comprehensive (expense)/income	-	-	-	-	-	(8.1)	(0.1)	-	9.2	1.0
Total comprehensive (expense)/income	-	-	-	-	-	(8.1)	(0.1)	-	(19.1)	(27.3)
Purchase of treasury shares	-	-	(12.3)	-	-	-	-	-	-	(12.3)
Credit to share option reserve	-	-	-	-	2.6	-	-	-	-	2.6
Settlement of share options	-	-	-	-	(0.2)	-	-	-	-	(0.2)
Capital reduction	-	(447.7)	-	-	-	-	-	-	447.7	-
At 31 December 2021	**118.2**	**-**	**(12.5)**	**0.3**	**4.4**	**2.4**	**0.1**	**92.5**	**59.3**	**264.7**

Total equity at 1 January 2020 and 31 December 2021 has been restated as disclosed in Note 1.

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 "Share-based payment" less the value of any share options that have been exercised.

The hedging and translation reserves represents movements in the Consolidated balance sheet as a result of movements in exchange rates and movements in the fair value of cash flow hedges which are taken directly to reserves.

Treasury shares reserve relate to shares purchased by the SIG Employee Benefit Trust to satisfy awards made under the Group's share plans which are not vested and beneficially owned by employees. Shares became unallocated during the prior year and were transferred to the treasury share reserve.

The share premium account was cancelled during the year through a capital reduction.

The merger reserve represents the premium on ordinary shares issued during the prior year through the use of a cash box structure.

Consolidated cash flow statement

for the year ended 31 December 2021

	Note	2021 £m	Restated 2020 £m
Net cash flow from operating activities			
Cash generated from/(used in) operating activities	6	**7.4**	(50.5)
Income tax paid		**(10.4)**	(9.7)
Net cash used in operating activities		**(3.0)**	(60.2)
Cash flows from investing activities			
Finance income received		**0.7**	0.7
Purchase of property, plant and equipment and computer software		**(18.6)**	(13.3)
Proceeds from sale of property, plant and equipment		**2.7**	5.6
Net cash flow on the purchase of businesses		**(10.1)**	(0.8)
Settlement of amounts payable for previous purchases of businesses		**(0.5)**	-
Net cash flow arising on the sale of businesses	10	**-**	147.8
Net cash flow from investing activities		**(25.8)**	140.0
Cash flows from financing activities			
Finance costs paid[1]		**(36.3)**	(23.3)
Repayment of lease liabilities		**(57.3)**	(54.8)
Repayment of borrowings		**(200.3)**	(55.1)
Proceeds from borrowings		**251.5**	-
Repayment of revolving credit facility[2]		**-**	(30.0)
Settlement of derivative financial instruments		**0.8**	(0.1)
Acquisition of treasury shares		**(12.3)**	-
Net proceeds from equity raise		**-**	151.9
Net cash flow from financing activities		**(53.9)**	(11.4)
(Decrease)/increase in cash and cash equivalents in the year		**(82.7)**	68.4
Cash and cash equivalents at beginning of the year		**235.3**	145.1
Effect of foreign exchange rate changes		**(7.5)**	21.8
Cash and cash equivalents at end of the year[3]		**145.1**	235.3

[1] Finance costs paid in the current year includes £12.9m make-whole payment in connection with the refinancing during the year.
[2] As part of the changes to the debt facility agreements on 18 June 2020, £70.0m drawn under the existing revolving credit facility was converted into a £70.0m term facility, with no additional repayment or drawdown made.
[3] Cash and cash equivalents comprise cash at bank and on hand of £145.1m (2020: £235.3m) less bank overdrafts of £nil (2020: £nil). Cash and cash equivalents at 1 January 2020 include £110.0m from continuing operations and £35.1m from businesses held for sale.

The 2020 cash flow statement has been restated as disclosed in Note 1.

1. Basis of preparation

The Group's financial information has been prepared in accordance with the recognition and measurement requirements of UK adopted international accounting standards. It has been prepared on a basis consistent with that adopted in the previous year, except for the change in accounting policy noted below.

The Financial statements have been prepared under the historical cost convention except for derivative financial instruments which are stated at their fair value.

Whilst the financial information included in this Preliminary Results Announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The Preliminary Results Announcement does not constitute the Company's statutory accounts for the years ended 31 December 2021 and 31 December 2020 within the meaning of Section 435 of the Companies Act 2006 but is derived from those statutory accounts.

The Group's statutory accounts for the year ended 31 December 2020 have been filed with the Registrar of Companies, and those for 2021 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2021 and 2020. Their report for 2021 and 2020 was (i) unqualified, (ii) included no matters to which the auditor drew attention by way of emphasis and (iii) did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements.

In preparing the Consolidated Financial Statements management has considered the impact of climate change, particularly in the context of the financial statements as a whole, in addition to disclosures included in the Strategic Report this year. This included an assessment of the impact on the carrying value of non-current assets and the impact on forecasts used in the impairment review and the assessments of going concern and longer-term viability. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to 31 March 2023 nor the viability of the Group over the next three years.

Going concern

The Group closely monitors its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

On 18 November 2021 the Group completed the restructuring of its debt arrangements, comprising the issue of €300m senior secured notes and a new RCF of £50m. The existing private placement notes of £129.8m and £70m term loan were repaid, together with a £12.9m make-whole payment on early settlement of the private placement notes. The Group now has committed facilities in place to November 2026 (senior secured notes) and May 2026 for the RCF. The senior secured notes are subject to incurrence based covenants only, and the RCF has a leverage maintenance covenant which is only effective if the facility is over 40% drawn at a quarter end reporting date. The RCF was undrawn at 31 December 2021.

The Group has significant available liquidity and on the basis of current forecasts is expected to remain in compliance with all banking covenants throughout the forecast period to 31 March 2023.

The Directors have considered the Group's forecasts which support the view that the Group will be able to continue to operate within its banking facilities and comply with its banking covenants. The Directors have considered the following principal risks and uncertainties that could potentially impact the Group's ability to fund its future activities and adhere to its banking covenants, including:

- a decline in market conditions resulting in lower than forecast sales;
- continued implementation of the Return to Growth strategy taking longer than anticipated to deliver forecast increases in revenue and profit;
- potential impact of material shortages on forecast sales; and
- further waves of the Covid-19 pandemic having an impact on trading.

The forecasts on which the going concern assessment is based have been subject to sensitivity analysis and stress testing to assess the impact of the above risks and the Directors have also reviewed mitigating actions that could be taken.

The Directors have considered the impact of climate-related matters on the going concern assessment and is not expected to have a significant impact on the Group's going concern.

On consideration of the above, the Directors believe that the Group has adequate resources to continue in operational existence for the forecast period to 31 March 2023 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2021 financial statements.

New standards, interpretations and amendments

The following amendments and interpretations apply for the first time in 2021, but have not had a material impact on the Financial Statements of the Group:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021

Certain new 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. None of these are expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

Change in accounting policy – Software as a Service ("SaaS") arrangements

Following the IFRS Interpretations Committee ("IFRIC") agenda decision published in April 2021, the Group has reviewed its accounting policy regarding the configuration and customisation costs incurred in implementing SaaS arrangements.

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

The Group's revised policy is as follows:

- Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefit flowing from the underlying resource and to restrict the access of others to those benefits, such costs are capitalised as separate software intangible assets and amortised over the useful life of the software on a straight-line basis.
- Where costs incurred to configure or customise do not result in the recognition of an intangible software asset then those costs that provide the Group with a distinct service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are expensed as incurred. Costs are included within Other items in the consolidated income statement if they relate to significant strategic projects and are considered to meet the Group's definition of Other items.

Previously some configuration and customisation costs relating to SaaS arrangements which did not result in a separately identifiable software intangible assets had been capitalised.

The change in accounting policy has been retrospectively applied, resulting in a restatement to previously reported numbers. The impact on the Consolidated balance sheet and equity is a reduction in intangible assets and retained profits/(losses) of £12.1m at 1 January 2020 and £4.4m at 31 December 2020. The impact on the Consolidated income statement is as follows:

Increase/(decrease) in profit/(loss)	**31 December 2020 £m**
Other underlying operating expenses	**(0.4)**
Amortisation of computer software	**0.6**
Underlying operating profit	**0.2**
Impairment charges	14.6
Cloud computing configuration and customisation costs	(7.1)
Other items	**7.5**
Operating loss	**7.7**
Loss before and after tax from continuing operations	**7.7**

£14.6m impairment was previously recognised in 2020 and included within Other items in relation the SAP 1HANA and related project implementation costs. The impact of the restatement is that £9.7m of this is now included in costs expensed in the previous year (so is reflected within the £12.1m reduction in intangibles at 1 January 2020) and £4.9m is included within cloud computing configuration and customisation costs within Other items in 2020. A further £2.2m other costs relating to significant strategic projects are also now included within Other items in 2020, amounting to the total £7.1m shown above.

The impact on basic and diluted loss per share is an increase in basic and diluted loss per share from continuing operations of 0.9p per share and an increase in basic and diluted total loss per share of 0.9p per share.

The impact on the Consolidated cash flow statement is an increase in the net cash inflow from investing activities of £7.5m (due to a reduction in the purchase of property, plant and equipment and computer software) and a decrease in the net cash used in operating activities of £7.5m, with no change in the overall increase in cash and cash equivalents in the year.

Disclosure restatement

Disaggregation of revenue:
Heating, ventilation and air conditioning is no longer considered to be a distinct product type requiring separate disclosure in Note 2. The prior year comparatives have been restated to present revenue by product type on a consistent basis with the current year, with £6.9m of revenue previously shown as heating, ventilation and air conditioning combined within the Interiors product type. This does not impact any of the primary statements or other notes to the financial statements.

2. Revenue and segmental information

Revenue

2021	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product												
Interiors	**507.4**	**-**	**507.4**	**195.3**	**-**	**195.3**	**393.2**	**92.4**	**51.1**	**186.7**	**-**	**1,426.1**
Exteriors	**-**	**422.2**	**422.2**	**-**	**406.0**	**406.0**	**-**	**-**	**37.1**	**-**	**-**	**865.3**
Inter-segment revenue^	**3.4**	**0.6**	**4.0**	**0.1**	**11.6**	**11.7**	**-**	**-**	**0.1**	**-**	**(15.8)**	**-**
Total underlying revenue	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**88.3**	**186.7**	**(15.8)**	**2,291.4**
Revenue attributable to businesses identified as non-core	-	-	-	-	-	-	-	-	-	-	-	-
Total	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**88.3**	**186.7**	**(15.8)**	**2,291.4**
Nature of revenue												
Goods for resale (recognised at point in time)	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**83.7**	**186.7**	**(15.8)**	**2,286.8**
Construction contracts (recognised over time)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.6**	**-**	**-**	**4.6**
Total	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**88.3**	**186.7**	**(15.8)**	**2,291.4**

^ Inter-segment revenue is charged at the prevailing market rates.

Revenue

2020 (Restated)	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product												
Interiors	357.4	-	**357.4**	168.1	-	**168.1**	370.7	91.6	46.3	149.5	-	**1,183.6**
Exteriors	-	310.1	**310.1**	-	344.8	**344.8**	-	-	34.2	-	-	**689.1**
Inter-segment revenue^	1.5	0.5	**2.0**	0.9	7.6	**8.5**	0.1	0.1	0.1	-	(10.8)	**-**
Total underlying revenue	**358.9**	**310.6**	**669.5**	**169.0**	**352.4**	**521.4**	**370.8**	**91.7**	**80.6**	**149.5**	**(10.8)**	**1,872.7**
Revenue attributable to businesses identified as non-core	-	-	**-**	-	1.8	**1.8**	-	-	-	-	-	**1.8**
Total	**358.9**	**310.6**	**669.5**	**169.0**	**354.2**	**523.2**	**370.8**	**91.7**	**80.6**	**149.5**	**(10.8)**	**1,874.5**
Nature and timing of revenue												
Goods for resale (recognised at point in time)	358.9	310.6	**669.5**	169.0	354.2	**523.2**	370.8	91.7	75.2	149.5	(10.8)	**1,869.1**
Construction contracts (recognised over time)	-	-	**-**	-	-	**-**	-	-	5.4	-	-	**5.4**
Total	**358.9**	**310.6**	**669.5**	**169.0**	**354.2**	**523.2**	**370.8**	**91.7**	**80.6**	**149.5**	**(10.8)**	**1,874.5**

^ Inter-segment revenue is charged at the prevailing market rates.

The 2020 revenue disclosure has been restated as disclosed in Note 1.

2. Revenue and segmental information (continued)

Segmental Information

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable operating segments based on the way in which financial information is reviewed and business performance is assessed by the Chief Operating Decision Maker “CODM.

a) Segmental analysis

2021	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue												
Underlying revenue	**507.4**	**422.2**	**929.6**	**195.3**	**406.0**	**601.3**	**393.2**	**92.4**	**88.2**	**186.7**	**-**	**2,291.4**
Revenue attributable to businesses identified as non-core	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Inter-segment revenue^	**3.4**	**0.6**	**4.0**	**0.1**	**11.6**	**11.7**	**-**	**-**	**0.1**	**-**	**(15.8)**	**-**
Total revenue	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**88.3**	**186.7**	**(15.8)**	**2,291.4**
Segment result before Other items	**(2.5)**	**25.0**	**22.5**	**11.2**	**17.4**	**28.6**	**3.6**	**(4.9)**	**2.8**	**6.3**	**-**	**58.9**
Amortisation of acquired intangibles	**(0.3)**	**(4.0)**	**(4.3)**	**-**	**(0.4)**	**(0.4)**	**-**	**-**	**-**	**-**	**-**	**(4.7)**
Impairment charges	**(0.3)**	**-**	**(0.3)**	**-**	**-**	**-**	**-**	**(9.9)**	**-**	**-**	**-**	**(10.2)**
Acquisition costs	**(1.5)**	**-**	**(1.5)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.5)**
Cloud computing customisation and configuration costs	**(0.6)**	**(0.5)**	**(1.1)**	**-**	**(0.8)**	**(0.8)**	**(0.8)**	**(0.6)**	**-**	**-**	**-**	**(3.3)**
Net restructuring costs	**0.1**	**(0.6)**	**(0.5)**	**-**	**-**	**-**	**(1.4)**	**(0.4)**	**-**	**-**	**-**	**(2.3)**
Segment operating (loss)/profit	**(5.1)**	**19.9**	**14.8**	**11.2**	**16.2**	**27.4**	**1.4**	**(15.8)**	**2.8**	**6.3**	**-**	**36.9**
Parent Company costs												**(17.5)**
Parent Company Other items*												**(5.4)**
Operating profit												**14.0**
Net finance costs before Other items												**(22.1)**
Non-underlying finance costs												**(7.8)**
Loss before tax												**(15.9)**
Income tax expense												**(12.4)**
Loss for the year												**(28.3)**

^ Inter-segment revenue is charged at the prevailing market rates.

* Parent company Other items include costs associated with refinancing £2.4m, onerous contract costs £2.0m, restructuring costs £1.4m offset by other specific items £0.4m credit. See Note 3 for further details.

2. **Revenue and segmental information (continued)**

a) Segmental analysis

2020 (Restated)	**UK Interiors £m**	**UK Exteriors £m**	**Total UK £m**	**France Interiors £m**	**France Exteriors £m**	**Total France £m**	**Germany £m**	**Benelux £m**	**Ireland £m**	**Poland £m**	**Eliminations £m**	**Total Group £m**
Revenue												
Underlying revenue	357.4	310.1	**667.5**	168.1	344.8	**512.9**	370.7	91.6	80.5	149.5	-	**1,872.7**
Revenue attributable to businesses identified as non-core	-	-	**-**	-	1.8	**1.8**	-	-	-	-	-	**1.8**
Inter-segment revenue^	1.5	0.5	**2.0**	0.9	7.6	**8.5**	0.1	0.1	0.1	-	(10.8)	**-**
Total revenue	**358.9**	**310.6**	**669.5**	**169.0**	**354.2**	**523.2**	**370.8**	**91.7**	**80.6**	**149.5**	**(10.8)**	**1,874.5**
Segment result before Other items	(45.3)	(7.3)	**(52.6)**	7.1	8.3	**15.4**	0.4	2.5	0.8	2.0	**-**	**(31.5)**
Amortisation of acquired intangibles	(0.9)	(4.3)	**(5.2)**	-	(0.4)	**(0.4)**	-	-	-	-	**-**	**(5.6)**
Impairment charges	(49.7)	(11.8)	**(61.5)**	-	-	**-**	-	-	-	-	**-**	**(61.5)**
Acquisition costs	-	(0.2)	**(0.2)**	-	-	**-**	-	-	-	-	**-**	**(0.2)**
Profits and losses on agreed sale or closure of non-core businesses	(0.3)	-	**(0.3)**	-	(0.9)	**(0.9)**	-	-	-	-	**-**	**(1.2)**
Net operating losses attributable to businesses identified as non-core	-	-	**-**	-	(0.3)	**(0.3)**	-	-	-	-	**-**	**(0.3)**
Onerous contract costs	(1.0)	-	**(1.0)**	-	-	**-**	-	-	-	-	**-**	**(1.0)**
Net restructuring costs	(4.0)	(1.7)	**(5.7)**	-	(0.1)	**(0.1)**	(0.5)	(0.4)	-	-	**-**	**(6.7)**
Cloud computing customisation and configuration costs	(1.5)	(0.9)	**(2.4)**	-	-	**-**	-	-	-	-	**-**	**(2.4)**
Other specific items	(0.1)	-	**(0.1)**	-	0.1	**0.1**	0.2	-	-	-	**-**	**0.2**
Segment operating (loss)/profit	**(102.8)**	**(26.2)**	**(129.0)**	**7.1**	**6.7**	**13.8**	**0.1**	**2.1**	**0.8**	**2.0**	**-**	**(110.2)**
Parent Company costs												**(21.6)**
Parent Company Other items*												**(28.2)**
Operating loss												**(160.0)**
Net finance costs before Other items												**(23.0)**
Non-underlying finance costs												**(11.6)**
Loss before tax and discontinued operations												**(194.6)**
Income tax expense												**(6.6)**
Profit from discontinued operations												**69.7**
Loss for the year												**(131.5)**

^ Inter-segment revenue is charged at the prevailing market rates.

* Parent company Other items include investment in omnichannel retailing £4.2m, costs associated with refinancing £7.4m, onerous contract costs £12.2m, cloud computing customisation and configuration costs £4.7m and other specific items £1.6m, offset by profit on agreed sale or closure of non-core businesses of £1.9m.

The 2020 results have been restated as a result of the change in accounting policy relating to configuration and customisation costs in cloud computing arrangements. See note 1 for further details.

2. Revenue and segmental information (continued)

Balance Sheet

2021	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Total £m
Balance sheet											
Assets											
Segment assets	**222.3**	**262.6**	**484.9**	**69.5**	**208.0**	**277.5**	**136.1**	**53.9**	**54.2**	**66.2**	**1,072.8**
Unallocated assets:											
Property, plant and equipment											**0.3**
Derivative financial instruments											**0.2**
Cash and cash equivalents											**126.9**
Other assets											**1.5**
Consolidated total assets											**1,201.7**
Liabilities											
Segment liabilities	**204.6**	**124.1**	**328.7**	**54.6**	**117.8**	**172.4**	**74.7**	**21.7**	**30.9**	**33.5**	**661.9**
Unallocated liabilities:											
Interest-bearing loans and borrowings											**249.6**
Derivative financial instruments											**0.5**
Other liabilities											**25.0**
Consolidated total liabilities											**937.0**

2020 (Restated)	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Total £m
Balance sheet											
Assets											
Segment assets	150.6	241.0	**391.6**	67.6	210.6	**278.2**	138.1	48.7	52.6	59.5	**968.7**
Unallocated assets:											
Right-of-use assets											**1.4**
Property, plant and equipment											**0.3**
Derivative financial instruments											**0.1**
Cash and cash equivalents											**174.9**
Other assets											**4.8**
Consolidated total assets											**1,150.2**
Liabilities											
Segment liabilities	188.3	112.1	**300.4**	48.8	104.9	**153.7**	79.5	9.6	31.9	28.3	**603.4**
Unallocated liabilities:											
Interest-bearing loans and borrowings											**212.2**
Derivative financial instruments											**0.9**
Other liabilities											**31.8**
Consolidated total liabilities											**848.3**

The 2020 balance sheet has been restated as disclosed in Note 1.

2. Revenue and segmental information (continued)

2021	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Other segment information												
Capital expenditure on:												
Property, plant and equipment	**5.3**	**3.1**	**8.4**	**1.4**	**2.6**	**4.0**	**0.7**	**2.9**	**0.9**	**0.2**	**0.1**	**17.2**
Computer software	**-**	**0.4**	**0.4**	**0.1**	**0.5**	**0.6**	**0.1**	**-**	**0.2**	**0.1**	**-**	**1.4**
Goodwill and intangible assets acquired	**9.8**	**-**	**9.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.8**
Non-cash expenditure:												
Depreciation of fixed assets	**3.1**	**3.3**	**6.4**	**0.6**	**1.6**	**2.2**	**1.1**	**0.7**	**0.6**	**0.3**	**0.1**	**11.4**
Depreciation of right-of-use assets	**13.5**	**8.6**	**22.1**	**5.9**	**9.1**	**15.0**	**12.8**	**2.1**	**1.6**	**3.2**	**0.1**	**56.9**
Impairment of property, plant and equipment and computer software	**0.3**	**-**	**0.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**
Impairment of right-of-use assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**-**	**-**	**0.4**	**0.5**
Amortisation of acquired intangibles and computer software	**2.5**	**4.5**	**7.0**	**-**	**0.4**	**0.4**	**0.1**	**-**	**0.2**	**0.1**	**0.3**	**8.1**
Impairment of goodwill and intangibles (excluding computer software)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.9**	**-**	**-**	**-**	**9.9**

2020 (Restated)	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Other segment information												
Capital expenditure on:												
Property, plant and equipment	4.4	3.9	8.3	0.3	2.4	2.7	0.9	0.7	0.4	0.2	0.1	13.3
Computer software^	0.2	0.1	0.3	-	-	-	0.2	-	0.3	-	0.4	1.2
Goodwill and intangible assets acquired	-	1.8	1.8	-	-	-	-	-	-	-	-	1.8
Non-cash expenditure:												
Depreciation of fixed assets	3.3	2.5	5.8	0.6	1.5	2.1	1.7	0.6	0.5	0.4	0.1	11.2
Depreciation of right-of-use assets	15.2	8.0	23.2	5.1	8.6	13.7	12.9	1.6	1.7	3.2	0.3	56.6
Impairment of right-of-use assets	10.2	-	10.2	-	-	-	-	-	-	-	-	10.2
Impairment of property, plant and equipment and computer software^	4.0	-	4.0	-	-	-	-	-	-	-	-	4.0
Amortisation of acquired intangibles and computer software	4.1	4.7	8.8	-	0.4	0.4	-	-	0.2	0.1	0.9	10.4
Impairment of goodwill and intangibles^ (excluding computer software)	35.5	11.8	47.3	-	-	-	-	-	-	-	-	47.3

^ Restated due to the change in accounting policy in relation to customisation and configuration costs in cloud computing arrangements. See Note 1 for further details.

2. Revenue and segmental information (continued)

b) Geographic information

The Group's non-current operating assets (including property, plant and equipment, right-of-use assets, goodwill and intangible assets but excluding lease receivables, deferred tax and derivative financial instruments) by geographical location are as follows:

Country	**2021 £m**	Restated 2020 £m
United Kingdom	**228.7**	217.6
Ireland	**13.1**	14.6
France	**108.3**	113.4
Germany	**49.8**	59.5
Poland	**12.0**	13.4
Benelux	**22.7**	21.6
Total	**434.6**	440.1

3. Other operating expenses

3a. Analysis of other operating expenses

	2021			2020 (restated)		
	Before Other items £m	**Other items £m**	**Total £m**	Before Other items £m	Other items £m	Total £m
Other operating expenses:						
Distribution costs	**282.2**	**3.7**	**285.9**	261.2	8.0	269.2
Selling and marketing costs	**158.0**	**1.0**	**159.0**	138.8	1.4	140.2
Management, administrative and central costs	**120.5**	**22.7**	**143.2**	123.3	98.2	221.5
Property profits	**-**	**-**	**-**	(0.2)	(0.2)	(0.4)
Total	**560.7**	**27.4**	**588.1**	523.1	107.4	630.5

3b. Other items

Profit/(loss) after tax includes the following Other items which have been disclosed in a separate column within the Consolidated Income Statement in order to provide a better indication of the underlying earnings of the Group:

	2021			2020 (restated)		
	Other items £m	**Tax impact £m**	**Tax impact %**	Other items £m	Tax impact £m	Tax impact %
Amortisation of acquired intangibles	**(4.7)**	**0.2**	**4.3%**	(5.6)	1.1	19.6%
Impairment charges[1]	**(10.2)**	**-**	**-**	(61.5)	-	-
Net restructuring costs[2]	**(3.7)**	**0.5**	**13.5%**	(6.7)	1.0	14.9%
Onerous contract costs[3]	**(2.0)**	**-**	**-**	(13.2)	0.3	2.3%
Cloud computing configuration and customisation costs[4]	**(3.3)**	**0.5**	**15.2%**	(7.1)	-	-
Costs related to acquisitions	**(1.5)**	**-**	**-**	(0.2)		
Costs associated with refinancing[5]	**(2.4)**	**0.5**	**20.8%**	(7.4)	1.4	18.9%
Profits and losses on agreed sale or closure of non-core businesses	**-**	**-**	**-**	0.6	-	-
Net operating losses attributable to businesses identified as non-core	**-**	**-**	**-**	(0.3)	-	-
Investment in omnichannel retailing	**-**	**-**	**-**	(4.2)	-	-
Other specific items[6]	**0.4**	**-**	**-**	(1.3)	0.2	15.4%
Impact on operating profit/(loss)	**(27.4)**	**1.7**	**6.2%**	(106.9)	4.0	3.7%
Non-underlying finance costs[7]	**(7.8)**	**1.5**	**19.2%**	(11.6)	0.1	0.9%
Impact on profit/(loss) before tax	**(35.2)**	**3.2**	**9.1%**	(118.5)	4.1	3.5%

[1] Impairment charges comprises £9.9m relating to goodwill and £0.3m relating to additional impairment of an investment property. Impairment charges in the prior year comprised £45.4m related to goodwill, £1.9m customer relationships in intangibles, £0.5m other software costs, £3.5m tangible fixed assets and £10.2m right-of-use assets. The prior year numbers have been restated to remove £14.6m impairment of software due to the change in accounting policy relating to configuration and customisation costs in cloud computing arrangements. See Note 1 for further details.

[2] Net restructuring costs include property closure costs of £1.2m (2020: £0.8m), redundancy and related staff costs of £2.4m (2020: £2.8m), restructuring consultancy costs of £0.1m (2020: £2.9m) and other costs of £nil (2020: £0.2m). These costs have been incurred principally in connection with the restructuring of corporate functions as part of the implementation of the Return to Growth strategy, and restructuring in Germany and Benelux.

[3] Onerous contract costs includes £2.0m (2020: £11.4m) relating to provisions recognised for licence fee commitments where no future economic benefit is expected to be obtained, principally in relation to the SAP 1HANA implementation together with £nil (2020: £1.8m) licence fees recognised in the Consolidated income statement during the year whilst the project was on hold.

[4] Cloud computing configuration and customisation costs relate to costs incurred on strategic projects involving software as a service arrangements which are expensed as incurred rather than being capitalised as intangible assets. Prior year amounts have been restated to include these costs as a result of the change in accounting policy during the year. See Note 1 for further details.

[5] Costs associated with refinancing includes legal and professional fees of £4.9m (2020: £8.3m) offset by a £2.5m (2020: £0.9m) gain in relation to the termination of the cash flow hedging arrangements as a result of the refinancing.

[6] Other specific items of £0.4m credit in 2021 relates principally to the transfer from cash flow hedging reserve to profit and loss in relation to the cash flow hedging arrangements on the private placement notes following partial repayment in 2020. The prior year amount included PwC investigation costs £1.8m and GMP equalisation costs £0.4m, offset by £0.6m gain on fair value of a forward currency option not hedged, £0.1m costs in relation to the cyber attack in France and £0.2m other specific items.

[7] Non-underlying finance costs comprise a £12.9m make-whole payment on settlement of the private placement notes, £2.8m write-off of arrangement fees in relation to the previous debt arrangements, offset by £8.0m release of the loss on modification recognised on amendment of the private placement notes in 2020, together with £0.1m unwinding of the discount on the onerous contract provision. Costs in 2020 comprised £11.3m loss on modification recognised in relation to the private placement notes and £0.3m write-off of arrangement fees in relation to the previous RCF which was extinguished during 2020.

4. Income tax

The income tax expense comprises:

		2021 £m	2020 £m
Current tax			
UK & Ireland corporation tax:	- charge for the year	**0.3**	0.5
	- adjustments in respect of previous years	**-**	-
		0.3	0.5
Mainland Europe corporation tax	- charge for the year	**10.6**	5.6
	- adjustments in respect of previous years	**2.0**	(0.1)
		12.6	5.5
Total current tax		**12.9**	6.0
Deferred tax			
Current year credit		**(1.1)**	(2.2)
Adjustments in respect of previous years		**0.6**	2.6
Deferred tax charge in respect of pension schemes		**(0.1)**	-
Effect of change in rate		**0.1**	0.2
Total deferred tax		**(0.5)**	0.6
Total income tax expense		**12.4**	6.6

As the Group's profits and losses are earned across a number of tax jurisdictions an aggregated income tax reconciliation is disclosed, reflecting the applicable rates for the countries in which the Group operates.

The total tax charge for the year differs from the expected tax using a weighted average tax rate which reflects the applicable statutory corporate tax rates on the accounting profits/losses in the countries in which the Group operates. The differences are explained in the following aggregated reconciliation of the income tax expense:

	2021		Restated 2020	
	£m	%	£m	%
Loss before tax from continuing operations	**(15.9)**		(194.6)	
Profit before tax from discontinued operations	**-**		72.0	
Loss before tax	**(15.9)**		(122.6)	
Expected tax credit	**(1.5)**	**9.4%**	(13.4)	10.9%
Factors affecting the income tax expense for the year:				
Expenses not deductible for tax purposes^	**4.5**	**(25.8)%**	19.6	(16.0)%
Non-taxable income*	**(0.1)**	**0.6%**	(33.2)	27.1%
Impairment and disposal charges not deductible for tax purposes**	**1.4**	**(8.8)%**	15.1	(12.3)%
Deductible temporary differences not recognised for deferred tax purposes	**5.4**	**(34.0)%**	18.1	(14.8)%
Losses utilised not previously recognised for deferred tax purposes	**-**			
Other adjustments in respect of previous years	**2.6**	**(16.4)%**	2.5	(2.0)%
Effect of change in rate on deferred tax	**0.1**	**(0.6)%**	0.2	(0.2)%
Total income tax expense	**12.4**	**(78.0)%**	8.9	(7.3)%
Income tax expense reported in the consolidated income statement	**12.4**		6.6	
Income tax attributable to a discontinued operation	**-**		2.3	
	12.4		8.9	

^ The majority of the Group's expenses that are not deductible for tax purposes are in relation to internal restructuring and impairments of property in 2021 and 2020, and the divestments of businesses in 2020.
* The majority of the Group's non-taxable income in 2020 relates to the divestments of businesses.
** During the year the Group incurred impairment charges of £9.9m (2020: £45.4m) in relation to goodwill which are not deductible for tax purposes.

The effective tax rate for the Group on the total loss before tax of £15.9m (2020 restated: £122.6m) is negative 78.0% (2020 restated: negative 7.3%). As the Group operates in several different countries tax losses cannot be surrendered or utilised cross border. Tax losses are not currently recognised in respect of the UK business, which has the effect of reducing the overall effective tax rate.

Factors that will affect the Group's future total tax charge as a percentage of underlying profits are:
- the mix of profits and losses between the tax jurisdictions in which the Group operates;
- the impact of non-deductible expenditure and non-taxable income;
- agreement of open tax computations with the respective tax authorities; and
- the recognition or utilisation (with corresponding reduction in cash tax payments) of unrecognised deferred tax assets.

The Group has previously disclosed the EU's investigation into the UK controlled foreign company (CFC) rules which gave rise to potential additional tax payable of up to £5m (before interest and penalties), which was not provided for. HMRC has now completed its review of the Group's tax arrangements for the periods in question and confirmed that they complied with the requirements of the UK CFC legislation and that it considers that the Group's arrangements did not result in unlawful State Aid. Accordingly, HMRC has accepted the Group's tax returns as submitted and there is no longer a potential exposure or payment to be made.

In addition to the amounts charged to the Consolidated income statement, the following amounts in relation to taxes have been recognised in the Consolidated statement of comprehensive income, with the exception of deferred tax on share options which has been recognised in the Consolidated statement of changes in equity:

	2021 £m	2020 £m
Deferred tax movement associated with re-measurement of defined benefit pension liabilities*	**(0.1)**	0.3
Tax credit associated with re-measurement of defined benefit pension liabilities*	-	0.4
Total	**(0.1)**	0.7

* These items will not subsequently be reclassified to the Consolidated income statement.

5. (Loss)/earnings per share

The calculations of (loss)/earnings per share are based on the following (losses)/profits and numbers of shares:

	Basic and diluted	
	2021 £m	Restated 2020 £m
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations	**(28.3)**	(201.2)
Profit attributable to ordinary equity holders of the parent from discontinued operations	-	69.7
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**(28.3)**	(131.5)

	Basic and diluted before Other items	
	2021 £m	Restated 2020 £m
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations	**(28.3)**	(201.2)
Add back:		
Other items	**32.0**	114.4
Profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations before other items	**3.7**	(86.8)

Weighted average number of shares	**2021 Number**	Restated 2020 Number
For basic and diluted (loss)/earnings per share	**1,177,972,694**	871,941,603
Effect of dilution from share options	**-**	-
Adjusted for the effect of dilution	**1,177,972,694**	871,941,603

	2021	2020
Loss per share		
From continuing operations:		
Basic loss per share	**(2.4)p**	(23.1)p
Diluted loss per share	**(2.4)p**	(23.1)p
Total:		
Basic loss per share	**(2.4)p**	(15.1)p
Diluted loss per share	**(2.4)p**	(15.1)p
Earnings/(loss) per share before Other items^		
Basic earnings/(loss) per share from continuing operations before Other items	**0.3p**	(10.0)p

^ Earnings/(loss) per share before Other items (also referred to as underlying earnings/(loss) per share) has been disclosed in order to present the underlying performance of the Group.

Loss per share for the year ended 31 December 2020 has been restated to reflect the restatement of the 2020 results as explained in Note 1. The diluted loss per share for the year ended 31 December 2020 has also been restated to reflect the antidilutive nature of the share options.

6. Reconciliation of loss before tax to cash generated from operating activities

	2021 £m	2020 £m
Loss before tax from continuing operations	**(15.9)**	(194.6)
Profit before tax from discontinued operations	-	72.0
Loss before tax	**(15.9)**	(122.6)
Net finance costs	**29.9**	34.6
Depreciation of property, plant and equipment	**11.4**	11.2
Depreciation of right-of-use assets	**56.9**	57.2
Amortisation of computer software	**3.4**	4.8
Amortisation of acquired intangibles	**4.7**	5.6
Impairment of computer software	-	0.5
Impairment of property, plant and equipment	**0.3**	3.5
Impairment of goodwill	**9.9**	45.4
Impairment of acquired intangibles	-	1.9
Impairment of right-of-use assets	**0.5**	10.2
Profit on agreed sale or closure of non-core businesses	-	(71.6)
(Profit)/loss on sale of property, plant and equipment	**(0.9)**	0.7
Share-based payments	**2.4**	0.2
Gains on derivative financial instruments	**(2.8)**	(1.5)
Net foreign exchange differences	**0.3**	0.2
(Decrease)/increase in provisions	**(7.3)**	11.3
Working capital movements:		
- Increase in inventories	**(75.7)**	(5.4)
- (Increase)/decrease in receivables	**(68.1)**	19.7
- Decrease/(increase) in payables	**58.4**	(56.4)
Cash generated from/(used in) operating activities	**7.4**	(50.5)

Included within the cash generated from/(used in) operating activities is a defined benefit pension scheme employer's contribution of £5.0m (2020: £2.5m).

Of the total loss on sale of property, plant and equipment, £nil profit (2020: £0.2m) has been included within Other items of the Consolidated income statement.

7. Reconciliation of net cash flow to movements in net debt

	2021 £m	2020 £m
(Decrease)/increase in cash and cash equivalents in the year	**(82.7)**	68.4
Cash flow from decrease in debt	**15.8**	183.0
(Increase)/decrease in net debt resulting from cash flows	**(66.9)**	251.4
Movement in deferred consideration	**(0.9)**	(0.9)
Debt added on acquisitions	**(7.5)**	-
Non-cash items^	**(60.0)**	(39.3)
Exchange differences	**8.5**	6.0
(Increase)/decrease in net debt in the year	**(126.8)**	217.2
Net debt at 1 January	**(238.2)**	(455.4)
Net debt at 31 December	**(365.0)**	(238.2)

^ Non-cash items include the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow, the movement in cash restricted for use in relation to the asset backed funding arrangement implemented in relation to the UK defined benefit pension plan and non-cash movements in relation to lease liabilities.

8. Dividends

No interim dividend was paid for the year ended 31 December 2021 and no final dividend is proposed. No interim or final dividend was proposed or paid for the year ended 31 December 2020. No dividends have been paid between 31 December 2020 and the date of signing the Financial Statements.

At 31 December 2021 the Company has distributable reserves of £190.2m (2020: negative £217.1m). On 24 June 2021 the Group completed the cancellation of its share premium account, resulting in the transfer of £447.7m from share premium to retained profits/(losses) and the creation of distributable reserves.

9. Acquisitions

The Group acquired the following businesses during the year:

	% ordinary share capital acquired	Acquisition date	Country of incorporation	Principal Activity
F30 Building Products Limited	100%	10 March 2021	United Kingdom	Distributor of construction accessories
Penlaw and Company Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products
Penlaw Northwest Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products
Penlaw Norfolk Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products
Penlaw Fixings Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products

The Group acquired the above businesses to enlarge the UK Interiors business in terms of product range and geographic location, and the acquisitions are allocated to the UK Interiors segment. The four Penlaw companies were acquired as one transaction and are therefore considered as one business combination below and referred to as the Penlaw Group.

The provisional fair values of the identifiable assets and liabilities of the Penlaw acquisition and the final fair values of the F30 acquisition at the date of acquisition are as follows:

	Penlaw Group	**F30 Building Products**	**2021 Total**	2020 Total
	£m	**£m**	**£m**	£m
Assets				
Intangible assets (customer relationships)	**3.2**	**1.8**	**5.0**	0.8
Property, plant and equipment	**1.4**	**0.1**	**1.5**	0.1
Right-of-use assets	**7.2**	**0.3**	**7.5**	0.2
Cash and cash equivalents	**2.0**	**0.2**	**2.2**	3.2
Trade and other receivables	**20.6**	**1.1**	**21.7**	0.7
Inventories	**3.1**	**0.2**	**3.3**	0.4
	37.5	**3.7**	**41.2**	5.4
Liabilities				
Trade and other payables	**(20.8)**	**(1.3)**	**(22.1)**	(0.8)
Provisions	**(0.6)**	**(0.1)**	**(0.7)**	(0.2)
Current tax liability	**(0.1)**	**(0.1)**	**(0.2)**	(0.2)
Deferred tax liability	**(0.9)**	**(0.4)**	**(1.3)**	(0.1)
Lease liabilities	**(7.2)**	**(0.3)**	**(7.5)**	(0.2)
	(29.6)	**(2.2)**	**(31.8)**	(1.5)
Total identifiable net assets at fair value	**7.9**	**1.5**	**9.4**	3.9
Goodwill arising on acquisition	**2.7**	**2.1**	**4.8**	1.0
Purchase consideration transferred	**10.6**	**3.6**	**14.2**	4.9

The fair value of trade receivables amounts to £13.8m for the Penlaw Group and £1.2m for F30 Building Products. The gross amount of trade receivables is £15.1m for the Penlaw Group and £1.2m for F30 Building Products.

The Group measures the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use asset was measured at an amount equal to the lease liability.

The goodwill of £2.1m relating to F30 Building Products comprises the value of expected synergies arising from the acquisition, strategic fit with the UK Interiors business and geographic location, in particular the developing sales in the construction accessories sector.

The goodwill of £2.7m relating to the Penlaw Group comprises the value of expected synergies arising from the acquisition and the strategic fit with the UK Interiors business.

From the date of acquisition, the Penlaw Group contributed £9.9m of revenue and £0.4m loss to underlying profit before tax of the Group, and F30 Building Products contributed £6.5m of revenue and £0.8m to underlying profit before tax. If the acquisitions had taken place at the beginning of the year, revenue for the Group would have been £2,349.6m and loss before tax for the Group would have been £13.9m.

Purchase Consideration

	Penlaw Group £m	**F30 Building Products £m**	**2021 Total £m**	2020 Total £m
Cash paid on completion	**9.8**	**2.5**	**12.3**	4.0
Deferred consideration due within one year	**0.2**	**0.5**	**0.7**	0.5
Deferred consideration due after more than one year	**0.1**	**0.6**	**0.7**	0.4
Contingent consideration due within one year	**0.1**	**-**	**0.1**	-
Contingent consideration due after more than one year	**0.4**	**-**	**0.4**	-
Total consideration	**10.6**	**3.6**	**14.2**	4.9

The contingent consideration in relation to the Penlaw Group is payable dependent on future performance of the business based on adjusted EBITDA exceeding an EBITDA threshold, as defined in the sale and purchase agreement, with up to a maximum of £0.6m payable for the first twelve months from completion and up to a maximum of £1.2m for the second twelve months from completion, subject to a maximum of £1.2m in total. The range of contingent consideration payable is therefore £nil to £1.2m. £0.5m has been recognised at the date of acquisition on the basis of current forecasts. This is included within other payables on the Consolidated balance sheet. The provision is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss. The fair value is measured using level 3 inputs and is sensitive to changes in one or more observable inputs.

In relation to F30 Building Products, a further amount of up to £0.8m is also payable over the twelve months from completion dependant on the future performance of the business and dependent on the vendor remaining within the business. This is therefore treated as remuneration and is being charged to the Consolidated income statement as earned. £0.6m has been recognised and included within accruals in relation to this at 31 December 2021.

Analysis of cash flows on acquisition

	Penlaw Group £m	**F30 Building Products £m**	**2021 Total £m**	2020 Total £m
Consideration paid (included in cash flows from investing activities)	**(9.8)**	**(2.5)**	**(12.3)**	(4.0)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**2.0**	**0.2**	**2.2**	3.2
Total net cash flow included in cash flows from investing activities	**(7.8)**	**(2.3)**	**(10.1)**	(0.8)
Transaction costs (included in cash flows from operating activities)	**(0.3)**	**(0.1)**	**(0.4)**	(0.2)
Net cash flow on acquisition	**(8.1)**	**(2.4)**	**(10.5)**	(1.0)

2020

The 2020 amounts above relate to the acquisition of S M Roofing Supplies Limited. On 17 October 2020 the Group acquired 100% of the share capital of S M Roofing Supplies Limited, a non-listed company based in the UK, for an enterprise value of £1.9m on a debt free cash free basis. Total consideration was £4.9m, including £3.2m for cash within the business on completion. £4.0m was paid in cash on completion and two further amounts totalling £0.9m are payable in one and two years' time (not subject to performance criteria and not conditional upon vendors remaining within the business).

The goodwill of £1.0m comprises the value of expected synergies arising from the acquisition (e.g. overhead costs in relation to finance, administration and management), strategic fit with the UK Exteriors business and geographic location. The 2020 provisional fair values of the identifiable assets and liabilities have been finalised during the current year with no further adjustments recognised.

From the date of acquisition, S M Roofing Supplies Limited contributed £1.0m of revenue and £nil to underlying profit before tax from continuing operations of the Group for the year ended 31 December 2020. If the combination had taken place at the beginning of the year, revenue from continuing operations for the Group would have been £1,877.8m and loss before tax from continuing operations for the Group would have been £70.1m (restated).

10. Divestments

There have been no business divestments or closures during the current year and no amounts recognised in respect of profits and losses on agreed sale or closure of non-core businesses (2020: net gain of £0.6m). The prior year gain consisted of £2.0m gain in relation to the disposal of the Middle East business, offset by costs of £0.2m in relation to the proposed disposal of Building Solutions which was due to complete in the first half of 2020 but was terminated in May 2020, a loss on the sale of the Maury business of £0.9m and other costs in relation to previous disposals of £0.3m. These are explained further below.

The sale of the Air Handling business also completed in the prior year and the gain on sale was included with the results from discontinued operations.

Prior year divestments

The Middle East business, which was in the process of being closed, was sold on 22 January 2020 for AED1. A gain on sale of £2.0m was recognised in 2020, in relation to the reclassification to the Consolidated income statement of the cumulative exchange differences on the retranslation of the net assets of the business previously recognised in other comprehensive income in accordance with IAS 21 "The effects of foreign exchange rates".

On 10 September 2020 the Group completed the sale of Maury NZ SAS ("Maury"), the Group's high-end fabrication business in France and part of the France Exteriors (Larivière) segment, for proceeds of €25,000. An overall loss on sale of £0.9m was recognised within Other items, including the reclassification of the cumulative exchange differences on the retranslation of the net assets from equity to the Consolidated income statement, in accordance with IAS 21 "The effects of changes in foreign exchange rates". Net assets at the date of disposal were £0.9m and costs of less than £0.1m were incurred, resulting in the overall loss on sale of £0.9m.

Costs of £0.2m were recognised during 2020 in relation to the proposed disposal of the Building Solutions business, which was previously classified as held for sale at 31 December 2019 as a sale had been agreed and was due to complete in the first half of 2020, which was subsequently terminated in May 2020 (and the business is now included within underlying operations). £0.3m costs were also incurred and recognised within Other items in relation to the Commercial Drainage business which was closed in 2019.

Contribution to revenue and operating loss

The only business classified as non-core in the prior year was Maury, which contributed £1.8m to revenue for the year ended 31 December 2020 and £0.3m operating loss for the year.

Cash flows associated with divestments and exit of non-core businesses

There is no net cash inflow in the year ended 31 December 2021 in respect of divestments and the exit of non-core businesses. Amounts for the prior year were as follows:

		2020	
	Air Handling	**Other non-core businesses**	Total
	£m	**£m**	£m
Cash consideration received for divestments	189.7	0.7	190.4
Cash at date of disposal	(29.2)	(0.2)	(29.4)
Disposal costs paid	(12.9)	(0.3)	(13.2)
Net cash inflow	147.6	0.2	147.8

Included within 'Other non-core businesses' is £0.7m received during the year in relation to contingent consideration on the sale of the Building Plastics division in 2017.

The losses arising on the agreed sale or closure of non-core businesses and associated impairment charges, along with their results for the current and prior periods were disclosed within Other items in the Consolidated income statement in order to present the underlying earnings of the Group.

11. Discontinued operations

On 7 October 2019, the Group announced that it had agreed a sale of the Air Handling business for consideration of €222.7m on a cash free, debt free basis. The sale was approved by shareholders at a general meeting on 23 December 2019 and completed on 31 January 2020. At 31 December 2019, Air Handling was classified as a disposal group held for sale and as a discontinued operation as it represented a major line of business of the Group. The results of the Air Handling business for the prior year are presented below. There are no amounts relating to discontinued operations in the current year.

	2020 £m
Revenue	**25.4**
Cost of sales	**(15.0)**
Gross profit	**10.4**
Other operating expenses	**(9.3)**
Operating profit	**1.1**
Finance costs	**(0.1)**
Profit before tax from discontinuing operations	**1.0**
Income tax expense	**(0.3)**
Profit after tax from discontinued operations	**0.7**
Gain on sale of subsidiary after income tax (see below)	**69.0**
Profit from discontinued operation	**69.7**

There were no amounts included in OCI.

The net cash flows incurred by Air Handling were as follows:

	2020 £m
Operating	**1.1**
Investing	**147.6**
Financing	**-**
Net cash inflow	**148.7**

Earnings per share:

	2020
Basic earnings per share from discontinued operations	8.0p
Diluted earnings per share from discontinued operations	8.0p

Gain on sale

	2020 £m
Consideration received[1]:	
Cash	**191.9**
Adjustment to consideration	**(2.2)**
Final consideration	**189.7**
Carrying amount of net assets sold[2]	**(118.1)**
Gain on sale before costs, income tax and reclassification of foreign currency translation reserve	**71.6**
Costs incurred in connection with the agreed disposal of the Air Handling business[3]	**(4.3)**
Reclassification of foreign currency translation reserve	**3.7**
Income tax expense on gain	**(2.0)**
Gain on sale after income tax	**69.0**

[1] Consideration received was based on an enterprise value of €222.7m on a cash free, debt free basis, adjusted for actual levels of cash, debt and working capital in the Air Handling division at completion to give proceeds received of €228.6m (£191.9m). Net proceeds received exclusive of amounts repaid in relation to debt owed to the Group by the Air Handling division was €187.4m (£157.3m). As part of the completion process, further adjustments to the consideration were agreed and repaid by the Group, together with settlement of tax payments, reducing total consideration by £2.2m.

[2] The carrying amount of net assets sold was the net assets held for sale at 31 December 2019 plus £0.4m relating to the net profit for the month of January 2020 less tax payments and working capital movements.

[3] £12.2m of costs were incurred and recognised in 2019 in connection with the sale. Including these in the overall calculation of the gain on sale above would give a gain on sale after income tax of £57.0m.

12. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

In 2021, SIG incurred expenses of £0.6m (2020: £0.5m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

Remuneration of key management personnel

The total remuneration of key management personnel of the Group, being the Executive Leadership Team members and the Non-Executive Directors is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	2021 **£m**	2020 £m
Short term employee benefits	**6.7**	5.8
Termination and post-employment benefits	**-**	0.1
IFRS 2 share option charge	**1.5**	-
	8.2	5.9

13. Non-statutory information

The Group uses a number of alternative performance measures, which are non-IFRS, to describe the Group's performance. The Group considers these performance measures to provide useful historical financial information to help investors evaluate the underlying performance of the business. Alternative performance measures are not a substitute for or superior to statutory IFRS measures.

These measures, as shown below, are used to improve the comparability of information between reporting periods and geographical units, to adjust for Other items (as explained in further detail within the Statement of significant accounting policies) or to adjust for businesses identified as non-core to provide information on the ongoing activities of the Group. This also reflects how the business is managed and measured on a day-to-day basis. Non-core businesses are those businesses that have been closed or disposed of or where the Board has resolved to close or dispose of the businesses by 31 December 2021. Measures presented are aligned with the key performance measures used in the business and as included in this report. Operating costs as a percentage of sales is not included as a KPI in the current year and is therefore not presented below, and gross margin by segment are no longer presented, whilst free cash flow is included for the first time in the current year.

a) Net debt

Net debt is a key metric for the Group, and monitoring it is an important element of treasury risk management for the Group. Net debt excluding the impact of IFRS16 is no longer relevant for financial covenant purposes but is still monitored for comparative purposes. Net debt on frozen GAAP basis and covenant net debt which were presented last year are no longer relevant following the change in debt arrangements during the year and are therefore no longer presented.

	2021 **£m**	2020 £m
Reported net debt	**365.0**	238.2
Lease liabilities recognised in accordance with IFRS 16	**(239.1)**	(237.0)
Lease receivables recognised in accordance with IFRS 16	**3.7**	4.3
Other financial liabilities recognised in accordance with IFRS 16	**(1.0)**	(1.4)
Net debt excluding the impact of IFRS 16	**128.6**	4.1

b) Like-for-like sales

Like-for-like sales is calculated on a constant currency basis and represents the growth in the Group's sales per day excluding any acquisitions or disposals completed or agreed in the current and prior year. Revenue is not adjusted for branch openings and closures. This measure shows how the Group has developed its revenue for comparable business relative to the prior period. As such it is a key measure of the growth of the Group during the year. Underlying revenue is revenue from continuing operations excluding non-core businesses.

	UK Interiors £m	UK Exteriors £m	**Total UK £m**	France Interiors (LiTT) £m	France Exteriors (Larivière) £m	**Total France £m**	Germany £m	Benelux £m	Ireland £m	Poland £m	**Total Group £m**
Statutory revenue 2021	507.4	422.2	**929.6**	195.3	406.0	**601.3**	393.2	92.4	88.2	186.7	**2,291.4**
Non-core businesses	-	-	**-**	-	-	**-**	-	-	-	-	**-**
Underlying revenue 2021	507.4	422.2	**929.6**	195.3	406.0	**601.3**	393.2	92.4	88.2	186.7	**2,291.4**
Statutory revenue 2020	357.4	310.1	**667.5**	168.1	346.6	**514.7**	370.7	91.6	80.5	149.5	**1,874.5**
Non-core businesses	-	-	**-**	-	(1.8)	**(1.8)**	-	-	-	-	**(1.8)**
Underlying revenue 2020	357.4	310.1	**667.5**	168.1	344.8	**512.9**	370.7	91.6	80.5	149.5	**1,872.7**
% change year on year:											
Underlying revenue	42.0%	36.1%	**39.3%**	16.2%	17.7%	**17.2%**	6.1%	0.9%	9.6%	24.9%	**22.4%**
Impact of currency	-	-	**-**	3.9%	4.0%	**4.0%**	3.5%	3.4%	3.6%	7.0%	**2.6%**
Impact of acquisitions	(4.6)%	(1.2)%	**(3.0)%**	-	-	**-**	-	-	-	-	**(0.3)%**
Impact of working days	0.6%	0.6%	**0.6%**	-	-	**-**	-	0.8%	0.5%	1.6%	**(0.4)%**
Like-for-like sales	38.0%	35.5%	**36.9%**	20.1%	21.7%	**21.2%**	9.6%	5.1%	13.7%	33.5%	**24.3%**

c) Operating margin

This is used to enhance understanding and comparability of the underlying financial performance of the Group and is calculated as underlying operating profit/(loss) as a percentage of underlying revenue.

	2021 £m	Restated 2020 £m
Underlying revenue	**2,291.4**	1,872.7
Underlying operating profit/(loss)	**41.4**	(53.1)
Operating margin	**1.8%**	(2.8)%

d) Free cash flow

Free cash flow represents the cash available after supporting operations, including the repayment of lease liabilities, and capital expenditure, including the maintenance of capital assets, and before investing activities.

	2021 £m	2020 £m
(Decrease)/increase in cash and cash equivalents in the year	**(82.7)**	68.4
Add back:		
Net cash flow on the purchase of businesses	**10.1**	0.8
Settlement of amounts payable for previous purchases of businesses	**0.5**	-
Net cash flow arising on the sale of businesses	**-**	(147.8)
Repayment of borrowings	**200.3**	55.1
Proceeds from borrowings	**(251.5)**	-
Repayment of revolving credit facility	**-**	30.0
Settlement of derivative financial instruments	**(0.8)**	0.1
Net proceeds from equity raise	**-**	(151.9)
Free cash flow	**(124.1)**	(145.3)

e) Other non-statutory measures

In addition to the alternative performance measures noted above, the Group also uses underlying EPS (as set out in Note 5), underlying net finance costs and average trade working capital to sales ratio. Average trade working capital to sales ratio is calculated as the average trade working capital each month end (net inventory, gross trade creditors, net trade receivables and supplier rebates receivable) divided by underlying revenue.

14. Principal risks and uncertainties

The Board, supported by the Audit Committee, sets the strategy for the Group and ensures the associated risks are effectively identified and managed through the implementation of the risk management and control frameworks.

The Group employs a three lines model to provide a simple and effective way to enhance the risk and control management process and ensure roles and responsibilities are clear. The Board maintains oversight to ensure risk management and control activities carried out by the three lines are proportionate to the perceived degree of risk and its own risk appetite across the Group.

To identify our risks, we focus on our strategic objectives and consider what might stop us achieving our plan within our strategic planning period. The approach combines a top-down strategic Group-level view and a bottom-up operational view of the risks at operating company level. Meetings are held with our operating company leadership teams to identify the risks within their operations. These are consolidated and, in conjunction with a series of discussions held with Executive Leadership Team and Non-Executive Directors, provide the inputs to identify and validate our principal risks.

Risk	Mitigations
Cyber security: Internal or external cyber-attacks could result in system disruption or sensitive date being compromised There is a risk that we lack the capabilities to effectively prevent, monitor, respond or recover from suspected cyber-attacks on our IT infrastructure. Such attacks may result in a loss of data or disruption to IT services which may have a significant impacts on our ability to operate and comply with data protection and privacy laws (e.g. GDPR) and may have a detrimental effect on our reputation.	Cyber security continues to receive Board and Executive Leadership Team focus with an emphasis on ensuring that appropriate technologies are deployed across IT infrastructure to manage cyber threats. Regular and independent reviews are performed to assess the nature of our cyber threats, security processes and initiatives. They also ensure that we implement appropriate tools and processes to better identify and remediate new and emerging cyber risks and vulnerabilities. Cyber-incident response protocols are also in place to support our ability to effectively respond and recover from a cyber threat or incident and ongoing cyber training campaigns and initiatives ensure employees are alert to the nature and consequences of cyber-attacks.

Risk	Mitigations
Health & Safety: Danger of incident or accident, resulting in injury or loss of life to employees, customers, or the general public There is a risk that poor organisational arrangements or behavioural culture with regards to Health & Safety causes harm to individuals and as a result may result in enforcement action, penalties, reputational damage, or adverse press coverage.	The Group Director of Health & Safety is a member of the Executive Leadership Team and provides strategic leadership for all matters relating to health, safety and environmental performance, oversight and strategy. He is supported by local Health & Safety managers, embedded in each of our businesses, who provide local leadership and support, and provide regular monitoring and reporting of key performance metrics and the status of local actions and initiatives implemented. A compliance standards framework is in place to ensure the adequacy of local Health & Safety standards and arrangements with assurance provided through a programme of compliance audits performed by suitably trained and experienced Health & Safety professionals.
Macro-economic uncertainty: Macro-economic volatility impacts the Group's ability to accurately forecast and to meet internal and external expectations Supply and demand distortions (such as goods and materials shortages throughout the global supply chains and increased inflationary pressures) and the re-imposition of public health restrictions in response to future waves and variants of Covid-19 may continue to impact European economies throughout 2022. This volatility has the potential to impact customer demand, along with presenting significant challenges to our financial, operational and commercial resilience, whilst adding costs to our operations and making planning and forecasting more difficult. Very recently the conflict in Ukraine has contributed to heightened uncertainty. Changes in macro-economic conditions may adversely affect the Group's people, business, results of operations, financial condition or prospects.	We continue to assess inflationary and other supply chain pressures and impacts on product pricing and will continue to work with our suppliers to identify opportunities to improve supply chain resilience and to selectively pre-purchase products in order to ensure continuity of supply. The Group's geographical diversity across Europe reduces the impact of changes in market conditions in any one country while industry based KPIs, monitored monthly at a Group and operating company level, help to ensure that warnings and indicators of risk are identified early, and appropriate mitigation strategies implemented.
Attract, recruit and retain our people: Failure to attract and retain people with the right skills, drive and capability to reshape and grow the business A combination of structural labour and vocational skills shortages in the construction sector, exacerbated by reduced short term intra-EU and UK-EU mobility resulting from both Covid-19 restrictions and Brexit, has the potential to negatively impact SIG's ability to attract, recruit and retain staff across the full spectrum of disciplines.	We continue to invest in learning and development programmes to ensure both vocational and technical training needs are met whilst retaining an agile workforce. We ensure accountabilities, responsibilities, and organisational structures are regularly reviewed and where necessary restructured to optimise employee motivation and engagement. Ongoing enhancements to pay and conditions, including benchmarking remuneration packages to ensure market competitiveness, broadening the scope of variable elements of remuneration and the development of retention and succession plans for critical roles helps to mitigate this risk.
Data quality and governance: Poor data quality negatively impacts our financial management, fact-based decision making, business efficiency, and credibility with customers There is a risk that we lack the necessary quality of systems and processes to ensure sufficient granularity, completeness, and accuracy of vendor, product, and pricing master data. This has the potential to impact our ability to deliver a digital customer experience, provide enhanced product and customer analytics or insight and comply with both existing and new regulatory requirements.	Product and customer data quality remains a focus area for our operating companies, who continue to monitor, assess, and upgrade their product data requirements, capabilities, and governance considering ongoing changes in business needs and regulation.
Environmental, social and governance (ESG): SIG suffers reputational impacts due to poor environmental, social and governance arrangements and performance Public and commercial consciousness has been growing on a wide range of environmental, social and governance issues, including climate change, employee wellbeing and how an organisation contributes to society. Organisations should not only minimise their negative impacts, but to also contribute positively to both society and the environment. While SIG has a long and rich heritage in helping the construction industry deliver energy efficient solutions and products, risks remain in terms of how we deliver our ESG agenda. This is particularly the	We have set ambitious ESG commitments and will focus on demonstrating leadership in building materials distribution, Health & Safety, committing to a net zero carbon target by 2035 at the latest, sending zero SIG waste to landfill by 2025, partnering with manufacturers and customers to reduce carbon and waste across the supply chain and to being recognised as the employer of choice in building materials distribution. These commitments will be supported by verifiable and evidenced based data to ensure that progress in achieving these aims and ambitions is monitored and subject to appropriate rigour.

Risk	**Mitigations**
case in how we ensure we achieve our stated aims with regards to climate change. These risks include the cost and complexity of compliance, the challenges presented by the decarbonisation of our vehicle fleet and estate and how we engage with the wider industry to reduce product and supply chain carbon impacts.	
Mergers and acquisitions: We lack the capabilities to identify, acquire and integrate significant mergers and acquisition opportunities and ensure deals deliver desired scalability and value creation As part of our growth strategy, we may from time to time acquire new businesses. Such decisions are based on detailed plans that assess the value creation opportunity for the Group. By their nature, there is an inherent risk that we fail to manage the execution and integration risks which may result in delays or additional costs and impact the future value and future revenues generated.	We have dedicated M&A Group resource supported by appropriately skilled in-house expertise and the use of approved external advisors. Clear accountability and authority limits for the initiation and approval of M&A activity is clearly defined in the Group Delegation of Authority. Resource is also available in the organisation to ensure that transactions are subject to post-integration and lessons learnt exercises.
Legal or regulatory compliance: We fail to comply with or are found to be in breach of legal or regulatory requirements The Group's operations are subject to an increasing and evolving range of regulatory and other requirements in the markets in which it operates. A major corporate failure resulting from a non-compliance with legislative, regulatory or other requirements would impact our brand and reputation, could expose us to significant operational disruption or result in enforcement action or penalties.	Our Group General Counsel is a member of the Executive Leadership Team and is supported by appropriately skilled in-house legal and company-secretarial resource at Group and operating company level with further support provided by an approved panel of external lawyers and advisors. Policies and procedures are in place to ensure compliance with legal and regulatory frameworks, including Health & Safety, environmental, ethical, fraud, data protection and product safety. The Group has a dedicated internal controls function to ensure that appropriate controls are in place and are operating effectively to mitigate against material financial misstatement, errors, omissions or fraud. Our Code of Conduct is available on our website and forms part of our employee's induction programme. E-learning tools are also deployed across the organisation to ensure employees are aware of, and understand their, obligations. A whistleblowing hotline, managed and facilitated by an independent third party, is in place throughout the Group. All calls are followed up and investigated fully with all findings reported to the Board.
Digitalisation: SIG fails to maintain or offer the digital capabilities necessary to maintain market competitiveness Increased technological innovation and change, some of which has been driven by the societal and working environment challenges presented by the Covid-19 pandemic, has accelerated the increasing role digitalisation will have in the construction materials supply chain. Both suppliers and customers are increasingly seeking digital solutions to enable a more integrated and frictionless experience. This risk may be exacerbated by legacy systems and technologies which are heavily customised, require significant system maintenance to prevent outages and lack the functionality to allow their integration into a more modern digital infrastructure.	We continue to evaluate new technologies and make investments in the digital workplace to ensure that we maintain a competitive digital proposition. Across our markets each operating company is responsible for ensuring that it implements the necessary technologies and ways of working to ensure that it can maximise digital opportunities in terms of enhancing the customer experience and optimising transactional, fulfilment or process efficiencies. During 2021, we benchmarked our digital capabilities across the Group and have identified opportunities for further growth in digital, particularly with regards to how we can increase our own internal efficiencies and enhance the customer experience. This will form the basis of the focus on developing our digital capabilities throughout 2022.
Change management: Failure to deliver the change and growth agenda in an effective and efficient manner, resulting in management stretch, compromised quality, and inability to meet growth targets As part of the "Return to Growth" strategy we have made significant changes to our operating model, infrastructure, and leadership. As we enter the next phase of executing our strategy, allied to ongoing economic and pandemic-driven shifts in everything from demand patterns, delivery models and working arrangements, there is a risk that the business is challenged by "change fatigue" and future changes either are not implemented as planned or benefits realised.	Operating companies continue to manage change portfolios through programme management governance committees. Increased monitoring has been implemented, particularly regarding progress against growth initiatives, in line with our strategy. Monitoring of business growth metrics and early warning indicators or trends, continues as part of business reviews at both the management and Board level. Our ongoing staff engagement surveys continue to facilitate the early identification of change impacts in terms of our employees and action plans are implemented and monitored accordingly.