



8 March 2023

SIG plc
Full year results for the year ended 31 December 2022

Strong year; platform established for long term growth

SIG plc ("SIG", "the Group" or "the Company") today announces its results for the full year ended 31 December 2022 ("FY 2022" or "the year").

	2022	2021
Underlying ¹ revenue	£2,744.5m	£2,291.4m
LFL ² sales growth	17.0%	24.3%
Gross margin	25.9%	26.3%
Underlying ¹ operating profit	£80.2m	£41.4m
Underlying ¹ operating margin	2.9%	1.8%
Underlying ¹ profit before tax	£51.6m	£19.3m
Underlying ¹ earnings per share	3.2p	0.3p
Net debt	£444.0m	£365.0m
Net debt (pre-IFRS 16)	£160.3m	£128.6m
Statutory results	2022	2021
Revenue	£2,744.5m	£2,291.4m
Operating profit	£56.2m	£14.0m
Profit/(loss) before tax	£27.5m	(£15.9m)
Total profit/(loss) after tax	£15.5m	(£28.3m)
Basic earnings/(loss) per share	1.3p	(2.4p)

Financial highlights

- Full year Group like-for-like² ("LFL") sales growth of 17%, with revenues of £2.74bn
- Substantial increase in underlying operating profit¹ to £80m, from £41m in 2021
- Good margin progression, with underlying operating profit¹ margin up 110bps to 2.9%
- Pass-through of input cost inflation remained a strong tailwind throughout the year, although at a lower rate in H2 than H1
- Return to positive free cash flow³ for the year
- Further reduction in leverage⁴ to 2.8x (2021: 3.2x) and good liquidity; year end net debt of £444.0m post-IFRS 16 (2021: £365.0m) and £160.3m pre-IFRS 16 (2021: £128.6m)

Strategic highlights

- Benefits of a broad geographic footprint (58% of revenues from outside UK) helped to mitigate volatile market conditions:
 - Continuing good performance in France, with both businesses trading at >5% operating margin
 - Strong performance in Germany driven by execution of strategy, with operating profit margin up 280bps to 3.7%
 - UK Interiors returned to profitability
- Strengthened operational and commercial platform helped drive market share gains, with improved customer engagement
- Two acquisitions completed in the year for total potential consideration of £39m
- Good ESG progress: 10% reduction in emissions⁵ driven by increased use of renewable energy and improved fleet mix (% electric/hybrid); continuing increase in employee engagement ("eNPS")
- New CEO Gavin Slark (formerly CEO of Grafton Group plc) joined the Group on 1 February 2023

Commenting, Gavin Slark, Chief Executive Officer, said:

“Having joined last month, I would like to thank Steve Francis, the Executive Leadership Team and all of our people across our six European geographies who contributed to SIG’s strong performance in 2022.

Over my first five weeks I have already had the opportunity to visit a number of our teams, operations, and branches. I look forward to working with all my colleagues to drive the business forward.

Trading in the first two months of 2023 saw mid-single digit like-for-like revenue growth, with the continued effects of input price inflation more than offsetting year-over-year volume declines. Market conditions continue to vary across our geographic footprint, but overall we expect weaker demand conditions to prevail during 2023, offset by a continued tailwind from input price inflation, albeit the latter will continue to moderate further this year.

As a European market leader in the supply of specialist insulation, SIG is well-positioned to benefit from long-term structural growth drivers, notably sustainable construction. There is an increasing focus on the need to reduce building emissions, to increase energy efficiency and to use more sustainable materials.

With a strengthened financial position, good strategic momentum, pan-European footprint, and a diverse portfolio with opportunity for growth, I am confident in our ability to manage short-term market weakness during 2023 while maintaining a focus on sustainable long term value creation for all our stakeholders.”

Notes

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. Free cash flow is defined as all cash flows excluding M&A transactions, dividend payments, and financing transactions.

4. Post-IFRS 16 leverage. Pre-IFRS 16 leverage was 1.8x (2021: 2.5x)

5. Emissions by scope 1,2 and business travel, in metric tonnes

An Investor and Analyst presentation will be available on www.sigplc.com from 7:15am on Wednesday 8 March 2023.

A live presentation of the results followed by Q&A, hosted by Gavin Slark, CEO, and Ian Ashton, CFO will take place at 10:00am UK time on the date above.

Please click the link below to join the webinar:

<https://storm-virtual-uk.zoom.us/j/86417803873>

Or One tap mobile:

United Kingdom: +442080806592,,86417803873# or +443300885830,,86417803873#

Or join by phone: Dial (for higher quality, dial a number based on your current location):

United Kingdom: +44 208 080 6592 or +44 330 088 5830 or +44 131 460 1196 or +44 203 481 5237 or +44 203 481 5240 or +44 203 901 7895 or +44 208 080 6591

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Webinar ID: 864 1780 387

International numbers available: <https://storm-virtual-uk.zoom.us/j/kb6OTISB3N>

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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 more than 7,000 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

FY 2022 LFL revenues grew 17% compared to prior year. Reported Group revenues were 20% higher in the year, including c4% from acquisitions, slightly offset by c1% adverse currency movements.

LFL sales growth 2022 vs 2021	H1	H2	FY	FY 2022 sales £m
UK Interiors	24%	22%	23%	703
UK Exteriors	13%	1%	7%	445
UK	19%	12%	15%	1,148
France Interiors	13%	12%	12%	218
France Exteriors	18%	11%	15%	466
Germany	17%	15%	16%	458
Poland	44%	16%	28%	231
Benelux	20%	31%	25%	116
Ireland	55%	2%	24%	108
EU	23%	14%	18%	1,597
Group	21%	13%	17%	2,745

Strategic progress

SIG operates across six European geographies with a total branch network of over 440 sites and over 7,000 people. During 2022, the Group made further good strategic progress through its growth strategy, which has driven improved operational performance across the portfolio.

We continued to empower branches to respond to local trading conditions and drive local performance and as a result we are more specialist, flexible, productive and engaged. Customer NPS improved in most geographies and the Group's NPS increased from +40 to +46 reflecting a higher rate of customers likely to recommend SIG to others.

In France the operating margin of both the Interiors and Exteriors businesses now exceeds 5%, with continued good execution of our strategy, including market share gains, product mix enhancement and a rigorous focus on branch performance.

In Germany we delivered a strong turnaround, with 16% LFL sales growth in the year, and improved our underlying profit margin from 0.9% in 2021 to 3.7%. Progress in Germany included the roll-out of an "empower the touchpoints" strategy that increased empowerment of local teams, re-energised the sales force, and bolstered specialist expertise to strengthen customer and supplier relationships.

The UK Interiors business has now delivered a successful two-year turnaround, recovering market share and returning to profitability through consistent execution, better pricing discipline, and improving product mix. UK Exteriors had a solid year of trading against some strong comparators and, as previously communicated, had a significant one-off bad debt write-off in the second half.

Our Benelux business returned to market share gain in 2022, with further aspects of the turnaround plan now being implemented.

The Group continued to utilise technology to support business transformation through improved productivity and customer experience, with a focus on making SIG a better place to work, buy from and sell to. In Poland our "omnichannel" services to customers and new ways of working have driven strong sales, profit and productivity improvement, with sales via our market-leading e-commerce platform representing 10% of sales.

Across our operating companies we made good progress in starting to transform our warehouse and transport management systems on to digital platforms for process optimisation and productivity improvements. We also continued to build our leadership capabilities in our digital business.

During 2022 the Group continued its programme of investment in network expansion with eight new branch openings alongside a number of strategic relocations. These openings position us to capture local market growth by in-filling geographic gaps or increasing our presence in major urban markets.

Acquisitions

The Group completed two acquisitions in 2022. These, together with those completed in 2021, reflect our commitment to supplement organic revenue growth with selective acquisitions to boost specialist expertise in high return categories and unlock synergies within our core businesses.

On 14 July 2022 we acquired Thermodämm GmbH, a specialist interiors business in Germany, reinforcing our market leading position in flooring for total potential consideration of £3.6m.

On 22 July 2022 we acquired Miers Construction Products Limited (“Miers”), one of the UK's leading suppliers of specialist construction accessories, increasing our exposure to infrastructure end-markets. Miers was acquired for total potential consideration of £35.3m, including a deferred amount that is contingent on financial performance in the year to 31 December 2023.

Balance Sheet

The Group has significantly improved its financial position since 2020, with a robust 2022 year end balance sheet. The Group has a healthy liquidity position, returning to positive free cash flow in the year, and had year end gross cash balances of £130m (2021: £145m). The movement in cash balances in the year reflects previously reported cash outflows on M&A, as well as the positive free cash flow of £11m. An increase in working capital of £14.4m was driven by sales volume growth and year-over-year inflation and included some normalisation of inventory after 2021 investment. The Group's revolving credit facility (“RCF”) was increased in December 2022 from £50m to £90m and remained undrawn as at 31 December 2022.

2022 year end net debt was £444m on a post-IFRS 16 basis (2021: £365m), and £160m on a pre-IFRS 16 basis (2021: £129m). The movement in post-IFRS 16 net debt, beyond the changes in cash balances noted above, is due mainly to an increase in lease liabilities of £47m, driven by the timing of lease renewals and investments in new branches, and a currency movement of £14m on bond debt.

The Group made further progress in reducing leverage towards its medium-term targets and finished the year at 2.8x and 1.8x on post and pre-IFRS 16 bases respectively. The Group's pre-IFRS 16 debt consists almost wholly of a €300m bond at a fixed rate of 5.25%. The bond, and the currently undrawn RCF, both mature in 2026.

Dividend

No dividend will be paid for 2022. The Board reiterates its commitment to return to paying a dividend, appropriately covered by underlying earnings, when it is prudent to do so. Continued successful strategic execution, including sensible investment where appropriate, will deliver sustainable, profitable growth and cash generation, allowing the Board to consider a range of capital allocation options.

Sustainability

We have set five long-term commitments against which we will measure the Group's continuing progress as a leader in sustainable construction and have made good progress against these in 2022. We have lowered our carbon emissions (scope 1, scope 2 and business travel emissions) by 10% to 43,328 metric tonnes as we work towards our goal of being net zero carbon by 2035 at the latest. The key drivers were increased use of renewable energy contracts in the UK and Germany alongside the gradual replacement of conventional vehicles with a greener fleet as leases come up for renewal.

The Group reinforced its commitment to being a health and safety leader in our industry, appointing a new Group Health, Safety and Environmental Director. Our 2022 lost time injury frequency rate ("LTIFR") reduced to 11.1 (2021: 11.8), alongside increases in our near miss reporting. The latter encourages all our employees, contractors and stakeholders to report near misses, unsafe situations and behaviours that drive positive interventions.

People

The Board would like to thank all employees of the Group for their continued commitment and hard work throughout the year. Their efforts during 2022 and since 2020 have been key to the successful progress of the Group. During the year, employee engagement increased, with an improvement of 11 points in our employee NPS score from the 2021 survey, and 19 points from 2020.

Having an engaged and high performing workforce remains a priority within the Group's ongoing development. We are committed to our ambition of being an employer of choice in the building materials sector.

Outlook

The Group has strong positions in attractive, diversified end-markets. Around 60% of revenue is generated in the EU and 40% in the UK. c50% of our sales support new-build projects and c50% renovation (RMI) and we support both commercial and residential end-markets.

As a European market leader in the supply of specialist insulation, we believe we are well-positioned to benefit from long-term structural growth drivers, notably sustainable construction. There is an increasing focus on the need to reduce building emissions, to increase energy efficiency and to use more sustainable materials. These needs are prevalent in SIG's geographies, which are faced with ageing housing stock and housing shortages, and whose governments are increasing their commitments to improvements in building energy efficiency, emission levels, and sustainability.

Trading in the first two months of 2023 saw mid-single digit like-for-like revenue growth, with the continued effects of input price inflation more than offsetting year-over-year volume declines. Market conditions continue to vary across our geographic footprint, but overall we expect weaker demand conditions to prevail during 2023, offset by a continued tailwind from input price inflation, albeit the latter will continue to moderate further this year.

During 2023 we will maintain our operational agility and discipline, with continued emphasis on productivity, whilst remaining focused on long term value creation.

Our priorities in 2023 will continue to include active product category management to develop product mix and leveraging prior year investment in new branches and strategic relocations. For example, in France this includes growing our own-label product mix within Exteriors and benefitting

from our 2022 branch openings and renovations, as well as new product range development. In Germany, the branch and sales force reorganisation and performance management processes implemented over the last 18 months have strengthened our ability to capture and manage market demand, improve customer proximity and enhance our presence in areas such as ceilings and flooring systems. Productivity across the Group will also be supported by new technologies, for example further warehouse and transport management system adoption.

When market conditions recover, we continue to see the opportunity to increase the Group's operating margin to our previously stated medium-term target of 5%.

With a strengthened financial position, good strategic momentum, pan-European footprint, and a diverse portfolio with opportunity for growth, we remain confident in our ability to manage short-term market weakness during 2023 while maintaining a focus on sustainable long term value creation for all our stakeholders.

FINANCIAL REVIEW

Revenue

The Group saw a 17% increase in its LFL revenue over the year, with revenue up to £2,744.5m (2021: £2,291.4m) driven by the pass through of product price inflation in all geographies and the impact of our strategic growth initiatives. We estimate the impact of inflation on revenue growth for the full year was approximately 17%, with this gradually reducing as the year progressed.

Operating costs and profit

Gross profit increased 18% to £711.0m (2021: £602.1m) with a gross profit margin of 25.9% (2021: 26.3%). The reduction in gross margin was primarily driven by strong comparatives in UK Exteriors.

The Group's underlying operating costs increased by 12.5% to £630.8m (2021: £560.7m). Around half of this was due to inflation, with the balance due to the additional year-over-year operating costs within businesses acquired during 2021 and 2022, an increase in bad debt charges, and selective investments across the Group, notably in our French businesses.

The Group's underlying operating profit increased 93.7% to £80.2m (2021: £41.4m), at an underlying operating margin of 2.9% (2021: 1.8%), an increase of 110 bps on the prior year. Adjusted operating margin improvement was driven by improved profitability across the Group's operating countries.

The Group's operating profit performance was achieved despite a one-off loss of £5m in H2 resulting from the administration of Avonside, a major UK roofing contractor and one of the Group's largest customers. Whilst disappointing, the Group believes that this situation arose from company-specific factors. Customer bad debt metrics more broadly were in line with management's expectations.

The Group's statutory operating profit was £56.2m (2021: £14.0m) after Other items of £24.0m (2021: £27.4m). Other items are set out later in this report.

Segmental analysis

UK

	Revenue 2022 £m	Revenue 2021 £m	LFL sales vs 2021	Underlying operating profit 2022 £m	Underlying operating (loss)/profit 2021 £m
UK Interiors	702.6	507.4	23%	14.3	(2.5)
UK Exteriors	445.2	422.2	7%	18.4	25.0
UK	1,147.8	929.6	15%	32.7	22.5

Revenue in UK Interiors, a specialist insulation and interiors distribution business, was up 38% to £702.6m (2021: £507.4m). This included an 18% impact from the acquisition of Miers in July and a full year of trading for Penlaw and F30, both acquired in 2021. LFL revenue grew 23%, driven by good strategic execution and a strengthened market position as well as benefitting from input price inflation. The improved revenue saw the business successfully return to profitability, generating an underlying operating profit of £14.3m (2021: £2.5m loss), with the business largely delivering the additional volumes through the existing capacity in the network.

UK Exteriors, a specialist roofing merchant, which also includes our Building Solutions business, traded well despite some softening in the RMI market through the latter part of the year. Continued high levels of purchase price inflation contributed to revenues of £445.2m (2021: £422.2m), a LFL increase of 7%. Underlying operating profit of £18.4m (2021: £25.0m) was down 26.4% primarily due to the one-off loss of £5m in H2 resulting from the administration of Avonside.

France

	Revenue 2022 £m	Revenue 2021 £m	LFL sales vs 2021	Underlying operating profit 2022 £m	Underlying operating profit 2021 £m
France Interiors	218.4	195.3	12%	12.2	11.2
France Exteriors	465.6	406.0	15%	23.6	17.4
France	684.0	601.3	14%	35.8	28.6

France Interiors, a structural insulation and interiors business trading as LiTT, saw revenue increase 12% on a reported and LFL basis to £218.4m (2021: £195.3m) driven by input price inflation pass through and continued strategic execution. Underlying operating profit increased 9% to £12.2m (2021: £11.2m) driven by revenue growth partially offset by higher operating costs.

Revenue in France Exteriors, a specialist roofing business trading as Larivière, increased 15% to £465.6m (2021: £406.0m), and by 15% on a LFL basis. Demand remained solid in the French RMI market and revenue also benefitting from pass through of input price inflation. 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 underlying operating profit increasing 36% to £23.6m (2021: £17.4m).

Germany

	Revenue 2022 £m	Revenue 2021 £m	LFL sales vs 2021	Underlying operating profit 2022 £m	Underlying operating profit 2021 £m
Germany	457.8	393.2	16%	16.8	3.6

Revenue in Wego/Vti, our specialist insulation and interiors distribution business in Germany, increased 16% on a reported and LFL basis to £457.8m (2021: £393.2m), with the impact of the acquisition of Thermodämm being under 1%. The German team remained highly focused on their turnaround initiatives. Revenue growth was driven by improved market performance as a result of these initiatives, as well as benefitting from the pass through of input price inflation and proactive stock management. The increased revenue resulted in significantly improved operating profit of £16.8m, more than four times that of 2021 (2021: £3.6m), and with an increase in underlying operating margin to 3.7% (2021: 0.9%).

Poland

	Revenue 2022 £m	Revenue 2021 £m	LFL sales vs 2021	Underlying operating profit 2022 £m	Underlying operating profit 2021 £m
Poland	230.7	186.7	28%	10.6	6.3

In our Polish business, a market-leading distributor of insulation and interiors, revenue increased to £230.7m (2021: £186.7m), with LFL sales up 28% due to an increase in market share, branch openings and pass through of significant price inflation. The Polish business also saw further operating margin improvement and underlying operating profit grew by 68% to £10.6m (2021: £6.3m).

Benelux

	Revenue 2022 £m	Revenue 2021 £m	LFL sales vs 2021	Underlying operating (loss) 2022 £m	Underlying operating (loss) 2021 £m
Benelux	115.9	92.4	25%	(3.0)	(4.9)

Revenue from the Group's businesses in Benelux increased 25% to £115.9m (2021: £92.4m), with LFL sales up 25%. Revenue benefitted from increased volumes, but the turnaround of the business remains in progress, and despite recent market share recovery, it continues to trade with lower market share than it had previously. Whilst the management team appointed in mid-2021 is making progress regaining market share in the Netherlands and starting to address the operational issues, this has taken longer than previously anticipated. This progress resulted in a reduced underlying operating loss of £3.0m (2021: £4.9m loss).

The continued challenges in the Benelux business led to a further impairment charge of £15.8m being recognised at 31 December 2022 (2021: £9.9m).

Ireland

	Revenue 2022 £m	Revenue 2021 £m	LFL sales vs 2021	Underlying operating profit 2022 £m	Underlying operating profit 2021 £m
Ireland	108.3	88.2	24%	6.0	2.8

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. A strong rebound in the second half of 2021 following the impact of further Covid-19-related Government restrictions in the Republic of Ireland in H1 2021, continued into 2022, although some demand softening was seen in H2 2022. Revenue increased by 23% to £108.3m (2021: £88.2m), and by 24% on a LFL basis. Underlying operating profit improved by over 100% to £6.0m (2021: £2.8m), reflecting the increased revenue and a shift in sales mix towards higher margin offerings.

Reconciliation of underlying to statutory result

Other items, being items excluded from underlying results, amounted to £24.1m for the year (2021: £35.2m) on a pre-tax basis and are summarised in the table below:

	2022 £m	2021 £m
Underlying profit before tax	51.6	19.3
Other items – impacting profit before tax:		
Amortisation of acquired intangibles	(4.7)	(4.7)
Impairment charges	(15.8)	(10.2)
Cloud computing configuration and customisation costs	(2.7)	(3.3)
Costs associated with acquisitions	(2.5)	(1.5)
Net restructuring costs	(0.4)	(3.7)
Onerous contract costs	1.2	(2.0)
Costs associated with refinancing	(0.4)	(2.4)
Other specific items	1.3	0.4
Non underlying finance costs	(0.1)	(7.8)
Total Other items	(24.1)	(35.2)
Statutory profit/(loss) before tax	27.5	(15.9)

Further details of Other items are as follows:

- Impairment charge of £15.8m relates to the impairment of goodwill and other non-current assets in Benelux.
- Cloud computing costs relate to project configuration and customisation costs associated with strategic cloud computing arrangements, which are expensed, rather than being capitalised as intangible assets.
- Costs associated with acquisitions relate principally to the acquisition of Miers Construction Products Limited in the UK, including legal and other advisor costs associated with the acquisition, and earnout consideration being accrued over the performance period.
- Other specific items comprises the settlement and/or release of certain historic provisions, including amounts relating to businesses divested in previous years, impacts of the pensions member options exercise undertaken in the UK during the year, and a £2.0m provision for impairment of lease receivables.

Taxation

The effective tax rate for the Group on the total profit before tax of £27.5m (2021: £15.9m loss) was 43.6% (2021: negative 78.0%). As the Group operates in several different countries, tax losses cannot be surrendered or utilised cross border. Tax losses are not currently recognised as deferred tax assets 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 (2021: 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 £7.4m (2021: £6.9m), of which a charge of £0.2m (2021: £0.6m) related to defined benefit pension schemes and £7.2m (2021: £6.3m) related to defined contribution schemes.

The total net liability in relation to defined benefit pension schemes at 31 December 2022 was £23.0m (2021: £10.7m). The last triennial actuarial valuation of the UK scheme as at 31 December 2019 was concluded in March 2021. This showed that the market value of the scheme's assets had increased by 20% to £196m and 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. The next triennial valuation as at 31 December 2022 will commence shortly. The scheme remains well funded despite the recent volatility of rates experienced during 2022.

Financial position

Overall, the net assets of the Group increased by £3.1m to £267.8m (2021: £264.7m), with a gross cash position at year end of £130.1m (2021: £145.1m). The movement in the year end cash balances reflects a positive free cash flow of £10.6m delivered in the year, more than offset by £27.5m spent on acquisitions and investments. Reported year end net debt on a post-IFRS 16 basis was £444.0m (2021: £365.0m) and £160.3m on a pre-IFRS 16 basis (2021: £128.6m). The movement in post-IFRS 16 net debt, beyond the change in cash noted above, is due mainly to an increase in lease liabilities of £46.6m, driven by timing of lease renewals and investments in new branches, and a currency movement of £14m on bond debt. Leverage continued to come down towards the Group's medium-term targets and finished the year at 2.8x and 1.8x on post- and pre-IFRS 16 bases respectively (2021: 3.2x and 2.5x respectively).

Cash flow

	2022 £m	2021 £m
Underlying operating profit	80.2	41.4
Add back: Depreciation	73.2	68.3
Add back: Amortisation	3.2	3.4
Underlying EBITDA	156.6	113.1
Increase in working capital	(14.4)	(85.4)
Repayment of lease liabilities	(60.1)	(57.3)
Capital expenditure	(14.5)	(18.6)
Cash exceptional items	(14.7)	(10.9)
Other	1.9	(15.0)
Operating cash flow¹	54.8	(74.1)
Interest and financing	(28.8)	(22.7)
Refinancing cash costs	(1.1)	(16.9)
Tax	(14.3)	(10.4)
Free cash flow¹	10.6	(124.1)
Acquisitions and investments	(27.5)	(10.6)
(Repayment)/drawdown of debt	(1.4)	52.0
Total cash flow	(18.3)	(82.7)
Cash and cash equivalents at beginning of the year ²	145.1	235.3
Effect of foreign exchange rate changes	3.3	(7.5)
Cash and cash equivalents at end of the year²	130.1	145.1

1. Free cash flow represents the cash available after supporting operations, including capital expenditure and the repayment of lease liabilities, and before acquisitions and any movements in funding. Operating cash flow represents free cash flow before interest, financing, costs of refinancing and tax.

2. Cash and cash equivalents at 31 December 2022 comprise cash at bank and on hand of £130.1m (2021: £145.1m) less bank overdrafts of £nil (2021: £nil).

During the year, the Group reported a free cash inflow of £10.6m (2021: £124.1m outflow) as a result of the increased underlying operating profit in the year, partially offset by an increase in working capital, and after payments in relation to lease liabilities, capital expenditure, interest, tax, and exceptional and other cash flows. Interest and financing costs increased as a result of the full year impact of interest on the €300m bond and a £1.7m increase in interest on lease liabilities. Tax paid increased due to increased profits in the tax paying mainland European businesses. "Other" includes payments to the Employee Benefit Trust to fund share plans of £4.0m and a £2.5m annual payment to the UK pension scheme, offset by non-cash items and proceeds on sale of property, plant and equipment.

The increase in working capital was £14.4m of which £13.0m related to inventory movements, driven mainly by year-over-year inflation.

Other movements in cash below free cash flow include £27.5m cash outflow primarily in relation to the purchase of businesses in the UK and Germany (2021: £10.6m outflow), including £1.3m deferred consideration payments relating to UK acquisitions in previous years.

Financing and funding

The Group's financing facilities comprise €300m fixed rate secured notes (due November 2026) and an RCF of £90m (due May 2026). During the second half of the year, the Group extended its RCF by £40m, utilising the accordion feature of the existing RCF and bringing the total committed facility to £90m. The increased RCF, which was entered into on the same terms as the existing £50m facility, will be used to provide additional committed standby liquidity given the uncertain macro environment

and to potentially take advantage of additional profit and cash flow enhancing opportunities in the medium term. The secured notes are subject to incurrence-based covenants only, 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 2022.

The Group has a healthy level of 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 2024.

	2022	2021
	£m	£m
Cash and cash equivalents at end of the year	130.1	145.1
Undrawn RCF at end of the year	90.0	50.0
Liquidity	220.1	195.1
Post-IFRS 16 net debt	444.0	365.0
Pre-IFRS 16 net debt	160.3	128.6
Post-IFRS 16 leverage	2.8x	3.2x
Pre-IFRS 16 leverage	1.8x	2.5x

Contingent liability

Two of SIG's wholly owned subsidiaries in Benelux are subject to legal proceedings brought by a customer in connection with the installation of insulation at an industrial facility in Belgium. Further details are provided in notes 12 and 13.

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 2022. 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 financial reporting framework, 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 7 March 2023 and signed on its behalf by:

By order of the Board

Gavin Slark
Director
7 March 2023

Ian Ashton
Director
7 March 2023

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. 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.

Consolidated Income Statement

For the year ended 31 December 2022

		Underlying ¹ 2022	Other items ² 2022	Total 2022	Underlying ¹ 2021	Other items ² 2021	Total 2021
	Note	£m	£m	£m	£m	£m	£m
Revenue	2	2,744.5	-	2,744.5	2,291.4	-	2,291.4
Cost of sales		(2,033.5)	-	(2,033.5)	(1,689.3)	-	(1,689.3)
Gross profit		711.0	-	711.0	602.1	-	602.1
Other operating expenses	4	(614.3)	(22.0)	(636.3)	(555.9)	(27.4)	(583.3)
Impairment losses on financial assets ³		(16.5)	(2.0)	(18.5)	(4.8)	-	(4.8)
Operating profit/(loss)	4	80.2	(24.0)	56.2	41.4	(27.4)	14.0
Finance income	5	1.3	-	1.3	0.7	-	0.7
Finance costs	5	(29.9)	(0.1)	(30.0)	(22.8)	(7.8)	(30.6)
Profit/(loss) before tax		51.6	(24.1)	27.5	19.3	(35.2)	(15.9)
Income tax (expense)/credit	6	(14.4)	2.4	(12.0)	(15.6)	3.2	(12.4)
Profit/(loss) after tax		37.2	(21.7)	15.5	3.7	(32.0)	(28.3)
Attributable to:							
Equity holders of the Company		37.2	(21.7)	15.5	3.7	(32.0)	(28.3)
Earnings/(loss) per share							
Basic	7			1.3p			(2.4)p
Diluted	7			1.3p			(2.4)p

¹ Underlying represents the results before Other items.

² 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 4.

³ Impairment losses on financial assets (trade receivables and lease receivables), as determined in accordance with IFRS 9 Financial Instruments, previously included in other operating expenses, are shown separately, and the prior year comparative has been updated to present on a consistent basis.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Year ended 31 December 2022	Year ended 31 December 2021
	£m	£m
Profit/(loss) after tax	15.5	(28.3)
Items that will not subsequently be reclassified to the Consolidated Income Statement:		
Remeasurement of defined benefit pension liability	(14.3)	9.1
Deferred tax movement associated with remeasurement of defined benefit pension liability	(0.5)	0.1
	(14.8)	9.2
Items that may subsequently be reclassified to the Consolidated Income Statement:		
Exchange difference on retranslation of foreign currency goodwill and intangibles	2.7	(3.7)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	11.5	(10.7)
Exchange and fair value movements associated with borrowings and derivative financial instruments	(13.9)	8.6
Gains and losses on cash flow hedges	1.6	0.7
Transfer to profit and loss on cash flow hedges	0.2	(3.1)
	2.1	(8.2)
Other comprehensive (expense)/income	(12.7)	1.0
Total comprehensive income/(expense)	2.8	(27.3)
Attributable to:		
Equity holders of the Company	2.8	(27.3)

Consolidated Balance Sheet

As at 31 December 2022

	31 December 2022 £m	31 December 2021 £m
Non-current assets		
Property, plant and equipment	68.8	66.9
Right-of-use assets	265.9	230.9
Goodwill	134.2	120.1
Intangible assets	22.8	16.7
Lease receivables	1.2	2.9
Deferred tax assets	3.3	4.8
Non-current financial assets	0.4	-
	496.6	442.3
Current assets		
Inventories	270.6	242.0
Lease receivables	0.1	0.8
Trade and other receivables	432.6	371.3
Current tax assets	1.5	-
Current financial assets	1.6	0.2
Cash at bank and on hand	130.1	145.1
	836.5	759.4
Total assets	1,333.1	1,201.7
Current liabilities		
Trade and other payables	425.0	369.7
Lease liabilities	56.5	50.7
Interest-bearing loans and borrowings	0.8	-
Deferred consideration	0.7	1.1
Other financial liabilities	-	0.4
Derivative financial instruments	-	0.5
Current tax liabilities	5.8	4.6
Provisions	9.6	12.9
	498.4	439.9
Non-current liabilities		
Lease liabilities	251.2	210.4
Interest-bearing loans and borrowings	266.1	249.6
Deferred consideration	1.8	0.7
Derivative financial instruments	0.1	-
Other financial liabilities	-	0.6
Other payables	7.4	3.8
Retirement benefit obligations	23.0	10.7
Provisions	17.3	21.3
	566.9	497.1
Total liabilities	1,065.3	937.0
Net assets	267.8	264.7
Capital and reserves		
Called up share capital	118.2	118.2
Treasury shares	(16.4)	(12.5)
Capital redemption reserve	0.3	0.3
Share option reserve	8.6	4.4
Hedging and translation reserves	4.5	2.4
Cost of hedging reserve	0.1	0.1
Merger reserve	92.5	92.5
Retained profits	60.0	59.3
Attributable to equity holders of the Company	267.8	264.7
Total equity	267.8	264.7

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	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 (losses)/ profits £m	Total £m
At 1 January 2021	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
Profit after tax	-	-	-	-	-	-	-	-	15.5	15.5
Other comprehensive income/(expense)	-	-	-	-	-	2.1	-	-	(14.8)	(12.7)
Total comprehensive income	-	-	-	-	-	2.1	-	-	0.7	2.8
Purchase of treasury shares	-	-	(4.0)	-	-	-	-	-	-	(4.0)
Credit to share option reserve	-	-	-	-	4.4	-	-	-	-	4.4
Settlement of share options	-	-	0.1	-	(0.2)	-	-	-	-	(0.1)
At 31 December 2022	118.2	-	(16.4)	0.3	8.6	4.5	0.1	92.5	60.0	267.8

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 reserve represents movements in the Condensed 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 relate to shares purchased by the SIG Employee Share Trust to satisfy awards made under the Group's share plans which are not vested and beneficially owned by employees.

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

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Net cash flow from operating activities			
Cash generated from operating activities	9	132.3	7.4
Income tax paid		(14.3)	(10.4)
Net cash generated from/(used in) operating activities		118.0	(3.0)
Cash flows from investing activities			
Finance income received		1.3	0.7
Purchase of property, plant and equipment and computer software		(14.5)	(18.6)
Initial direct costs of right-of-use assets		(0.8)	-
Proceeds from sale of property, plant and equipment		0.8	2.7
Net cash flow arising on the purchase of business		(26.0)	(10.1)
Settlement of amounts payable for previous purchases of businesses		(1.3)	(0.5)
Investment in financial assets		(0.2)	-
Net cash used in investing activities		(40.7)	(25.8)
Cash flows from financing activities			
Finance costs paid ¹		(30.1)	(36.3)
Repayment of lease liabilities		(60.1)	(57.3)
Repayment of borrowings		(1.4)	(200.3)
Proceeds from borrowings		-	251.5
Settlement of derivative financial instruments		-	0.8
Acquisition of treasury shares		(4.0)	(12.3)
Net cash used in financing activities		(95.6)	(53.9)
Decrease in cash and cash equivalents in the period	10	(18.3)	(82.7)
Cash and cash equivalents at beginning of the period		145.1	235.3
Effect of foreign exchange rate changes		3.3	(7.5)
Cash and cash equivalents at end of the period²		130.1	145.1

¹ Finance costs paid in the prior year included £12.9m make whole payment in connection with the refinancing during the prior year (see Note 5).

² Cash and cash equivalents comprise cash at bank and on hand of £130.1m (2021: £145.1m) less bank overdrafts of £nil (2021: £nil).

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. The Financial statements have been prepared under the historical cost convention except for derivative financial instruments and unquoted investments 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 UK adopted international accounting standards, this announcement does not itself contain sufficient information to comply with UK adopted international accounting standards. The Preliminary Results Announcement does not constitute the Company's statutory accounts for the years ended 31 December 2022 and 31 December 2021 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 2021 have been filed with the Registrar of Companies, and those for 2022 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2022 and 2021. Their report for 2022 and 2021 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.

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.

The Group's financing facilities comprise a €300m fixed rate bond (secured notes), due November 2026, and €90m Revolving Credit Facility (RCF) which expires in May 2026. One of the trading businesses also has a £2.9m bank loan repayable over the period to June 2026. The 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 2022.

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 2024.

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:

- High levels of product inflation, and current economic and political uncertainties across Europe, all potentially impacting market demand;
- Potentially recessionary conditions in the coming year; and
- Material shortages impacting our ability to meet demand and hence having an impact on forecast sales.

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. Under a scenario including a combination of the above resulting in a 73% reduction in underlying operating profit from the base forecast for the going concern period, the analysis shows that sufficient cash would be available without triggering a covenant breach.

The Directors have considered the impact of climate-related matters on the going concern assessment and this is not expected to have a significant impact on the Group's going concern assessment to 31 March 2024.

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 2024 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2022 financial statements.

New standards, interpretations and amendments adopted by the Group

The following amendments and interpretations apply for the first time in 2022, but have not had a material impact on the Financial Statements of the Group:

- Amendment to IFRS3 Business Combinations: reference to the Conceptual Framework
- Amendment to IAS16 Property, Plant and Equipment: proceeds before intended use
- Amendment to IAS37 Provisions, contingent liabilities and contingent assets: costs of fulfilling a contract

2. Revenue from contracts with customers

The Group's revenue is analysed by type and nature as follows:

Year ended 31 December 2022	UK Interiors £m	UK Exteriors £m	UK Total £m	France Interiors £m	France Exteriors £m	France Total £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product												
Interiors	702.6	-	702.6	218.4	-	218.4	457.8	115.9	66.7	230.7	-	1,792.1
Exteriors	-	445.2	445.2	-	465.6	465.6	-	-	41.6	-	-	952.4
Inter-segment revenue ¹	5.5	2.7	8.2	0.1	9.7	9.8	0.1	-	-	0.1	(18.2)	-
Total underlying and statutory revenue	708.1	447.9	1,156.0	218.5	475.3	693.8	457.9	115.9	108.3	230.8	(18.2)	2,744.5
Nature of revenue												
Goods for resale (recognised at point in time)	708.1	447.9	1,156.0	218.5	475.3	693.8	457.9	115.9	102.6	230.8	(18.2)	2,738.8
Construction contracts (recognised over time)	-	-	-	-	-	-	-	-	5.7	-	-	5.7
Total	708.1	447.9	1,156.0	218.5	475.3	693.8	457.9	115.9	108.3	230.8	(18.2)	2,744.5

¹ Inter-segment revenue is charged at the prevailing market rates.

2. Revenue from contracts with customers (continued)

Year ended 31 December 2021	UK Interiors £m	UK Exteriors £m	UK Total £m	France Interiors £m	France Exteriors £m	France Total £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 ¹	3.4	0.6	4.0	0.1	11.6	11.7	-	-	0.1	-	(15.8)	-
Total underlying and statutory 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
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

¹ Inter-segment revenue is charged at the prevailing market rates.

3. 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). Reportable operating segments are grouped on a geographical basis.

a) Segmental analysis

Year ended 31 December 2022	UK Interiors £m	UK Exteriors £m	UK Total £m	France Interiors £m	France Exteriors £m	France Total £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue												
Underlying and statutory revenue	702.6	445.2	1,147.8	218.4	465.6	684.0	457.8	115.9	108.3	230.7	-	2,744.5
Inter-segment revenue ¹	5.5	2.7	8.2	0.1	9.7	9.8	0.1	-	-	0.1	(18.2)	-
Total revenue	708.1	447.9	1,156.0	218.5	475.3	693.8	457.9	115.9	108.3	230.8	(18.2)	2,744.5
Segment result before Other items	14.3	18.4	32.7	12.2	23.6	35.8	16.8	(3.0)	6.0	10.6	-	98.9
Amortisation of acquired intangibles	(1.4)	(3.2)	(4.6)	-	(0.2)	(0.2)	0.1	-	-	-	-	(4.7)
Impairment charges	-	-	-	-	-	-	-	(15.8)	-	-	-	(15.8)
Acquisition costs	(2.2)	-	(2.2)	(0.2)	-	(0.2)	(0.1)	-	-	-	-	(2.5)
Cloud computing configuration and customisation costs	-	-	-	(2.0)	-	(2.0)	-	(0.7)	-	-	-	(2.7)
Net restructuring costs	-	-	-	-	-	-	-	(0.4)	-	-	-	(0.4)
Other specific items	1.0	-	1.0	-	-	-	-	-	-	-	-	1.0
Segment operating profit/(loss)	11.7	15.2	26.9	10.0	23.4	33.4	16.8	(19.9)	6.0	10.6	-	73.8
Parent company costs												(18.7)
Parent company Other items ²												1.1
Operating profit												56.2
Net finance costs before Other items												(28.6)
Non-underlying finance costs												(0.1)
Profit before tax												27.5
Income tax expense												(12.0)
Profit for the period												15.5

¹ Inter-segment revenue is charged at the prevailing market rates.

² Parent company Other items include costs associated with refinancing £0.4m, offset by credits relating to onerous contracts £1.2m and other specific items £0.3m. See Note 4 for further details.

3. Segmental information (continued)

Year ended 31 December 2021	UK Interiors £m	UK Exteriors £m	UK Total £m	France Interiors £m	France Exteriors £m	France Total £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue												
Underlying and statutory revenue	507.4	422.2	929.6	195.3	406.0	601.3	393.2	92.4	88.2	186.7	-	2,291.4
Inter-segment revenue ¹	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
Result												
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 profit/(loss)	(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 ²												(5.4)
Operating profit												14.0
Net finance costs												(22.1)
Non-underlying finance costs												(7.8)
Loss before tax												(15.9)
Income tax expense												(12.4)
Loss for the period												(28.3)

¹ Inter-segment revenue is charged at the prevailing market rates.

² 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 4 for further details.

3. Segmental information (continued)

2022	UK Interiors £m	UK Exteriors £m	UK Total £m	France Interiors £m	France Exteriors £m	France Total £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Other segment information												
<i>Capital expenditure on:</i>												
Property, plant and equipment	2.7	3.4	6.1	1.0	2.0	3.0	1.4	2.1	1.0	0.4	0.3	14.3
Computer software	-	-	-	-	0.2	0.2	-	-	-	-	-	0.2
Goodwill and intangible assets acquired	25.2	-	25.2	-	-	-	3.7	-	-	-	-	28.9
<i>Non-cash expenditure:</i>												
Depreciation of fixed assets	3.4	3.4	6.8	0.7	1.4	2.1	1.5	1.1	0.6	0.4	0.1	12.6
Depreciation of right-of-use assets	17.0	8.7	25.7	5.4	8.9	14.3	13.6	3.0	1.8	2.2	-	60.6
Impairment of right-of-use assets	-	-	-	-	-	-	-	2.5	-	-	-	2.5
Impairment of property, plant and equipment and computer software	-	-	-	-	-	-	-	9.7	-	-	-	9.7
Amortisation of acquired intangibles and computer software	3.3	0.5	3.8	-	0.1	0.1	0.1	-	0.3	0.1	3.5	7.9
Impairment of goodwill and intangibles (excluding computer software)	-	-	-	-	-	-	-	3.6	-	-	-	3.6

3. Segmental information (continued)

2021	UK Interiors £m	UK Exteriors £m	UK Total £m	France Interiors £m	France Exteriors £m	France Total £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Other segment information												
<i>Capital expenditure on:</i>												
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
<i>Non-cash expenditure:</i>												
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 right-of-use assets	-	-	-	-	-	-	-	0.1	-	-	0.4	0.5
Impairment of property, plant and equipment and computer software	0.3	-	0.3	-	-	-	-	-	-	-	-	0.3
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

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:

	2022 £m	2021 £m
United Kingdom	258.4	228.7
Ireland	16.5	13.1
France	134.7	108.3
Germany	57.6	49.8
Poland	14.5	12.0
Benelux	10.0	22.7
Total	491.7	434.6

4. Other operating expenses

a) Analysis of other operating expenses

	2022			2021		
	Before Other items £m	Other items £m	Total £m	Before Other items £m	Other items £m	Total £m
Other operating expenses:						
Distribution costs	316.7	0.4	317.1	282.2	3.7	285.9
Selling and marketing costs	180.2	-	180.2	158.0	1.0	159.0
Management, administrative and central costs	117.4	21.6	139.0	115.7	22.7	138.4
Total	614.3	22.0	636.3	555.9	27.4	583.3

b) 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:

	2022			2021		
	Other items £m	Tax impact £m	Tax impact %	Other items £m	Tax impact £m	Tax impact %
Amortisation of acquired intangibles	(4.7)	0.9	19.1%	(4.7)	0.2	4.3%
Impairment charges ¹	(15.8)	-	-	(10.2)	-	-
Costs related to acquisitions	(2.5)	0.3	12.0%	(1.5)	-	-
Cloud computing configuration and customisation costs ²	(2.7)	0.7	25.9%	(3.3)	0.5	15.2%
Onerous contract costs ³	1.2	-	-	(2.0)	-	-
Costs associated with refinancing ⁴	(0.4)	-	-	(2.4)	0.5	20.8%
Net restructuring costs ⁵	(0.4)	0.1	25.0%	(3.7)	0.5	13.5%
Other specific items ⁶	1.3	0.4	(30.8)%	0.4	-	-
Impact on operating profit/(loss)	(24.0)	2.4	10.0%	(27.4)	1.7	6.2%
Non-underlying finance costs ⁷	(0.1)	-	-	(7.8)	1.5	19.2%
Impact on profit/(loss) before tax	(24.1)	2.4	10.0%	(35.2)	3.2	9.1%

¹ Impairment charges in the current year relate to the Benelux CGU and comprise £3.6m relating to goodwill, £2.5m tangible fixed assets and £9.7m right-of-use assets. Impairment charges in the prior year comprised £9.9m relating to goodwill and £0.3m relating to additional impairment of an investment property.

² Cloud computing configuration and customisation costs relate to costs incurred on strategic projects involving SaaS arrangements which are expensed as incurred rather than being capitalised as intangible assets.

³ Onerous contract costs relate to provisions recognised for licence fee commitments where no future economic benefit was expected to be obtained, principally in relation to the SAP S/4HANA implementation. There is a credit in the current year following recent renegotiation of the total commitment for the remaining year.

⁴ Costs associated with refinancing in the current year relate to the increase in the RCF and some ongoing costs relating to the refinancing in the prior year. Costs associated with refinancing in the prior year included legal and professional fees of £4.9m offset by a £2.5m gain in relation to the termination of the cash flow hedging arrangements as a result of the refinancing.

⁵ Net restructuring costs in the year relate to consultancy and redundancy costs in Benelux. Costs in the prior year included property closure costs of £1.2m, redundancy and related staff costs of £2.4m and restructuring consultancy costs of £0.1m. These costs 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.

⁶ Other specific items comprises the settlement and/or release of historic provisions, including amounts relating to businesses divested in previous years, impacts of the pensions member options exercise undertaken during the year and £2.0m provision for impairment of lease receivables. The £0.4m credit in 2021 related 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.

⁷ Non-underlying finance costs in the current year relate to the unwinding of the discount on the onerous contract provision. Costs in the prior year comprised 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.

The total impact of the above amounts on the Consolidated cash flow statement is a cash outflow of £15.8m (2021: £27.8m), including £nil (2021: £12.9m) within finance costs paid.

5. Finance income and finance costs

	2022 £m	2021 £m
Finance income		
Interest on bank deposits	1.3	0.7
	1.3	0.7
Finance costs		
On bank loans, overdrafts and other associated items ¹	2.6	4.6
On secured notes ²	14.0	1.7
On private placement notes ³	-	4.7
On obligations under lease contracts	13.3	11.6
Net finance charge on defined benefit schemes	-	0.2
Total finance costs before Other items	29.9	22.8
Non-underlying finance costs ⁴	0.1	7.8
Total finance costs	30.0	30.6
Net finance costs	28.7	29.9

¹ Other associated items includes the amortisation of arrangement fees of £0.1m (2021: £0.9m).

² Included within finance costs on the secured notes is the amortisation of arrangement fees of £0.5m (2021: £0.1m).

³ Included within finance costs on private placement notes in the prior year is the amortisation of arrangement fees of £0.6m and the amortisation of the loss on modification of £2.1m.

⁴ Non-underlying finance costs in the current year relate to the unwinding of the discount on the onerous contract provision included within Other items. Non-underlying finance costs in 2021 comprised 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.

6. Income tax

The income tax expense comprises:

	2022 £m	2021 £m
Current tax		
UK & Ireland corporation tax	- Charge for the year - Adjustments in respect of prior years	0.3
	0.1	-
	0.9	0.3
Mainland Europe corporation tax	- Charge for the year - Adjustments in respect of prior years	10.6
	0.3	2.0
	13.7	12.6
Total current tax	14.6	12.9
Deferred tax		
Current year	(2.2)	(1.1)
Adjustments in respect of previous years	(0.3)	0.6
Deferred tax charge in respect of pension schemes	-	(0.1)
Effect of change in rate	(0.1)	0.1
Total deferred tax	(2.6)	(0.5)
Total income tax expense	12.0	12.4

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:

6. Income tax (continued)

	2022		2021	
	£m	%	£m	%
Profit/(loss) before tax	27.5		(15.9)	
Expected tax credit	8.5	30.9%	(1.5)	9.4%
Factors affecting the income tax expense for the year:				
Expenses not deductible for tax purposes ¹	2.1	7.6%	4.5	(28.3)%
Non-taxable income	(1.3)	(4.7)%	(0.1)	0.6%
Impairment and disposal charges not deductible for tax purposes ²	3.0	10.9%	1.4	(8.8)%
Deductible temporary differences not recognised for deferred tax purposes	2.2	8.0%	5.4	(34.0)%
Losses utilised not previously recognised for deferred tax purposes	(2.5)	(9.1)%	-	-
Other adjustments in respect of previous years	0.1	0.4%	2.6	(16.4)%
Effect of change in rate on deferred tax	(0.1)	(0.4)%	0.1	(0.6)%
Total income tax expense	12.0	43.6%	12.4	(78.0)%

¹ The majority of the Group's expenses that are not deductible for tax purposes are in relation to acquisition related costs, non-qualifying depreciation and other disallowable expenditure in the current year. The expenses not deductible for tax purposes in the prior year related to internal restructuring and impairments of property.

² During the year the Group incurred impairment charges of £15.8m (2021: £9.9m) in relation to goodwill and other non-current assets which are not deductible for tax purposes.

The effective tax rate for the Group on the total profit before tax of £27.5m (2021: £15.9m loss) is 43.6% (2021: negative 78.0%). 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 increasing 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.

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:

	2022	2021
	£m	£m
Deferred tax movement associated with re-measurement of defined benefit pension liabilities ¹	0.5	(0.1)
Exchange rate movements	0.1	-
	0.6	(0.1)

¹ This item will not subsequently be reclassified to the Consolidated Income Statement.

7. Earnings/(loss) per share

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

	Basic and diluted	
	2022	2021
	£m	£m
Profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings per share	15.5	(28.3)
<i>Add back:</i>		
Other items (see Note 4)	21.7	32.0
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share before other items	37.2	3.7

7. Earnings/(loss) per share (continued)

	Weighted average number of shares	
	2022 Number	2021 Number
For basic and diluted earnings/(loss) per share	1,149,776,931	1,177,972,694
Effect of dilution from share options	33,638,307	-
Adjusted for the effect of dilution	1,183,415,238	1,177,972,694

Share options were considered antidilutive in the prior periods as their conversion into ordinary shares would decrease the loss per share. The calculation of diluted earnings/(loss) per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings/(loss) per share.

The weighted average number of shares excludes those held by the SIG Employee Share Trust which are not vested and beneficially owned by employees.

	Earnings/(loss) per share	
	2022 £m	2021 £m
Earnings/(loss) per share		
Basic earnings/(loss) per share	1.3p	(2.4)p
Diluted earnings/(loss) per share	1.3p	(2.4)p
Earnings per share before Other items¹		
Basic and diluted earnings per share from continuing operations before Other items	3.2p	0.3p

¹ 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.

8. Acquisitions

The Group acquired the following businesses during the year:

	% ordinary share capital acquired	Acquisition date	Country of incorporation	Principal activity
Thermodämm GmbH	100%	14 July 2022	Germany	Distributor of interiors and insulation products
Miers Construction Products Limited	100%	22 July 2022	United Kingdom	Distributor of specialist construction materials

The Group acquired the Thermodämm business to enlarge its market share in the German screed flooring business and the acquisition is allocated to the Germany segment. The Group acquired the Miers business to enlarge the UK Interiors business in terms of product range and geographic location, and the acquisition is allocated to the UK Interiors segment.

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

8. Acquisitions (continued)

	2022			Penlaw Group £m	2021 F30 Building Products £m	Total £m
	Miers (UK) £m	Thermodämm £m	Total £m			
Assets						
Intangible assets (customer relationships)	12.0	1.7	13.7	3.2	1.8	5.0
Property, plant and equipment	0.8	0.2	1.0	1.4	0.1	1.5
Right-of-use assets	2.7	0.6	3.3	7.2	0.3	7.5
Cash and cash equivalents	4.1	0.2	4.3	2.0	0.2	2.2
Trade and other receivables	13.0	0.3	13.3	20.6	1.1	21.7
Inventories	7.3	0.6	7.9	3.1	0.2	3.3
Current tax asset	0.3	-	0.3	-	-	-
	40.2	3.6	43.8	37.5	3.7	41.2
Liabilities						
Trade and other payables	(12.2)	(0.6)	(12.8)	(20.8)	(1.3)	(22.1)
Provisions	(1.1)	-	(1.1)	(0.6)	(0.1)	(0.7)
Current tax liability	-	-	-	(0.1)	(0.1)	(0.2)
Deferred tax liability	(3.0)	(0.7)	(3.7)	(0.9)	(0.4)	(1.3)
Bank loan	(3.2)	-	(3.2)	-	-	-
Lease liabilities	(2.7)	(0.7)	(3.4)	(7.2)	(0.3)	(7.5)
	(22.2)	(2.0)	(24.2)	(29.6)	(2.2)	(31.8)
Total identifiable net assets at fair value	18.0	1.6	19.6	7.9	1.5	9.4
Goodwill arising on acquisition	13.2	2.0	15.2	2.7	2.1	4.8
Purchase consideration transferred	31.2	3.6	34.8	10.6	3.6	14.2

The fair value of trade receivables amounts to £12.1m for Miers and £0.3m for Thermodämm. The gross amount of trade receivables is £12.5m for Miers and £0.3m for Thermodämm. 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 £13.2m relating to Miers comprises the value of expected synergies arising from the acquisition, strategic fit with the UK Interiors business and geographic location, in particular in relation to developing sales in the construction accessories sector. The goodwill of £2.0m relating to Thermodämm comprises the value of the strategic fit within the German branch landscape and expected synergies arising from the acquisition.

From the date of acquisition, Miers contributed £27.6m of revenue and £0.2m to underlying profit before tax of the Group, and Thermodämm contributed £2.7m of revenue and £0.1m to underlying profit before tax. If the acquisitions had taken place at the beginning of the year, revenue for the Group would have been £2,783.0m and profit before tax for the Group would have been £30.5m.

	2022			Penlaw Group £m	2021 F30 Building Products £m	Total £m
	Miers (UK) £m	Thermodämm £m	Total £m			
Cash paid on completion	26.9	3.4	30.3	9.8	2.5	12.3
Deferred consideration due within one year	-	0.2	0.2	0.2	0.5	0.7
Deferred consideration due after more than one year	1.8	-	1.8	0.1	0.6	0.7
Contingent consideration due within one year	-	-	-	0.1	-	0.1
Contingent consideration due after more than one year	2.5	-	2.5	0.4	-	0.4
Total consideration	31.2	3.6	34.8	10.6	3.6	14.2

8. Acquisitions (continued)

The contingent consideration in relation to Miers 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, for the financial year to 31 December 2023, subject to a maximum of £2.6m. The range of contingent consideration payable is therefore £nil to £2.6m, with £2.5m recognised at the date of acquisition on the basis of current forecasts and fair value calculation. This is included within other payables due after more than one year on the Consolidated balance sheet. The liability 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.

A further amount of up to £4.0m is also payable in 2024 dependant on the future performance of the business for the financial year to 31 December 2023 and dependent on the vendors remaining within the business. This is therefore treated as remuneration and is being charged to the Consolidated Income Statement as earned. £1.2m has been recognised and included within other payables due after more than one year at 31 December 2022.

Analysis of cash flows on acquisition

	2022			Penlaw Group £m	2021 F30 Building Products £m	Total £m
	Miers (UK) £m	Thermodämm £m	Total £m			
Consideration paid (included in cash flows from investing activities)	(26.9)	(3.4)	(30.3)	(9.8)	(2.5)	(12.3)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4.1	0.2	4.3	2.0	0.2	2.2
Total net cash flow included in cash flows from investing activities	(22.8)	(3.2)	(26.0)	(7.8)	(2.3)	(10.1)
Transaction costs (included in cash flows from operating activities)	(0.8)	(0.1)	(0.9)	(0.3)	(0.1)	(0.4)
Net cash flow on acquisition	(23.6)	(3.3)	(26.9)	(8.1)	(2.4)	(10.5)

Deferred consideration

A reconciliation of the movement in deferred consideration is provided below:

	2022 £m	2021 £m
Liability at 1 January	1.8	0.9
Liability arising on acquisitions in the year	2.0	1.4
Amounts paid relating to previous acquisitions	(1.3)	(0.5)
Liability at 31 December	2.5	1.8
Included in current liabilities	0.7	1.1
Included in non-current liabilities	1.8	0.7
Total	2.5	1.8

Contingent consideration

A reconciliation of the movement in the fair value measurement of contingent consideration is provided below:

	2022 £m	2021 £m
Liability at 1 January	0.5	-
Liability arising on acquisitions in the year	2.5	0.5
Liability at 31 December	3.0	0.5
Included in current liabilities (within accruals and other payables)	0.5	0.1
Included in non-current liabilities (within other payables)	2.5	0.4
Total	3.0	0.5

The £2.5m arising on acquisitions in the year relates to Miers, as set out above. The other amount relates to Penlaw, which was acquired in the prior year. See below for further details.

8. Acquisitions (continued)

Consideration dependent on vendors remaining within the business

Amounts which may be paid to vendors of recent acquisitions who are employed by the Group and are contingent upon the vendors remaining within the business are, as required by IFRS3 'Business Combinations', treated as remuneration and charged to the consolidated income statement as earned. A reconciliation of the movement in amounts accrued is as follows:

	2022 £m	2021 £m
Liability at 1 January	0.6	-
New amounts accrued	1.4	0.6
Amounts paid (included within cash flow from operating activities)	(0.8)	-
Liability at 31 December	1.2	0.6
Included in current liabilities (within accruals and other payables)	-	0.6
Included in non-current liabilities (within other payables)	1.2	-
Total	1.2	0.6

Acquisitions in 2021

In the prior year the Group acquired 100% of the ordinary share capital of F30 Building Products Limited, a UK distributor of construction accessories, on 10 March 2021 and 100% of the ordinary share capital of the Penlaw Group of companies, a UK distributor of interiors and insulation products, on 26 October 2021. Details of the consideration, fair values of assets and liabilities acquired and cash flows on acquisition are shown above.

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. At the acquisition date, the fair value of contingent consideration was estimated to be £0.5m. No amount is payable in relation to performance for the first twelve months from completion. On the basis of current forecasts, the fair value of contingent consideration in relation to the second twelve months from completion continues to be estimated to be £0.5m at 31 December 2022. This is included within other payables on the Consolidated balance sheet. The range of contingent consideration payable is £nil to £1.2m. 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 was 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 was therefore treated as remuneration and was charged to the Consolidated Income Statement as earned. £0.6m was recognised and included within accruals in relation to this at 31 December 2021, with a further £0.2m recognised and the total amount of £0.8m paid during 2022.

The goodwill of £2.1m relating to F30 Building Products comprised 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 2021 provisional fair values of the identifiable assets and liabilities have been finalised during the current year with no further adjustments recognised.

The goodwill of £2.7m relating to the Penlaw Group comprised the value of expected synergies arising from the acquisition and the strategic fit with the UK Interiors business. The 2021 provisional fair values of the identifiable assets and liabilities have been finalised during the current year resulting in a net £0.1m reduction in the goodwill previously recognised. Trade receivables were reduced by £0.2m, trade and other payables increased by £0.1m and current tax liability reduced by £0.4m.

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 in 2021, 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 2021, revenue for the Group would have been £2,349.6m and loss before tax for the Group would have been £13.9m.

9. Reconciliation of operating profit to cash generated from operating activities

	2022	2021
	£m	£m
Profit/(loss) before tax	27.5	(15.9)
Net finance costs	28.7	29.9
Depreciation of property, plant and equipment	12.6	11.4
Depreciation of right-of-use assets	60.6	56.9
Amortisation of computer software	3.2	3.4
Amortisation of acquired intangibles	4.7	4.7
Impairment of property, plant and equipment	2.5	0.3
Impairment of goodwill	3.6	9.9
Impairment of right-of-use asset	9.7	0.5
Impairment of lease receivables	2.0	-
Profit on sale of property, plant and equipment	(0.4)	(0.9)
Share-based payments	4.4	2.4
Gains on derivative financial instruments	-	(2.8)
Net foreign exchange differences	(1.0)	0.3
Decrease in provisions	(11.4)	(7.3)
Working capital movements:		
- Increase in inventories	(13.0)	(75.7)
- Increase in receivables	(41.6)	(68.1)
- Increase in payables	40.2	58.4
Cash generated from operating activities	132.3	7.4

Included within the cash generated from operating activities is a defined benefit pension scheme employer's contribution of £2.5m (2021: £5.0m).

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

	2022	2021
	£m	£m
Decrease in cash and cash equivalents in the period	(18.3)	(82.7)
Cash flow from decrease in debt	76.1	15.8
Decrease/(increase) in net debt resulting from cash flows	57.8	(66.9)
Deferred consideration added on acquisitions	(2.0)	(0.9)
Other debt added on acquisitions	(6.6)	(7.5)
Non-cash movement in lease liabilities and lease receivables	(111.3)	(68.0)
Non-cash items ¹	1.4	8.0
Exchange differences	(18.3)	8.5
Increase in net debt in the period	(79.0)	(126.8)
Net debt at beginning of period	(365.0)	(238.2)
Net debt at end of the period	(444.0)	(365.0)

¹ Non-cash items include the fair value movement of debt and derivative financial instruments recognised in the year which does not give rise to a cash inflow or outflow.

10. Reconciliation of net cash flow to movements in net debt (continued)

Net debt is defined as follows:

	2022 £m	2021 £m
<i>Non-current assets:</i>		
Derivative financial instruments	0.2	-
Lease receivables	1.2	2.9
<i>Current assets:</i>		
Derivative financial instruments	1.6	0.2
Lease receivables	0.1	0.8
Cash at bank and on hand	130.1	145.1
<i>Current liabilities:</i>		
Lease liabilities	(56.5)	(50.7)
Interest-bearing loans and borrowings	(0.8)	-
Deferred consideration	(0.7)	(1.1)
Other financial liabilities	-	(0.4)
Derivative financial instruments	-	(0.5)
<i>Non-current liabilities:</i>		
Lease liabilities	(251.2)	(210.4)
Interest-bearing loans and borrowings	(266.1)	(249.6)
Deferred consideration	(1.8)	(0.7)
Derivative financial instruments	(0.1)	-
Other financial liabilities	-	(0.6)
Net debt	(444.0)	(365.0)

Analysis of movements in net debt:

	At 31 December 2021 £m	Cash flows £m	Acquisitions £m	Non-cash items ¹ £m	Exchange differences £m	At 31 December 2022 £m
Cash at bank and on hand	145.1	7.7	(26.0)	-	3.3	130.1
Lease receivables	3.7	(0.4)	-	(2.0)	-	1.3
	148.8	7.3	(26.0)	(2.0)	3.3	131.4
Liabilities arising from financing activities						
Financial assets – derivative financial instruments	0.2	-	-	1.6	-	1.8
Debts due within one year	(2.0)	1.8	(1.3)	-	-	(1.5)
Debts due after one year	(250.9)	0.9	(3.9)	(0.2)	(13.9)	(268.0)
Lease liabilities	(261.1)	73.8	(3.4)	(109.3)	(7.7)	(307.7)
	(513.8)	76.5	(8.6)	(107.9)	(21.5)	(575.4)
Net debt	(365.0)	83.8	(34.6)	(109.9)	(18.3)	(444.0)

¹ 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, movements between debts due within one year and after one year, and non-cash movements in lease liabilities.

11. Dividends

No interim dividend was paid for the year ended 31 December 2022 (2021: £nil) and no final dividend is proposed. No final dividend was proposed or paid for the year ended 31 December 2021. No dividends have been paid between 31 December 2022 and the date of signing the Financial Statements.

12. Provisions

	Onerous leases	Leasehold dilapidations	Onerous contracts	Other amounts	Total
	£m	£m	£m	£m	£m
At 1 January 2022	1.3	22.0	8.8	2.1	34.2
Unused amounts reversed in the period	(0.1)	(0.6)	(1.2)	(0.4)	(2.3)
Utilised	(1.2)	(0.2)	(6.8)	(1.4)	(9.6)
New provisions	0.1	2.1	-	1.1	3.3
Added on acquisition	-	1.1	-	-	1.1
Unwinding of discount	-	-	0.1	-	0.1
Exchange differences	-	-	-	0.1	0.1
At 31 December 2022	0.1	24.4	0.9	1.5	26.9

	2022	2021
	£m	£m
Included in current liabilities	9.6	12.9
Included in non-current liabilities	17.3	21.3
Total	26.9	34.2

Onerous leases

In accordance with IFRS 16, the future rental payments due over the remaining term of existing lease contracts is included in the lease liability, with the right-of-use asset impaired to reflect the future cost not covered through sublease income. The remaining onerous lease provision relates to other non-rental costs due over the remaining lease term based on expected value of costs to be incurred and assumptions regarding subletting. The balance at 31 December 2022 is payable over the relevant lease terms, the longest unexpired term being 19 years to 2041.

Leasehold dilapidations

This provision relates to contractual obligations to reinstate leasehold properties to their original state of repair. The provision is calculated based on both the estimated liability to rectify or reinstate leasehold improvements and modifications carried out on the inception of the lease (recognised on inception with corresponding fixed asset) and the liability to rectify general wear and tear which is recognised as incurred over the life of the lease. The costs will be incurred both at the end of the leases (reinstatement) and during the lease term (wear and tear).

Onerous contracts

Onerous contract provisions relate to licence fee commitments where no future economic benefit is expected to be obtained, principally in relation to the SAP S/4HANA implementation following the change in scope of the project in previous years. The remaining cost will be incurred in the next year.

Other amounts

Other amounts relate principally to claims and warranty provisions based on expected value and past experience. The transfer of economic benefit is expected to be made between one and four years' time.

Two of SIG's wholly owned subsidiaries in Benelux are subject to legal proceedings brought by a customer in connection with the installation of insulation at an industrial facility in Belgium. Those subsidiaries sold an insulation product manufactured by a third party, and made requested adaptations to the product prior to selling it. The claim relates to the adaptations. This matter arose during 2022 and the provision recognised in the year is included within the "new provisions" charge of £1.1m. This claim is discussed further in Note 13.

13. Contingent liabilities

Legal claim

As noted in Note 12, two of SIG's wholly owned subsidiaries in Benelux are subject to legal proceedings.

Subsequent to the year end, the Group has obtained additional independent technical expert input on the matter, which is currently being discussed with our customer. This matter may give rise to a possible further obligation whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the Group. Given the outcome of the matter remains highly uncertain at this stage, the Group cannot estimate the possible further financial impact in the event that the subsidiaries were determined to have any further obligation arising from this matter. Further information about the matter and its possible outcomes are not provided, as such disclosures could prejudice the position and interests of the Group in this matter.

Other

As at the balance sheet date, the Group had outstanding obligations under customer guarantees, claims, standby letters of credit and discounted bills of up to £11.7m (2021: £9.9m). Of this amount, £5.2m (2021: £4.7m) relates to a standby letter of credit issued by HSBC Bank plc in respect of the Group's insurance arrangements.

As disclosed in the Statement of significant accounting policies, SIG Building Systems Limited have taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Company has guaranteed the year end liabilities of the entity until they are settled in full.

As part of the disposal of the Building Plastics business in 2017 a guarantee was provided to the landlord of the leasehold properties transferred with the business covering rentals over the remaining term of the leases in the event that the acquiring company enters into administration before the end of the lease term. The maximum liability that could arise from this would be approximately £0.8m (2021: £1.1m) based on the remaining future rent commitment at 31 December 2022. No provision has been made in these financial statements as it is not considered likely that any loss will be incurred in connection with this.

14. 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 2022, SIG incurred expenses of £0.2m (2021: £0.6m) 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".

	2022	2021
	£m	£m
Short-term employment benefits	7.9	6.7
Termination and post-employment benefits	0.1	-
IFRS 2 share option charge	2.9	1.5
	10.9	8.2

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 risk and control management processes 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.

The Board regularly monitors the Group risk register, which includes the ten principal risks to the Group set out below. These risks, if they materialise, could have a significant impact on the Group's ability to meet its strategic objectives.

Risk	Mitigations
<p>Cyber security: Internal or external cyber-attacks could result in system disruption or sensitive data being compromised</p> <p>In the context of widespread dependency on increasingly complex digital systems, growing cyber threats are outpacing societies' ability to effectively prevent and manage them. These risks are also exacerbated by an increasing willingness of nation states to engage in asymmetric cyber warfare to achieve geopolitical aims.</p> <p>There is a risk that we lack the capabilities to effectively prevent, monitor, respond to, 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 impact on our ability to operate and comply with data protection and privacy laws (e.g. GDPR) and have a detrimental effect on our reputation.</p>	<p>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.</p> <p>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.</p> <p>Cyber-incident response protocols are also in place to support our ability to effectively respond to 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.</p>
<p>Health and safety: Danger of incident or accident, resulting in injury or loss of life to employees, customers, or the general public</p> <p>There is a risk that poor organisational arrangements or behavioural culture with regards to health and safety causes harm to individuals and as a result may result in enforcement action, penalties, reputational damage, or adverse press coverage.</p>	<p>The Group Health, Safety and Environment Director 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. During the year we appointed a new Group Health, Safety and Environment Director and she is supported by local health and 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.</p> <p>A compliance standards framework is in place to ensure the adequacy of local health and safety standards and arrangements, with assurance provided through a programme of compliance audits performed by suitably trained and experienced health and safety professionals.</p>
<p>Macroeconomic uncertainty: Macroeconomic volatility impacts the Group's ability to accurately forecast and to meet internal and external expectations</p> <p>Geopolitical tensions have been a key feature of 2022 and are unlikely to disappear in 2023. The ongoing impacts of restoring post-Covid-19 financial stability, conflict in Ukraine and the response of Western governments, particularly regarding the imposition of sanctions on Russia and retaliatory disruption to energy supplies, has resulted in unprecedented economic turbulence and financial uncertainty with significant ongoing inflationary</p>	<p>We continue to assess inflationary, 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.</p> <p>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.</p>

Risk	Mitigations
<p>and cost of living impacts for both the UK and Europe.</p> <p>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. Changes in macroeconomic conditions may adversely affect the Group's people, business, results of operations, financial condition, or prospects.</p>	
<p>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</p> <p>A combination of structural labour and vocational skills shortages in the construction sector, exacerbated by increased employee concerns regarding post-Covid-19 wellbeing, mental health anxieties and significant wage inflation pressure resulting from an increased cost of living, has the potential to negatively impact SIG's ability to attract, recruit and retain staff across the full spectrum of disciplines.</p>	<p>We continue to invest in learning and development programmes to ensure both vocational and technical training needs are met whilst retaining an agile workforce.</p> <p>We ensure accountabilities, responsibilities, and organisational structures are regularly reviewed and where necessary restructured to optimise employee motivation and engagement. Employee engagement is also monitored through the annual employee engagement survey process and the Workforce Engagement programme run by the Board.</p> <p>Ongoing enhancements to pay and conditions, including benchmarking remuneration packages to ensure market competitiveness, addressing the financial challenges experienced by our lower paid colleagues, broadening the scope of variable elements of remuneration and the development of retention and succession plans for critical roles helps to mitigate this risk.</p>
<p>Data quality and governance: Poor data quality negatively impacts our financial management, fact-based decision making, business efficiency, and credibility with customers</p> <p>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.</p>	<p>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. We also continue to maintain and upgrade our ERP systems where relevant to ensure these systems support the required data quality and governance required.</p>
<p>Environmental, social and governance (ESG): SIG suffers reputational impacts due to poor environmental, social and governance arrangements and performance</p> <p>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 also contribute positively to both society and the environment.</p> <p>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 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.</p>	<p>We have set ambitious ESG commitments and will focus on demonstrating health and safety leadership in our sector, 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.</p> <p>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. To do this, we have enhanced our sustainability reporting and budgeting processes (particularly in relation to carbon emissions and waste) to ensure that we are able to effectively track both the progress and financial impacts of commitments.</p> <p>In terms of employee wellbeing, each of our businesses has introduced programmes and initiatives to support employees, underpinned by a Group-wide employee health and wellbeing policy and training for all employees to understand their responsibilities to keep themselves and their colleagues safe and well.</p>
<p>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</p> <p>As part of our growth strategy, we may from time to time acquire new businesses. Such decisions are based on</p>	<p>We have dedicated M&A Group resource supported by appropriately skilled in-house expertise and the use of approved external advisors.</p> <p>Clear accountability and authority limits for the initiation and approval of M&A activity are defined in the Group Delegation of Authority.</p>

Risk	Mitigations
<p>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 revenues generated.</p>	<p>Resource is also available in the organisation to ensure that transactions are subject to post-integration and lessons learnt exercises and we continue to streamline and enhance our M&A policies and procedures.</p>
<p>Legal or regulatory compliance: We fail to comply with or are found to be in breach of, legal or regulatory requirements</p> <p>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.</p>	<p>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.</p> <p>Policies and procedures are in place to ensure compliance with legal and regulatory frameworks, including health and safety, environmental, ethical, fraud, data protection and product safety.</p> <p>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.</p> <p>Our Code of Conduct is available on our website and forms part of our employee induction programme. E-learning tools are also deployed across the organisation to ensure employees are aware of, and understand, their obligations.</p> <p>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.</p>
<p>Digitalisation: SIG fails to maintain or offer the digital capabilities necessary to either maintain market competitiveness or to support the ongoing investments required to modernise and deliver future efficiency and productivity gains</p> <p>Increased technological innovation and change has accelerated the increasing role digitalisation will have in the construction materials supply chain. We continue to seek opportunities to ensure we can deliver digital solutions to enable a more integrated and frictionless experience for both customers and suppliers.</p> <p>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.</p>	<p>We continue to evaluate new technologies and make investments in the digital workplace to ensure that we maintain a competitive digital proposition.</p> <p>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.</p> <p>During 2022, we identified opportunities for further progress in digital, particularly with regards to how we can increase our productivity, optimise process efficiencies and enhance the customer experience. This will form the basis of how we further develop our digital capabilities.</p>
<p>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</p> <p>As we enter the next phase of executing our strategy, there will be a key focus on identifying and implementing opportunities to drive efficiency and productivity and to ensuring that we optimise our service, product offer and processes, and manage our cost base.</p> <p>This will inevitably require changes to roles, and ways of working, while we continue to modernise existing and implement new IT systems.</p> <p>There is a risk that these initiatives, allied to the impacts of an increasingly volatile market and the associated pressures resulting from an increased cost of living, results in "change fatigue" and either future changes are not implemented as planned, or the benefits are not realised.</p>	<p>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.</p> <p>Monitoring of business growth metrics and early warning indicators or trends continues as part of business reviews at both the management and Board level.</p> <p>Our ongoing employee engagement surveys continue to facilitate the early identification of change impact in terms of our employees, and action plans are implemented and monitored accordingly.</p>

Non-statutory information

The Group uses a variety 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 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 the end of the reporting period.

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 IFRS 16 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 at 30 June 2021 are no longer relevant following the change in debt arrangements during the prior year and are therefore no longer presented.

	2022	2021
	£m	£m
Reported net debt	444.0	365.0
Lease liabilities recognised in accordance with IFRS 16	(285.0)	(239.1)
Lease receivables recognised in accordance with IFRS 16	1.3	3.7
Other financial liabilities recognised in accordance with IFRS 16	-	(1.0)
Net debt excluding impact of IFRS 16	160.3	128.6

b) Leverage

Leverage is one of the covenants applicable to the Revolving Credit facility and is used as a key performance metric for the Group. It is calculated as net debt divided by the last twelve months underlying EBITDA.

	2022	2021
	£m	£m
Underlying operating profit	80.2	41.4
Add back:		
Depreciation of right-of-use assets and property, plant and equipment	73.2	68.3
Amortisation of computer software	3.2	3.4
Underlying EBITDA	156.6	113.1
Reported net debt	444.0	365.0
Leverage	2.8x	3.2x

Leverage excluding the impact of IFRS 16 is calculated as follows:

	2022	2021
	£m	£m
Underlying operating profit	80.2	41.4
Impact of IFRS 16	(8.6)	(4.3)
Underlying operating profit excluding impact of IFRS 16	71.6	37.1
Add back:		
Depreciation of right-of-use assets and property, plant and equipment	12.2	11.2
Amortisation of computer software	3.2	3.4
Underlying EBITDA	87.0	51.7
Net debt excluding the impact of IFRS 16	160.3	128.6
Leverage excluding the impact of IFRS 16	1.8x	2.5x

c) 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	UK Total £m	France Interiors £m	France Exteriors £m	France Total £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Total Group £m
Statutory and underlying revenue 2022	702.6	445.2	1,147.8	218.4	465.6	684.0	457.8	115.9	108.3	230.7	2,744.5
Statutory and 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
<i>% change year on year:</i>											
Underlying revenue	38.5%	5.4%	23.5%	11.8%	14.7%	13.8%	16.4%	25.4%	22.8%	23.6%	19.8%
Impact of currency	-	-		0.6%	0.6%	0.5%	0.6%	0.7%	0.6%	3.9%	0.6%
Impact of acquisitions	(17.0)%	-	(9.4)%	-	-	-	(0.7)%	-	-	-	(4.8)%
Impact of working days	1.4%	1.3%	1.3%	-	(0.5)%	(0.3)%	-	(1.0)%	0.5%	0.5%	1.4%
Like-for-like sales	22.9%	6.7%	15.4%	12.4%	14.8%	14.0%	16.3%	25.1%	23.9%	28.0%	17.0%

d) 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.

	2022 £m	2021 £m
Underlying revenue	2,744.5	2,291.4
Underlying operating profit	80.2	41.4
	2.9%	1.8%

e) Free cash flow

Free cash flow represents the cash available after supporting operations, including capital expenditure and the repayment of lease liabilities, and before acquisitions and any movements in funding. Operating cash flow represents free cash flow before interest, financing, costs of refinancing and tax. These measures are used to enhance understanding and comparability of the cash generation of the Group.

	2022 £m	2021 £m
Decrease in cash and cash equivalents in the year	(18.3)	(82.7)
Add back:		
Net cash flow on the purchase of businesses	26.0	10.1
Settlement of amounts payable for previous purchases of businesses	1.3	0.5
Investment in financial assets	0.2	-
Repayment of borrowings	1.4	200.3
Proceeds from borrowings	-	(251.5)
Settlement of derivative financial instruments	-	(0.8)
Free cash flow	10.6	(124.1)
Add back:		
Finance costs paid	30.1	36.3
Finance income received	(1.3)	(0.7)
Other refinancing cash costs ¹	1.1	4.0
Tax paid	14.3	10.4
Operating cash flow	54.8	(74.1)

¹ Includes costs accrued in the prior year and paid in the current year. Excludes the make-whole payment in the prior year of £12.9m which is included in the finance costs paid line.

f) Other non-statutory measures

In addition to the alternative performance measures noted above, the Group also uses underlying EPS (as set out in Note 7), underlying net finance costs (as set out in Note 5) 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.