25 March 2021

SIG plc
Full year results for the year ended 31 December 2020
Return to Growth strategy on track

SIG plc ("SIG", "the Group" or "the Company") announces its results for the full year ended 31 December 2020 ("FY 2020" or "the period").

Strategic highlights

- Return to Growth strategy delivering to plan:
    - UK business rebuilt and relaunched
    - Reconnection with customers, suppliers and employees well advanced
- Strong finish to 2020, ahead of expectations; like-for-like sales up 4% in Q4, reflecting broad-based growth across all major markets, including the UK
- Significantly strengthened balance sheet provides confidence to invest in new growth strategy and security against short term market uncertainty
- Group continues to adapt successfully to trade safely to new Covid-19 norms, working closely and flexibly with our employees, customers and suppliers

Financial results

- Full year like-for-like sales down 13%, with a solid recovery in the second half
- Underlying gross margin down 80bps due to lower sales volumes over the year
- Underlying operating loss of £53.3m (2019: £42.5m profit); better than previous guidance
- Underlying loss before tax of £76.3m (2019: £17.7m profit before tax), with statutory loss before tax from continuing operations of £202.3m (2019: £112.7m loss before tax), reflecting £126.0m of Other items, including £76.1m of impairment charges in the UK business and £13.2m onerous contract costs
- Net debt, pre IFRS 16, down to £4.1m (2019: £162.8m), helped by the sale of Air Handling division in January and £152m capital raise in July; post IFRS 16 net debt down to £238.2m (2019: £455.4m)

Current trading and outlook

- Trading in 2021 to date is in line with management expectations, continuing on a similar trajectory to Q4 2020
- Market fundamentals remain strong; good RMI growth in UK and France
- UK Distribution structure in place; revenue growth starting to emerge as planned
- Continued uncertainty remains regarding Covid-19
- Return to profitability and cash generation expected in H2
- Company reaffirms medium term financial goals

Commenting, Steve Francis, Chief Executive Officer, said:

"Our teams have shown great resilience and commitment in the face of the challenging circumstances for much of the year, the effects of which clearly impacted our first half, and hence full year, results. Providing a safe environment and instilling an even greater focus on good health and safety behaviours has been and will remain a major focus of the new management team.

"I am delighted that due to our Return to Growth strategy we delivered a solid second half and have begun to return the business to growth after a long period of decline. On behalf of the whole Board I would like to thank all our employees for their significant efforts, and successes, during the year.

"The new UK management team has rebuilt its business and, everywhere we operate, we have reconnected with our employees, customers and suppliers. Their response has reaffirmed that we are at our best when we are a local, sales and technical service-driven business, partnering closely with our key suppliers and operating with empowered and entrepreneurial branch teams. That is our strategy for growth and the basis for playing a leading role in our industry in the years to come.

"This, coupled with a strong balance sheet, gives us the right foundations for the business to grow."

Underlying operations[1]	**2020**	**2019**	**Change**
Revenue	**£1,872.7m**	£2,143.0m	*(12.6)%*
LFL[2] sales	**(13.3)%**	(7.4)%	*(590)bps*
Gross margin	**25.1%**	25.9%	*(80)bps*
Underlying[3] operating (loss)/profit	**(£53.3)m**	£42.5m	
Underlying[3] (loss)/profit before tax	**(£76.3)m**	£17.7m	
Underlying[3] (loss)/earnings per share	**(10.0)p**	0.2p	*(10.2)p*
Operating margin	**(2.8)%**	2.0%	*(480)bps*
Net debt	**£238.2m**	£455.4m	*47.7%*
Net debt (pre IFRS 16)	**£4.1m**	£162.8m	*97.5%*

Statutory results	**2020**	**2019**
Revenue[4]	**£1,874.5m**	£2,160.6m
Operating loss[4]	**(£167.7)m**	(£87.9)m
Loss before tax[4]	**(£202.3)m**	(£112.7)m
Basic loss per share[4]	**(24.0)p**	(21.0)p
Total loss after tax[5]	**(£139.2)m**	(£124.5)m
Dividend per share	**n/d**	1.25p

1.Underlying operations excludes businesses divested or closed, or which the Board has resolved to divest or close by 24 March 2021.
2. Like-for-like ("LFL") is defined as sales per working day in constant currency excluding acquisitions and disposals completed or agreed in the prior year, or before announcement of the Group's results for the relevant period. Sales are not adjusted for branch openings or closures. 2019 LFL sales differ from the prior year results due to the reclassification of non-core businesses.
3. Underlying represents the results before Other items and have been disclosed separately in order to give an indication of the underlying earnings of the Group. Further details are disclosed in Note 3.
4. Statutory results of Continuing operations only.
5. Statutory results including both Continuing and Discontinued operations.

Investor and Analyst presentation (9am today)

A webcast of the Group's briefing for analysts and investors will take place today at 9am, a recording of which will also be available later in the day on the investor page of the Company's website, www.sigplc.com.

Please click this URL to join: https://storm-virtual-uk.zoom.us/j/83576636099

Or join by phone:
United Kingdom: +44 203 481 5240 / +44 203 901 7895 / +44 131 460 1196 / +44 203 051 2874 / +44 203 481 5237
Webinar ID: 835 7663 6099
International numbers available: https://storm-virtual-uk.zoom.us/u/kbeLX0IBeh

LEI: 213800VDC1BKJEZ8PV53

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About

SIG plc is a leading European supplier of specialist building solutions to trade customers across the UK, France, Germany, Ireland, Benelux and Poland. As a distributor of insulation and interiors products and merchant of roofing and exteriors products, SIG facilitates one-stop access to an extensive product range, provides expert technical advice and coordinates often complex delivery requirements. For suppliers, SIG offers a channel through which products can be brought to a highly fragmented market of smaller customers and sites that are of insufficient scale to supply direct. SIG employs approximately 6,500 employees across Europe and is listed on the London Stock Exchange (SHI). For more information, please visit the Company's website, www.sigplc.com.

Strategy update

On 29 May, the Group launched its Return to Growth strategy. The restructuring of its debt facilities and the successful capital raise provide firm and stable foundations for this strategy to be delivered. Fundamental to the new strategy is the recognition that SIG is a sales-led organisation, where the ability to grow its customer base through the provision of high levels of customer service, deep technical expertise and disciplined pricing are critical. The establishment of strong customer relationships, by empowering and energising key account and branch teams, and promoting an entrepreneurial spirit throughout the company's extensive branch network, is key to this objective.

The implementation of the strategy is now well underway. In the UK, where the Group's operational and financial performance had seen greatest deterioration, the new strategy is initially focusing on de-centralising accountability to branch level and upgrading operational processes, systems and controls to provide the appropriate platform from which market share can be recaptured and profitable growth restored. In the EU businesses, where the Group's operational and financial performance has in general been more stable, the new strategy is empowering the Group's operating companies to move onto a growth footing.

Through the implementation of this strategy, supported by the strengthened balance sheet and strong leadership teams now in place across the organisation, the Board is confident that the Group will return to sustainable and long term profitable growth and achieve its vision of being the leading B2B supplier of specialist construction products and solutions in the markets in which it operates.

The delivery of these strategic objectives will, in turn, enable the Group to achieve its key stated medium term financial goals, being:

- A Group operating margin of approximately 3%, trending towards approximately 5% in the longer term; underpinned by target operating margin of approximately 5% within the Group's operating companies
- Leverage of <1.5x (pre IFRS 16 basis)
- A progressive dividend covered 2.0-3.0x by underlying earnings

Market share recapture plan

The Group's market share recapture plan, particularly for its UK businesses, Distribution and Exteriors, as well as for its Germany and Benelux businesses, is built upon some key enablers.

Merger of leadership of UK Distribution and Exteriors

The UK's Distribution and Exteriors businesses have now been merged to create a single UK division, with a combined leadership team replicating the model already successfully deployed in SIG France, which will leverage potential synergies in support functions whilst maintaining separate commercial organisations and footprints (primarily branches). The new regional structure of the combined UK business is focusing on promoting local entrepreneurship, accountability and P&L account responsibility.

More expansive growth strategy

As part of the Return to Growth strategy, the Group has commenced a review to refine the definitions of its marketplace and thereby revise and expand the definition of "core" business. This is designed to facilitate the development of a more expansive growth strategy in each of the Group's countries of operation. The Company expects this review to highlight opportunities, consistent with the Group's USPs (Expertise, Proximity, Service), to widen its product offering and expand its geographic coverage in areas where the greatest returns can be realised.

Energise sales, market share recovery and growth efforts

The Group is improving proximity to its customers by identifying and filling gaps in its geographical coverage. Sales forces are being expanded and up-skilled by restoring their historic industry-leading, bench-strength of specialist local expertise in areas such as fire protection, energy efficiency and sustainable materials. Sales force productivity is also being increased through enhanced sales management and training, supported by sales force management tools, disciplines and aligned incentives, with customer reconnection a top priority.

Facilitate growth through better operations

A number of actions are well advanced in the Group's operations to increase efficiency and service levels to boost the sales effort, including:

- pricing tools and training for key account and branch managers, providing enhanced visibility and autonomy to set pricing quickly and competitively;
- improved product availability through the use of enhanced systems and more accurate operational key performance indicators, such as stock availability;
- enhanced on time and in full delivery; and
- additional training, which is being provided to the Group's workforce in order to promote operational excellence and customer service.

Liquidity and balance sheet strengthening

The successful renegotiation of the Group's debt facilities during the summer resulted in a resetting of its covenant requirements, with additional minor amendments made in early March 2021 to better align the different tests. Consolidated liquidity covenants are to be tested monthly through to the maturity of the facilities, with net borrowings tested monthly until December 2022. From March 2022, leverage will be tested on a quarterly basis, and interest cover will be tested from June 2022. Consolidated net worth will also be tested each quarter through to maturity of the facilities.

The significant loss of revenues in H1 2020 impacted profitability, cash generation and therefore debt levels, though the immediate and comprehensive set of actions enacted across the business around cash conservation, coupled with the receipt of the sale proceeds of the Air Handling business, meant that the Group was able to preserve its liquidity throughout the period.

In mid-July, the Group completed a successful capital raise, as previously announced, raising gross proceeds of £165m (c£152m net of related costs). At the same time, approximately £13m costs were paid in relation to the debt refinancing.

As at the year-end, the Group had net debt on a pre IFRS 16 basis of £4.1m. By the end of February 2021 this number had increased to £36.4m, reflecting the expected seasonal increase in working capital, as well as some payments of annual commitments. We expect a net cash outflow during the first half and a modest cash inflow in H2.

Dividend

In line with the terms of the Group's amended debt arrangements, the Board did not declare or pay an interim dividend for the 2020 financial year, and nor will a final dividend be declared.

Successful execution of the Return to Growth strategy will return the Group to sustainable, profitable growth and cash generation, capable of supporting a range of capital allocation priorities. As such, the Board retains its medium term commitment to return to a progressive dividend policy, appropriately covered by underlying earnings.

People

The Board would like to thank all employees of SIG for their continued commitment and resilience in 2020, which was a particularly challenging year as a result of Covid-19. Whilst the trading results were affected by the pandemic, their efforts have laid a strong foundation for the next phase of SIG's evolution as we focus on building a stronger business with a high performing workforce that is rewarded for making a positive difference.

The Board recognises that safety must always be its number one priority - for its employees, its suppliers, its customers, and within the communities where we operate. A key focus for the Group since the outbreak of the Covid-19 pandemic has been to ensure that within those operations that remained open for business, all necessary measures were taken in line with government safety guidelines to protect the health and safety of employees, suppliers and customers.

To further strengthen engagement with colleagues, the Board appointed Simon King as the designated Non-Executive Director for workforce engagement with effect from 1 October 2020. In addition, in early 2020, a new culture programme was launched to develop a culture aligned to shared behaviours and encourage openness and transparency.

Whilst Covid-19 hindered the full implementation of a Group-wide culture programme, it did provide the opportunity to realign and strengthen the framework comprising a vision, the strategic pillars and cultural behaviours of the Group. Work took place to incorporate employee feedback, and local teams took the opportunity to improve their understanding of the behaviours and how they contribute towards a change in culture. The full roll out resumed in January 2021.

Covid-19

The Board closely monitored the impact of the pandemic on the business and on our people, and continues to do so. Throughout the last twelve months, the safety of our people, customers and suppliers has been, and continues to be, our primary concern. Additional health and safety measures were quickly implemented at the beginning of the outbreak, and the new protocols continue to be adhered to across the Group, in line with the government guidance across all jurisdictions in which it operates. To support home working, the Group's IT infrastructure was strengthened. As a result of the quick and agile response to the pandemic, and from some government support, the Group was able to mitigate the impact without reducing headcount as a result of Covid-19.

The specific actions taken included, but were not limited to:

i. Employees: Over 2,000 employees were furloughed under the UK Government's scheme and the majority of trading sites across the UK and Ireland were temporarily closed. Remaining staff agreed to take up to 20% temporary pay reductions, with the salaries of all members of the Board temporarily reduced by 50% from 1 April to 30 June 2020. In mid-May, the Company reinstated the Executive Directors' pay to 80% at the same time as other Group employees were returning to work on full pay.

ii. Government support: Relevant government support was accessed in all countries of operation, across employment support, tax and social security deferrals. In aggregate, use of government support schemes enabled the Group to defer approximately £21m of cash payments to points later within 2020, with another c£4m deferred into 2021, and to support the retention of jobs through the receipt of c£11m of furlough monies and other forms of support.

iii. Capital expenditure: Programmes that required significant cash investment or did not provide near-term business benefits were paused.

iv. Customers: The Group remained very diligent in proactively managing collections and monitoring overdue payments.

v. Trade suppliers: The Group conducted active discussions with large trade suppliers in order to maintain continuity of supply, and in some cases was able to net rebates off against payments earlier than scheduled.

vi. Non-trade suppliers: Deferral and terms extension requests were managed across non-trade suppliers, with a significant focus on IT, services and property, with property rates being deferred on UK properties.

vii. Dividend: As noted above, the Board did not declare a full year 2019 dividend or interim 2020 dividend.

The decisive actions taken across all functions and at all levels in the business mitigated the initial impact of the global pandemic. The performance in the first half of the year was materially affected by the different government lockdown responses to the pandemic in the countries in which we operate, notably in the UK and Ireland during March and April, although less than we had originally envisaged. With the easing of lockdown restrictions in May and June, the Group saw a gradual improvement in trading performance, accompanied by a corresponding reduction in losses and this continued in the second half. Despite further lockdowns and restrictions from October onwards, the business was able to trade broadly as normal throughout the second half, albeit within the new operating norms and protocols.

Portfolio management

As announced on 3 February 2020, the Company completed the sale of its Air Handling Division to France Air Management SA for an enterprise value of €222.7m (c£187.0m) on a cash free, debt free basis on 31 January 2020. After payment of transaction costs and other agreed adjustments to the consideration, the net cash inflow totalled c£148m. The results from this business have been excluded from the reported underlying results and are shown as a discontinued operation in both FY 2020 and the prior year.

The Building Solutions business was classified as held for sale at 31 December 2019 as a sale had been agreed and was due to complete in the first half of 2020, subject to approval from the UK Competition and Markets Authority (CMA). As announced in May 2020, the parties agreed to terminate the sales agreement as terms could not be agreed for the extension of the agreement to enable the completion of the CMA phase 2 investigation. During the second half of the year the Board decided to retain and develop the business, and it is now reported as part of underlying operations. Prior year comparatives have been restated to present numbers on a consistent basis with the current year.

Trading overview

Like-for-like sales growth by market is summarised as follows:

LFL sales growth 2020	Q1	Q2	Q3	Q4	FY	FY sales £m
UK Distribution	(34)%	(63)%	(25)%	(3)%	(33)%	357
UK Exteriors	(11)%	(46)%	1%	11%	(11)%	258
Building Solutions	(14)%	(38)%	0%	7%	(11)%	52
UK	**(26)%**	**(56)%**	**(14)%**	**3%**	**(25)%**	**667**
France Distribution	(12)%	(30)%	(3)%	4%	(10)%	168
France Exteriors	(12)%	(10)%	5%	20%	0%	345
Germany	(6)%	(11)%	(4)%	2%	(5)%	371
Benelux	(4)%	(18)%	(13)%	(16)%	(13)%	92
Ireland	(9)%	(52)%	(10)%	5%	(17)%	80
Poland	4%	(4)%	(8)%	(2)%	(3)%	150
EU	**(7)%**	**(16)%**	**(3)%**	**6%**	**(6)%**	**1,206**
Group	**(15)%**	**(33)%**	**(8)%**	**4%**	**(13)%**	**1,873**

Despite the materially adverse impacts on trading from Covid-19, the Group's results for the year were better than initial internal estimates that were made at the onset of the pandemic early in the year.

The year commenced with a like-for-like decline in underlying revenues of c11% for the first two months of trading, reflecting the continuation of the challenging trends experienced during the final quarter of 2019 in the UK and Germany. Trading activity across the Group's other end markets remained relatively stable.

The onset of the pandemic led to a period of temporary lockdown in a number of the markets in which the Group operates, significantly impacting revenue streams during March and April in France, and April and May in the UK and Ireland, in common with the broader construction industry. The Group's operating companies in Germany, Poland and Benelux were also impacted by local government containment measures, although to a lesser extent. Despite the lockdowns, parts of our UK and Ireland businesses did remain open to service critical and emergency projects only, such as for the NHS, energy and food sectors. After rapidly enhancing our health and safety protocols across all of the Group's branches and offices we were able to operate a staged reopening of our branch network through April and May, in conjunction with local government guidelines. Underlying revenues during the second quarter declined 33% on a like-for-like basis.

The material drop in sales volumes across our end markets throughout the first half led to reductions in underlying gross profit margins, principally driven by reduced levels of supplier rebates, and hence reduced profitability. To partly offset the adverse impacts, the Group initiated a number of decisive actions that not only reduced its cost base but also supported its liquidity position. Additionally, the Group accessed government-supported job retention schemes.

Trading over the summer months continued to show signs of improvement as local restrictions across a number of the Group's trading markets were relaxed, coupled with a strong consumer demand in the repair, maintenance and improvement ("RMI") market segment, benefiting our UK and France Exteriors businesses.

Despite improving conditions, trading continued to be challenging as we moved into the second half of 2020, particularly in UK Distribution, Ireland and Benelux where various levels of local government-imposed trading restrictions were still in force. However, whilst the Group's LFL sales in the third quarter continued to be down year-on-year, the trajectory improved, with all operating companies, except Poland, witnessing an increase in trading volumes. Underlying revenues in the third quarter finished 8% behind prior year on a like-for-like basis. Margins, and hence profitability, in quarter three showed an improvement on the previous quarter, with a revenue uplift of 38% coming principally from reduced effects of Covid-19, particularly in the UK businesses, resulting in higher levels of supplier rebates.

The fourth quarter saw a return to positive LFL sales at a Group level (+4%), with strength in the RMI markets continuing to assist our exteriors businesses in the UK and France and underpinned by early signs of progress coming from the Group's Return to Growth strategy, which started to deliver an improved organic sales performance. The fourth trading quarter volumes also saw further improvement in gross margins and profitability, providing solid momentum as we entered 2021.

Outlook

Trading in 2021 to date is in line with management expectations, continuing on a similar trajectory to Q4 2020. The market fundamentals for SIG remain strong and we are benefiting from good RMI growth in UK and France. We now have the right structure in place for UK Distribution and revenue growth is starting to emerge as planned.

Continued uncertainty remains regarding Covid-19, as well as rising input prices and early signs of some potential materials shortages. However, providing there is no further material disruption to either our business or end markets as a result of the pandemic, the Board expects the near-term benefits of the actions taken in 2020 to deliver organic revenue growth in 2021, including market share gains. The benefits of this will become increasingly evident as the year progresses and should enable us to return to underlying operating profitability and cash generation during the second half.

FINANCIAL REVIEW

Revenue and gross margin

The Group saw a 13% decline in its LFL revenue over the year, with Group underlying revenue down to £1,872.7m (2019: £2,143.0m), principally as a result of the Covid-19 impact. Underlying results exclude the results from the businesses that are classified as non-core and Other items, in order to provide a better understanding of the performance of the Group on a continuing basis. On a statutory basis, Group revenue was £1,874.5m (2019: £2,160.6m), with non-core businesses reporting sales of £1.8m (2019: £17.6m).

Underlying gross profit decreased 15.4% to £470.0m (2019: £555.4m) with a gross profit margin of 25.1% (2019: 25.9%). This primarily reflects lower rebate receipts due to decreased sales volumes. On a statutory basis, gross profit fell from £559.1m to £470.5m with gross margin decreasing by 80bps to 25.1% (2019: 25.9%).

Operating costs and profit

The Group's underlying operating costs were £523.3m (2019: £512.9m). The increase was primarily due to the release of a number of one-off accruals and provisions in 2019, some temporary costs related to the UK and broader Group reorganisations, normalisation of incentives, increases to bad debt expense in response to Covid-19 uncertainty, cost inflation, and movements in foreign currency. These increases were partially offset by c£12m benefit from furlough schemes, other government support, and wage saving initiatives. The Group's underlying operating loss was £53.3m (2019: £42.5m profit) and at a statutory level, the Group's operating loss was £167.7m (2019: £87.9m) after Other items of £114.4m (2019: £130.4m). The latter included £76.1m of impairment charges, £13.2m of onerous contract costs, £7.4m costs associated with refinancing, and £6.7m costs relating to restructuring activities.

Segmental analysis

UK

	Underlying revenue 2020 £m	Underlying revenue[1] 2019 £m	LFL sales H1	LFL sales H2	LFL sales FY 2020	Underlying operating loss 2020 £m	Underlying operating profit/(loss)[1] 2019 £m
UK Distribution	357.4	534.3	(48)%	(15)%	(33)%	(45.4)	7.9
UK Exteriors	310.1	346.5	(27)%	5%	(11)%	(7.4)	11.8
UK before non-core	**667.5**	**880.8**	**(40)%**	**(7)%**	**(25)%**	**(52.8)**	**19.7**
Non-core businesses	-	1.2	-	-	-	-	(0.8)
UK	**667.5**	**882.0**	**(40)%**	**(7)%**	**(25)%**	**(52.8)**	**18.9**

1 – 2019 restated to include Building Solutions, reported as non-core in 2019.

Underlying revenue in UK Distribution, a specialist insulation and interiors distribution business, was down 33.1% to £357.4m (2019: £534.3m). Underlying gross margin dropped 370bps to 22.5% (2019: 26.2%). The lockdown during March and April severely impacted UK trading and as a result, combined with some continued underlying weakness in performance, underlying operating loss was £45.4m (2019: £7.9m profit).

Despite a strong second half recovery, helped by a robust RMI market, UK Exteriors, a specialist roofing merchant, which also includes our Building Solutions business, saw underlying revenue fall by 10.5% to £310.1m (2019: £346.5m) for the full year. Gross margin decreased 100bps to 27.3% (2019: 28.3%). As a result of these decreases, driven by the impact of Covid-19, the business recorded an underlying operating loss of £7.4m (2019: £11.8m profit).

France

	Underlying revenue 2020 £m	Underlying revenue 2019 £m	LFL sales H1	LFL sales H2	LFL sales FY 2020	Underlying operating profit/(loss) 2020 £m	Underlying operating profit/(loss) 2019 £m
France Distribution	168.1	184.5	(21)%	1%	(10)%	7.1	11.2
France Exteriors	344.8	342.2	(11)%	12%	0%	8.3	8.6
France before non-core	**512.9**	**526.7**	**(14)%**	**8%**	**(3)%**	**15.4**	**19.8**
Non-core businesses	1.8	1.9	-	-	-	(0.3)	(0.9)
France	**514.7**	**528.6**	**(14)%**	**8%**	**(3)%**	**15.1**	**18.9**

Trading activity suffered a temporary setback in France following the short term closure of all branches for three days in mid-March. The businesses then commenced a staged reopening through into April.

France Distribution, trading as LiTT, a structural insulation and interiors business, saw underlying revenue decrease by 8.9% to £168.1m (2019: £184.5m), and by 10% on a LFL basis after adjusting for foreign exchange movements. Within this, the second half of the year showed clear signs of recovery, with LFL sales for the six months up 1%. Underlying gross margin remained flat at 27.4% (2019: 27.4%), with the reduction in revenue resulting in a £4.1m decrease in underlying operating profit to £7.1m (2019: £11.2m).

Underlying revenue in France Exteriors, trading as Larivière, a specialist roofing business, increased by 0.8% to £344.8m (2019: £342.2m), with H1 revenues down on prior year, though ahead in H2 on the back of strong demand in the RMI market, similar to that witnessed in the UK. Helped by a new pricing framework introduced during the latter stages of 2019, underlying gross margin improved 90bps in the period to 24.3% (2019: 23.4%). After taking into account inflationary cost increases and foreign currency movement, underlying operating profit reduced by £0.3m to £8.3m (2019: £8.6m).

Germany and Benelux

	Underlying revenue 2020 £m	Underlying revenue 2019 £m	LFL sales H1	LFL sales H2	LFL sales FY 2020	Underlying operating profit 2020 £m	Underlying operating profit 2019 £m
Germany	370.7	381.5	(9)%	(1)%	(5)%	0.4	4.4
Benelux	91.6	103.0	(12)%	(14)%	(13)%	2.5	5.2
Germany and Benelux before non-core	**462.3**	**484.5**	**(9)%**	**(4)%**	**(7)%**	**2.9**	**9.6**
Non-core businesses	-	14.5	-	-	-	-	0.8
Germany and Benelux	**462.3**	**499.0**	**(9)%**	**(4)%**	**(7)%**	**2.9**	**10.4**

The Group's operating companies in Germany and Benelux were impacted by government measures due to Covid-19, but to a lesser extent than in the UK, Ireland and France, and trading continued from all sites throughout the period.

Underlying revenue in WeGo/VTi, our specialist insulation and interiors distribution business in Germany, fell by 2.8% to £370.7m (2019: £381.5m) and by 5% on a LFL basis. In addition to the challenges faced due to Covid-19, H1 trading in Germany also saw a continuation of the weaker trends experienced in the last quarter of 2019. However, underlying gross margin increased 30bps to 28.0% (2019: 27.7%), reflecting a number of renegotiated contracts with suppliers whereby thresholds have been reduced, and assisted by further enhancements around pricing controls. Underlying operating profit for the period was £0.4m (2019: £4.4m).

Underlying revenue from the Group's business in the Benelux region fell by 11.1% to £91.6m (2019: £103.0m), with the impacts of Covid-19 being exacerbated by a reduction in construction output in the Netherlands following changes in environmental restrictions in 2019. Despite a very competitive marketplace, underlying gross margin decreased only 10bps to 24.6% (2019: 24.7%). As a result of the drop in revenue, operating profit decreased to £2.5m (2019: £5.2m).

Ireland

	Underlying revenue 2020 £m	Underlying revenue 2019 £m	LFL sales H1	LFL sales H2	LFL sales FY 2020	Underlying operating profit 2020 £m	Underlying operating profit 2019 £m
Ireland	80.5	94.9	(31)%	(3)%	(17)%	0.8	6.8

In Ireland, a specialist distributor of interiors, insulation and construction accessories, revenues in March to April were significantly impacted by the Covid-19 pandemic, with a gradual improvement in performance in May to June as branches began to reopen. Underlying revenue declined by 15.2% to £80.5m (2019: £94.9m), and by 17% on a LFL basis after adjusting for working days and foreign currency movements. Underlying gross margin dropped to 23.4% (2019: 25.0%) as the business saw a shift in sales mix away from its higher margin offerings, with underlying operating profit for the period of £0.8m (2019: £6.8m).

Poland

	Underlying revenue 2020 £m	Underlying revenue 2019 £m	LFL sales H1	LFL sales H2	LFL sales FY 2020	Underlying operating profit 2020 £m	Underlying operating profit 2019 £m
Poland	149.5	156.1	(0)%	(5)%	(3)%	2.0	4.3

In Poland, a market leading distributor of insulation and interiors, underlying revenue fell to £149.5m (2019: £156.1m), with LFL sales down 3%. Whilst also impacted by government measures, trading continued from all sites throughout the period. Underlying gross margin decreased slightly to 20.0% (2019: 20.3%), with the business delivering an underlying profit of £2.0m (2019: £4.3m) in the period, driven by the drop in revenue and a small increase in operating costs.

Reconciliation of underlying to statutory result

Other items, being items excluded from underlying results, during the period amounted to £126.0m (2019: £130.4m) on a pre-tax basis and are summarised in the table below:

	2020 £m	2019 £m
Underlying (loss)/profit before tax	**(76.3)**	**17.7**
Other items – impacting (loss)/profit before tax:		
Amortisation of acquired intangibles	(5.6)	(6.2)
Impairment charges	(76.1)	(90.9)
Profit on agreed sale or closure of non-core businesses and associated impairment charges	0.6	0.1
Net operating losses attributable to businesses identified as non-core	(0.3)	(0.9)
Net restructuring costs	(6.7)	(27.1)
Investment in omnichannel retailing	(4.2)	(5.7)
Onerous contract costs	(13.2)	-
Costs associated with refinancing	(7.4)	-
Non-underlying finance costs	(11.6)	-
Other specific items	(1.5)	0.3
Total Other items	**(126.0)**	**(130.4)**
Statutory loss before tax	**(202.3)**	**(112.7)**

Further details of Other items are as follows:

- The impairment charges of £76.1m (2019: £90.9m) comprise £45.4m related to goodwill, £1.9m customer relationships in intangibles, £13.7m implementation costs of ERP systems ("SAP 1HANA") in Germany and France, £1.4m other software costs, £3.5m tangible fixed assets, and £10.2m right-of-use assets.
- Net restructuring costs of £6.7m (2019: £27.1m) were incurred in connection with the prior year target operating model projects in the UK, Germany and France, the current year restructuring of the UK businesses as part of the implementation of the Return to Growth strategy, and restructuring in Benelux.
- Onerous contract costs of £13.2m (2019: £nil) related to provisions recognised for licence fee commitments where no future economic benefit is expected, principally in relation to the SAP 1HANA implementation.
- Costs associated with refinancing of £7.4m (2019: £nil) includes legal and professional fees of £8.3m offset by a £0.9m gain in relation to the partial derecognition of a cash flow hedging arrangement as a result of the change in debt facility agreements.
- Non-underlying finance costs of £11.6m (2019: £nil) comprise £11.3m loss on modification recognised in relation to the private placement notes and £0.3m write-off of arrangement fees in relation to the previous Revolving Credit Facility which has been extinguished.

Taxation

The effective tax rate for the Group on the total loss before tax of £130.3m (2019: £108.9m) is negative 6.8% (2019: negative 14.3%). As the Group operates in several different countries, tax losses cannot be surrendered or utilised cross border and the Group therefore pays tax in some countries and not in others. Tax losses are not currently recognised in respect of the UK business, which also impacts the overall effective tax rate. The combination of these factors means that the effective tax rate is less meaningful as an indicator or comparator for the Group.

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

Pensions

The Group operates four (2019: six) 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 and Other items, was £6.9m (2019: £7.0m), of which a charge of £0.7m (2019: £0.7m) related to defined benefit pension schemes and £6.2m (2019: £6.3m) related to defined contribution schemes.

The overall defined benefit pension schemes' liabilities before taxation increased marginally during the year to £25.1m (2019: £24.8m).

Financial position

In July 2020, we concluded the successful restructure of our financing facilities and a £165m capital raise (c£152m net of related costs). These, along with our careful management of working capital and cash in the year, have strengthened the balance sheet and created a sound financial base on which we can rebuild the business. Overall, the net assets of the Group have increased by 4.1% to £306.3m (2019: £294.2m), with a cash position at year-end of £235.3m (2019: £110.0m, excluding cash from businesses held for sale) and net debt of £238.2m (2019: £455.4m).

Group structure

The results at FY 2019 have been restated to reflect the change to core businesses subsequent to the year-end announcement. Please refer to the table below:

	Underlying revenue £m	**Underlying PBT £m**
As reported at FY 2019 results	**2,084.7**	**15.6**
Building Solutions	58.3	2.1
Restated at FY 2020 results	**2,143.0**	**17.7**

Cash flow

	2020 £m	2019 £m
Total operating loss, excluding gain on sale from Air Handling	(166.6)	(82.9)
Depreciation and non-cash items	154.4	177.9
(Increase)/decrease in working capital and provisions	(30.8)	71.0
Interest and tax	(32.3)	(35.3)
Capital expenditure	(20.8)	(34.5)
Proceeds from sale of property, plant and equipment	5.6	7.6
Free cash flow	**(90.5)**	**103.8**
Sale and purchase of businesses	147.0	7.5
Payment of lease liabilities	(54.8)	(59.9)
(Repayment)/drawdown of debt	(85.2)	42.4
Dividends paid to equity holders of the Company	-	(22.2)
Net proceeds from capital raise	151.9	-
Change in cash and cash equivalents	**68.4**	**71.6**
Cash and cash equivalents at beginning of the year	145.1	78.8
Effect of foreign exchange rate changes	21.8	(5.3)
Cash and cash equivalents at end of the year	**235.3**	**145.1**

During the year, the Group reported a free cash outflow of £90.5m (2019: £103.8m inflow) as a result of the loss in the year and an increase in working capital, together with payments in relation to interest, tax and capital expenditure. Other movements in cash relate to £147.0m cash inflow from the sale and purchase of businesses (2019: £7.5m), £151.9m net proceeds from the capital raise (2019: nil), £85.2m repayments of debt (2019: £42.4m drawdown) and £54.8m payment of lease liabilities (2019: £59.9m).

Free cash flow represents the cash available after supporting operations and maintaining capital assets, and before financing and investing activities.

Financing and funding

On 18 June 2020, the Group agreed amended debt facility agreements in respect of its Revolving Credit Facility and private placement notes. On 10 July 2020, the Group also completed the successful raising of £165m (c£152m net of related costs) equity through a firm placing, and placing and open offer, in order to reduce the Group's net debt and strengthen its balance sheet.

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 2022. On 1 March 2021, the Group agreed with its lending banks and private placement noteholders to amend certain financial covenants to better align the different tests and to provide additional headroom on the interest cover covenant under stress test scenarios from March 2022.

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 2020. Certain parts solely thereof are not included within this announcement.

We confirm that to the best of our knowledge:

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

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

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

This responsibility statement was approved by the Board of Directors on 25 March 2021 and signed on its behalf by:

Steve Francis	Ian Ashton
Director	Director
25 March 2021	25 March 2021

Cautionary statement

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

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

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

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

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

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

Consolidated Income Statement

for the year ended 31 December 2020

	Note	**Underlying* 2020 £m**	**Other items** 2020 £m**	**Total 2020 £m**	Underlying* 2019 Restated^ £m	Other items** 2019 Restated^ £m	Total 2019 £m
Continuing operations							
Revenue	2	**1,872.7**	**1.8**	**1,874.5**	2,143.0	17.6	2,160.6
Cost of sales		**(1,402.7)**	**(1.3)**	**(1,404.0)**	(1,587.6)	(13.9)	(1,601.5)
Gross profit		**470.0**	**0.5**	**470.5**	555.4	3.7	559.1
Other operating expenses	3	**(523.3)**	**(114.9)**	**(638.2)**	(512.9)	(134.1)	(647.0)
Operating (loss)/profit		**(53.3)**	**(114.4)**	**(167.7)**	42.5	(130.4)	(87.9)
Finance income		**0.7**	**-**	**0.7**	0.5	-	0.5
Finance costs		**(23.7)**	**(11.6)**	**(35.3)**	(25.3)	-	(25.3)
(Loss)/profit before tax from continuing operations		**(76.3)**	**(126.0)**	**(202.3)**	17.7	(130.4)	(112.7)
Income tax (expense)/credit	4	**(10.7)**	**4.1**	**(6.6)**	(16.3)	4.9	(11.4)
(Loss)/profit after tax from continuing operations		**(87.0)**	**(121.9)**	**(208.9)**	1.4	(125.5)	(124.1)
Discontinued operations							
Profit/(loss) after tax from discontinued operations	10	-	**69.7**	**69.7**	-	(0.4)	(0.4)
(Loss)/profit after tax for the year		**(87.0)**	**(52.2)**	**(139.2)**	1.4	(125.9)	(124.5)
Attributable to:							
Equity holders of the Company		**(87.0)**	**(52.2)**	**(139.2)**	1.4	(125.9)	(124.5)
Loss per share							
From continuing operations:							
Basic	5			**(24.0)p**			(21.0)p
Diluted	5			**(23.9)p**			(21.0)p
Total:							
Basic	5			**(16.0)p**			(21.0)p
Diluted	5			**(15.9)p**			(21.0)p

^ The 2019 comparatives have been restated to include Building Solutions within underlying results consistent with the current year.

* Underlying represents the results before Other items.

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	2020 £m	2019 £m
Loss after tax for the year	**(139.2)**	(124.5)
Items that will not subsequently be reclassified to the Consolidated Income Statement:		
Remeasurement of defined benefit pension liability	**(1.7)**	(1.8)
Deferred tax movement associated with remeasurement of defined benefit pension liability	**0.3**	(6.6)
Current tax movement associated with remeasurement of defined benefit pension liability	**0.4**	0.4
	(1.0)	(8.0)
Items that may subsequently be reclassified to the Consolidated Income Statement:		
Exchange difference on retranslation of foreign currency goodwill and intangibles	**5.1**	(7.4)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	**13.2**	(16.1)
Exchange and fair value movements associated with borrowings and derivative financial instruments	**(11.0)**	10.9
Tax credit on fair value movements arising on borrowings and derivative financial instruments	**-**	(2.1)
Exchange differences reclassified to the Consolidated Income Statement in respect of the disposal of foreign operations	**(5.9)**	(0.1)
Gains and losses on cash flow hedges	**(0.5)**	0.4
Transfer to profit and loss on cash flow hedges	**(0.7)**	0.9
	0.2	(13.5)
Other comprehensive expense	**(0.8)**	(21.5)
Total comprehensive expense	**(140.0)**	(146.0)
Attributable to:		
Equity holders of the Company	**(140.0)**	(146.0)
	(140.0)	(146.0)

Consolidated Balance Sheet

as at 31 December 2020

	2020	2019
	£m	£m
Non-current assets		
Property, plant and equipment	**63.2**	58.6
Right-of-use assets	**229.6**	255.2
Goodwill	**128.8**	159.0
Intangible assets	**22.9**	42.3
Lease receivables	**3.6**	4.4
Deferred tax assets	**5.7**	4.4
Derivative financial instruments	**0.1**	1.7
	453.9	525.6
Current assets		
Inventories	**170.3**	156.5
Lease receivables	**0.7**	0.8
Trade and other receivables	**294.4**	294.7
Current tax assets	**-**	0.9
Derivative financial instruments	**-**	0.9
Cash at bank and on hand	**235.3**	110.0
Assets classified as held for sale	**-**	258.4
	700.7	822.2
Total assets	**1,154.6**	1,347.8
Current liabilities		
Trade and other payables	**301.4**	327.4
Lease liabilities	**50.6**	51.5
Bank loans	**-**	99.6
Private placement notes	**-**	175.5
Deferred consideration	**0.5**	-
Other financial liabilities	**0.5**	1.5
Derivative financial instruments	**0.5**	0.2
Current tax liabilities	**4.2**	3.7
Provisions	**10.5**	6.7
Liabilities directly associated with assets classified as held for sale	**-**	115.7
	368.2	781.8
Non-current liabilities		
Lease liabilities	**211.6**	224.1
Bank loans	**67.7**	-
Private placement notes	**144.5**	-
Deferred consideration	**0.4**	-
Derivative financial instruments	**0.4**	1.9
Other financial liabilities	**1.2**	1.4
Other payables	**3.5**	1.0
Retirement benefit obligations	**25.1**	24.8
Provisions	**25.7**	18.6
	480.1	271.8
Total liabilities	**848.3**	1,053.6
Net assets	**306.3**	294.2
Capital and reserves		
Called up share capital	**118.2**	59.2
Share premium account	**447.7**	447.3
Treasury shares	**(0.2)**	-
Capital redemption reserve	**0.3**	0.3
Share option reserve	**2.0**	1.8
Hedging and translation reserves	**10.5**	10.2
Cost of hedging reserve	**0.2**	0.3
Merger reserve	**92.5**	-
Retained losses	**(364.9)**	(224.9)
Attributable to equity holders of the Company	**306.3**	294.2
Total equity	**306.3**	294.2

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	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 31 December 2018	59.2	447.3	-	0.3	1.7	21.7	1.0	-	(68.3)	462.9
Impact of adoption of IFRS 16	-	-	-	-	-	-	-	-	(0.6)	(0.6)
Adjusted balance at 1 January 2019	59.2	447.3	-	0.3	1.7	21.7	1.0	-	(68.9)	462.3
Loss after tax	-	-	-	-	-	-	-	-	(124.5)	(124.5)
Other comprehensive income	-	-	-	-	-	(12.8)	(0.7)	-	(8.0)	(21.5)
Total comprehensive income	-	-	-	-	-	(12.8)	(0.7)	-	(132.5)	(146.0)
Transfer of reserves	-	-	-	-	-	1.3	-	-	(1.3)	-
Credit to share option reserve	-	-	-	-	0.1	-	-	-	-	0.1
Dividends paid to equity holders of the Company	-	-	-	-	-	-	-	-	(22.2)	(22.2)
At 31 December 2019	59.2	447.3	-	0.3	1.8	10.2	0.3	-	(224.9)	294.2
Loss after tax	-	-	-	-	-	-	-	-	(139.2)	(139.2)
Other comprehensive income/(expense)	-	-	-	-	-	0.3	(0.1)	-	(1.0)	(0.8)
Total comprehensive income/(expense)	-	-	-	-	-	0.3	(0.1)	-	(140.2)	(140.0)
Issue of share capital	59.0	0.4	-	-	-	-	-	92.5	-	151.9
Transfer of unallocated treasury shares	-	-	(0.2)	-	-	-	-	-	0.2	-
Credit to share option reserve	-	-	-	-	0.2	-	-	-	-	0.2
At 31 December 2020	**118.2**	**447.7**	**(0.2)**	**0.3**	**2.0**	**10.5**	**0.2**	**92.5**	**(364.9)**	**306.3**

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

The hedging and translation reserves represents movements in the Consolidated Balance Sheet as a result of movements in exchange rates and movements in the fair value of cash flow hedges which are taken directly to reserves. Amounts were reclassified during the prior year to clarify the effects of hedging between retained (losses)/profits and the cash flow hedging reserve and to separately identify the cash flow hedging reserve and foreign currency retranslation reserve.

The treasury shares reserve 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. Shares have become unallocated during the year and have therefore been transferred to the treasury share reserve.

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

Consolidated Cash Flow Statement

for the year ended 31 December 2020

	Note	**2020** **£m**	2019 £m
Net cash flow from operating activities			
Cash (used in)/generated from operating activities	6	**(43.0)**	166.0
Income tax paid		**(9.7)**	(10.8)
Net cash generated from operating activities		**(52.7)**	155.2
Cash flows from investing activities			
Finance income received		**0.7**	0.6
Purchase of property, plant and equipment and computer software		**(20.8)**	(34.5)
Proceeds from sale of property, plant and equipment		**5.6**	7.6
Net cash flow arising on the purchase of businesses		**(0.8)**	-
Net cash flow arising on the sale of businesses	9	**147.8**	8.4
Net cash flow from investing activities		**132.5**	(17.9)
Cash flows from financing activities			
Finance costs paid		**(23.3)**	(25.1)
Repayment of lease liabilities		**(54.8)**	(59.9)
Acquisition of non-controlling interests		**-**	(0.9)
Repayment of loans/settlement of derivative financial instruments		**(55.2)**	-
Additional drawdown/(repayment) of revolving credit facility*		**(30.0)**	42.4
Net proceeds from equity raise		**151.9**	-
Dividends paid to equity holders of the Company	8	**-**	(22.2)
Net cash flow from financing activities		**(11.4)**	(65.7)
Increase in cash and cash equivalents in the year		**68.4**	71.6
Cash and cash equivalents at beginning of the year		**145.1**	78.8
Effect of foreign exchange rate changes		**21.8**	(5.3)
Cash and cash equivalents at end of the year**		**235.3**	145.1

* As part of the changes to the debt facility agreements on 18 June 2020, £70.0m drawn under the existing revolving credit facility was converted into a £70.0m term facility, with no additional repayment or drawdown made.

** Cash and cash equivalents comprise cash at bank and on hand of £235.3m (2019: £145.1m) less bank overdrafts of £nil (2019: £nil).

1. Basis of preparation

The Group's financial information has been prepared in accordance with the recognition and measurement requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. 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 which are stated at their fair value.

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

The Preliminary Results Announcement does not constitute the Company's statutory accounts for the years ended 31 December 2020 and 31 December 2019 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 2019 have been filed with the Registrar of Companies, and those for 2020 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2020 and 2019. Their report for 2020 was (i) unqualified, (ii) included no matters to which the auditor drew attention by way of emphasis and (iii) did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements. Their report for 2019 contained a number of material uncertainties in respect of going concern to which the Auditor drew attention by way of emphasis without modifying their report, was unqualified and 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.

On 18 June 2020, the Group agreed amended debt facility agreements in respect of its Revolving Credit Facility (RCF) and private placement notes. On 10 July 2020 the Group also completed the successful raising of £165m of equity through a firm placing and placing and open offer, in order to reduce net debt and strengthen the Group's balance sheet.

Under the June 2020 revised debt facility agreements the Group was subject to covenant testing as follows:

- Leverage (net debt/EBITDA) and interest cover (EBITA/interest) not tested until March 2022, after which tested every quarter, the tests being applied to the prior 12 months;
- Until 28 February 2022 the Group to ensure that Consolidated Net Debt (CND) does not exceed £225m for each quarterly test date in 2021 (2020: £125m);
- Minimum Liquidity (available cash and undrawn revolving credit facility commitments) of £40m at all times; and
- Consolidated Net Worth (CNW) must at all times not be less than £250m.

The Group was in compliance with these covenants at 31 December 2020.

Whilst 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 2022, on 1 March 2021 the Group agreed with its lending banks and private placement noteholders to amend certain financial covenants to better align the tests and to provide additional headroom on the interest cover covenant under stress test scenarios from March 2022. The amended covenants under the revised agreements are as follows:

- The interest cover testing does not start until June 2022 and is at lower levels than previously until December 2022;
- The leverage covenant threshold is now slightly lower than previously at March 2022 and June 2022;
- The Consolidated Net Debt threshold is lowered to £200m and extended to December 2022; and
- No change to the CNW or Minimum Liquidity covenants.

In arriving at their opinion on going concern, the Directors have considered the Group's forecasts for the period to 31 March 2022, and specifically the ability to meet the covenant tests above. These forecasts reflect the assumption of more normal trading levels since the worst of the Covid-19 impact, as well as the expected positive impact of the strategic actions being undertaken to improve future performance under the Return to Growth strategy.

Management have continued to manage liquidity very closely, such that cashflow performance was better than initial expectations throughout 2020. The base forecasts indicate that the Group will be able to operate within the covenants for the forecast period to 31 March 2022.

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 future banking covenants, including:

- A decline in market conditions resulting in lower than forecast sales;
- Implementation of the new strategy taking longer than anticipated to deliver forecast increases in revenue and profit;
- A further wave of the Covid-19 pandemic; and
- The terms of the Group's revised lending arrangements and whether these could limit investment in growth opportunities.

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. The Group has considered a plausible downside scenario, factoring in a reduction in sales volumes and a reduction in gross margin, offset by reductions in direct expenditure and discretionary operating costs. The results showed that under this scenario the Group will still be able to operate within the covenants with adequate headroom for the forecast period to 31 March 2022.

In considering the impact of these stress test scenarios the Directors have also reviewed realistic additional mitigating actions that could be taken over and above those already included in the downside scenario forecast to avoid or reduce the impact or occurrence of the underlying risks. These include further reductions to operating costs, cutting discretionary capital expenditure and disposing of non-core assets.

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 2022 and the Directors therefore consider it is appropriate to adopt the going concern basis in preparing the 2020 financial statements.

New standards, interpretations and amendments adopted

The following amendments and interpretations apply for the first time in 2020, but have not had a material impact on the Financial Statements of the Group:

- Amendments to IFRS 3 Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IFRS 16 Covid-19 Related Rent Concessions

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these Financial Statements, the only standard or interpretation which is in issue but not yet effective is Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). This is not expected to have a material impact on the Group and has not been early adopted by the Group.

2. Revenue and segmental information

Revenue

2020	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product													
Interiors	357.4	-	357.4	168.1	-	168.1	370.7	91.6	462.3	46.3	142.6	-	1,176.7
Exteriors	-	310.1	310.1	-	344.8	344.8	-	-	-	34.2	-	-	689.1
Heating, ventilation and air conditioning	-	-	-	-	-	-	-	-	-	-	6.9	-	6.9
Inter-segment revenue^	1.5	0.5	2.0	0.9	7.6	8.5	0.1	0.1	0.2	0.1	-	(10.8)	-
Total underlying revenue	358.9	310.6	669.5	169.0	352.4	521.4	370.8	91.7	462.5	80.6	149.5	(10.8)	1,872.7
Revenue attributable to businesses identified as non-core	-	-	-	-	1.8	1.8	-	-	-	-	-	-	1.8
Total	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	462.5	80.6	149.5	(10.8)	1,874.5
Nature of revenue													
Goods for resale	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	462.5	75.2	149.5	(10.8)	1,869.1
Construction contracts	-	-	-	-	-	-	-	-	-	5.4	-	-	5.4
Total	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	462.5	80.6	149.5	(10.8)	1,874.5
Timing of revenue recognition													
Goods transferred at a point in time	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	462.5	75.2	149.5	(10.8)	1,869.1
Goods and services transferred over time	-	-	-	-	-	-	-	-	-	5.4	-	-	5.4
Total	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	462.5	80.6	149.5	(10.8)	1,874.5

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

2. Revenue and segmental information (continued)

Revenue

2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product													
Interiors	515.4	-	**515.4**	184.5	-	**184.5**	381.5	103.0	**484.5**	56.4	149.6	-	**1,390.4**
Exteriors	-	346.5	**346.5**	-	342.2	**342.2**	-	-	**-**	38.5	-	-	**727.2**
Heating, ventilation and air conditioning	18.9	-	**18.9**	-	-	**-**	-	-	**-**	-	6.5	-	**25.4**
Inter-segment revenue^	11.9	9.1	**21.0**	0.1	0.2	**0.3**	1.0	0.1	**1.1**	-	-	(22.4)	**-**
Total underlying revenue	**546.2**	**355.6**	**901.8**	**184.6**	**342.4**	**527.0**	**382.5**	**103.1**	**485.6**	**94.9**	**156.1**	**(22.4)**	**2,143.0**
Revenue attributable to businesses identified as non-core	1.2	-	**1.2**	-	1.9	**1.9**	14.5	-	**14.5**	-	-	-	**17.6**
Total	**547.4**	**355.6**	**903.0**	**184.6**	**344.3**	**528.9**	**397.0**	**103.1**	**500.1**	**94.9**	**156.1**	**(22.4)**	**2,160.6**
Nature of revenue													
Goods for resale	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	88.7	156.1	(22.4)	**2,154.4**
Construction contracts	-	-	**-**	-	-	**-**	-	-	**-**	6.2	-	-	**6.2**
Total	**547.4**	**355.6**	**903.0**	**184.6**	**344.3**	**528.9**	**397.0**	**103.1**	**500.1**	**94.9**	**156.1**	**(22.4)**	**2,160.6**
Timing of revenue recognition													
Goods transferred at a point in time	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	88.7	156.1	(22.4)	**2,154.4**
Goods and services transferred over time	-	-	**-**	-	-	**-**	-	-	**-**	6.2	-	-	**6.2**
Total	**547.4**	**355.6**	**903.0**	**184.6**	**344.3**	**528.9**	**397.0**	**103.1**	**500.1**	**94.9**	**156.1**	**(22.4)**	**2,160.6**

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

2. Revenue and segmental information (continued)

Segmental Information

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

a) Segmental analysis

2020	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue													
Underlying revenue	357.4	310.1	667.5	168.1	344.8	512.9	370.7	91.6	462.3	80.5	149.5	-	1,872.7
Revenue attributable to businesses identified as non-core	-	-	-	-	1.8	1.8	-	-	-	-	-	-	1.8
Inter-segment revenue^	1.5	0.5	2.0	0.9	7.6	8.5	0.1	0.1	0.2	0.1	-	(10.8)	-
Total revenue	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	462.5	80.6	149.5	(10.8)	1,874.5
Segment result before Other items	(45.4)	(7.4)	(52.8)	7.1	8.3	15.4	0.4	2.5	2.9	0.8	2.0	-	(31.7)
Amortisation of acquired intangibles	(0.9)	(4.3)	(5.2)	-	(0.4)	(0.4)	-	-	-	-	-	-	(5.6)
Impairment charges	(50.6)	(11.8)	(62.4)	-	-	-	-	-	-	-	-	-	(62.4)
Acquisition costs	-	(0.2)	(0.2)	-	-	-	-	-	-	-	-	-	(0.2)
Profits and losses on agreed sale or closure of non-core businesses	(0.3)	-	(0.3)	-	(0.9)	(0.9)	-	-	-	-	-	-	(1.2)
Net operating losses attributable to businesses identified as non-core	-	-	-	-	(0.3)	(0.3)	-	-	-	-	-	-	(0.3)
Onerous contract costs	(1.0)	-	(1.0)	-	-	-	-	-	-	-	-	-	(1.0)
Net restructuring costs	(4.0)	(1.7)	(5.7)	-	(0.1)	(0.1)	(0.5)	(0.4)	(0.9)	-	-	-	(6.7)
Other specific items	(0.1)	-	(0.1)	-	0.1	0.1	0.2	-	0.2	-	-	-	0.2
Segment operating profit/(loss)	(102.3)	(25.4)	(127.7)	7.1	6.7	13.8	0.1	2.1	2.2	0.8	2.0	-	(108.9)
Parent Company costs													(21.6)
Parent Company other items*													(37.2)
Operating loss													(167.7)
Net finance costs before Other items													(23.0)
Non-underlying finance costs													(11.6)
Loss before tax and discontinued operations													(202.3)
Income tax expense													(6.6)
Profit from discontinued operations													69.7
Loss for the year													(139.2)

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

* Parent company Other items include impairment charges £13.7m, investment in omnichannel retailing £4.2m, costs associated with refinancing £7.4m, onerous contract costs £12.2m and other specific items £1.6m, offset by profit on agreed sale or closure of non-core businesses of £1.9m.

2. Revenue and segmental information (continued)

2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue													
Underlying revenue	534.3	346.5	**880.8**	184.5	342.2	**526.7**	381.5	103.0	**484.5**	94.9	156.1	-	**2,143.0**
Revenue attributable to businesses identified as non-core	1.2	-	**1.2**	-	1.9	**1.9**	14.5	-	**14.5**	-	-	-	**17.6**
Inter-segment revenue^	11.9	9.1	**21.0**	0.1	0.2	**0.3**	1.0	0.1	**1.1**	-	-	(22.4)	-
Total revenue	**547.4**	**355.6**	**903.0**	**184.6**	**344.3**	**528.9**	**397.0**	**103.1**	**500.1**	**94.9**	**156.1**	**(22.4)**	**2,160.6**
Segment result before Other items	7.9	11.8	**19.7**	11.2	8.6	**19.8**	4.4	5.2	**9.6**	6.8	4.3	-	**60.2**
Amortisation of acquired intangibles	(0.9)	(4.4)	**(5.3)**	-	(0.7)	**(0.7)**	-	(0.2)	**(0.2)**	-	-	-	**(6.2)**
Impairment charges	(58.2)	(0.5)	**(58.7)**	-	(32.2)	**(32.2)**	-	-	**-**	-	-	-	**(90.9)**
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	(0.9)	(1.6)	**(2.5)**	-	(1.6)	**(1.6)**	6.0	-	**6.0**	(1.8)	-	-	**0.1**
Net operating losses attributable to businesses identified as non-core	(0.8)	-	**(0.8)**	-	(0.9)	**(0.9)**	0.8	-	**0.8**	-	-	-	**(0.9)**
Net restructuring costs	(10.2)	(8.0)	**(18.2)**	-	(2.1)	**(2.1)**	(6.6)	(0.2)	**(6.8)**	-	-	-	**(27.1)**
Other specific items	0.2	-	**0.2**	-	(0.2)	**(0.2)**	(0.1)	-	**(0.1)**	(0.3)	-	-	**(0.4)**
Segment operating profit/(loss)	**(62.9)**	**(2.7)**	**(65.6)**	**11.2**	**(29.1)**	**(17.9)**	**4.5**	**4.8**	**9.3**	**4.7**	**4.3**	**-**	**(65.2)**
Parent Company costs													(17.7)
Investment in omnichannel retailing													(5.7)
Movement in fair value of forward currency option													0.7
Operating loss													**(87.9)**
Net finance costs before Other items													(24.8)
Loss before tax and discontinued operations													**(112.7)**
Income tax expense													(11.4)
Loss from discontinued operations													(0.4)
Loss for the year													**(124.5)**

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

2. Revenue and segmental information (continued)

Balance Sheet

2020	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Total £m
Balance sheet												
Assets												
Segment assets	**153.2**	**242.8**	**396.0**	**67.6**	**210.6**	**278.2**	**138.1**	**48.7**	**186.8**	**52.6**	**59.5**	**973.1**
Unallocated assets:												
Right-of-use assets												**1.4**
Property, plant and equipment												**0.3**
Derivative financial instruments												**0.1**
Cash and cash equivalents												**174.9**
Other assets												**4.8**
Consolidated total assets												**1,154.6**
Liabilities												
Segment liabilities	**188.3**	**112.1**	**300.4**	**48.8**	**104.9**	**153.7**	**79.5**	**9.6**	**89.1**	**31.9**	**28.3**	**603.4**
Unallocated liabilities:												
Private placement notes												**144.5**
Bank loans												**67.7**
Derivative financial instruments												**0.9**
Other liabilities												**31.8**
Consolidated total liabilities												**848.3**

2. Revenue and segmental information (continued)

Balance sheet

2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Total £m
Balance sheet												
Assets												
Segment assets	268.3	204.1	**472.4**	57.5	211.1	**268.6**	154.0	51.6	**205.6**	56.0	66.5	**1,069.1**
Unallocated assets:												
Right-of-use assets												**2.9**
Property, plant and equipment												**0.4**
Derivative financial instruments												**2.6**
Cash and cash equivalents												**(3.6)**
Deferred tax assets												**4.4**
Assets held for sale												**258.4**
Other assets												**13.6**
Consolidated total assets												**1,347.8**
Liabilities												
Segment liabilities	196.9	83.5	**280.4**	54.8	97.4	**152.2**	96.4	16.4	**112.8**	36.1	35.7	**617.2**
Unallocated liabilities:												
Private placement notes												**175.5**
Bank loans												**99.6**
Derivative financial instruments												**2.1**
Liabilities held for sale												**115.7**
Other liabilities												**43.5**
Consolidated total liabilities												**1,053.6**

2. Revenue and segmental information (continued)

2020	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Other segment information													
Capital expenditure on:													
Property, plant and equipment	**4.4**	**3.9**	**8.3**	**0.3**	**2.4**	**2.7**	**0.9**	**0.7**	**1.6**	**0.4**	**0.2**	**0.1**	**13.3**
Computer software	**1.9**	**1.2**	**3.1**	**-**	**-**	**-**	**0.2**	**-**	**0.2**	**0.3**	**-**	**5.1**	**8.7**
Goodwill and intangible assets (excluding computer software)	**-**	**1.8**	**1.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.8**
Non-cash expenditure:													
Depreciation of fixed assets	**3.3**	**2.5**	**5.8**	**0.6**	**1.5**	**2.1**	**1.7**	**0.6**	**2.3**	**0.5**	**0.4**	**0.1**	**11.2**
Depreciation of right-of-use assets	**15.2**	**8.0**	**23.2**	**5.1**	**8.6**	**13.7**	**12.9**	**1.6**	**14.5**	**1.7**	**3.2**	**0.3**	**56.6**
Impairment of right-of-use assets	**10.2**	**-**	**10.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10.2**
Impairment of property, plant and equipment and computer software	**4.9**	**-**	**4.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13.7**	**18.6**
Amortisation of acquired intangibles and computer software	**4.5**	**4.9**	**9.4**	**-**	**0.4**	**0.4**	**-**	**-**	**-**	**0.2**	**0.1**	**0.9**	**11.0**
Impairment of goodwill and intangibles (excluding computer software)	**35.5**	**11.8**	**47.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47.3**

2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Other segment information													
Capital expenditure on:													
Property, plant and equipment	2.4	6.5	**8.9**	0.8	0.9	**1.7**	1.3	0.3	**1.6**	0.7	2.2	-	**15.1**
Computer software	5.1	1.2	**6.3**	-	-	**-**	0.1	-	**0.1**	0.4	-	9.9	**16.7**
Non-cash expenditure:													
Depreciation	19.1	10.6	**29.7**	5.2	10.0	**15.2**	13.8	2.4	**16.2**	2.8	3.5	0.4	**67.8**
Impairment of right-of-use assets	0.5	0.5	**1.0**	-	0.5	**0.5**	-	-	**-**	-	-	-	**1.5**
Impairment of property, plant and equipment and computer software	0.9	-	**0.9**	-	-	**-**	-	-	**-**	-	-	-	**0.9**
Amortisation of acquired intangibles and computer software	3.5	4.5	**8.0**	-	0.7	**0.7**	0.1	0.2	**0.3**	-	0.1	0.8	**9.9**
Impairment of goodwill and intangibles (excluding computer software)	57.4	-	**57.4**	-	33.3	**33.3**	-	-	**-**	-	-	-	**90.7**

2. Revenue and segmental information (continued)

Geographic information

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

Country	**2020 Non-current assets £m**	2019 Non-current assets £m
United Kingdom	**222.0**	283.4
Ireland	**14.6**	15.7
France	**113.4**	112.0
Germany	**59.5**	66.2
Poland	**13.4**	14.2
Benelux	**21.6**	23.4
Total underlying	**444.5**	514.9
Attributable to businesses identified as non-core	**-**	0.2
Attributable to businesses held for sale	**-**	112.9
Total	**444.0**	628.0

3. Other operating expenses

3a. Analysis of other operating expenses

	2020			2019		
	Before Other items £m	**Other items £m**	**Total £m**	Before Other items £m	Other items £m	Total £m
Other operating expenses:						
- distribution costs	**261.4**	**7.1**	**268.5**	207.6	27.5	235.1
- selling and marketing costs	**138.8**	**0.4**	**139.2**	179.6	3.0	182.6
- management, administrative and central costs	**123.3**	**107.6**	**230.9**	126.0	103.6	229.6
- property profits	**(0.2)**	**(0.2)**	**(0.4)**	(0.3)	-	(0.3)
Total	**523.3**	**114.9**	**638.2**	512.9	134.1	647.0

3b. Other items

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

	2020			2019		
	Other items £m	**Tax impact £m**	**Tax impact %**	Other items £m	Tax impact £m	Tax impact %
Amortisation of acquired intangibles	**(5.6)**	**1.1**	**19.6%**	(6.2)	1.4	22.6%
Impairment charges[1]	**(76.1)**	**-**	**-**	(90.9)	0.2	0.2%
Profits and losses on agreed sale or closure of non-core businesses	**0.6**	**-**	**-**	0.1	(0.8)	800.0%
Net operating profits/(losses) attributable to businesses identified as non-core[2]	**(0.3)**	**-**	**-**	(0.9)	0.1	11.1%
Net restructuring costs[3]	**(6.7)**	**1.0**	**14.9%**	(27.1)	4.4	16.2%
Investment in omnichannel retailing	**(4.2)**	**-**	**-**	(5.7)	-	-
Costs associated with refinancing[4]	**(7.4)**	**1.4**	**18.9%**	-	-	-
Onerous contract costs[5]	**(13.2)**	**0.3**	**2.3%**	-	-	-
Other specific items[6]	**(1.5)**	**0.2**	**13.3%**	0.3	-	-
Impact on operating profit/(loss)	**(114.4)**	**4.0**	**3.5%**	(130.4)	5.3	4.1%
Non-underlying finance costs[7]	**(11.6)**	**0.1**	**0.9%**	-	-	-
Impact on profit/(loss) before tax	**(126.0)**	**4.1**	**3.3%**	(130.4)	5.3	4.1%
Other tax adjustments in respect of previous years	**-**	**-**	**-**	-	(0.4)	-
Impact on profit/(loss) after tax	**(126.0)**	**4.1**	**3.3%**	(130.4)	4.9	3.8%

[1] Impairment charges comprises £45.4m (2019: £89.6m) related to goodwill, £1.9m customer relationships in intangibles, £13.7m related to SAP 1HANA implementation costs, £1.4m (2019: £0.3m) other software costs, £3.5m tangible fixed assets and £10.2m (2019: £1.0m) right-of-use assets.

[2] The comparatives for 31 December 2019 for net operating profit/(losses) attributable to businesses identified as non-core are updated to reflect non-core businesses on a consistent basis with the current year.

[3] Included within net restructuring costs are property closure costs of £0.8m (2019: £6.0m), redundancy and related staff costs of £2.8m (2019: £9.5m), £2.9m (2019: £9.6m) in relation to restructuring consultancy costs and £0.2m (2019: £2.0m) other costs. These costs have been incurred in connection with the prior year target operating model projects in the UK, Germany and France, the current year restructuring of the UK businesses as part of implementation of the Return to Growth strategy, and restructuring in Benelux.

[4] Costs associated with refinancing includes legal and professional fees of £8.3m offset by £0.9m gain in relation to the partial derecognition of a cash flow hedging arrangement as a result of the change in debt facility agreements.

[5] Onerous contract costs includes £11.4m (2019: £nil) relating to provisions recognised for licence fee commitments where no future economic benefit is expected to be obtained, principally in relation to the SAP 1HANA implementation together with £1.8m licence fees recognised in the consolidated income statement during the year whilst the project was on hold.

[6] Other specific items comprises the following:

	2020 £m	2019 £m
PwC investigation costs	**(1.8)**	-
Gain on fair value of forward currency option not hedged	**0.6**	0.7
Costs in relation to the cyber attack in France	**0.1**	(0.6)
GMP equalisation	**(0.4)**	-
Acquisition costs	**(0.2)**	-
Other specific items	**0.2**	0.2
Total other specific items	**(1.5)**	0.3

[7] Non-underlying finance costs comprise £11.3m loss on modification recognised in relation the private placement notes and £0.3m write-off of arrangement fees in relation to the previous RCF which has been extinguished.

4. **Income tax**

The income tax expense comprises:

		2020 £m	2019 £m
Current tax			
UK & Ireland corporation tax:	- charge for the year	**0.5**	0.8
	- adjustments in respect of previous years	**-**	(0.1)
		0.5	0.7
Mainland Europe corporation tax	- charge for the year	**5.6**	6.8
	- adjustments in respect of previous years	**(0.1)**	2.7
		5.5	9.5
Total current tax		**6.0**	10.2
Deferred tax			
Current year		**(2.2)**	5.3
Adjustments in respect of previous years		**2.6**	0.8
Deferred tax charge in respect of pension schemes		**-**	(3.9)
Effect of change in rate		**0.2**	(1.0)
Total deferred tax		**0.6**	1.2
Total income tax expense		**6.6**	11.4

4. Income tax (continued)

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:

	2020		2019	
	£m	**%**	£m	%
Loss before tax from continuing operations	**(202.3)**		(112.7)	
Profit before tax from discontinued operations	**72.0**		3.8	
Loss before tax	**(130.3)**		(108.9)	
Expected tax credit	**(14.2)**	**10.9%**	(23.2)	21.3%
Factors affecting the income tax expense for the year:				
- expenses not deductible for tax purposes^	**19.6**	**(15.0)%**	7.5	(6.9)%
- non-taxable income*	**(33.2)**	**25.5%**	(4.5)	4.1%
- impairment and disposal charges not deductible for tax purposes**	**15.9**	**(12.2)%**	22.4	(20.6)%
- deductible temporary differences not recognised for deferred tax purposes	**18.1**	**(13.9)%**	10.5	(9.6)%
- other adjustments in respect of previous years	**2.5**	**(1.9)%**	3.7	(3.4)%
- tax on branch profits	**-**	**-**	0.1	(0.1)%
- effect of change in rate on deferred tax	**0.2**	**(0.2)%**	(0.9)	0.8%
Total income tax expense	**8.9**	**(6.8)%**	15.6	(14.3)%
Income tax expense reported in the consolidated income statement	**6.6**		11.4	
Income tax attributable to a discontinued operation	**2.3**		4.2	
	8.9		15.6	

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

The effective tax rate for the Group on the total loss before tax of £130.3m (2019: £108.9m) is negative 6.8% (2019: negative 14.3%). As the Group operates in several different countries tax losses cannot be surrendered or utilised cross border, and the Group therefore is subject to tax in some countries and not in others. Tax losses are not currently recognised in respect of the UK business, which also impacts the overall effective tax rate. The combination of these factors means that the effective tax rate is less meaningful as an indicator or comparator for the Group.

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; in particular the tax rates in France, Germany and Belgium are relatively high when compared to the UK and so a higher proportion of profits in these jurisdictions could result in a higher Group tax charge;
- 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.

On 25 April 2019, the European Commission ("EC") concluded its investigation into the UK's controlled foreign company ("CFC") tax rules. The EC concluded that the UK's CFC rules, which provide an exemption for 75% of the CFC charge where the CFC is carrying out financing activities, were in breach of EU State Aid. The UK Government disagrees with this conclusion and has applied to have this judgement annulled. In the meantime, the Group is continuing to review the specific facts and circumstances of its position in conjunction with professional advisors (having claimed the exemption in historic periods). Based on the initial assessment undertaken to date, a provision is not deemed to be required. However, should the UK Government be unsuccessful in appeal and all CFC profits deemed taxable in the UK, this would give rise to additional UK tax payable of up to a maximum of £5m (before interest and penalties).

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:

	2020	2019
	£m	£m
Deferred tax movement associated with remeasurement of defined benefit pension liabilities*	**0.3**	(6.6)
Tax credit associated with remeasurement of defined benefit pension liabilities*	**0.4**	0.4
Tax charge on exchange and fair value movements arising on borrowings and derivative financial instruments	**-**	(2.1)
Total	**0.7**	(8.3)

* These items will not subsequently be reclassified to the Consolidated Income Statement.

5. 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	
	2020	2019
	£m	£m
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations	**(208.9)**	(124.1)
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	**69.7**	(0.4)
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**(139.2)**	(124.5)

	Basic and diluted before Other items	
	2020	2019
	£m	£m
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations	**(208.9)**	(124.1)
Add back:		
Other items	**121.9**	125.5
(Loss)/profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations before other items	**(87.0)**	1.4

	2020	2019
Weighted average number of shares	**Number**	Number
For basic and diluted earnings/(loss) per share	**871,941,603**	591,556,982
Effect of dilution from share options	**1,405,503**	-
Adjusted for the effect of dilution	**873,347,106**	591,556,982

The weighted average number of shares excludes those held by the SIG Employee Share Trust ("the EBT") which are not vested and beneficially owned by employees. The weighted average number of shares has increased due to the equity raise which completed on 10 July 2020 with 589,999,995 new ordinary shares issued for gross proceeds of £165m.

	2020	2019
Loss per share		
From continuing operations:		
Basic loss per share	**(24.0)p**	(21.0)p
Diluted loss per share	**(23.9)p**	(21.0)p
Total:		
Basic loss per share	**(16.0)p**	(21.0)p
Diluted loss per share	**(15.9)p**	(21.0)p
(Loss)/earnings per share before Other items^		
Basic (loss)/earnings per share from continuing operations before Other items	**(10.0)p**	0.2p

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

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

	2020 £m	2019 £m
Loss before tax from continuing operations	**(202.3)**	(112.7)
Profit before tax from discontinued operations	**72.0**	3.8
Loss before tax	**(130.3)**	(108.9)
Depreciation of property, plant and equipment	**11.2**	15.2
Depreciation of right-of-use assets	**57.2**	61.0
Net finance costs	**34.6**	26.3
Amortisation of computer software	**5.4**	4.5
Amortisation of acquired intangibles	**5.6**	8.1
Impairment of computer software	**15.1**	0.3
Impairment of property, plant and equipment	**3.5**	0.6
Impairment of goodwill	**45.4**	89.6
Impairment of acquired intangibles	**1.9**	-
Impairment of right-of-use asset	**10.2**	1.0
Profit on agreed sale or closure of non-core businesses (Note 9)	**(71.6)**	(0.1)
Loss/(profit) on sale of property, plant and equipment	**0.7**	(1.4)
Share-based payments	**0.2**	0.1
Gains on derivative financial instruments	**(1.5)**	-
Net foreign exchange differences	**0.2**	(1.3)
Increase/(decrease) in provisions	**11.3**	(2.9)
Working capital movements:		
- (Increase)/decrease in inventories	**(5.4)**	1.7
- Decrease in receivables	**19.7**	95.6
- Decrease in payables	**(56.4)**	(23.4)
Cash (used in)/generated from operating activities	**(43.0)**	166.0

Included within the cash (used in)/generated from operating activities is a defined benefit pension scheme employer's contribution of £2.5m (2019: £2.5m).

Of the total loss on sale of property, plant and equipment, £0.2m profit (2019: £nil) has been included within Other items in the Consolidated Income Statement.

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

	2020 £m	2019 £m
Increase in cash and cash equivalents in the year	**68.4**	71.6
Cash flow from decrease in debt	**183.0**	(37.6)
Decrease in net debt resulting from cash flows	**251.4**	34.0
Recognition of deferred consideration	**(0.9)**	-
Non-cash items^	**(39.3)**	(6.4)
Exchange differences	**6.0**	6.8
Decrease in net debt in the year	**217.2**	34.4
Net debt at 1 January	**(455.4)**	(189.4)
Impact of adoption of IFRS 16 at 1 January 2019	**-**	(300.4)
Net debt at 31 December	**(238.2)**	(455.4)

^ Non-cash items include the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow, the movement in cash restricted for use in relation to the asset backed funding arrangement implemented in relation to the UK defined benefit pension plan and non-cash movements in relation to lease liabilities. In 2019 the £8.1m restricted cash was included within cash and cash equivalents on the consolidated balance sheet but deducted in arriving at net debt above as shown below. The balance at 31 December 2020 is £nil.

Net debt is defined as follows:

	2020 £m	2019 £m
Non-current assets:		
Derivative financial instruments	**0.1**	1.7
Lease receivables	**3.6**	4.4
Current assets:		
Derivative financial instruments	**-**	0.9
Lease receivables	**0.7**	0.8
Cash at bank and on hand	**235.3**	110.0
Less restricted cash in relation to asset backed funding arrangement	**-**	(8.1)
Financial assets held for sale	**-**	35.9
Current liabilities:		
Lease liabilities	**(50.6)**	(51.5)
Bank loans	**-**	(99.6)
Private placement notes	**-**	(175.5)
Deferred consideration	**(0.5)**	-
Other financial liabilities	**(0.5)**	(1.5)
Derivative financial instruments	**(0.5)**	(0.2)
Lease liabilities directly associated with liabilities classified as held for sale	**-**	(45.3)
Non-current liabilities:		
Lease liabilities	**(211.6)**	(224.1)
Bank loans	**(67.7)**	-
Private placement notes	**(144.5)**	-
Deferred consideration	**(0.4)**	-
Derivative financial instruments	**(0.4)**	(1.9)
Other financial liabilities	**(1.2)**	(1.4)
Net debt	**(238.2)**	(455.4)

8. Dividends

No interim dividend was paid for the year ended 31 December 2020 (2019: 1.25p per share amounting to £7.4m) and no final dividend proposed. No final dividend was proposed or paid for the year ended 31 December 2019. Total dividends paid during the year were £nil (2019: £22.2m). No dividends have been paid between 31 December 2020 and the date of signing the Financial Statements.

9. Divestments and exit of non-core businesses

The Group has recognised a net gain of £0.6m (2019: gain of £0.1m) in respect of profits and losses on agreed sale or closure of non-core businesses within Other items of the Consolidated Income Statement. This consists of £2.0m gain in relation to the disposal of the Middle East entity in the current year, offset by costs of £0.2m in relation to the disposal of Building Solutions which was due to complete in the first half of 2020 but was terminated in May 2020, a loss on the sale of the Maury business of £0.9m and other costs in relation to previous disposals of £0.3m. These are explained further below.

The sale of the Air Handling business also completed in the period and the gain on sale is included with the results from discontinued operations (Note 10).

Businesses disposed during the year

As disclosed in the 2019 Annual Report and Accounts, the Middle East business, which was in the process of being closed, was sold on 22 January 2020 for AED1. A gain on sale of £2.0m has been recognised, in relation to the reclassification to the Consolidated Income Statement of the cumulative exchange differences on the retranslation of the net assets of the business previously recognised in other comprehensive income in accordance with IAS 21 "The effects of foreign exchange rates".

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

Costs of £0.2m have also been recognised during the period in relation to the disposal of the Building Solutions business, which was classified as held for sale at 31 December 2019 as a sale had been agreed and was due to complete in first half of 2020 subject to approval from the UK Competition and Markets Authority (CMA). As disclosed in the 2019 Annual Report and Accounts, on 21 May 2020 it was announced that the parties had agreed to terminate the sales agreement as terms could not be agreed for an extension to enable completion of the CMA investigation and the disposal is no longer proceeding. The business no longer meets the criteria to be presented as held for sale at 31 December 2020 and is now included within underlying operations. £0.3m costs have also been incurred and recognised within Other items in relation to the Commercial Drainage business which was closed in the prior year.

Prior year divestments

WeGo FloorTec

On 13 August 2019 the Group completed the sale of WeGo FloorTec GmbH, the German raised access flooring division, for proceeds of €13.5m plus settlement of intercompany balances. An overall gain on sale of £6.0m has been recognised within Other items, including the reclassification of the cumulative exchange differences on the retranslation of the net assets from equity to the consolidated income statement, in accordance with IAS 21 "The effects of changes in foreign exchange rates".

The net assets at the date of disposal were as follows:

	At date of disposal £m
Attributable goodwill and intangible assets	**0.4**
Property, plant and equipment	**0.8**
Cash	**0.4**
Inventories	**3.3**
Trade and other receivables	**2.4**
Trade and other payables	**(2.4)**
Net assets	**4.9**
Other costs	**0.9**
Gain on disposal	**6.0**
Sale proceeds	**11.8**
Satisfied by:	
Cash and cash equivalents	**11.8**

Commercial Drainage

The Group closed its Commercial Drainage business, part of the UK Distribution segment, in 2019. Operating losses for the year were included in Other items in the Consolidated Income Statement and £0.9m of costs were also incurred in 2019 and included in Other items.

9. Divestments and exit of non-core businesses (continued)

Disposal groups held for sale at 31 December 2019

Building Solutions

On 7 October 2019, the Group announced the sale of Building Solutions (National) Limited ("Building Solutions"), a subsidiary of SIG Trading Limited, for proceeds of £37.5m. At 31 December 2019 the assets and liabilities were classified as held for sale on the Consolidated Balance Sheet, as shown below. Costs of £1.6m in relation to the disposal are included in Other items in the Consolidated Income Statement. The sale was subsequently terminated as disclosed in Note 34 of the 2019 Annual Report and Accounts.

Air Handling

On 7 October 2019, the Group announced that it had agreed a sale of the Air Handling business and the sale completed on 31 January 2020. This business was a major line of business of the Group and is therefore classified as a discontinued operation.

Total assets and liabilities held for sale at 31 December 2019 comprised the following:

	Air Handling	**Building Solutions**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
Goodwill and intangible assets	33.2	12.5	-	45.7
Property, plant and equipment	15.1	6.2	1.9	23.2
Right-of-use assets	31.5	12.5	-	44.0
Inventories	33.9	3.8	-	37.7
Trade and other receivables	58.9	8.5	-	67.4
Contract assets	1.5	-	-	1.5
Deferred tax asset	1.3	1.7	-	3.0
Deferred consideration	0.8	-	-	0.8
Cash at bank and on hand	28.8	6.3	-	35.1
Assets held for sale	205.0	51.5	1.9	258.4
Trade and other payables	(46.0)	(15.3)	-	(61.3)
Contract liabilities	(1.5)	-	-	(1.5)
Lease liabilities	(31.9)	(13.4)	-	(45.3)
Deferred tax liability	(1.0)	-	-	(1.0)
Corporation tax liability	(1.2)	-	-	(1.2)
Retirement benefit obligations	(3.4)	-	-	(3.4)
Provisions	(1.5)	(0.5)	-	(2.0)
Liabilities directly associated with assets held for sale	(86.5)	(29.2)	-	(115.7)
Net assets directly associated with disposal groups	118.5	22.3	1.9	142.7

Contribution to revenue and operating loss

The results of the above businesses for the current and prior periods have been disclosed within Other items in the Consolidated Income Statement in order to provide an indication of the underlying earnings of the Group. The revenue and net operating profit/(loss) of the non-core businesses for the years ended 31 December 2020 and 31 December 2019 are as follows:

	2020		2019	
	Revenue	**Net operating profit/(loss)**	Revenue	Net operating profit/(loss)
	£m	**£m**	£m	£m
Commercial Drainage	**-**	**-**	1.2	(0.8)
WeGo FloorTec	**-**	**-**	14.5	0.8
Building Solutions	**-**	**-**	58.3	2.9
Maury	**1.8**	**(0.3)**	1.9	(0.9)
Businesses identified as non-core in 2019	**1.8**	**(0.3)**	75.9	2.0
Reclassification of Building Solutions	**-**	**-**	(58.3)	(2.9)
Total attributable to non-core businesses in 2020	**1.8**	**(0.3)**	17.6	(0.9)

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

The net cash inflow in the year ended 31 December 2020 in respect of divestments and the exit of non-core businesses is as follows:

			2020	2019
	Air Handling	**Other non-core businesses**	**Total**	Total
	£m	£m	**£m**	£m
Cash consideration received for divestments	189.7	0.7	**190.4**	12.6
Cash at date of disposal	(29.2)	(0.2)	**(29.4)**	(0.5)
Disposal costs paid	(12.9)	(0.3)	**(13.2)**	(3.7)
Net cash inflow	147.6	0.2	**147.8**	8.4

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

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

10. Discontinued operations

On 7 October 2019, the Group announced that it had agreed a sale of the Air Handling business for consideration of €222.7m on a cash free, debt free basis. The sale was approved by shareholders at a general meeting on 23 December 2019 and completed on 31 January 2020. At 31 December 2019, Air Handling was classified as a disposal group held for sale and as a discontinued operation as it represented a major line of business of the Group. With Air Handling being classified as a discontinued operation, the Air Handling segment is no longer presented in the segment note.

The results of the Air Handling business for the year are presented below:

	2020 £m	2019 £m
Revenue	**25.4**	323.1
Cost of sales	**(15.0)**	(202.0)
Gross profit	**10.4**	121.1
Other operating expenses	**(9.3)**	(101.3)
Underlying operating profit	**1.1**	19.8
Other items	-	(0.7)
Operating profit	**1.1**	19.1
Finance income	-	0.1
Finance costs	**(0.1)**	(1.3)
Profit before tax from discontinuing operations before group other items	**1.0**	17.9
Costs incurred in connection with the agreed disposal of discontinued operation	-	(12.2)
Amortisation of acquired intangibles	-	(1.9)
Profit before tax from discontinued operations	**1.0**	3.8
Income tax expense	**(0.3)**	(4.2)
Profit/(loss) after tax from discontinued operations	**0.7**	(0.4)
Gain on sale of subsidiary after income tax (see below)	**69.0**	-
Profit/(loss) from discontinued operation	**69.7**	(0.4)

Amounts included in accumulated OCI are as follows:

	2020 £m	2019 £m
Remeasurement of defined benefit pension liability	-	(0.5)
Deferred tax movement associated with remeasurement of defined benefit pension liability	-	0.1
Reserve of disposal group classified as held for sale	-	(0.4)

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

	2020 £m	2019 £m
Operating	**1.1**	26.5
Investing	**147.6**	(5.1)
Financing	-	(9.4)
Net cash inflow	**148.7**	12.0

Earnings per share:

	2020	2019
Basic earnings/(loss) per share from discontinued operations	8.0p	(0.0)p
Diluted earnings/(loss) per share from discontinued operations	8.0p	(0.1)p

Gain on sale

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

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

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

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

The major classes of assets and liabilities of the Air Handling business classified as held for sale as at 31 December 2019 were as follows:

	2019 £m
Goodwill and intangible assets	33.2
Property, plant and equipment	15.1
Right-of-use assets	31.5
Inventories	33.9
Trade and other receivables	58.9
Contract assets	1.5
Deferred tax asset	1.3
Deferred consideration	0.8
Cash at bank and on hand	28.8
Assets held for sale	**205.0**
Trade and other payables	(46.0)
Contract liabilities	(1.5)
Lease liabilities	(31.9)
Deferred tax liability	(1.0)
Corporation tax liability	(1.2)
Retirement benefit obligations	(3.4)
Provisions	(1.5)
Liabilities directly associated with assets held for sale	**(86.5)**
Net assets directly associated with disposal group	**118.5**

11. 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 2020, SIG incurred expenses of £0.5m (2019: £0.4m) 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 Group Executive Committee members and the Non-Executive Directors, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	2020 £m	2019 £m
Short term employee benefits	**5.8**	4.3
Termination and post-employment benefits	**0.1**	0.4
IFRS 2 share option charge	**-**	0.1
	5.9	4.8

12. 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.

These measures, as shown below, are used to improve the comparability of information between reporting periods and geographical units, to adjust for Other items (as explained in further detail within the Statement of Significant Accounting Policies) or to adjust for businesses identified as non-core to provide information on the ongoing activities of the Group. This also reflects how the business is managed and measured on a day-to-day basis. Non-core businesses are those businesses that have been closed or disposed of or where the Board has resolved to close or dispose of the businesses by 31 December 2020.

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. In addition, maximum net debt is one of the primary covenants applicable to the Group's debt facilities. For the purpose of covenant calculations, net debt is stated before the impact of IFRS 16. The different net debt definitions used are as follows:

	2020	2019
	£m	£m
Reported net debt	**238.2**	455.4
Lease liabilities recognised in accordance with IFRS 16	**(237.0)**	(296.0)
Lease receivables recognised in accordance with IFRS 16	**4.3**	5.2
Other financial liabilities recognised in accordance with IFRS 16	**(1.4)**	(1.8)
Net debt excluding the impact of IFRS 16	**4.1**	162.8
Loss on debt modification recognised in accordance with IFRS 9	**(10.1)**	-
Net debt on frozen GAAP basis	**(6.0)**	162.8
Other covenant financial indebtedness	**5.1**	5.4
Foreign exchange adjustment*	**(0.5)**	0.3
Covenant net debt	**(1.4)**	168.5

* For the purpose of covenant calculations, net debt is calculated using net debt translated at average rather than period end rates.

b) Like-for-like sales

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

	UK Distribution £m	UK Exteriors £m	**Total UK £m**	France Distribution (LiTT) £m	France Exteriors (Larivière) £m	**Total France £m**	Germany £m	Benelux £m	**Total Germany and Benelux £m**	Ireland £m	Poland £m	**Total Group £m**
Statutory revenue 2020	357.4	310.1	**667.5**	168.1	346.6	**514.7**	370.7	91.6	**462.3**	80.5	149.5	**1,874.5**
Non-core businesses	-	-	**-**	-	(1.8)	**(1.8)**	-	-	**-**	-	-	**(1.8)**
Underlying revenue 2020	357.4	310.1	**667.5**	168.1	344.8	**512.9**	370.7	91.6	**462.3**	80.5	149.5	**1,872.7**
Statutory revenue 2019	535.5	346.5	**882.0**	184.5	344.1	**528.6**	396.0	103.0	**499.0**	94.9	156.1	**2,160.6**
Non-core businesses	(1.2)	-	**(1.2)**	-	(1.9)	**(1.9)**	(14.5)	-	**(14.5)**	-	-	**(17.6)**
Underlying revenue 2019	534.3	346.5	**880.8**	184.5	342.2	**526.7**	381.5	103.0	**484.5**	94.9	156.1	**2,143.0**
% change year on year:												
Underlying revenue	(33.1)%	(10.5)%	**(24.2)%**	(8.9)%	0.8%	**(2.6)%**	(2.8)%	(11.1)%	**(4.6)%**	(15.2)%	(4.2)%	**(12.6)%**
Impact of currency	-	-	**-**	(1.4)%	(1.6)%	**(1.6)%**	(1.6)%	(1.4)%	**(1.5)%**	(1.3)%	2.3%	**(0.6)%**
Impact of acquisitions	-	(0.3)%	**(0.1)%**	-	-	**-**	-	-	**-**	-	-	**-**
Impact of working days	(0.3)%	(0.4)%	**(0.3)%**	-	1.2%	**0.7%**	(0.8)%	(0.4)%	**(0.7)%**	(0.3)%	(0.8)%	**(0.1)%**
Like-for-like sales	(33.4)%	(11.2)%	**(24.6)%**	(10.3)%	0.4%	**(3.4)%**	(5.1)%	(12.8)%	**(6.8)%**	(16.8)%	(2.7)%	**(13.3)%**

c) Gross margin

Gross margin is the ratio of gross profit to revenue and is used to understand the value the Group creates from its trading activities.

	UK Distribution %	UK Exteriors %	**Total UK %**	France Distribution (LiTT) %	France Exteriors (Larivière) %	**Total France %**	Germany %	Benelux %	**Total Germany and Benelux %**	Ireland %	Poland %	**Total Group %**
Statutory gross margin 2020	22.5%	27.3%	**24.7%**	27.4%	24.3%	**25.3%**	28.0%	24.6%	**27.3%**	23.4%	20.0%	**25.1%**
Impact of non-core businesses	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Underlying gross margin 2020	22.5%	27.3%	**24.7%**	27.4%	24.3%	**25.3%**	28.0%	24.6%	**27.3%**	23.4%	20.0%	**25.1%**
Statutory gross margin 2019	26.1%	28.3%	**27.0%**	27.4%	23.3%	**24.8%**	27.6%	24.7%	**27.0%**	25.0%	20.3%	**25.9%**
Impact of non-core businesses	0.1%	-	**0.1%**	-	0.1%	**-**	0.1%	-	**-**	-	-	**-**
Underlying gross margin 2019	26.2%	28.3%	**27.1%**	27.4%	23.4%	**24.8%**	27.7%	24.7%	**27.0%**	25.0%	20.3%	**25.9%**

d) Operating cost as a percentage of sales

This is a measure of how effectively the Group's operating cost base is being used to generate revenue.

	Six months ended 30 June 2020 £m	**Six months ended 31 December 2020 £m**	**Year ended 31 December 2020 £m**	Six months ended 30 June 2019 £m	Six months ended 31 December 2019 £m	Year ended 31 December 2019 £m
Statutory revenue	**840.1**	**1,034.4**	**1,874.5**	1,113.3	1,047.3	2,160.6
Non-core businesses	**(1.2)**	**(0.6)**	**(1.8)**	(13.4)	(4.2)	(17.6)
Underlying revenue	**838.9**	**1,033.8**	**1,872.7**	1,099.9	1,043.1	2,143.0
Operating costs (statutory)	**312.4**	**325.8**	**638.2**	267.9	379.1	647.0
Other items	**(60.4)**	**(54.5)**	**(114.9)**	(19.5)	(114.6)	(134.1)
Underlying operating costs	**252.0**	**271.3**	**523.3**	248.4	264.5	512.9
Operating costs as a percentage of statutory revenue	**37.2%**	**31.5%**	**34.0%**	24.1%	36.2%	29.9%
Underlying operating costs as a percentage of underlying revenue	**30.0%**	**26.1%**	**27.9%**	22.6%	25.4%	23.9%

e) Operating margin

This is used to enhance understanding and comparability of the underlying financial performance of the Group by period and segment, excluding the benefit of property profits which can have a significant effect on results in a particular period.

	UK Distribution £m	UK Exteriors £m	**Total UK £m**	France Distribution (LiTT) £m	France Exteriors (Larivière) £m	**Total France £m**	Germany £m	Benelux £m	**Total Germany and Benelux £m**	Ireland £m	Poland £m	Parent company costs £m	**Total Group £m**
2020													
Underlying revenue	357.4	310.1	**667.5**	168.1	344.8	**512.9**	370.7	91.6	**462.3**	80.5	149.5	-	**1,872.7**
Underlying operating profit	(45.4)	(7.4)	**(52.8)**	7.1	8.3	**15.4**	0.4	2.5	**2.9**	0.8	2.0	(21.6)	**(53.3)**
Operating margin	(12.7)%	(2.4)%	**(7.9)%**	4.2%	2.4%	**3.0%**	0.1%	2.7%	**0.6%**	1.0%	1.3%	n/a	**(2.8)%**
2019													
Underlying revenue	534.3	346.5	**880.8**	184.5	342.2	**526.7**	381.5	103.0	**484.5**	94.9	156.1	-	**2,143.0**
Underlying operating profit	7.9	11.8	**19.7**	11.2	8.6	**19.8**	4.4	5.2	**9.6**	6.8	4.3	(17.7)	**42.5**
Operating margin	1.5%	3.4%	**2.2%**	6.1%	2.5%	**3.8%**	1.2%	5.0%	**2.0%**	7.2%	2.8%	n/a	**2.0%**

f) Other non-statutory measures

In addition to the alternative performance measures noted above, the Group also uses underlying EPS and underlying net finance costs.

13. Principal risks and uncertainties

The Board sets the strategy for the Group and ensures the risks for the delivery of this strategy are effectively identified and managed through the implementation of the risk management framework.

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

The SIG risk management framework is based on the identification of Group risks through regular discussion at local operating company leadership, and Executive Leadership Team meetings. New and emerging risks are identified through the use of horizon scanning, regular exercises with first and second line teams and attendance at relevant forums. These risks are monitored on an ongoing basis with thorough risk assessments completed where needed, to ensure that the Group is well positioned to manage these risks should they crystallise.

Throughout the year the risks that SIG faces have been critically reviewed and evaluated. The assessment of the most significant risks and uncertainties that could impact SIG's long-term performance are outlined below. These risks are not set out in order of priority and they do not comprise all the risks and the uncertainties that SIG faces. This list has the potential to change as some risks assume greater importance than others during the course of the year.

Risk	Mitigations
Employee attraction, retention and engagement Failure to attract and retain people with the right skills, drive and capability to reshape and grow the business.	• Engagement survey completed with associated action plan developed. • Improved remuneration packages and retention plans for critical roles. • Launch of commitment culture. • Launch of mental health and wellbeing policy. • Monthly tracking of staff turnover and key indicators.
Health and safety Danger of incident or accident, resulting in injury or loss of life to employees, customers or the general public.	• Integrated Safety management system being implemented. • Framework of compliance standards in place. • Regular monitoring and reporting of key metrics. • HSE managers visibility raised by joining Group Senior Leadership Team.
Delivering business change Failure to deliver the change and growth agenda in an effective manner, resulting in management stretch, compromised quality and inability to meet growth targets.	• Project Delivery Framework in place for IT enabled projects. • Governance process in place for delivery of major projects. • Benefits tracking. • Monitoring of KPIs relating to key business change programmes.
Cyber security Internal or external cyber attack could result in system disruption of loss of sensitive data.	• Training and communication schedule to ensure employee awareness of risks. • Disaster recovery plans in place and secure backups conducted to ensure continuity of service. • Endpoint encryption installation. • Enhanced cyber attack monitoring. • Monthly tracking of key indicators in management accounts.
Data quality and governance Poor data quality negatively impacts our financial management, fact-based decision making, business efficiency, and credibility with customers.	• Regulatory policies in place to govern compliance. • Delivery of training and awareness campaigns. • IT upgrade projects in key locations.

Risk	Mitigations
Market downturn Volatility in the market impact the Group's ability to accurately forecast and to meet internal and external expectations.	• The Group's geographical diversity across Europe reduces the impact of changes in market conditions in any one country. • Industry based KPIs monitored monthly at a Group and operating company level. • Regular and ongoing business performance reviews are conducted. • Brexit monitoring. • Enhanced forecasting with Group visibility. • Business growth plans in place.
Systems failure Systems become heavily customised and outdated and are unable to support critical business activity and decision making.	• Support from specialised third-party experts. • Business continuity and disaster recovery capabilities. • IT upgrade projects in key locations.
Business growth SIG is unable to grow sales and/or land new market opportunities to grow market share in line with strategy.	• Growth targets included in budgets for all business areas. • Business performance is reported and monitored regularly in management accounts and at management meetings. • Bespoke technical offerings and diverse specialist product ranges give access to specialist markets.
Delivering the customer experience Failure to deliver consistent, high-quality service to customers and/or strengthen relationships with customers.	• Customer-centric training and development programmes. • Customer segmentation analysis. • Development of loyalty programmes. • Customer metrics reported and monitored regularly in management accounts and at management meetings. • Customer satisfaction and Net Promoter Score surveys.
Environmental, social and governance SIG suffers financial and/or reputational losses as a result of poor environmental, social and governance performance and/or disclosure.	• ESG roadmap in development for rollout prior to upcoming disclosure obligation deadlines. • Employee mental health and wellbeing programme. • Development of a ten-year de-carbonisation plan. • ISO14001 Environmental Management Systems accreditation rollout plan.