Genuit Group plc

Interim condensed set of consolidated financial statements for the six months ended 30 June 2021

17 August 2021

Genuit Group plc
Interim results for the six months ended 30 June 2021

"H1 performance above 2019 - upgrade to full year expectations"

Genuit Group plc ("Genuit", the "Company" or the "Group"), a leading provider of sustainable water and climate management solutions for the built environment, today announces its unaudited interim results for the six months ended 30 June 2021.

Martin Payne, Chief Executive Officer, said

"I am delighted with the Group's performance in the first half with strong revenue and profit growth in recovering markets, despite cost headwinds. This reflects good organic trading as well as the contribution from our three recent acquisitions, which are performing well. I would like to thank all our people for their continued hard work in the face of ongoing challenges from the pandemic as well as significant increases in demand. The alignment of our Group strategy around sustainability and environmental drivers as well as strong market demand has seen momentum continue into the second half and the Board expects full year performance to be ahead of previous management expectations."

Financial Results

	H1 2021	**H1 2020**	**H1 2019**	**Change vs H1 2019**
Statutory measures				
Revenue	£295.6m	£173.6m	£223.3m	32.4%
Operating profit	£36.3m	£6.2m	£35.2m	3.1%
Profit before tax	£33.8m	£2.3m	£31.4m	7.6%
Earnings per share (basic)	7.9p	0.7p	12.9p	(38.8%)
Cash generated from operations	£23.6m	£(15.7)m	£21.7m	8.8%
Dividend per share	4.0p	-	4.0p	-
Alternative performance measures				
Underlying operating profit[1]	£48.6m	£10.5m	£39.3m	23.7%

Underlying cash generated from operations[2]	£15.0m	£(22.7)m	£13.5m	11.1%
Underlying operating margin[1]	16.4%	6.0%	17.6%	(120)bps
Underlying profit before tax[1]	£46.5m	£6.6m	£35.6m	30.6%
Underlying earnings per share (basic)[1]	15.8p	2.6p	14.7p	7.5%
Leverage[3] (times pro forma EBITDA[4])	1.5	1.1	1.8	0.3

Summary

- We continue to prioritise the health, safety and wellbeing of our colleagues as circumstances around the pandemic evolve.
- Financial performance has been achieved by driving higher volumes despite some supply constraints and considerable cost inflation, particularly in relation to raw materials. Management expects full year operating margins to be broadly in line with the first half.
- Revenue 32.4% higher than H1 2019, reflecting continued strong trading and the benefit of acquisitions. On a like-for-like basis, revenue 13.8% higher than H1 2019.
- Strong cashflow generation with net debt[3] of 1.5 times pro forma EBITDA[4] in line with expectations. Net debt leverage for the year end is forecast to be lower than this.
- The three acquisitions made during the period (Adey, Nu-Heat and Plura) have performed well to date with Adey exceeding expectations and integration of these businesses into the Group is proceeding well.
- Statutory financial measures have a number of non-underlying adjustments including recognition of a deferred tax liability as a result of tax rate changes and enhanced amortisation of intangible assets as a result of the acquisitions.
- Continued investment in new products in both Residential Systems and Commercial and Infrastructure Systems in line with our strategic growth drivers.
- The Group is making progress against its 2025 ESG targets and senior management's incentive programmes are now aligned to these.
- The Group intends to pay an interim dividend of 4.0 pence per share (2019: 4.0 pence).

Outlook

- UK market outlook for the second half is generally encouraging, with strong demand levels in most parts of the UK construction market, particularly in residential.
- Fundamentals in Residential Systems continue to be strong, driven by the new housebuild sector and private RMI, which performed relatively well throughout the pandemic.
- Despite buoyant demand, structural labour supply constraints and cost inflation primarily affecting raw materials and transport costs, will provide some risk to financial performance for the remainder of the year, although the Group is taking action to help mitigate this.
- Trading has started well in the second half, and the Board now expects that underlying operating profit for the full year will be ahead of previous management expectations.

[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 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.

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

There will be webcast presentation for analysts and investors at 0830hrs (BST) on Tuesday 17 August 2021 via web-conference. Please access the presentation on the following link; : https://www.investis-live.com/genuit-group/60ed96532527a9160049e54a/ir2021

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

The presentation is also available on the Reports, Results and Presentations page on our website at https://www.genuitgroup.com/investors/

Notes to Editors:

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

The Group operates from 28 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, the Netherlands, Ireland and the Middle East and sales 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

Revenue for the six months ended 30 June 2021 was 70.3% higher than the prior year at £295.6m (2020: £173.6m) and 32.4% above 2019 (£223.3m). On a like-for-like basis, excluding the impact of acquisitions, revenue was 50.0% higher than prior year and 13.8% above the same period in 2019. The Group successfully implemented price increases in the period after the extent of the raw material cost inflation became apparent which, together with operational efficiencies, is mitigating this inflation. The Group continued to focus on its medium-term demand drivers - a structural UK housing shortage, the regulatory and environmental drivers around water and climate management, and increasingly indoor air quality. The three acquisitions made during the period (Adey, Nu-Heat and Plura) have performed well to date, with Adey exceeding expectations, and the integration of these businesses into the Group is progressing well.

Underlying operating profit was 362.9% higher than the prior year at £48.6m (2020: £10.5m) and 23.7% higher than the same period in 2019 (£39.3m). This represents an underlying operating margin of 16.4%, a significant improvement on the prior year level of 6.0% but 120 basis points lower than 2019 due to the normal lag in effecting price increases to recover inflation and Covid-19 related costs.

Underlying finance costs of £2.1m (2020: £3.9m) were broadly in line with expectations due to the lower levels of debt. The prior year included a cost related to the full draw down of the Group's £300.0m Revolving Credit Facility (RCF), a £50.0m Covid-19 facility and a £100.0m Covid Corporate Financing Facility, which was repaid in full in September 2020.

Non-underlying operating costs of £12.3m (2020: £4.3m, 2019: £4.1m) are driven by acquisition costs, amortisation of intangible assets arising from acquisitions and the unwind of inventory fair value adjustment.

The total tax charge for the period was £14.7m (2020: £0.9m, 2019: £5.7m). The underlying tax charge of £8.2m (2020: £1.1m, 2019: £6.3m) represents an effective underlying tax rate of 17.6% (2020: 16.7%). The effective underlying tax rate for the same period in 2019 was 17.7%.

Underlying profit after tax was significantly higher than prior year at £38.3m (2020: £5.5m) and 30.7% above the same period in 2019 (2019 £29.3m). Underlying basic earnings per share increased to 15.8 pence (2020: 2.6 pence), 7.5% higher than the same period in 2019 (14.7 pence).

Including non-underlying items, profit after tax increased to £19.1m (2020: £1.4m), 25.7% lower than the same period in 2019 (£25.7m). Basic earnings per share increased to 7.9 pence (2020: 0.7 pence).

The Board recognises the importance of dividends to shareholders and has declared an interim dividend of 4.0 pence per share. This dividend will be paid on 24 September 2021 to shareholders on the register at the close of business on 3 September 2021.

Business Review

Revenue	**2021**	2020	Change	LFL Change	2019	Change	LFL Change
	£m	£m	%	%	£m	%	%
Residential Systems	**183.8**	92.8	98.1	63.7	129.0	42.5	17.8
Commercial and Infrastructure Systems	**111.8**	80.8	38.4	34.2	94.3	18.6	8.3
	295.6	173.6	70.3	50.0	223.3	32.4	13.8

Underlying operating profit	**2021**	**ROS**	2020	ROS	Change	2019	ROS	Change
	£m	**%**	£m	%	%	£m	%	%
Residential Systems	**35.8**	**19.5**	7.4	8.0	383.8	26.6	20.6	34.6
Commercial and Infrastructure Systems	**12.8**	**11.4**	3.1	3.8	312.9	12.7	13.5	0.8
	48.6	**16.4**	10.5	6.0	362.9	39.3	17.6	23.7

The Group has experienced a strong performance in the first half of the year despite the challenges associated with the continued Covid-19 pandemic, the cost and supply of raw materials and increasing transport costs. We were able to maintain manufacturing output due to the scale and flexibility of our operations.

During the period we focused on integrating our newly acquired businesses of Adey, the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance issues in water-based heating systems and improve energy efficiency; Nu-Heat, the leading supplier of sustainable underfloor heating solutions, air and ground source heat pumps, and other renewable heating systems; and Plura, a manufacturer of a range of products for utility companies, road and rail operators, network builders and designers in the construction and maintenance of their networks. All businesses are performing well, with Adey continuing to exceed expectations.

We are pleased to report that revenue for the six months ended 30 June 2021 was 70.3% higher than the prior year at £295.6m (2020: £173.6m) and 32.4% above 2019 (2019: £223.3m). On a like-for-like basis, excluding the impact of acquisitions, revenue was 50.0% higher than prior year and 13.8% above the same period in 2019.

On a like-for-like basis, revenue in Residential Systems was 63.7% ahead of prior year and 17.8% above 2019 levels. In Commercial and Infrastructure Systems, revenue was 34.2% ahead of prior year and 8.3% above 2019 levels. Despite the challenges of the pandemic, we retain a strong pipeline of new products. We have launched several new ranges in the first half of the year, including the Squrbo 2 extractor range from Nuaire, and newly acquired Adey launched the Magnaclean CMX filter, and a new range of cleaning chemicals specifically targeting growth in the commercial sector. Our Civils & Green Urbanisation business successfully launched Permatreat, a new range of low maintenance linear surface water collection and treatment systems.

RESIDENTIAL SYSTEMS

Trading in the Residential Systems segment performed strongly, with revenue of £183.8m 42.5% ahead 2019, and 17.8% ahead on a like-for-like basis. The residential sector has continued its fast-paced recovery, due to a combination of pent-up demand, and government stimulus. The second quarter of 2020 was the most impacted by Covid-19, however, the strength of the housing recovery is highlighted by the first quarter of 2021 seeing private starts and completions at 36% and 21% higher than prior year respectively (source: CPA Summer Forecast/MHCLG). Revenue in the Residential Systems segment was ahead of 2019 by 42.5%, (17.8% on a like-for-like basis). The CPA full year 2021 estimation is that total housing output will be slightly below 2019, as the gradient of recovery begins to shallow out, partly reflecting possible constraining factors on the supply side, including some key construction materials as well as labour. These supply side issues have had an impact on input inflation in the first half, which was offset by our ability to pass on cost increases.

Our acquisitions, Adey and Nu-Heat have performed strongly, and increased our mix toward RMI activity, which has generally been less volatile than new housing in recent months. The growth drivers around low carbon heating, which support both of these businesses, continue to provide confidence in their ability to deliver against their plans.

Margin recovery continued through the first half of the year reaching 19.5%, close to levels achieved in the same period in 2019, despite the cost headwinds experienced.

COMMERCIAL AND INFRASTRUCTURE SYSTEMS

Revenue of £111.8m in Commercial and Infrastructure Systems improved by 18.6% vs 2019 (8.3% on a like-for-like basis). Sales of ventilation products have benefitted from the increased focus on the importance of fresh air in the workspace, and suitability for retrofitting has minimised the impact of the low level of new build activity. We have also seen strong demand for our water management systems with the expansion of larger housing development sites, which has been necessary due to the rapid build out rates and completions which occurred in the second half of 2020. Plura continues to perform in line with expectations and is well positioned to benefit from the near-term growth in infrastructure activity highlighted above.

Commercial and Infrastructure Systems showed some resilience during the pandemic, with the larger sites and open spaces making continued operation easier than the housing sector. However, differing trends are developing as we emerge from the pandemic, as the impact from wider structural issues starts to be seen.

The commercial sector remains subdued, with moves toward home working, and online shopping, dampening new projects in particular. This has been particularly evident in London, which has accounted for over a third of commercial new build activity (source: CPA). Even with projected growth in 2021 of 5.8%, 3.5% in 2022, and 2.7% in 2023, the new build construction segment would still be 10% below 2019.

Infrastructure, in contrast, continues to be the strongest performing segment with continued growth in the regulated sectors such as roads. Although some project delays have caused a slight movement of work from 2021 to 2022, the CPA outlook for 2021 remains 23.4% ahead of prior year, and 17.3% ahead of 2019.

The margin continued to improve through the first half of the year reaching 11.4% (2019: 13.5%), despite the cost headwinds.

ENVIRONMENTAL, SOCIAL & GOVERNANCE

At our Capital Markets Event in November 2020, we explained how our focus on addressing growth drivers relating to the sustainability agenda, would be matched by our commitment to operating sustainably. We have continued to make strong progress against the various ESG targets we announced in November 2020. Our like-for-like carbon intensity has reduced by some 53% in the first half of the year, with a significant contribution from our move to renewable energy sources. We have also signed the Pledge to Net Zero initiative, committing to be carbon neutral by 2050, giving us a long-term goal, which will continue our improvement trajectory beyond 2025.

Our commitment to employee development and social mobility is reflected in our membership of The 5% Club, and we have grown our proportion of qualifying colleagues to 3.5%, earning us "silver" status. Our use of recycled material in the first half was 47.6% of our total tonnage. Although it has been challenging in a market with strong housing starts and a resulting product mix biased toward those governed by standards limiting use of recyclate, it is pleasing to report that our Q2 performance was marginally above 50% of our consumption derived from recyclate. By 2025, recycled materials should represent 62% of our total polymer consumption. We continue to place innovation at the heart of our business, ensuring we have the solutions for the emerging challenges faced by the construction sector.

OUTLOOK

The robust start to the year continued into May and June with revenues for the half year up 13.8% compared to the first half of 2019, on a like-for-like basis. Within this, there was strong like-for-like volume growth at circa 6%, ahead of 2019 and the overall performance of a recovering construction market, with good drop through on this volume. Profitability has been impacted during the period by the normal lag in price increases compensating for considerable levels of cost inflation in the period as well as some costs associated with Covid-19. The three acquisitions completed in February 2021 are all performing well, with Adey continuing to exceed expectations. As for the year ahead, we are monitoring how the recovering market develops with supply constraints in some areas as well as labour shortages affecting the overall market performance. The ongoing pandemic continues to provide challenges, but the Group is well-placed to address them.

We believe the Group has a balanced exposure to the different elements of the UK construction market, which provides resilience, and a clear strategy underpinned by strong medium-term growth drivers. The Board now expects that underlying operating profit for the full year will be ahead of previous management expectations.

Financial Review

Finance Costs

Net underlying finance costs for the six months ended 30 June 2021 decreased to £2.1m (2020: £3.9m, 2019: £3.7m) due to the lower interest rates on a lower level of borrowing through the first half of the year. Interest is payable on the Group's RCF at LIBOR plus an interest rate margin ranging from 0.90% to 2.75% depending on leverage. The interest rate margin at 30 June 2021 was 1.65% (2020: 1.65%, 2019: 1.65%).

Taxation

The Group's tax charge for the six months ended 30 June 2021 increased to £14.7m (2020: £0.9m, 2019: £5.7m) due to the much stronger profitability. The underlying tax rate (underlying tax: underlying profit) has been provided at the estimated full year rate of 17.6% (2020 full year: 17.6%, 2019 full year 16.8%).

Dividend

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.

Cash Flow and Net Debt

Cash generated from operations during the period amounted to an inflow of £23.6m (2020: £15.7m outflow, 2019: £21.7m inflow). This result includes a working capital outflow of £31.1m (2020: £35.2m, 2019: £27.8m). A first half working capital outflow is a normal feature of the Group's annual working capital cycle and arises primarily from rebate settlements.

Capital expenditure increased to £15.1m (2020: £8.5m, 2019: £9.0m) as expenditure in the prior year was severely curtailed following the Covid-19 outbreak. The full year 2021 expected spend is some £35.0m with a primary focus on key commercial and innovation lead projects.

During February the Group successfully raised £96.3m through an equity placing of its shares, funds which were used along with a drawdown on its Revolving Credit Facility to acquire Adey for a cash consideration of £210.0m on a cash-free, debt-free basis.

Following the acquisitions in February 2021, net debt (including unamortised debt issue costs but excluding the effects of IFRS 16 capitalisation) increased to £169.6m at 30 June 2021 (2020: £71.2m, 2019: £178.5m). Leverage was 1.5 times pro forma EBITDA compared to 1.1 times pro forma EBITDA at 30 June 2020, 0.3 times pro forma EBITDA at 31 December 2020 and 1.8 times pro forma EBITDA at 30 June 2019.

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 £300.0m RCF. The extended committed Covid-19 facility of £50.0m expired in May 2021. £102.0m of the RCF was undrawn at 30 June 2021. At 30 June 2021, liquidity headroom (cash and undrawn committed banking facilities) was £129.6m (2020: £376.9m, 2019: £120.0m). Our focus is to continue to be on deleveraging and our net debt to EBITDA ratio stood at 1.5 times pro forma EBITDA at 30 June 2021 (2020: 1.1 times pro forma EBITDA), increasing to 1.6 times 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 17 months. Accordingly, they continue to adopt the going concern basis in preparing the condensed set of consolidated financial statements.

Principal Risks and Uncertainties

The Board continually assesses and monitors the key risks of the business and Genuit 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, have not changed from those which are set out in detail in the principal risks and uncertainties section of our 2020 Annual Report and Accounts.

These principal risks and uncertainties include macro-economic and political conditions; the weather; raw materials supply and pricing; information systems disruption; reliance on key customers and recruitment and retention of key personnel.

A copy of the 2020 Annual Report and Accounts is available on the Company's website www.genuitgroup.com.

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' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with UK adopted International Accounting Standard (IAS) 34, Interim Financial Reporting; and
- The Interim Management Report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

This report was approved by the Board of Directors on 17 August 2021 and is available on the Company's website www.genuitgroup.com.

The Directors of the Company are:

Ron Marsh	Chairman
Martin Payne	Chief Executive Officer
Paul James	Chief Financial Officer
Glen Sabin	Chief Operating Officer
Mark Hammond	Non-executive Director and Senior Independent Director
Louise Hardy	Non-executive Director
Lisa Scenna	Non-executive Director
Louise Brooke-Smith	Non-executive Director
Kevin Boyd	Non-executive Director

By order of the Board:

M K Payne **P A James**

Chief Executive Officer **Chief Financial Officer**

INTERIM GROUP INCOME STATEMENT

for the six months ended 30 June 2021 (unaudited)

	Notes	**Six months ended 30 June 2021**			Six months ended 30 June 2020		
		Underlying £m	**Non-Underlying £m**	**Total £m**	Underlying £m	Non-Underlying £m	Total £m
Revenue	**3**	**295.6**	**-**	**295.6**	173.6	-	173.6
Cost of sales		**(173.6)**	**(1.7)**	**(175.3)**	(110.3)	-	(110.3)
Gross profit		**122.0**	**(1.7)**	**120.3**	63.3	-	63.3
Selling and distribution costs		**(40.0)**	**-**	**(40.0)**	(31.0)	-	(31.0)
Administration expenses		**(33.4)**	**(4.0)**	**(37.4)**	(21.8)	(0.3)	(22.1)
Trading profit		**48.6**	**(5.7)**	**42.9**	10.5	(0.3)	10.2
Amortisation of intangible assets		**-**	**(6.6)**	**(6.6)**	-	(4.0)	(4.0)
Operating profit	**3**	**48.6**	**(12.3)**	**36.3**	10.5	(4.3)	6.2
Finance costs	**3, 5**	**(2.1)**	**(0.4)**	**(2.5)**	(3.9)	-	(3.9)
Profit before tax		**46.5**	**(12.7)**	**33.8**	6.6	(4.3)	2.3
Income tax	**6**	**(8.2)**	**(6.5)**	**(14.7)**	(1.1)	0.2	(0.9)
Profit for the period attributable to the owners of the parent company		**38.3**	**(19.2)**	**19.1**	5.5	(4.1)	1.4
Basic earnings per share (pence)	**7**			**7.9**			0.7
Diluted earnings per share (pence)	**7**			**7.8**			0.7
Dividend per share (pence) - interim	**8**			**4.0**			-

Non-underlying items are presented separately and are detailed in Note 4.

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021 (unaudited)

	Six months ended 30 June 2021	Six months ended 30 June 2020
	£m	£m
Profit for the period attributable to the owners of the parent company	**19.1**	1.4
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**-**	0.5
Effective portion of changes in fair value of interest rate swaps	**-**	0.4
Tax relating to items which may be reclassified subsequently to the income statement	**-**	(0.1)
Other comprehensive income for the period net of tax	**-**	0.8
Total comprehensive income for the period attributable to the owners of the parent company	**19.1**	2.2

INTERIM GROUP BALANCE SHEET

at 30 June 2021 (unaudited)

	Notes	**30 June 2021**	30 June 2020	31 December 2020
		£m	£m	£m
Non-current assets				
Property, plant and equipment		**145.1**	126.9	134.2
Right-of-use assets		**21.7**	13.5	12.9
Intangible assets	**9**	**644.4**	397.8	393.8
Total non-current assets		**811.2**	538.2	540.9
Current assets				
Inventories		**64.4**	55.8	52.6
Trade and other receivables		**99.4**	60.2	61.6
Income tax receivable		**1.2**	2.5	0.6
Cash and cash equivalents	**10**	**27.6**	201.7	44.1
Total current assets		**192.6**	320.2	158.9
Total assets		**1,003.8**	858.4	699.8
Current liabilities				
Trade and other payables		**(129.0)**	(78.1)	(112.2)
Loans and borrowings	**10**	**-**	(99.5)	-
Lease liabilities	**10**	**(4.3)**	(3.3)	(3.5)
Deferred and contingent consideration	**11**	**(0.9)**	(1.5)	(3.4)
Derivative financial instruments		**(0.8)**	(0.1)	-

Total current liabilities		**(135.0)**	(182.5)	(119.1)
Non-current liabilities				
Loans and borrowings	**10**	**(197.2)**	(173.4)	(58.9)
Lease liabilities	**10**	**(17.5)**	(10.2)	(9.4)
Deferred and contingent consideration	**11**	**(2.6)**	-	-
Other liabilities		**(1.4)**	(0.9)	(0.7)
Deferred income tax liabilities		**(46.9)**	(11.0)	(10.8)
Total non-current liabilities		**(265.6)**	(195.5)	(79.8)
Total liabilities		**(400.6)**	(378.0)	(198.9)
Net assets		**603.2**	480.4	500.9
Capital and reserves				
Equity share capital		**0.2**	0.2	0.2
Share premium		**93.6**	-	-
Capital redemption reserve		**1.1**	1.1	1.1
Hedging reserve		**-**	(0.1)	**-**
Foreign currency retranslation reserve		**0.4**	0.6	0.4
Other reserves		**116.5**	116.5	116.5
Retained earnings		**391.4**	362.1	382.7
Total equity		**603.2**	480.4	500.9

INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 (unaudited)

	Equity share capital	Share premium	Capital redemption reserve	Hedging reserve	Foreign currency retranslation reserve	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2021								
Opening balance	**0.2**	**-**	**1.1**	**-**	**0.4**	**116.5**	**382.7**	**500.9**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**19.1**	**19.1**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**19.1**	**19.1**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(11.9)**	**(11.9)**
Issue of share capital	**-**	**96.3**	**-**	**-**	**-**	**-**	**-**	**96.3**
Transaction costs on issue of share capital	**-**	**(2.7)**	**-**	**-**	**-**	**-**	**-**	**(2.7)**
Share-based payments charge	**-**	**-**	**-**	**-**	**-**	**-**	**1.0**	**1.0**
Share-based payments settled	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Share-based payments excess tax benefit	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Closing balance	**0.2**	**93.6**	**1.1**	**-**	**0.4**	**116.5**	**391.4**	**603.2**
Six months ended 30 June 2020								
Opening balance	0.2	-	1.1	(0.4)	0.1	-	360.4	361.4

Profit for the period	-	-	-	-	-	-	1.4	1.4
Other comprehensive income	-	-	-	0.3	0.5	-	-	0.8
Total comprehensive income for the period	-	-	-	0.3	0.5	-	1.4	2.2
Issue of share capital	-	-	-	-	-	120.0	-	120.0
Transaction costs on issue of share capital	-	-	-	-	-	(3.5)	-	(3.5)
Share-based payments charge	-	-	-	-	-	-	0.6	0.6
Share-based payments settled	-	-	-	-	-	-	0.1	0.1
Share-based payments excess tax benefit	-	-	-	-	-	-	(0.4)	(0.4)
Closing balance	0.2	-	1.1	(0.1)	0.6	116.5	362.1	480.4

INTERIM GROUP CASH FLOW STATEMENT

for the six months ended 30 June 2021

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Operating activities			
Profit before tax	**33.8**	2.3	23.8
Finance costs	**2.5**	3.9	6.6
Operating profit	**36.3**	6.2	30.4
Non-cash items:			
Profit on disposal of property, plant and equipment	**-**	(0.1)	(0.2)
Transaction costs on issue of share capital	**0.1**	0.1	0.1
Research and development expenditure credit	**-**	-	(1.0)
Non-underlying items:			
- amortisation of intangible assets	**6.6**	4.0	7.8
- provision for acquisition costs	**4.0**	0.3	2.9
-unwind of inventory fair value adjustment	**1.7**	-	-
- provision for restructuring costs	**-**	-	1.1
Depreciation of property, plant and equipment	**9.3**	7.9	16.3
Depreciation of right-of-use assets	**2.1**	1.8	3.5
Share-based payments	**1.0**	0.6	1.4
Cash items:			
- settlement of acquisition costs	**(6.4)**	(1.3)	(1.2)
- settlement of restructuring costs	**-**	-	(1.1)
Operating cash flows before movement in working capital	**54.7**	19.5	60.0
Movement in working capital:			
Receivables	**(22.3)**	(19.2)	(21.3)
Payables	**(8.5)**	(20.1)	15.6
Inventories	**(0.3)**	4.1	7.2
Cash generated from operations	**23.6**	(15.7)	61.5
Income tax paid	**(5.3)**	(7.3)	(8.2)
Net cash flows from operating activities	**18.3**	(23.0)	53.3
Investing activities			
Settlement of deferred and contingent consideration	**-**	(1.8)	(1.8)
Acquisition of businesses net of cash at acquisition	**(236.2)**	-	-
Proceeds from disposal of property, plant and equipment	**0.1**	0.2	0.6

Purchase of property, plant and equipment	**(15.1)**	(8.5)	(25.1)
Net cash flows from investing activities	**(251.2)**	(10.1)	(26.3)
Financing activities			
Issue of share capital	**96.3**	120.0	120.0
Transaction costs on issue of share capital	**(2.8)**	(3.6)	(3.6)
Debt issue costs	**-**	(0.3)	(0.4)
Issue of Euro-Commercial Paper	**-**	99.4	99.4
Buyback of Euro-Commercial Paper	**-**	-	(99.7)
Net drawdown / (repayment) of bank loan	**138.0**	(24.2)	(139.0)
Interest paid	**(1.2)**	(2.6)	(5.4)
Dividends paid	**(11.9)**	-	-
Proceeds from exercise of share options	**0.6**	0.1	2.1
Settlement of lease liabilities	**(2.5)**	(1.9)	(4.0)
Net cash flows from financing activities	**216.5**	186.9	(30.6)
Net change in cash and cash equivalents	**(16.4)**	153.8	(3.6)
Cash and cash equivalents - opening balance	**44.1**	47.7	47.7
Net foreign exchange difference	**(0.1)**	0.2	-
Cash and cash equivalents - closing balance	**27.6**	201.7	44.1

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

1. Basis of preparation

Genuit Group plc (previously known as Polypipe Group plc) is incorporated in the UK. The condensed set of consolidated financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK adopted IAS 34, Interim Financial Reporting.

The annual financial statements will be prepared under UK-adopted IAS (UK-adopted IFRSs).

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2020, except for the definition of non-underlying items that now includes the unwind of inventory fair value adjustment as a result of the Adey acquisition. These statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the full Annual Report and Accounts for the year ended 31 December 2020.

The comparative figures for the financial year ended 31 December 2020, where reported, are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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 condensed set of consolidated financial statements are prepared on a going concern basis. 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 scenario with the base forecast being one in which, over the 17 months ending 31 December 2022, sales volumes continue to recover to pre-Covid-19 pandemic levels and then grow in line with external construction industry forecasts. In addition, reverse stress testing has been performed to identify the necessary reduction in profitability or growth in net debt required to result in a breach of the Group's banking covenants. The reverse stress test showed significant headroom existed throughout the assessment period.

At 30 June 2021, the Group had available £102.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least November 2023, subject to covenant headroom. In addition, on 11 February 2021, the Company conducted a non-pre-emptive placing of new ordinary shares generating gross proceeds of £96.3m and drew down £120.0m net from the RCF as part of the post year end acquisition funding. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast. 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 17 months. Accordingly, they continue to adopt the going concern basis in preparing the condensed set of consolidated financial statements.

There have been no related party transactions in the period to 30 June 2021.

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 (which are detailed in Note 4) 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.
- 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.
- Pro forma EBITDA is defined as underlying operating profit before depreciation, for the 12 months preceding the balance sheet date, adjusted where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

2. Financial risks, estimates, assumptions and judgements

The preparation of the condensed set of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from estimates.

In preparing the condensed set of consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

3. Segment information

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

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Segmental revenue	**186.7**	**116.4**	**303.1**	95.1	84.4	179.5
Inter-segment revenue	**(2.9)**	**(4.6)**	**(7.5)**	(2.3)	(3.6)	(5.9)
Revenue	**183.8**	**111.8**	**295.6**	92.8	80.8	173.6
Underlying operating profit*	**35.8**	**12.8**	**48.6**	7.4	3.1	10.5
Non-underlying items - segmental	**(9.7)**	**(2.6)**	**(12.3)**	(1.9)	(2.4)	(4.3)
Segmental operating profit	**26.1**	**10.2**	**36.3**	5.5	0.7	6.2
Non-underlying items - finance costs			**(0.4)**			-
Finance costs			**(2.1)**			(3.9)

Profit before tax	**33.8**	2.3

* 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 £12.7m (2020: £4.3m) are detailed in Note 4.

Geographical analysis

Revenue by destination	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m
UK	**266.3**	151.7
Rest of Europe	**18.4**	12.5
Rest of World	**10.9**	9.4
Total - Group	**295.6**	173.6

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

4. Non-underlying items

Non-underlying items comprised:

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Cost of sales: Unwind of inventory fair value adjustment	**1.7**	**(0.3)**	**1.4**	-	-	-
Administration expenses: Acquisition costs - acquisition and other M&A activity	**4.0**	**(0.2)**	**3.8**	0.3	-	0.3
Amortisation of intangible assets	**6.6**	**7.1**	**13.7**	4.0	(0.2)	3.8
Finance costs: Unwind of discount on contingent consideration	**0.4**	**(0.1)**	**0.3**	-	-	-
Total non-underlying items	**12.7**	**6.5**	**19.2**	4.3	(0.2)	4.1

The unwind of the inventory fair value adjustment relates to the fair value uplift of the inventory acquired as part of the Adey acquisition that has subsequently been sold. Acquisition costs in 2021 relate to the acquisitions of Adey, Nu-Heat and Plura and also include an accrual for the earn out associated with the Plura acquisition (see Note 9). The non-underlying tax charge includes £8.5m in respect of restating the deferred income tax liability on intangible assets as a result of the change in the main UK corporation tax rate (see Note 6).

5. Finance costs

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Interest on bank loan	**1.2**	3.1
Interest on Euro-Commercial Paper	**-**	0.1

Debt issue cost amortisation	**0.3**	0.2
Unwind of discount on lease liabilities	**0.3**	0.2
Other finance costs	**0.3**	0.3
Unwind of discount on contingent consideration	**0.4**	-
	2.5	3.9

6. Income tax

Tax has been provided on the profit before tax at the estimated effective rate for the full year of 31.7% (2020 full year: 22.3%). Tax on underlying profit before tax was 17.6% (2020 full year: 17.6%).

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Current income tax:		
UK income tax	**5.1**	0.9
Overseas income tax	**0.1**	0.1
Total current income tax	**5.2**	1.0
Deferred income tax:		
Origination and reversal of timing differences	**(1.2)**	(0.8)
Adjustment in respect of changes in income tax rate	**10.7**	0.7
Total deferred income tax	**9.5**	(0.1)
Total tax expense reported in the income statement	**14.7**	0.9

6. Income tax (continued)

The Finance (No.2) Act 2015 reduced the main UK corporation tax rate to 19%, effective from 1 April 2017. A further reduction in the main UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the rate, thereby maintaining the current rate of 19%. Deferred income tax on the balance sheet at 30 June 2020 was therefore measured at 19% (2019: 17%).

The Finance Act 2021 (enacted on 10 June 2021) included an increase to the main UK corporation tax rate to 25% effective from 1 April 2023. Deferred income tax on the balance sheet at 30 June 2021 was therefore measured at 19% or 25% (2020: 19%) depending on when the deferred income tax asset or liability is expected to reverse.

7. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share amounts are calculated by dividing profit for the period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period 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:

	Six months ended 30 June 2021	Six months ended 30 June 2020
Weighted average number of ordinary shares for the purpose of basic earnings per share	**242,745,684**	208,398,693
Effect of dilutive potential ordinary shares	**3,311,655**	2,648,081
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**246,057,339**	211,046,774

Underlying earnings per share is based on the result for the period after tax excluding the impact of non-underlying items of £7.1m (2020: £4.1m). 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:

	Six months ended 30 June 2021	Six months ended 30 June 2020
Underlying profit for the period attributable to the owners of the parent company (£m)	**38.3**	5.5
Underlying basic earnings per share (pence)	**15.8**	2.6
Underlying diluted earnings per share (pence)	**15.6**	2.6

8. Dividends

The Directors have proposed an interim dividend for the current year of £9.9m which equates to 4.0 pence per share.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

9. Acquisitions

Acquisition-related deferred and contingent consideration comprised:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Deferred and contingent consideration on Permavoid acquisition	**0.9**	1.5	3.4
Deferred and contingent consideration on Plura acquisition	**2.6**	-	-
	3.5	1.5	3.4

Acquisition-related cash flows comprised:

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Operating cash flows - settlement of acquisition costs			
Permavoid	**2.5**	-	-
Nu-Heat	**0.6**	-	-
Plura	**0.3**	-	-
Adey	**3.0**	-	-
Other - aborted acquisition costs	**-**	1.3	1.2
	6.4	1.3	1.2

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Investing cash flows - settlement of deferred and contingent consideration			
Permavoid	**-**	1.5	1.5
Alderburgh	**-**	0.3	0.3
	-	1.8	1.8

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

9. Acquisitions (continued)

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended December 31 2020
	£m	£m	£m
Investing cash flows - acquisition of businesses net of cash at acquisition			
Nu-Heat	**25.8**	-	-
Plura	**1.8**	-	-
Adey	**208.4**	-	-
Tree Ground Solutions	**0.2**	-	-
	236.2	-	-

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 cash 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.

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

	Fair value
	£m
Property, plant and equipment	0.5
Right-of-use assets	0.3
Intangible assets	11.7
Inventories	1.4
Trade and other receivables	0.7
Cash and cash equivalents	5.7
Trade and other payables	(3.3)
Loans and borrowings	(6.7)
Lease liabilities	(0.3)
Income tax payable	(0.2)
Deferred income tax liabilities	(2.3)
Net identifiable assets	**7.5**
Goodwill on acquisition	17.3
Total cash consideration	**24.8**

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 relate to the recognition of intangible assets and deferred income tax arising on these adjustments and are provisional. 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.

9. 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 Nu-Heat contributed £6.6m revenue and £1.0m underlying operating profit which were included in the Group income statement. If Nu-Heat had been acquired on 1 January 2021, the Group's results for the six months ended 30 June 2021 would have shown revenue of £296.8m and underlying operating profit of £48.5m.

Acquisition costs of £0.4m were expensed and are included in non-underlying items in administration expenses. Acquisition costs of £0.6m were fully cash settled in the period, including £0.2m that was included in trade and other payables at 31 December 2020.

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 a 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. Plura provides a range of products for utility companies, road and rail operators, network builders and designers in the construction and maintenance of their networks. Plura's manufacturing expertise lies in pultrusion, compression moulding, injection moulding and fabrications.

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

	Fair value £m
Property, plant and equipment	0.7
Right-of-use assets	1.7
Intangible assets	2.5
Inventories	0.9
Trade and other receivables	1.7
Cash and cash equivalents	0.2
Trade and other payables	(2.2)
Loans and borrowings	(0.7)
Lease liabilities	(1.7)
Income tax receivable	0.1
Deferred income tax liabilities	(0.4)
Net identifiable assets	**2.8**
Goodwill on acquisition	-
Less: estimated contingent consideration	(1.5)
Initial cash consideration	**1.3**

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

The fair value of trade and other receivables was £1.7m. The gross amount of trade and other receivables was £1.7m and it is expected that the full contractual amounts will be collected.

Post-acquisition Plura contributed £3.2m revenue and £0.2m underlying operating profit which were included in the Group income statement. If Plura had been acquired on 1 January 2021, the Group's results for the six months ended 30 June 2021 would have shown revenue of £296.0m and underlying operating profit of £48.5m.

9. Acquisitions (continued)

Acquisition costs of £0.3m were included in trade and other payables at 31 December 2020 and have been fully cash settled in the period. No further acquisition costs have been charged to the income statement in the period.

Contingent consideration at fair value of £2.6m has been recognised at 30 June 2021. Of this, £1.5m is contingent on EBITDA performance in the third year of trading following acquisition and has been included in the purchase consideration. The balance of £1.1m has been included in non-underlying items and is contingent on EBITDA performance in the third year of trading following acquisition as well as the continued employment of key personnel. This second payment is being accrued over the three-year period. Of the £1.1m, £0.8m was included in administration expenses and £0.3m included in finance costs.

Contingent consideration was determined using the Directors' assessment of the likelihood that financial targets will be achieved. The fair value of the consideration has been derived by discounting the estimated cash consideration at 10.0% (being the Group's estimated risk adjusted cost of capital). 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 cash consideration of £210.0m on a cash-free, debt-free basis. Adey is the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance issues in water-based heating systems and improve energy efficiency, operating in predominantly residential end markets. The cash consideration of £86.6m included a payment of £7.5m 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 £1.6m.

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

	Fair value £m
Property, plant and equipment	3.4
Right-of-use assets	4.9
Intangible assets	124.0
Inventories	10.9
Trade and other receivables	12.8
Cash and cash equivalents	7.5
Trade and other payables	(20.0)
Loans and borrowings	(129.3)
Lease liabilities	(4.9)
Derivative financial instruments	(0.8)
Income tax payable	0.8
Deferred income tax liabilities	(24.0)
Net identifiable liabilities	**(14.7)**
Goodwill on acquisition	101.3
Total cash consideration	**86.6**

Customer relationships, the 'Adey' brand and patents have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets and deferred income tax arising on these adjustments and are provisional. 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.

The fair value of trade and other receivables was £12.8m. The gross amount of trade and other receivables was £13.1m and it is expected that the full contractual amounts will be collected.

9. Acquisitions (continued)

Post-acquisition Adey contributed £25.3m revenue and £8.0m underlying operating profit which were included in the Group income statement. If Adey had been acquired on 1 January 2021, the Group's results for the six months ended 30 June 2021 would have shown revenue of £307.0m and underlying operating profit of £50.5m.

Acquisition costs of £2.8m were expensed and are included in non-underlying items in administration expenses. Of the £2.8m acquisition costs, £2.6m were fully cash settled in the period in addition to £0.4m that were included in trade and other payables at 31 December 2020. A further £0.2m is included in trade and other payables at 30 June 2021.

Tree Ground Solutions

On 3 May 2021, the Group acquired the remaining 50% of the share capital of Tree Ground Solutions BV, taking the total shareholding to 100%, for a cash consideration of £0.2m (€0.25m). The cash consideration of £0.2m included an immaterial payment for net cash on completion.

Details of the acquisition were as follows:

	Fair value £m
Inventories	0.1
Trade and other receivables	0.4
Trade and other payables	(0.4)
Net identifiable assets	**0.1**
Less: initial investment	(0.1)
Goodwill on acquisition	0.2
Total cash consideration	**0.2**

There have been no fair value adjustments following the acquisition. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Commercial and Infrastructure Systems segment.

The fair value of trade and other receivables was £0.4m. The gross amount of trade and other receivables was £0.4m and it is expected that the full contractual amounts will be collected.

Due to the timing of the acquisition, TGS contributed an immaterial amount to the revenue and underlying operating profit of the Group.

Acquisition costs were negligible and have been expensed and included in non-underlying items in administration expenses.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

9. Acquisitions (continued)

Following these acquisitions, the carrying amount of goodwill and other intangible assets is as follows:

	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	-	-	-	-	-	-	0.2	0.2
Acquisition of businesses	118.8	4.9	36.2	96.2	-	0.9	-	257.0
At 30 June 2021	**464.2**	**39.3**	**66.5**	**113.6**	**0.8**	**0.9**	**0.2**	**685.5**
Amortisation and impairment losses								
At 1 January 2021	-	12.1	14.3	7.9	0.2	-	-	34.5
Charge for the period	-	1.6	2.3	2.4	0.1	0.2	-	6.6
At 30 June 2021	**-**	**13.7**	**16.6**	**10.3**	**0.3**	**0.2**	**-**	**41.1**
Net book value								
At 30 June 2021	**464.2**	**25.6**	**49.9**	**103.3**	**0.5**	**0.7**	**0.2**	**644.4**
At 31 December 2020	345.4	22.3	16.0	9.5	0.6	-	-	393.8

Impairment testing of goodwill

Goodwill is not amortised but is subject to annual impairment testing (at 31 December). 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.

Impairment tests on the carrying amounts of goodwill were performed by analysing the carrying amount allocated to each CGU against its value-in-use. Value-in-use was calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and growth of between 2.68% to 2.80% thereafter. A pre-tax discount rate of 10.0% was applied in determining the recoverable amounts of CGUs. The pre-tax discount rate was estimated based on the Group's risk adjusted cost of capital. The Group applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. The application of these sensitivities did not cause an impairment of goodwill.

However, the headroom resulting from the value-in-use calculations at 31 December 2020 indicated that the Alderburgh CGU was sensitive to changes in the key assumptions. Accordingly, whilst not identifying any further specific indicators of impairment at 30 June 2021, management reperformed these calculations at 30 June 2021. Management considers that a reasonably possible change in any single assumption could give rise to an impairment of the corresponding carrying amount of goodwill and other intangible assets of £2.5m (2020: £2.5m) and £4.1m (2020: £4.3m), respectively. The achievement, or otherwise, of the key assumptions is dependent on maintaining the continued recovery in Alderburgh's chosen markets. The detailed sensitivity analysis indicates that the following changes in each of these key assumptions would result in the headroom being eliminated and thus an impairment recognised:

- Operating margins declining to 7.9% (2020: 7.7%) per annum from that used in the value-in-use calculations of 10.2% (2020: 10.3%) per annum.
- The pre-tax discount rate increasing to 12.1% (2020: 12.5%) from that used in the value-in-use calculations of 10.0% (2020: 10.0%).
- A reduction of 22% (2020: 25%) in the overall forecast operating cash flows used in the value-in-use calculations.

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

10. Analysis of net debt

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Cash and cash equivalents	**27.6**	201.7	44.1
Current loans and borrowings			
Euro-Commercial Paper	**-**	99.5	-
Lease liabilities	**4.3**	3.3	3.5
	4.3	102.8	3.5
Non-current loans and borrowings			
Bank loan - principal	**198.0**	174.8	60.0
- unamortised debt issue costs	**(0.8)**	(1.4)	(1.1)
Lease liabilities	**17.5**	10.2	9.4
	214.7	183.6	68.3
Net debt	**191.4**	84.7	27.7

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

On 4 May 2020, the Group entered into a revised Amendment and Restatement Agreement with its banking group to provide the additional £50.0m Covid-19 facility for a period of 12 months, leaving the Group with £350.0m of total revolving credit facilities for the next 12 months. The Group also secured agreement from its banking group to temporarily waive certain requirements within the Group's revolving credit facility and suspend the June 2020 quarterly leverage covenant test. The Group incurred £0.3m of debt issue costs in respect of entering into the revised Amendment and Restatement Agreement which were capitalised and amortised to the income statement over the 12-month term of the facility. The facility expired in May 2021.

Interest is payable on the bank loan at LIBOR plus an interest margin ranging from 0.90% to 2.75% which is dependent on the Group's leverage (net debt excluding lease liabilities as a multiple of pro forma EBITDA) and reduces as the Group's leverage reduces. The interest margin at 30 June 2021 was 1.65% (2020: 1.65%). Pro forma EBITDA at 30 June 2021 was £116.2m (2020: £66.7m) and is defined as pre-IFRS 16 underlying operating profit before depreciation for the 12 months preceding the balance sheet date, adjusted where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.

10. Analysis of net debt (continued)

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Pro forma EBITDA (12 months preceding the balance sheet)			
Underlying operating profit	**80.3**	49.3	42.2
Depreciation of property, plant and equipment	**17.7**	16.1	16.3
Unwind of discount on lease liabilities	**(0.6)**	(0.5)	(0.5)

Share-based payments charge	**2.2**	1.4	1.6
	99.6	66.3	59.6
EBITDA from acquisitions	**16.6**	0.4	
	116.2	66.7	

At 30 June 2021, the Group had available, subject to covenant headroom, £102.0m (2020: £125.2m, excluding the £50.0m Covid-19 facility) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Euro-Commercial Paper

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

11. Other financial assets and liabilities

Fair values of financial assets and financial liabilities

The book value of trade and other receivables, trade and other payables, cash balances, bank loan and other liabilities equates to fair value.

	Carrying value £m	**Fair value £m**
Forward foreign currency derivatives	**0.8**	**0.8**
Interest-bearing loans and borrowings due after more than one year	**197.2**	**197.2**
Deferred and contingent consideration	**3.5**	**3.5**
Lease liabilities	**21.7**	**21.7**
Total at 30 June 2021	**223.2**	**223.2**

11. Other financial assets and liabilities (continued)

	Carrying value £m	**Fair value £m**
Euro-Commercial Paper	99.5	99.5
Interest rate swaps	0.1	0.1
Interest-bearing loans and borrowings due after more than one year	173.4	173.4
Deferred and contingent consideration	1.5	1.5
Lease liabilities	13.5	13.5
Total at 30 June 2020	288.0	288.0
Interest-bearing loans and borrowings due after more than one year	58.9	58.9
Deferred and contingent consideration	3.4	3.4
Lease liabilities	12.9	12.9
Total at 31 December 2020	75.2	75.2

The fair values were determined as follows by reference to:

- Forward foreign currency derivatives: quoted exchange rates.
- Interest rate swaps: market values.
- Deferred and contingent consideration: Directors' assessment of the likelihood that financial targets will be achieved (see Note 9).
- Lease liabilities: present value of lease payments to be made over the lease terms.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair values disclosed above, with the exception of deferred and contingent consideration, which is categorised as Level 3, all relate to items categorised as Level 2.

There have been no transfers in any direction between Levels 1, 2 or 3 in the period.

INDEPENDENT REVIEW REPORT TO GENUIT GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2021 which comprises the Interim Group Income Statement, the Interim Group Statement of Comprehensive Income, the Interim Group Balance Sheet, the Interim Group Statement of Changes in Equity, the Interim Group Cash Flow Statement and the related Notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1, the annual consolidated financial statements of the Group will be prepared in accordance with UK adopted IFRSs. The condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with UK adopted IAS 34, Interim Financial Reporting.

Responsibilities of the Directors

The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Auditor's Responsibilities for the Review of the Financial Information

In reviewing the interim financial report, we are responsible for expressing to the Company a conclusion on the condensed set of consolidated financial statements in the interim financial report. Our conclusion, is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our Report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the

Independent Auditor of the Entity, issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Leeds

17 August 2021