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Genuit Group PLC
14 March 2023

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Genuit Group plc

Audited results for the year ended 31 December 2022

Delivering a strong foundation for future growth

Genuit Group plc ("Genuit", the "Company" or the "Group"), the UK's largest value-added manufacturer of sustainable water, climate and ventilation products for the built environment, today announces its audited results for the year ended 31 December 2022.

Joe Vorih, Chief Executive Officer, said:

"As I reflect on my first full year as Chief Executive Officer of Genuit, I would like to thank our talented and purpose-driven team for delivering a record level of revenue and profit despite considerable inflation, housing market uncertainty and supply chain disruption. As committed, we have improved our pricing processes, begun the simplification of the business to unlock synergies and lower structural costs, and strengthened our sustainability leadership with the adoption of our Science-Based Targets (SBTs) and a reduction in carbon intensity through the year.

Further, our new Sustainable Solutions for Growth strategy has been well-received by investors and employees alike. We have put in place a new business structure and are focusing on climate-driven long-term investment to deliver above-market organic growth and profitability with clear mid-term targets. While short-term market instability will likely remain through much of 2023, our self-help measures, the Genuit Business System, and investment for sustainability-driven growth should position us well to deliver against our financial and strategic commitments."

Financial Results

	2022	**2021**	**Change**
Statutory measures			
Revenue	£622.2m	£594.3m	4.7%
Operating profit	£53.4m	£67.1m	(20.4)%
Profit before tax	£45.4m	£62.9m	(27.8)%
Basic earnings per share	14.7p	16.7p	(12.0)%
Dividend per share	12.3p	12.2p	0.8%
Alternative performance measures			
Underlying operating profit[1]	£98.2m	£95.3m	3.0%
Underlying operating margin[1]	15.8%	16.0%	(20)bps
Underlying profit before tax[1]	£90.6m	£91.1m	(0.5)%
Underlying basic earnings per share[1]	30.8p	30.6p	0.7%
Underlying cash generated from operations[2]	£62.6m	£57.2m	9.4%
Leverage[3] (times pro forma EBITDA[4])	1.2	1.2	-

Financial highlights

- Revenue increase of 4.7% on a strong comparative year
- Operating performance marginally ahead of expectations
- Underlying basic earnings per share of 30.8 pence, an increase of 0.7% despite increased borrowing costs
- Strong operational cash management and balance sheet, net debt 1.2x pro forma EBITDA
- Continued strategic investment in business, capital expenditure of £41.1m
- Increased investment in new product development, increasing recyclate use and organisational capability augmented by simplification of the business
- Proposed final dividend of 8.2 pence (2021: 8.2 pence), taking the full year 2022 dividend to 12.3 pence (2021:

- Proposed final dividend of 8.2 pence (2021: 8.2 pence), taking the full year 2022 dividend to 12.3 pence (2021: 12.2 pence) per share

Environmental, Social and Governance

We submitted our SBTs for verification in August 2022, which are initially based upon improvements by 2027, at which point we will re-calibrate and set targets for the following five years. This first phase of SBTs build upon the 2025 targets which we previously published and put us on a trajectory for being Net Zero by 2050.

We made progress against our 2025 targets in a challenging 2022 environment with reduced Scopes 1 and 2 carbon intensity[5] despite inefficiencies caused by lower production volume levels. Since we began to measure ourselves in this way, we have reduced our carbon intensity by 50.2%.

Our use of recycled polymers remains broadly unchanged at 48.7% of our total tonnage, (2021: 49.4%) and capacity to use more recyclate has recently become available. A lower mix of underground products (there were fewer housing starts), that have a greater recyclate content, muted further progress.

The proportion of our employees that are in structured training programmes (e.g. apprenticeships, formal graduate programmes or sponsored students) reached 3.5% (2021: 3.2%).

Outlook

This year has started well and has traded in line with expectations, although we expect challenging and uncertain market conditions to continue into 2023 amongst macro-economic uncertainty, with continued lower volumes as seen in the second half of 2022. Our expectations for the year have been based upon the CPA Winter Forecast. If there are any deviations from this forecast, the business has proven resilience and agility to adapt in those conditions. However, the actions taken on pricing and the other self-help measures started last year, including further simplification of the business, will maintain the Group's resilience and enhance our capability to respond to improvements in the market.

Through reinvesting these synergies in our people and growth initiatives and keeping a continual focus on margins and cash flow, we are confident that we will start to make measurable progress towards our mid-term commitments. Further, our focus on climate-driven growth, leadership in sustainable materials and enhancing the power of our people through the Genuit Business System, will position us well for the long term. Most importantly, we are building a strong team, with a single sustainable purpose, and look forward to the next chapter in our Sustainable Solutions for Growth strategy.

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

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

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

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

[5] Carbon intensity defined as tonnes of carbon per tonne of output using the market-based method.

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

There will be a presentation for analysts and investors at 0830hrs (GMT) on Tuesday 14 March 2023 at Brunswick Group's offices, 16 Lincoln's Inn Fields, London, WC2A 3ED. Please contact Genuit@brunswickgroup.com to confirm your attendance.

The presentation will also be available to listen into via webcast. Please register for access to the webcast via the following link: https://www.investis-live.com/genuit-group/63f734d03e92bb0c00f12eac/evlot

We recommend you register by 0815hrs (GMT).

The webcast will be recorded and a replay will be available shortly after the webcast ends via the same link above.

The presentation will also be available on the Reports, results and presentation page on Genuit's website at http://investors.genuit.com/

Notes to Editors:

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

The Group operates from thirty facilities in total and manufactures the UK's widest range of solutions for heating, plumbing, drainage and ventilation. The Group primarily targets the UK and European building and construction markets with a presence in Italy and the Netherlands and sells to specific niches in the rest of the world.

Genuit Group plc changed its name from Polypipe Group plc on 6 April 2021. The Group was established in 1980 and has been listed on the premium segment of the London Stock Exchange since 2014.

Group Results

The year was characterised by many themes carried over from 2021 with continued constraints in the supply of key raw materials and cost inflation dominant. However, more recently, there are signs that cost inflation associated with raw materials such as prime PVC is starting to ameliorate.

Group revenue for the year ended 31 December 2022 was 4.7% higher than the prior year at £622.2m (2021: £594.3m). On a like-for-like basis, excluding the impact of acquisitions, revenue was 3.1% higher than the prior year. The Group continued with price leadership in the market and began a concerted program of restructurings to drive further cost efficiencies - both measures offsetting to a certain extent the effects of raw material cost inflation. The Group was also impacted in Q2 by a cyber incident that affected our production facility in south Wales. Much work was undertaken to mitigate the effect of the cyber incident and most lost sales were recovered in the second half of the year. The Group has invested heavily since in further cyber defences.

The Group continued to focus on its medium-term drivers - a structural UK housing shortage, the regulatory and environmental drivers around water and climate management and the need for improved indoor air quality. The three acquisitions made in February 2021 completed their first full year within the Group. Adey has been impacted by the effects of an upstream constraint in the supply of printed circuit boards ("PCBs") to boiler manufacturers, but we expect this situation to improve during 2023. Partly because of this (and the significant increase in discount rates), the Group took the decision to write down £14.8m of goodwill and other intangibles through non-underlying results as non-cash items.

Underlying operating profit of £98.2m was 3.0% higher than the prior year (2021: £95.3m) and represents a record year of underlying operating profit - with an underlying operating margin of 15.8% (2021: 16.0%).

Underlying finance costs of £7.6m (2021: £4.2m) were significantly up on the prior year, driven by higher interest rates that grew throughout the year but had a particular impact in the second half. Interest cover was 16.0x for the year (2021: 31.3x).

Net debt, pre IFRS 16, was largely unchanged at £143.1m (2021: £145.1m). Including the impact of IFRS 16, net debt was £166.2m (2021: £165.7m). Cash conversion for the year was 63.7% (2021: 60.0%), leaving net debt to pro forma EBITDA at 1.2x (2021: 1.2x).

Profit before tax was £45.4m (2021: £62.9m), impacted by heightened levels of non-underlying items. These increased to £40.0m (2021: £34.1m) and were driven by non-cash amortisation and impairment charges of £30.0m (2021: £14.2m) in respect of intangible assets arising from acquisitions since 2015, £3.3m (2021: £6.6m) of costs related to acquisitions and other M&A costs, a product liability claim of £1.0m (2021: £2.6m), one off costs of £1.2m relating to an isolated cyber incident at Nuaire and restructuring costs of £9.3m (2021: £1.1m).

The total tax charge for the year of £8.9m (2021: £21.9m) represents an effective tax rate of 19.6% (2021: 34.8%). The underlying effective tax rate of 15.6% (2021: 17.6%) was lower than the standard UK rate of tax of 19.0% (2021: 19.0%) primarily due to the benefit of patent box relief and super-deduction capital allowances.

Underlying net profit for the year was in line with the prior year at £76.5m (2021: £75.1m), with underlying basic earnings per share at 30.8 pence (2021: 30.6 pence).

Chief Executive Officer Review

Our Results: Progress in the face of challenge

I am pleased to report that Group has delivered the highest annual underlying profit performance yet, against a prior year of strong comparatives with revenue from continuing operations 4.7% higher than prior year at £622.2m (2021: £594.3m), underlying operating profit 3.0% higher than prior year at £98.2m (2021: £95.3m) and underlying basic earnings per share 0.7% higher than prior year at 30.8 pence (2021: 30.6 pence), despite the impact of increased financing costs.

This was a year of considerable macro-economic and political uncertainty with continued levels of high inflation in materials, energy and labour costs, constraints in the supply of key components (affecting us both directly, and indirectly through the supply chains of our customers) and with an isolated cyber incident in Q2. I am proud of how our teams responded to all these challenges to deliver these results and I would like to thank them for their dedication and hard work.

As we committed last year, we have improved our commercial excellence and pricing responsiveness in the face of significant inflation. Several robust market-leading price increases throughout the year with shortened implementation periods, combined with trimming the cost base and boosting operational efficiency to help offset inflation and periods, combined with trimming the cost base and boosting operational efficiency to help offset inflation and somewhat weaker demand in the second half. We have also prioritised higher margin business, exiting some less profitable product lines during the year. The tougher trading conditions in the latter part of the year precluded any normal Autumn seasonal uplift - especially in RMI activity - and subdued trading continued until the end of the year.

Our underlying operating margin of 15.8% (2021:16.0%) was the result of improved pricing realisation from the second quarter largely offsetting the increase in material costs, costs of the cyber incident and constrained boiler supply. We have focused on a more streamlined organisation that will realise synergies, better positioning us for 2023 as profit margins improved to 16.8% for the second half.

We remain a highly cash-generative business, and even after significant capital investment to upgrade our manufacturing and invest in growth, we generated £62.6m cash (2021: £57.2m). Accordingly, the Board has approved a final dividend of 8.2 pence (2021: 8.2 pence).

Our Customers: Long-Term Climate Tailwinds, Short-Term Market Turbulence

Although we are in a period of short-term turbulence, the Group continues to focus on segments that benefit from secular trends and growth drivers. The transition to low carbon and more efficient heating and cooling, the need to provide the built environment with resilience to the impacts of climate change, and the increasing demands from our customers to help them reduce the carbon content of their supply chains, all provide tailwinds that will drive above market growth in the medium term. Even now, some of these tailwinds are helping us to grow despite subdued markets. Our Nu-Heat underfloor heating and heat pump-based solutions, for example, have grown 21.0% compared to prior year as customers are attracted to the combination of more sustainable products and lower energy bills. The policy landscape also continues to provide tailwinds, with Parts L&F of the Building Regulations, as well as the roll out of the Flood and Water Management Act, all helping to increase adoption of our products through the changes in specification and design. Reducing the carbon equivalent content of our products is fundamental to how we make our business more sustainable, and increasingly it is a source of competitive advantage as our customers recognise that their purchasing decisions are a key driver of their own Scope 3 impacts.

Housing supply remains a key issue facing the UK. Although developers have reacted to the short-term issues around interest rates, affordability, and the resultant dip in reservation rates by slowing their site opening and starts, we still see a structural housing shortage as being a medium-term growth driver. Despite the Government's declared target of 300,000 units per annum, 2022 was only the second year since 2007 that saw over 200,000 units completed (Source: CPA), and despite the forecast of a dip in 2023, the sector is expected to return to growth in the latter part of the year.

Extreme weather events continue to occur with increasing frequency, and designers and engineers now need to cater for this in terms of greater rainfall and its associated impact on drainage and surface water management. Similarly, our summers are getting hotter, and the need for sustainable cooling solutions has never been greater. We continue to develop innovative solutions across all our businesses to address climate adaptation challenges and improve built environment resilience.

Our Strategy: Sustainable Solutions for Growth

At our Capital Markets Day in November, we introduced the strategic evolution of Genuit with our Sustainable Solutions for Growth strategy following a thorough review and refocusing of our strategic plans. The key elements of this new strategy - which has been well-received by both markets and, importantly, our own employees - are as follows:

> First, we will focus on higher growth sustainability driven markets. While the broader construction market is expected to grow at low single digits through the cycle, climate-driven investment should drive outperformance in our strategic segments including energy-efficient heating, green urbanisation, and stormwater management.
>
> Second, we will strengthen our current position by becoming the lowest carbon choice supplier for our customers. As our customers implement their Net Zero commitments, access to the lowest embedded-carbon solutions - an area we already lead - will become increasingly important.
>
> Third, we will simplify the business - making it more focused, agile and profitable. By retaining a decentralised operating model while realising more internal synergy and efficiency with our Business Units, we can invest more in our future growth and improve our profitability.
>
> Fourth, we have committed to creating increasing value for all our stakeholders as we develop and embed the Genuit Business System in all that we do. A relentless focus on improving customer service, simplifying our operations and engendering creative problem-solving with all our people will unlock the full potential of our businesses.
>
> Fifth, we will use this stronger platform to make disciplined and strategic M&A - when the time is right. Our Group will continue to add solution-enhancing, accretive acquisitions while maintaining appropriate levels of leverage and cash generation.

To put this strategy into action and make progress clear, we have reorganised the business into three Business Units - Climate Management Solutions ("CMS"), Water Management Solutions ("WMS") and Sustainable Building Solutions ("SBS") - each of good scale and with clear long-term green revenue drivers.

CMS is focused on solving the challenges of low-carbon heating, energy efficiency and clean, healthy air - and includes Nuaire, Nu-Heat, Surestop and Adey.

WMS has the most upward margin potential. It includes some of our compelling blue-green roof and storm water attenuation businesses with the potential to offer more complete solutions and move upstream in the design and specification cycle. Polypipe Civils and Green Urbanisation, Permavoid, Plura and Alderburgh (with our latest Keytec services acquisition) form part of this business.

Of course, SBS is Genuit's strong core - including Polypipe Building Products, Manthorpe and the Polypipe Building Services businesses. With this strong market position, these businesses have the potential to continue to drive share as the lowest carbon choice for the construction industry.

We believe that this structure will leverage our larger scale and lower our cost base, while providing greater strategic alignment and clear focus on growth. Further, we will make this our reporting structure from 2023 onward - transparency that should help our own people and investors alike track the results of our strategy.

As we take Genuit through this transition, we have set ambitious but achievable mid-term targets. We will work to

As we take Genuit through this transition, we have set ambitious but achievable mid-term targets. We will work to outperform the UK construction market by 2 to 4% through the cycle - organically. We intend to drive operating margin expansion to 20% and beyond - from self-help, continuous improvement, and operating leverage. We will return to, and then maintain, at least 90% operating cash conversion, and will drive our return on capital to 15% or greater. Of course, we will keep to our Net Zero and Science-Based Targets commitments and invest in our people - with a measurable goal of achieving The 5% Club "gold status".

Our Path to Net Zero: Leading the Way

We submitted our SBTs for verification in August 2022. This followed work with a leading consultancy to conduct a thorough carbon inventory so that we are now fully informed on the key components of our carbon impact. Our SBTs are initially based upon improvements by 2027, at which point we will re-calibrate and set targets for the following five years. This first phase of SBTs build upon the 2025 targets which we previously published and put us on a trajectory for being Net Zero by 2050.

Our Science-Based Targets as submitted are:

- Reduction of the Group's absolute Scopes 1 and 2 GHG emissions by 30% by 2027 from a 2021 base year.
- Commitment that 84% of the Group-wide supplier base, covering purchased goods and services, will have submitted SBTs by 2027.
- Reduction of absolute Scope 3 GHG emissions by 13% for our purchased goods and services by 2027 from a 2021 base year.

Our sustainability targets are already a key component of executive and senior management remuneration, and we are now also adding an annual measure of carbon reduction into the annual bonus arrangements for a wider cohort of our managers to ensure reward is fully aligned with our strategic priorities.

In 2022, we reduced our Scopes 1 and 2 carbon intensity by 3.6% versus prior year. Given the reduction in production volumes in 2022, it is pleasing to report that we still managed to achieve this despite the inherent pressure on efficiencies, and the increased relevance of our base load energy consumption. Since we began to measure ourselves in this way, we have reduced our carbon intensity by 50.2%.

Our use of recycled polymers was broadly similar to the prior year at 48.7% of our total tonnage (2021: 49.4%). Progress was hampered by product mix issues, particularly as housing starts slowed in the second half, and in general we are more able to utilise recyclate in below ground applications rather than, for example, above ground plumbing and heating pipes. We were also slightly delayed in implementing some of the product change projects which form the pathway to our 62% target but expect this to be rectified during 2023.

The proportion of our employees that are in structured training programs (e.g. apprenticeships, formal graduate programs or sponsored students) reached 3.5% (2021: 3.2%). The share of our net revenue sales derived from products developed in the last five years (Vitality Index) rose to 24.7% (2021: 20.2%).

Our People and Culture: Purpose-driven Performance

Genuit's success is founded on our great people. We are investing in the three key areas of talent, engagement and culture to unlock the full potential of the business and secure Genuit's position as a premium employee brand - crucial to attracting and retaining the best talent.

During 2022, we have strengthened our executive team with the promotion of Matthew Webber as Managing Director of CMS, and by welcoming Steve Currier as Managing Director of SBS. We have launched the Genuit Leadership Team - the seventy or so top leaders across the Group and have made key additions to this team including talent development, lean leadership and financial management.

We have rolled out a new talent development process and created a Group-wide talent pipeline. This includes expanding our commitment to graduate schemes and apprenticeships and strengthening our accredited learning programmes - which have always been important at Genuit. We are investing in technology to benefit our people - we are implementing Workday as our human resources platform, Peakon as our engagement platform and have already deployed Workplace by Meta to communicate and connect with our people.

Building a high-performance culture takes time, but I am encouraged by our progress following my first ever Group-wide leadership conference. We are focusing on the things that matter most - transparency and respect, encouraging a growth-mindset and continuous improvement, and elevating diversity and inclusion as key to our future; something I am very passionate about.

Outlook

This year has started well and has traded in line with expectations, although we expect challenging and uncertain market conditions to continue into 2023 amongst macro-economic uncertainty, with continued lower volumes as seen in the second half of 2022. Our expectations for the year have been based upon the CPA Winter Forecast. If there are any deviations from this forecast, the business has proven resilience and agility to adapt in those conditions. However, the actions taken on pricing and the other self-help measures started last year, including further simplification of the business, will maintain the Group's resilience and enhance our capability to respond to improvements in the market.

Through reinvesting these synergies in our people and growth initiatives and keeping a continual focus on margins and cash flow, we are confident that we will start to make measurable progress towards our mid-term commitments. Further, our focus on climate-driven growth, leadership in sustainable materials and enhancing the power of our people through the Genuit Business System, will position us well for the long term. Most importantly, we are building a strong team, with a single sustainable purpose, and look forward to the next chapter in our Sustainable Solutions for Growth strategy.

Joe Vorih

Chief Executive Officer

Financial Review

REVENUE AND OPERATING MARGIN

Revenue and operating profit and margin	2022 £m	2021 £m	Change
Revenue	**622.2**	594.3	4.7%
Underlying operating profit	**98.2**	95.3	3.0%
Underlying operating margin	**15.8%**	16.0%	(20)bps

Revenue by geographic destination	2022 £m	2021 £m	Change
UK	**560.8**	534.1	5.0%
Rest of Europe	**32.4**	38.3	(15.4)%
Rest of World	**29.0**	21.9	32.4%
Group	**622.2**	594.3	4.7%

Group revenue for the year ended 31 December 2022 was £622.2m (2021: £594.3m), an increase of 4.7% on a strong comparative year. UK revenue increased by 5.0% during a period of economic uncertainty that worsened in the second half of the year. This outperformed UK construction more broadly, which grew 1.6% (Source: CPA) versus prior year, or 1.0% when the impact of infrastructure expenditure is excluded. New housing is expected to have grown by 2.4%, after a strong first half, where starts were some 5.0% ahead of prior year (Source: UK Government DLUHC). Housing RMI declined from its 2021 historic peak by 3.1% as economic uncertainty and disposable incomes worsened during the year, as well as the macro-effect of the decline in residential property transactions of 14.8% versus prior year (Source: HMRC). The performance in the Rest of Europe was impacted by the Group's decision to exit the Russian market.

Underlying operating profit was £98.2m (2021: £95.3m), an increase of 3.0% despite considerable inflation, housing market uncertainty and supply chain disruption. The Group improved pricing processes, began the simplification of the business to unlock synergies and lower structural costs to enhance resilience for 2023. The Group underlying operating margin decreased marginally by 20 basis points to 15.8% (2021: 16.0%).

This has been expedited in 2022 through a transformation project, which has involved reviews of direct and indirect purchasing costs and also transition to the new operating structure for 2023 announced at the November 2022 Capital Markets Day.

Profit before tax was £45.4m (2021: £62.9m), a decrease of 27.8%, driven by several factors including a write down of intangibles and increased borrowing costs.

The Group continued to invest in product development and innovation throughout the year. In 2022, underlying operating profit benefited from £1.2m of HMRC approved Research and Development expenditure credit, relating to the year ended 31 December 2022.

BUSINESS REVIEW

Revenue	2022 £m	2021 £m	Change %	LFL Change %
Residential Systems	**394.3**	372.9	5.7	5.0
Commercial and Infrastructure Systems	**227.9**	221.4	2.9	0.5
	622.2	594.3	4.7	3.1

Underlying operating profit	2022 £m	ROS %	2021 £m	ROS %	Change %
Residential Systems	**79.1**	**20.1**	73.1	19.6	8.2
Commercial and Infrastructure Systems	**19.1**	**8.4**	22.2	10.0	(14.0)
	98.2	**15.8**	95.3	16.0	3.0

Residential Systems

Revenue in our Residential Systems segment was 5.7% higher than the prior year at £394.3m (2021: £372.9m), partially driven by the full year effect of the acquisitions of Adey and Nu-Heat in February 2021 with like-for-like revenue excluding acquisitions 5.0% higher than 2021.

The process of integrating Adey and Nu-Heat is now complete. Both these businesses have fitted well into the Group in a commercial, operational and a cultural sense - so much so that Adey's CEO at the time of acquisition has just been promoted to be Managing Director for one of the three new Business Units. We are driving both revenue and cost synergies aggressively. Adey has been adversely affected by the constraint in upstream boiler manufacturing caused by the shortage in the global supply of printed circuit boards ("PCBs"). This shortage is ongoing. Nu-Heat is performing well, benefitting from the positive mix effect of remaining market RMI spend moving into funding more efficient forms of heating homes.

During 2022 at our Broomhouse Lane and Neale Road sites in Doncaster, we took delivery of and installed 25 moulding machines for the manufacture of our mainstream products. This underpins our commitment to sustainability as the new machines will give significant energy savings over those that they replaced. The new machines will also allow us to become more flexible in our approach to using recycled content in our moulding facility than previously, which again supports our commitment to sustainability.

New product innovation remains strong. In Residential Systems, we launched several new ranges in the first half of the year, including Nuaire's DX Cooling modules designed to work in conjunction with existing Mechanical Ventilation with Heat Recovery (MVHR) ventilation units to tackle the challenges of overheating in apartments. Adey launched a number of new products to expand their range of performance enhancing heating system additives, including the new MCXS leak sealant additive.

Robust price leadership and cost saving initiatives helped Residential Systems deliver strong underlying operating profit growth of 8.2% to £79.1m (2021: £73.1m) representing a 20.1% margin (2021: 19.6%).

Commercial and Infrastructure Systems

The UK Commercial and Infrastructure markets proved to be a tougher operating environment and the segment's revenue was 2.9% higher at £227.9m (2021: £221.4m). On a like-for-like basis, excluding the effects of the Plura acquisition in February 2021 and the Keytec acquisition in March 2022, year-on-year revenue was broadly flat.

Divisional performance was impacted in Q2 by an isolated cyber incident that impacted Group profitability by over c. £4m at the time. It was ultimately an unsuccessful attempt but resulted in temporary disruption to manufacturing and sales in April and May. We implemented new, stronger protection across the Group in the first half and I am pleased to report that most of this business was recovered in the second half of the year as systems came back on stream. However, our Nuaire commercial business was further impacted in the second half of the year by a shortage in supply of key components such as blowers. Thanks to the arduous work and ingenuity of our local teams, alternative sources of supply have now been secured for 2023 and beyond, although difficulties remain.

In Commercial and Infrastructure Systems, our Civils and Green Urbanisation business launched SciClone X, a new stormwater treatment device for removing pollutants from surface water runoff.

We expanded our site at Horncastle via a land purchase that allows optimisation of site layout and flexibility for any possible future manufacturing footprint reviews. This site also commissioned a new Polysewer line in 2022 with product due to be supplied from early 2023 that will reduce carbon emissions by reducing long-distance transportation. Material handling capabilities have also been modernised using high efficiency vacuum pumps whilst reducing the risk of material spillages. At our Aylesford site in Kent, we made a major investment in multi-layer extrusion technology, allowing us to significantly increase recyclate use, propelling us on our journey towards the medium-term ESG target that 62% of our input materials must come from recycled sources.

Commercial and Infrastructure Systems delivered an underlying operating profit of £19.1m (2021: £22.2m) and represents an 8.4% margin (2021: 10.0%). The key driver of reduced margin in the year in this segment relates to operational leverage on reduced UK volumes, particularly driven by constraints in supply of key components.

ACQUISITIONS

On 31 March 2022, the Group acquired Keytec Geomembranes Holding Company Limited (Keytec), a supplier and installer of stormwater attenuation products, geomembranes, and gas protection products for an initial cash consideration of £2.5m on a cash free and debt free basis plus a deferred consideration of £0.6m due no later than 12 months from completion. The total initial cash consideration of £2.9m included a payment for net cash and working capital commitments on completion of £0.4m.

NON-UNDERLYING ITEMS

Profit before tax was £45.4m (2021: £62.9m), impacted by an increase in non-underlying items. These increased to £40.0m (2021: £34.1m) after tax. These were driven by non-cash amortisation of £15.2m (2021: £14.2m) and impairment charges of £12.0m (2021: nil) respectively. The impaired goodwill originally arose from the 2021 acquisitions and the £2.8m impairment of intangible assets arose from a customer relationship agreement ending early. Of the other items, £3.3m (2021: £6.6m) of costs related to acquisitions and other M&A costs, a product liability claim of £1.0m (2021: £2.6m), one off costs of £1.2m relating to an isolated cyber incident at Nuaire and restructuring costs of £9.3m (2021: £1.1m).

Non-underlying items comprised:

	2022	2021
	£m	£m
Amortisation of intangible assets	**15.2**	14.2
Impairment of goodwill	**12.0**	-

Impairment of intangible assets	**2.8**	-
Restructuring costs	**9.3**	1.1
Contingent consideration on Plura acquisition	**3.1**	1.9
Product liability claims	**1.0**	2.6
Isolated cyber incident	**1.2**	-
Unamortised deal costs	**0.4**	-
Acquisition costs	**0.2**	4.7
Fair value adjustments on acquisitions	**-**	3.7
Non-underlying items before taxation	**45.2**	28.2
Tax effect on non-underlying items	**(5.2)**	(3.4)
Impact of change in statutory tax rate	**-**	9.3
Non-underlying items after taxation	**40.0**	34.1

EXCHANGE RATES

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

FINANCE COSTS

Underlying finance costs increased to £7.6m (2021: £4.2m) due to significantly higher Standard Overnight Index Average (SONIA) interest rates partially offset by lower level of RCF borrowings. Interest cover was 16.0x for the year (2021: 31.3x).

Interest was payable on the RCF at SONIA (2021: LIBOR) plus an interest rate margin ranging from 0.90% to 2.75%. The interest rate margin at 31 December 2022 was 1.60% (2021: 1.40%). With effect from 4 January 2022, LIBOR was replaced by SONIA.

TAXATION

Underlying taxation:

The underlying tax charge in 2022 was £14.1m (2021: £16.0m) representing an effective tax rate of 15.6% (2021: 17.6%). This was below the UK standard tax rate of 19.0% (2021: 19.0%). Patent box relief contributes to a lowering of the underlying effective tax rate by some 1.8 percentage points.

Taxation on non-underlying items:

The non-underlying taxation credit of £5.2m (2021: £5.9m net charge) represents an effective rate of 11.5% (2021: 20.9%).

EARNINGS PER SHARE

	2022	2021
Pence per share:		
Basic	**14.7**	16.7
Underlying basic	**30.8**	30.6
Diluted	**14.6**	16.5
Underlying diluted	**30.5**	30.2

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

Underlying basic EPS increased by 0.7% in 2022.

DIVIDEND

The final dividend of 8.2 pence (2021: 8.2 pence) per share is being recommended for payment on 24 May 2023 to shareholders on the register at the close of business on 21 April 2023. The ex-dividend date will be 20 April 2023.

Our dividend policy is normally to pay a minimum of 40% of the Group's annual underlying profit after tax. The Directors intend that the Group will pay the total annual dividend in two tranches, an interim dividend and a final dividend, to be announced at the time of announcement of the interim and preliminary results, respectively, with the interim dividend being approximately one half of the prior year's final dividend.

BALANCE SHEET

The Group's balance sheet is summarised below:

	2022	2021
	£m	£m
Property, plant and equipment	**169.9**	151.7
Right-of-use assets	**22.3**	20.6
Goodwill	**455.4**	467.7
Other intangible assets	**159.7**	175.1
Net working capital	**33.8**	22.0
Taxation	**(47.9)**	(47.4)
Other current and non-current assets and liabilities	**0.1**	(6.3)
Net debt (loans and borrowings, and lease liabilities, net of cash and cash equivalents)	**(166.2)**	(165.7)
Net assets	**627.1**	617.7

The net value of property, plant and equipment has increased by £18.2m following the acquisition of additional land at one of our sites and the Group's continued strategic investment in its businesses. The value of right-of-use assets has increased by £1.7m.

PENSIONS

The Group does not have any defined benefit pension schemes and only has defined contribution pension arrangements in place. Pension costs for the year amounted to £6.5m (2021: £5.4m) reflecting the inclusion of the acquisitions made in the previous year and an overall increase in the number of scheme participants.

CASH FLOW AND NET DEBT

The Group's cash flow statement is summarised below:

	2022	2021
	£m	£m
Operating cash flows before movement in net working capital	**113.6**	111.4
Add back non-underlying cash items	**9.6**	6.9
Underlying operating cash flows before movement in net working capital	**123.2**	118.3
Movement in net working capital	**(19.7)**	(27.0)
Capital expenditure net of proceeds from sale	**(40.9)**	(34.1)
Underlying cash generated from operations after net capital expenditure	**62.6**	57.2
Income tax paid	**(7.0)**	(9.5)
Interest paid	**(3.7)**	(2.9)
Non-underlying cash items	**(9.6)**	(6.9)
Settlement of deferred and contingent consideration	**(0.5)**	-
Acquisition of businesses	**(2.6)**	(236.4)
Net proceeds from issue of share capital	**-**	93.5
Debt issue costs	**(3.1)**	-
Dividends paid	**(30.5)**	(21.7)
Proceeds from exercise of share options net of purchase of own shares	**0.4**	2.1
Other	**(4.0)**	(5.7)
Movement in net debt - excluding IFRS 16	**2.0**	(130.3)
Movement in IFRS 16	**(2.5)**	(7.7)
Movement in net debt - including IFRS 16	**(0.5)**	(138.0)

Delivery of good cash generation remains core to the Group's strategy. Underlying cash generated from operations after net capital expenditure at £62.6m (2021: £57.2m) represents a conversion rate of 63.7% (2021: 60.0%). The Group remains committed to achieving a conversion rate of 90.0% over the medium term.

Working capital movement in the year was driven by a rebuilding of inventory to improve customer service

Working capital movement in the year was driven by a rebuilding of inventory to improve customer service performance following the recovery in demand after the pandemic, as well as the effects of cost inflation.

Net capital expenditure investment increased to £40.9m (2021: £34.1m) as the Group continued to focus on investing in key, strategic and innovative projects. In 2023, we anticipate that capital expenditure will be approximately £40.0m.

Net debt of £166.2m comprised:

	2022	2021	Change
	£m	£m	£m
Bank loans	**(195.9)**	(198.0)	2.1
Cash and cash equivalents	**50.0**	52.3	(2.3)
Net debt (excluding unamortised debt issue costs)	**(145.9)**	(145.7)	(0.2)
Unamortised debt issue costs	**2.8**	0.6	2.2
IFRS 16	**(23.1)**	(20.6)	(2.5)
Net debt	**(166.2)**	(165.7)	(0.5)

FINANCING

The Group has a Sustainability Linked Loan ("SLL") committed through to August 2027 with two further uncommitted annual renewals through to August 2029 following a refinancing with the existing bank syndicate during the year. The facility limit is £350.0m with an uncommitted 'accordion' facility of up to £50.0m on top. At 31 December 2022, £170.9m of the RCF was drawn down. Additionally, the Group entered a fixed rate £25m seven-year private placement loan note until August 2029 with an uncommitted shelf facility of an additional £125m.

The Group is subject to two financial covenants. At 31 December 2022, there was significant headroom and facility interest cover and net debt to EBITDA covenants were comfortably achieved:

Covenant	**Covenant requirement**	**Position at 31 December 2022**
Interest cover	>4.0:1	16.0:1
Leverage	<3.0:1	1.2:1

GOING CONCERN

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits. The Group's bank financing facilities consist of a £350.0m Sustainability Linked Loan with an uncommitted 'accordion' facility of £50.0m and a seven-year private placement loan note of £25.0m with an uncommitted £125.0m shelf facility. At 31 December 2022, liquidity headroom (cash and undrawn committed banking facilities) was £229.1m (2021: £154.3m). Our focus will continue to be on deleveraging, and our net debt to EBITDA ratio stood at 1.2x pro forma EBITDA at 31 December 2022 (2021: 1.2x), increasing to 1.4x (2021: 1.4x) pro forma EBITDA including the effects of IFRS 16. This headroom means the Group is well-positioned with a strong balance sheet.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 21 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Principal Risks and Uncertainties

The Board continually assesses and monitors the key risks of the Business and the Group has developed a risk management framework to identify, report, and manage its principal risks and uncertainties. The principal risks and uncertainties that could have a material impact on the Group's performance and prospects, and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising are those detailed in the

Group's Annual Report and Accounts. They have not changed significantly during the year.

Forward-Looking Statements

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

Directors' Responsibilities

Each of the Directors confirms that, to the best of their knowledge, the consolidated financial statements, prepared in accordance UK-Adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and undertakings included in the consolidation taken as a whole; and the Group Results, Chief Executive Officer Review and Financial Review includes a fair review of the development and performance of the business and the position of the Group and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Annual General Meeting

The Annual General Meeting is scheduled to be held on 18 May 2023.

By order of the Board.

Joe Vorih — Paul James

Chief Executive Officer — Chief Financial Officer

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022			2021		
	Notes	**Underlying £m**	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Revenue	2	**622.2**	-	**622.2**	594.3	-	594.3
Cost of sales	3	**(372.1)**	(2.5)	**(374.6)**	(348.8)	(6.5)	(355.3)
Gross profit		**250.1**	**(2.5)**	**247.6**	245.5	(6.5)	239.0
Selling and distribution costs		**(81.5)**	-	**(81.5)**	(81.8)	-	(81.8)
Administration expenses	4	**(70.2)**	**(12.3)**	**(82.5)**	(68.3)	(7.5)	(75.8)
Trading profit		**98.4**	**(14.8)**	**83.6**	95.4	(14.0)	81.4
Amortisation of intangible assets	4	**(0.2)**	**(15.2)**	**(15.4)**	(0.1)	(14.2)	(14.3)
Impairment of intangible assets	4	**-**	**(2.8)**	**(2.8)**	-	-	-
Impairment of goodwill	4	**-**	**(12.0)**	**(12.0)**	-	-	-
Operating profit	2, 3	**98.2**	**(44.8)**	**53.4**	95.3	(28.2)	67.1
Finance costs	4, 5	**(7.6)**	(0.4)	**(8.0)**	(4.2)	-	(4.2)
Profit before tax	2	**90.6**	**(45.2)**	**45.4**	91.1	(28.2)	62.9
Income tax	6	**(14.1)**	**5.2**	**(8.9)**	(16.0)	(5.9)	(21.9)
Profit for the year attributable to the owners of the parent company		**76.5**	**(40.0)**	**36.5**	75.1	(34.1)	41.0
Basic earnings per share (pence)	7			**14.7**			16.7
Diluted earnings per share (pence)	7			**14.6**			16.5
Dividend per share (pence) - interim	8			**4.1**			4.0
Dividend per share (pence) - final	8			**8.2**			8.2
	8			**12.3**			12.2

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Profit for the year attributable to the owners of the parent company	**36.5**	41.0
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**-**	(0.4)
Effective portion of changes in fair value of forward foreign currency derivatives	**0.1**	(0.1)
Tax relating to items which may be reclassified subsequently to the income statement	**-**	-
Other comprehensive income for the year net of tax	**0.1**	(0.5)
Total comprehensive income for the year attributable to the owners of the parent company	**36.6**	40.5

GROUP BALANCE SHEET

AT 31 DECEMBER 2022

	Notes	**31 December 2022 £m**	31 December 2021 £m
Non-current assets			
Property, plant and equipment	9	**169.9**	151.7
Right-of-use assets	10	**22.3**	20.6
Intangible assets	11	**615.1**	642.8
Total non-current assets		**807.3**	815.1
Current assets			
Inventories		**89.9**	80.8
Trade and other receivables		**68.1**	76.7
Income tax receivable		**2.2**	1.1
Cash and cash equivalents		**50.0**	52.3
Assets held for sale		**10.7**	-
Total current assets		**220.9**	210.9
Total assets		**1,028.2**	1,026.0
Current liabilities			
Trade and other payables	13	**(124.2)**	(135.5)
Lease liabilities	13	**(5.8)**	(4.5)
Deferred and contingent consideration	13	**-**	(0.5)
Liabilities held for sale	13	**(2.6)**	(0.1)
Total current liabilities		**(132.6)**	(140.6)
Non-current liabilities			
Loans and borrowings	13	**(193.1)**	(197.4)
Lease liabilities	13	**(17.3)**	(16.1)
Deferred and contingent consideration	13	**(8.0)**	(4.3)
Other liabilities	13	**-**	(1.4)
Deferred income tax liabilities		**(50.1)**	(48.5)
Total non-current liabilities		**(268.5)**	(267.7)
Total liabilities		**(401.1)**	(408.3)
Net assets		**627.1**	617.7
Capital and reserves			
Equity share capital		**0.2**	0.2
Share premium		**93.6**	93.6
Capital redemption reserve		**1.1**	1.1
Hedging reserve		**-**	(0.1)
Other reserves		**116.5**	116.5
Retained earnings		**415.7**	406.4
Total equity		**627.1**	617.7

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Equity	**Capital**	**Foreign currency**

	share capital £m	Share premium £m	redemption reserve £m	Hedging reserve £m	retranslation reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 31 December 2020	0.2	-	1.1	-	0.4	116.5	382.7	500.9
Profit for the year	-	-	-	-	-	-	41.0	41.0
Other comprehensive income	-	-	-	(0.1)	(0.4)	-	-	(0.5)
Total comprehensive income for the year	-	-	-	(0.1)	(0.4)	-	41.0	40.5
Dividends paid	-	-	-	-	-	-	(21.7)	(21.7)
Issue of share capital	-	96.3	-	-	-	-	-	96.3
Transaction costs on issue of share capital	-	(2.7)	-	-	-	-	-	(2.7)
Share-based payments charge	-	-	-	-	-	-	2.2	2.2
Share-based payments settled	-	-	-	-	-	-	2.1	2.1
Share-based payments excess tax benefit	-	-	-	-	-	-	0.1	0.1
At 31 December 2021	0.2	93.6	1.1	(0.1)	-	116.5	406.4	617.7
Profit for the year	-	-	-	-	-	-	**36.5**	**36.5**
Other comprehensive income	-	-	-	**0.1**	-	-	-	**0.1**
Total comprehensive income for the year	-	-	-	**0.1**	-	-	**36.5**	**36.6**
Dividends paid	-	-	-	-	-	-	**(30.5)**	**(30.5)**
Share-based payments charge	-	-	-	-	-	-	**2.9**	**2.9**
Share-based payments settled	-	-	-	-	-	-	**0.4**	**0.4**
Share-based payments excess tax benefit	-	-	-	-	-	-	-	-
At 31 December 2022	**0.2**	**93.6**	**1.1**	-	-	**116.5**	**415.7**	**627.1**

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022 £m**	2021 £m
Operating activities			
Profit before tax		45.4	62.9
Finance costs	5	8.0	4.2
Operating profit		53.4	67.1
Non-cash items:			
Profit on disposal of property, plant and equipment		(0.7)	(0.2)
Transaction costs on issue of share capital		-	0.1
Research and development expenditure credit		(1.2)	(2.0)
Warranty provision release		(1.0)	-
Non-underlying items:			
- amortisation of intangible assets arising on business combinations	4	15.2	14.2
- impairment of intangible assets arising on business combinations	4	2.8	-
- impairment of goodwill arising on business combinations	4	12.0	-
- provision for acquisition costs	4	3.3	6.6
- unwind of inventory fair value adjustment	4	-	3.7
- provision for restructuring costs	4	9.3	1.1
- provision for product liability claim	4	1.0	2.6
- Isolated cyber incident	4	1.2	-
Depreciation of property, plant and equipment	9	19.4	18.4
Depreciation of right-of-use assets	10	5.4	4.4
Amortisation of internally generated intangible assets		0.2	0.1
Share-based payments		2.9	2.2
Cash items:			
- settlement of acquisition costs		(0.2)	(6.9)
- settlement of restructuring costs		(8.2)	-
- settlement of isolated cyber incident		(1.2)	-
Operating cash flows before movement in working capital		113.6	111.4
Movement in working capital:			
Receivables		7.8	(0.9)
Payables		(10.4)	(6.2)
Inventories		(17.1)	(19.9)
Cash generated from operations		93.9	84.4
Income tax paid		(7.0)	(9.5)
Net cash flows from operating activities		86.9	74.9
Investing activities			
Settlement of deferred and contingent consideration		(0.5)	-
Acquisition of businesses net of cash at acquisition		(2.6)	(236.4)

Proceeds from disposal of property, plant and equipment		2.9	0.5
Purchase of property, plant and equipment		(41.1)	(33.1)
Patent and development costs expenditure		(2.7)	(1.5)
Net cash flows from investing activities		(44.0)	(270.5)
Financing activities			
Issue of share capital		-	96.3
Transaction costs on issue of share capital		-	(2.8)
Debt issue costs		(3.1)	-
Draw down of bank loan		266.2	148.0
Repayment of bank loan		(268.3)	(10.0)
Interest paid		(3.7)	(2.9)
Dividends paid	8	(30.5)	(21.7)
Proceeds from exercise of share options		0.4	2.1
Settlement of lease liabilities	10	(6.2)	(5.1)
Net cash flows from financing activities		(45.2)	203.9
Net change in cash and cash equivalents		(2.3)	8.3
Cash and cash equivalents at 1 January		52.3	44.1
Net foreign exchange difference		-	(0.1)
Cash and cash equivalents at 31 December		50.0	52.3

1. Basis of preparation

The preliminary results for the year ended 31 December 2022 have been prepared in accordance with UK-Adopted International Accounting Standards (UK-Adopted IAS). Whilst the financial information included in this preliminary announcement has been computed in accordance with the recognition and measurement requirements of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies adopted have been consistently applied in all material aspects to all the periods presented.

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 will be filed in due course. The auditor's report on these accounts was not qualified or modified and did not contain any statement under Sections 498(2) or (3) of the Companies Act 2006 or any preceding legislation.

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

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 24 months ending 31 December 2024, sales volumes grow in line with or moderately above external construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with our Principal Risks and Uncertainties these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks, and reverse stress testing. The Directors have considered the impact of climate-related matters on the going concern assessment and it is not expected to have a significant impact on the Group's going concern.

At 31 December 2022, the Group had available £179.1m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group's borrowing facilities, which were originally due to expire in November 2023, were renewed on 10 August 2022 and included an increase in the RCF facility of £50.0m to £350.0m available until at least August 2027, subject to covenant headroom, and a seven-year private placement loan note of £25.0m repayable August 2029. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 21 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

There have been no related party transactions in the period to 31 December 2022.

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

- Underlying profit and earnings measures exclude certain non-underlying items and, where relevant, the tax effect of these items. The Directors consider that these measures provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.
- Underlying cash generated from operations is defined as cash generated from operations, adjusted for non-underlying cash items, after movement in net working capital and capital expenditure net of proceeds from disposals of property, plant and equipment.
- Pro forma EBITDA is defined as underlying operating profit before depreciation and amortisation for the 12 months preceding the balance sheet date, adjusted, where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.
- Leverage is defined as net debt divided by pro forma EBITDA. Net debt within the leverage calculation is defined

as loans and borrowings net of unamortised issue costs less cash and cash equivalents, excluding the effects of IFRS 16.

2. Segment information

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

The Group has two reporting segments - Residential Systems and Commercial and Infrastructure Systems. The reporting segments sell products which are unique to that segment, and products which are common to both segments. They are however organised and distinguished as separate reporting segments based on the nature of the end markets served. Inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties. During the period one acquired business was added to the Commercial and Infrastructure Systems segment (see Note 12).

	2022			2021		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Segmental revenue	**400.4**	**238.6**	**639.0**	378.0	231.8	609.8
Inter-segment revenue	**(6.1)**	**(10.7)**	**(16.8)**	(5.1)	(10.4)	(15.5)
Revenue	**394.3**	**227.9**	**622.2**	372.9	221.4	594.3
Underlying operating profit*	**79.1**	**19.1**	**98.2**	73.1	22.2	95.3
Non-underlying items - segmental	**(31.2)**	**(9.3)**	**(40.5)**	(18.5)	(8.8)	(27.3)
Segmental operating profit	**47.9**	**9.8**	**57.7**	54.6	13.4	68.0
Non-underlying items - Group			**(4.3)**			(0.9)
Operating profit			**53.4**			67.1
Non-underlying items - finance costs			**(0.4)**			-
Finance costs			**(7.6)**			(4.2)
Profit before tax			**45.4**			62.9

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies in the Annual Report and Accounts and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £45.2m (2021: £28.2m) are set out below at non-underlying items before tax.

Geographical analysis

Revenue by destination	**2022 £m**	2021 £m
UK	**560.8**	534.1
Rest of Europe	**32.4**	38.3
Rest of World	**29.0**	21.9
Total - Group	**622.2**	594.3

3. Operating profit

	2022 £m	2021 £m
Income statement charges		
Depreciation of property, plant and equipment (owned)	**19.4**	18.4
Depreciation of right-of-use assets	**5.4**	4.4
Cost of inventories recognised as an expense	**318.3**	290.4
Research and development costs expensed	**8.8**	8.8
Income statement credits		
Research and development expenditure credit	**1.2**	2.0
Profit on disposal of property, plant and equipment	**0.7**	0.2

4. Non-underlying items

Non-underlying items comprised:

	2022			2021		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Cost of sales: Unwind of inventory fair value adjustment	-	-	-	3.7	-	3.7
Cost of sales: Restructuring costs	-	-	-	0.2	-	0.2
Cost of sales: Restructuring costs - stock write down	**1.5**	**(0.3)**	**1.2**	-	-	-
Cost of sales: Product liability claim	**1.0**	-	**1.0**	2.6	(0.5)	2.1
Administration expenses: Isolated cyber incident	**1.2**	(0.2)	**1.0**	-	-	-

Isolated cyber incident	1.2	(0.2)	1.0	-	-	-
Administration expenses: Acquisition costs - acquisition and other M&A activity	**3.3**	-	**3.3**	6.6	-	6.6
Administration expenses: Restructuring costs	**7.8**	(1.5)	**6.3**	0.9	(0.2)	0.7
Amortisation of intangible assets	**15.2**	(2.6)	**12.6**	14.2	6.6	20.8
Impairment of intangible assets	**2.8**	(0.5)	**2.3**	-	-	-
Impairment of Goodwill	**12.0**	-	**12.0**	-	-	-
Finance costs: Unamortised deal fees	**0.4**	(0.1)	**0.3**	-	-	-
Total non-underlying items	**45.2**	(5.2)	**40.0**	28.2	5.9	34.1

Restructuring costs incurred in relation to the reorganisation of the group. This included an inventory write down for items immediately taken off the market, that do not sit within the new Genuit product strategy and on this basis the inventory holding was deemed obsolete, a closure of a business and the reorganisation of the segmental units and consultancy fees for advisory support and organisation design.

The product liability claim is associated with a historic acquisition, including the prior year charge recognised in non-underlying costs, this takes the total amount recognised as a liability on the balance sheet at 31 December 2022 to £3.3m.

During 2022 there was an isolated cyber incident at one of the Group's businesses, which resulted in temporary disruption to manufacturing and sales in April and May 2022.

Acquisition costs in 2022 relate predominantly to a £3.1m charge arising in connection with contingent consideration treated as remuneration in respect of the acquisition of Plura as detailed in see note 12. Acquisition costs in 2021 related to the acquisitions of Nu-Heat, Plura and Adey as detailed in note 12.

Impairment of intangible assets (£2.8m) is in respect to a customer relationship agreement ending early and impairment of goodwill relates to a 2021 acquisition (see note 12).

Amortisation charge relates to intangible assets arising on business combinations. In 2021 the non-underlying tax charge relating to amortisation included a £9.3m charge in respect of restating the deferred income tax liability on the intangible assets as a result of the change in the main UK corporation tax rate (see note 6).

5. Finance costs

	2022 £m	2021 £m
Interest on bank loan	**6.2**	2.5
Debt issue cost amortisation	**0.5**	0.5
Unwind of discount on lease liabilities	**0.8**	0.7
Other finance costs	**0.1**	0.5
	7.6	4.2

6. Income tax

(a) Tax expense reported in the income statement

	2022 £m	2021 £m
Current income tax:		
UK income tax	**7.7**	9.5
Overseas income tax	**0.1**	0.5
Current income tax	**7.8**	10.0
Adjustment in respect of prior years	**(0.5)**	0.4
Total current income tax	**7.3**	10.4
Deferred income tax:		
Origination and reversal of temporary differences	**0.4**	(1.3)
Effects of changes in income tax rates	**1.3**	11.7
Deferred income tax	**1.7**	10.4
Adjustment in respect of prior years	**(0.1)**	1.1
Total deferred income tax	**1.6**	11.5
Total tax expense reported in the income statement	**8.9**	21.9

Details of the non-underlying tax credit of £5.2m (2021: £5.9m net charge) are set out in Note 4.

(b) Reconciliation of the total tax expense

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK standard rate of income tax for the years ended 31 December 2022 and 2021 is as follows:

	2022 £m	2021 £m
Accounting profit before tax	**45.4**	62.9
Accounting profit multiplied by the UK standard rate of income tax of 19.0% (2021: 19.0%)	**8.6**	12.0
Expenses not deductible for income tax	**3.4**	1.8
Non-taxable income	**(0.4)**	(1.0)
Adjustment in respect of prior years	**(0.6)**	1.5
Effects of patent box	**(1.6)**	(1.6)
Effects of changes in income tax rates	**-**	11.4
Effects of tax losses	**1.3**	(1.1)
Effects of super deduction	**(1.8)**	(0.6)
Effects of other tax rates/credits	**-**	(0.5)
Total tax expense reported in the income statement	**8.9**	21.9

The effective rate for the full year was 19.6% (2021: 34.8%). If the impact of non-underlying items is excluded, the underlying income tax rate would be 15.6% (2021: 17.6%).

(c) Deferred income tax

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

	31 December 2022 £m	31 December 2021 £m
Deferred income tax liabilities/(assets)		
Short-term timing differences	**37.8**	41.3
Capital allowances in excess of depreciation	**16.9**	11.1
Share-based payments	**(2.1)**	(2.3)
Tax losses	**(2.5)**	(1.6)
	50.1	48.5

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

A reconciliation of deferred income taxes for the years ended 31 December 2022 and 2021 is as follows:

	2022 £m	2021 £m
Deferred income tax reported in the income statement	**1.7**	11.5
Deferred income tax reported in other comprehensive income	**-**	-
Share-based payments excess tax benefit	**(0.1)**	(0.1)
Deferred income tax acquired	**-**	26.3
	1.6	37.7

(d) Change in corporation tax rate

The Finance (No.2) Act 2015 reduced the main UK corporation tax rate to 19%, effective from 1 April 2017. A further reduction in the main UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the rate, thereby maintaining the current rate of 19%.

On 24 May 2021, legislation was passed which substantively enacted an increase in UK corporation tax rate from 19% to 25% from April 2023. Deferred income tax on the balance sheet at 31 December 2022 was therefore measured at 19% or 25% depending on when the deferred income tax asset or liability is expected to reverse.

(e) Unrecognised tax losses

No deferred income tax has been recognised on non-trading losses and other timing differences of £1.3m (2021: £1.4m) as the Directors do not consider that they will be utilised in the foreseeable future.

7. Earnings per share

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

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

	2022	2021
Weighted average number of ordinary shares for the purpose of basic earnings per share	**248,001,063**	245,097,578
Effect of dilutive potential ordinary shares	**2,414,364**	3,168,838
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**250,415,426**	248,266,416

Underlying earnings per share is based on the result for the year after tax excluding the impact of non-underlying items of £40.0m (2021: £34.1m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	2022	2021
Underlying profit for the year attributable to the owners of the parent company (£m)	**76.5**	75.1
Underlying basic earnings per share (pence)	**30.8**	30.6
Underlying diluted earnings per share (pence)	**30.5**	30.2

8. Dividend per share

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 8.2p per share (2020: 4.8p)	**20.3**	11.8
Interim dividend for the year ended 31 December 2022 of 4.1p per share (2021: 4.0p)	**10.2**	9.9
	30.5	21.7
Proposed final dividend for the year ended 31 December 2022 of 8.2p per share (2021: 8.2p)	**20.3**	20.3

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

9. Property, plant and equipment

	Freehold land and buildings £m	Plant and other equipment £m	Total £m
Cost			
At 1 January 2021	**54.3**	**160.4**	**214.7**
Additions	3.9	28.9	32.8
Disposals	(1.0)	(7.7)	(8.7)
Transfer to intangible assets	-	(0.8)	(0.8)
Acquisition of businesses	1.2	3.0	4.2
Exchange adjustment	-	(0.3)	(0.3)
At 31 December 2021	**58.4**	**183.5**	**241.9**
Additions	4.9	36.1	41.0
Disposals	(0.1)	(10.6)	(10.7)
Acquisition of businesses	-	0.4	0.4
Exchange adjustment	-	0.4	0.4
Transfer to assets held for sale	-	(6.4)	(6.4)
At 31 December 2022	**63.2**	**203.4**	**266.6**
At 1 January 2021	**8.5**	**72.0**	**80.5**
Provided during the year	1.6	16.8	18.4
Disposals	(1.0)	(7.4)	(8.4)
Transfer to intangible assets	-	(0.1)	(0.1)
Exchange adjustment	-	(0.2)	(0.2)
At 31 December 2021	**9.1**	**81.1**	**90.2**
Provided during the year	1.7	17.7	19.4
Disposals	-	(8.7)	(8.7)
Exchange adjustment	-	(0.2)	(0.2)
Transfer to assets held for sale	-	(4.0)	(4.0)
At 31 December 2022	**10.8**	**85.9**	**96.7**
Net book value			
At 31 December 2022	**52.4**	**117.5**	**169.9**
At 31 December 2021	49.3	102.4	151.7

Included in freehold land and buildings is non-depreciable land of £18.2m (2021: £17.7m)

Included in freehold land and buildings is non-depreciable land of £[illegible]m (2021: £[illegible]m).

Capital commitments

At 31 December 2022, the Group had commitments of £2.8m (2021: £5.4m) relating to plant and equipment purchases.

10. Right-of-use assets and lease liabilities

	Freehold land and buildings £m	Plant and other equipment £m	Motor vehicles £m	Total £m	Lease liabilities £m
At 1 January 2021	5.9	6.9	0.1	12.9	(12.9)
Additions	2.9	2.5	-	5.4	(5.4)
Acquisition of businesses	6.0	0.8	-	6.8	(6.8)
Depreciation	(2.1)	(2.3)	-	(4.4)	-
Unwind of discount	-	-	-	-	(0.7)
Settlements	-	-	-	-	5.1
Exchange adjustment	-	(0.1)	-	(0.1)	0.1
At 31 December 2021	**12.7**	**7.8**	**0.1**	**20.6**	**(20.6)**
Additions	3.2	3.8	1.1	8.1	(8.2)
Disposals	(0.5)	(0.6)	-	(1.1)	-
Depreciation of right-of-use assets	(2.2)	(2.7)	(0.5)	(5.4)	-
Depreciation on disposal of right - of - use asset	0.1	0.4	-	0.5	-
Transfer to assets held for sale	(0.4)	-	-	(0.4)	0.3
Unwind of discount on lease liabilities	-	-	-	-	(0.8)
Settlement of lease liabilities	-	-	-	-	6.2
At 31 December 2022	**12.9**	**8.7**	**0.7**	**22.3**	**(23.1)**

11. Intangible assets

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Licences £m	Customer order book £m	Development costs £m	Total £m
Cost								
At 1 January 2021	**345.4**	**34.4**	**30.3**	**17.4**	**0.8**	**-**	**-**	**428.3**
Additions	-	0.3	-	-	-	-	1.2	1.5
Transfer from tangible assets	-	-	-	-	-	-	0.8	0.8
Acquisition of businesses	122.3	4.8	36.2	96.9	-	0.9	-	261.1
At 31 December 2021	**467.7**	**39.5**	**66.5**	**114.3**	**0.8**	**0.9**	**2.0**	**691.7**
Additions	**-**	**0.5**	**-**	**-**	**-**	**-**	**2.3**	**2.8**
Acquisition of businesses	**2.9**	**-**	**-**	**-**	**-**	**-**	**-**	**2.9**
Transfer to Assets held for sale	**(3.2)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3.2)**
At 31 December 2022	**467.4**	**40.0**	**66.5**	**114.3**	**0.8**	**0.9**	**4.3**	**694.2**
Amortisation and impairment losses								
At 1 January 2021	**-**	**12.1**	**14.3**	**7.9**	**0.2**	**-**	**-**	**34.5**
Charge for the year	-	3.3	4.9	5.5	0.1	0.4	0.1	14.3
Transfer from tangible assets	-	-	-	-	-	-	0.1	0.1
At 31 December 2021	-	**15.4**	**19.2**	**13.4**	**0.3**	**0.4**	**0.2**	**48.9**
Charge for the year	-	3.4	5.1	6.1	0.1	0.5	0.2	15.4
Impairment losses	12.0	-	-	2.8	-	-	-	14.8
At 31 December 2022	**12.0**	**18.8**	**24.3**	**22.3**	**0.4**	**0.9**	**0.4**	**79.1**
Net book value								
At 31 December 2022	**455.4**	**21.2**	**42.2**	**92.0**	**0.4**	**-**	**3.9**	**615.1**
At 31 December 2021	467.7	24.1	47.3	100.9	0.5	0.5	1.8	642.8

11. Intangible assets (continued)

Goodwill arising on the acquisition of Keytec Geomembranes Limited was increased by £2.9m as detailed in Note 12.

Impairment testing of goodwill

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

CGU	**31 December 2022 £m**	31 December 2021 £m
Building Services & International	**30.4**	33.6
Infrastructure & Landscape	**43.6**	40.7
Residential Systems	**169.6**	169.6
Ventilation & Climate	**93.7**	93.7
Adey	**92.8**	104.8
Nu-Heat	**17.3**	17.3
Others (comprising Surestop and Ulster)	**8.0**	8.0
	455.4	467.7

At 31 December 2022 £3.2m of goodwill has been allocated to assets held for sale from the Building Services & International CGU, in relation to Polypipe Italia SRL.

Impairment tests on the carrying amounts of goodwill are performed by analysing the carrying amount allocated to each CGU against its value-in-use. Value-in-use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows covering a 5-year period. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and managements forecast of growth between 2.0% to 5.0% for years 3 to 5 (2021: 2.74% to 2.80%). Terminal growth rates of 2% (2021: 2%) have been applied beyond this, based on historical macroeconomic performance and projections of the sector served by the CGUs.

When assessing for impairment of goodwill, management have considered the impact of climate change, particularly in the context of the risks and opportunities, and have not identified any material short-term impacts from climate change that would impact the carrying value of goodwill. Over the longer term, the risks and opportunities are more uncertain, and management will continue to assess the quantitative impact of risks at each reporting period.

A pre-tax discount rate of 12.9% (2021: 10.4%) has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital.

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. Due to a removal of longer term overseas strategic growth opportunities and increasing cashflow risks, ongoing headwinds from the upstream boiler manufacturing shortages driven by a global lack of printed circuit boards and the significantly increased pre-tax discount rate there has been a reduction in the value in use of the Adey CGU. This has resulted in an impairment charge of £12.0m in the year to reflect that the discounted present value of future cash flows did not support the full carrying value of the asset. As an impairment loss has been recognised in Adey in the current year, the recoverable amount is equal to its carrying value at the year end and therefore any negative changes in key assumptions would result in the recognition of an additional impairment loss.

12. Acquisitions

Acquisition-related deferred and contingent consideration comprised:

	31 December 2022 £m	31 December 2021 £m
Deferred consideration on Keytec acquisition	**0.6**	-
Deferred and contingent consideration on Plura acquisition	**7.4**	4.3
Contingent consideration on Permavoid acquisition	**-**	0.5
	8.0	4.8

Acquisition-related cash flows comprised:

	2022 £m	2021 £m
Operating cash flows - settlement of acquisition costs		
Nu-Heat	**-**	0.6
Plura	**0.1**	0.7
Adey	**-**	3.1
Permavoid	**-**	2.5
Keytec	**0.1**	-
	0.2	6.9

	2022 £m	2021 £m
Investing cash flows - settlement of deferred and contingent consideration		
Permavoid	**0.5**	**-**
	0.5	**-**

	2022 £m	2021 £m
Investing cash flows - acquisition of businesses net of cash at acquisition		
Keytec	**2.6**	-
Nu-Heat	**-**	25.8
Plura	**-**	1.8
Adey	**-**	208.6
Tree Ground Solutions	**-**	0.2
	2.6	236.4

Keytec:

On 31 March 2022, the Group acquired 100% of the voting rights and shares of Keytec Geomembranes Holding Company Limited (Keytec), for an initial cash consideration of £2.5m on a cash free and debt free basis plus a deferred consideration of £0.6m due no later than 12 months from completion. The total cash consideration of £2.9m included a payment for net cash and working capital commitments on completion of £0.4m. Keytec is a supplier and installer of stormwater attenuation products, geomembranes, and gas protection products.

Details of the acquisition, including fair value adjustments, were as follows:

	Fair value £m
Property, plant and equipment	0.1
Inventories	0.1
Trade and other receivables	0.7
Cash and cash equivalents	0.3
Trade and other payables	(0.5)
Income tax payable	(0.1)
Net identifiable assets	**0.6**
Goodwill on acquisition	2.9
Total cash consideration	**3.5**
Less: deferred consideration	(0.6)
Initial cash consideration	**2.9**

No material intangible assets have been identified. The goodwill arising on the acquisition primarily represented the assembles workforce, technical expertise and market share. The goodwill is allocated entirely to the Commercial System segment.

12. Acquisitions (continued)

The fair value of trade and other receivables was £0.7m. The gross amount of trade and other receivables was £0.7m and it is expected that the full contractual amounts will be collected.

Post-acquisition Keytec contributed £5.3m revenue and £0.6m underlying operating profit which were included in the Group income statement. If Keytec had been acquired on 1 January 2022, the Group's results for the twelve months ended 31 December 2022 would have shown revenue of £616.9m and underlying operating profit of £97.6m.

Nu-Heat

On 2 February 2021, the Group acquired 100% of the voting rights and shares of Nu-Heat (Holdings) Limited (Nu-Heat), the leading supplier of sustainable underfloor heating solutions, air and ground source heat pumps, and other renewable heating systems, for a consideration of £27.0m on a cash-free, debt-free basis. The total cash consideration of £24.8m included a payment of £5.7m for net cash on completion and was net of loans and borrowings at acquisition of £6.7m. Additional debt and debt like items amounted to £1.2m.

The 'Nu-Heat' brand, order book and customer relationships have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally related to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Residential Systems segment.

Plura

On 5 February 2021, the Group acquired 51% of the voting rights and shares of Plura Composites Ltd (Plura) for an initial cash consideration of £1.25m, and further payment in respect of the remaining 49% of between £6.0m and £16.4m depending on the EBITDA performance of Plura in the 12-month period ending no earlier than 5 February 2024 and no later than 31 July 2024 as well as the continued employment of key personnel.

Customer relationships is the only material intangible asset that has been recognised as a result of this acquisition. Fair value adjustments principally related to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition is immaterial.

An amount of £3.1m has been recognised as a non-underlying expense in the income statement in the year ended 31 December 2022 in respect of the Plura contingent consideration arrangement. This takes the total amount recognised as a liability on the balance sheet at 31 December 2022 to £7.4m. Accordingly, the aggregate final consideration is expected to be approximately £11.9m. Contingent consideration was determined using the Directors' assessment of the likelihood that financial targets will be achieved. There is no material difference between the estimated cash consideration and the fair value. The estimated cash consideration is derived from the budgets and forecasts for Plura.

Adey

On 10 February 2021, the Group acquired 100% of the voting rights and shares of London Topco Limited (Adey) for a consideration of £210.0m on a cash-free, debt-free basis. Adey is the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance constraints in water-based heating systems and improve energy efficiency, operating in predominantly residential end markets. The cash consideration of £86.6m included a payment of £7.3m for net cash on completion and was net of loans and borrowings at acquisition of £129.3m. Additional debt and debt like items amounted to £1.4m.

Customer relationships, the 'Adey' brand and patents have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally related to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Residential Systems segment.

13. Financial liabilities

	31 December 2022 £m	31 December 2021 £m
Non-current loans and borrowings:		
Bank loan - principal	**170.9**	198.0
- unamortised debt issue costs	**(2.8)**	(0.6)
Loan notes	**25.0**	**-**
Total non-current loans and borrowings	**193.1**	197.4
Cash at bank and in hand	**(50.0)**	(52.3)
Net debt excluding lease liabilities	**143.1**	145.1

	31 December 2022 £m	31 December 2021 £m
Other financial liabilities:		
Trade and other payables	**124.2**	135.5
Lease liabilities	**23.1**	20.6
Other liabilities	**-**	1.4
Deferred and contingent consideration	**8.0**	4.8
Derivative financial instruments	**-**	0.1
	155.3	162.4

Bank loan

On 19 November 2018, the Group entered into an Amendment and Restatement Agreement with various lenders in respect of the Group's previous revolving credit facility agreement dated 4 August 2015. The bank loan, which comprised a £300.0m revolving credit facility and £50.0m uncommitted accordion facility, was secured and would have matured in November 2023 (with two further uncommitted annual renewals through to November 2025 possible). The Group incurred £1.7m of debt issue costs in respect of entering into the Amendment and Restatement Agreement dated 19 November 2018 which were capitalised and are being amortised to the income statement over the term of the facility, upon renewal, an amount was subsequently written off to non-underlying items in August 2022.

On 10 August 2022 the Group renewed its banking facilities and entered a Sustainability Linked Loan revolving credit facility agreement for £350.0m with a £50.0m uncommitted accordion facility expiring in August 2027 and a separate agreement for private placement loan notes of £25.0m with an uncommitted £125.0m shelf facility repayable August 2029. The group incurred debt issue costs of £3.1m, in respect of entering into both agreements, have been capitalised and are amortised to the income statement over the whole term of each facility, respectively.

Interest is payable on the bank loan at SONIA plus an interest margin ranging from 0.90% to 2.75% which is dependent on the Group's leverage (net debt excluding lease liabilities as a multiple of pro forma EBITDA) and reduces as the Group's leverage reduces. The interest margin at 31 December 2022 was 1.60% (2021: 1.40%). Pro forma EBITDA for the year was £120.3m (2021: £117.9m) and is defined as pre-IFRS 16 underlying operating profit before depreciation, amortisation and share-based payment charges, for the 12 months preceding the balance sheet date adjusted where relevant to include a full year of EBITDA from acquisitions made during those 12 months. Interest is payable semi-annually on the loan notes and is fixed at 4.44% per annum for the period of the loan term.

	2022 **£m**	2021 £m
Pro forma EBITDA (12 months preceding the balance sheet)		
Underlying operating profit	**98.2**	95.3
Depreciation of property, plant and equipment	**19.4**	18.4
Amortisation of internally generated intangible assets	**0.2**	0.1
Unwind of discount on lease liabilities	**(0.8)**	(0.7)
Share-based payments charge	**3.1**	2.5
	120.1	115.6
EBITDA from acquisitions	**0.2**	2.3
	120.3	117.9

13. Financial liabilities (continued)

At 31 December 2022, the Group had available, subject to covenant headroom, £179.1m (2021: £102.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt, excluding lease liabilities, as a multiple of pro forma EBITDA and interest cover. At 31 December 2022, the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	**Covenant requirement**	**Position at 31 December 2021**
Interest cover (Underlying operating profit: Finance costs excluding debt issue cost amortisation)	>4.0:1	**16.0:1**
Leverage (Net debt excluding lease liabilities: pro forma EBITDA)	<3.0:1	**1.2:1**

The interest cover and leverage covenants remain at 4.0:1 and 3.0:1, respectively, throughout the remaining term of the sustainability linked loan to August 2027, though there exists the option to apply to extend the leverage covenant to 3.5:1 for a limited period of time if the Group makes an acquisition.

The interest rate on the Group's £350m sustainability linked loan is variable, being payable at SONIA (2021: LIBOR) plus a margin.

END

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