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Genuit Group PLC
16 August 2022

Genuit Group plc

Interim condensed set of consolidated financial statements for the six months ended 30 June 2022

Genuit Group plc
Interim results for the six months ended 30 June 2022
On track to meet full year expectations

Genuit Group plc ("Genuit", the "Company" or the "Group"), a leading provider of sustainable water, climate and ventilation products for the built environment, today announces its unaudited interim results for the six months ended 30 June 2022.

Joe Vorih, Chief Executive Officer, said

"Genuit has performed well in the first half. Agile pricing leadership offset inflationary pressures, and the effect of selective business decisions helped to increase our margins. These, with more focus on operational efficiency, overcame some limited headwinds while delivering revenue growth over the prior year and improving profitability throughout the second quarter.

We continue to invest in the business, achieving increased sales from new and innovative products, and positioning us to deliver our sustainability plans which now include our Science-Based Targets. Our structural tailwinds are driven by regulation and the resulting investment needed to mitigate and adapt to effects of climate change. We remain focused on unlocking ways to accelerate growth and expand operating margin. While mindful of the macroeconomic pressures, we have good momentum as we enter the second half, and the Group anticipates meeting full year expectations."

Financial Results

	H1 2022	**H1 2021**	**Change**
Statutory measures			
Revenue	£318.0m	£295.6m	7.6%
Operating profit	£35.7m	£36.3m	(1.7)%
Profit before tax	£32.9m	£33.8m	(2.7)%
Earnings per share (basic)	10.1p	7.9p	27.8%

Cash generated from operations	£18.4m	£23.6m	(22.0)%
Dividend per share	4.1p	4.0p	2.5%
Alternative performance measures			
Underlying operating profit[1]	£47.4m	£48.6m	(2.5)%
Underlying cash generated from operations[2]	£15.2m	£15.0m	1.3%
Underlying operating margin[1]	14.9%	16.4%	(150)bps
Underlying profit before tax[1]	£44.6m	£46.5m	(4.1)%
Underlying earnings per share (basic)[1]	14.0p	15.8p	(11.4)%
Leverage[3] (times pro forma EBITDA[4])	1.5	1.5	-

Financial highlights

· Revenue increase of 7.6% against strong prior year comparatives, 5.7% higher on a like-for-like basis
· Price leadership offset specific headwind events, a planned prioritisation of higher margin business and a minor decline in market-driven volume
· Isolated cyber incident (fully mitigated) and Adey volumes held back by nationwide boiler shortages - both impacted operating profit
· Pricing lag resolved with month-on-month improvement in Q2 EBIT margin
· Further investment in delivering our sustainability goals, Science-Based Targets finalised for validation
· Net debt[3] of 1.5 times pro forma EBITDA[4] in line with expectations
· RCF of £350m renewed as a Sustainability Linked Loan ("SLL") until 2026 with a £25m private placement until 2029
· The Group intends to pay an interim dividend of 4.1pence, an increase of 2.5%

ESG highlights

· The Group remains focused on delivering its 2025 ESG targets
· Continued focus on serving the needs created by four key sustainability drivers:
  o Increasing need for resilient drainage;
  o Need for green urbanisation;
  o Increased focus on clean healthy indoor air and ventilation; and
  o A move towards a low, or zero carbon, built environment.
· As well as serving the needs of our sustainability-based growth drivers, we continue our progress on operating sustainably:
  o Material consumed from recycled inputs at 47.1%, against a target of 62% by 2025, with new multi-layer extrusion tooling due to come on stream in the second half;
  o Our carbon intensity is broadly in line with the last year end;
  o Increased sales of new products to a value of £161.0m (FY2021: £120.0m) resulting in a Vitality Index of 26.2%, ahead of our target of 25% by 2025; and
  o 3.0% of our workforce were in accredited work and learning programmes - broadly in line with reporting at the full year results.

Additionally, the Group's Science-Based Targets ("SBTs") have been finalised for validation by the Science-Based Targets initiative ("SBTi"). SBTs are clearly defined pathways for companies to reduce greenhouse gas ("GHG") emissions, which have been validated by the SBTi.

Outlook

· The Group has a balanced exposure underpinned by structural growth drivers

- Despite the short term headwinds in the residential sector (including ongoing boiler supply constraints), the long term fundamentals in this market continue to be strong, driven by new housebuilding and increased interest in energy efficiency
- Robust price leadership actions and a greater focus on operational efficiency and cost base structure are expected to offset slightly weaker demand
- Whilst mindful of the uncertain macroeconomic and geopolitical environment, our order books remain strong and the Board anticipates the Group will meet full year 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, 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.

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

Capital Markets Event

We plan to hold a capital markets event in the Autumn. Further information will be published in due course.

Enquiries:

Genuit	+44 (0) 1138 315380
Joe Vorih, Chief Executive Officer	
Paul James, Chief Financial Officer	
Brunswick	+44 (0) 20 7404 5959
Nina Coad	
Tom Pigott	

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

There will be a presentation for analysts and investors at 0830hrs (BST) on Tuesday 16 August 2022 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/62ea7a4ab973541f0011b16c/dfghjk

We recommend you register by 0815hrs (BST).

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

The presentation is also available on the Reports, Results and Presentations page on Genuit's 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 solutions in water-based heating systems in the UK.

The Group operates from 30 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

Revenue for the six months ended 30 June 2022 was 7.6% higher than the prior year at £318.0m (2021: £295.6m). On a like-for-like basis, excluding the impact of acquisitions, revenue was 5.7% higher than prior year. The Group successfully implemented further price increases in the period and delivered additional operating efficiencies to mitigate the extent of the raw material cost inflation. The Group remained focused on its medium-term drivers - a structural UK housing shortage, the regulatory and environmental drivers around water and climate management, and indoor air quality.

Underlying operating profit was £47.4m (2021: £48.6m), a reduction of 2.5% on the prior year, driven by the timing of the price increase at the start of Q2 compensating for inflation experienced in Q1 as well as management decisions in respect of certain volume to drive the quality of the business. This represented an underlying operating margin of 14.9% in the period, a decline of 150 basis points on the prior year. The H1 performance was impacted by the effects of an isolated cyber incident at one of our businesses in Q2 which had a negative impact of some £4.4m during the period. In addition, supply constraints, most noticeably in respect of semiconductors and printed circuit boards in our Adey business meant that we were unable to satisfy customer demand and which had an impact of some £2.6m during the period. Without these two issues, the Group would have reported underlying operating profit of £54.4m and a margin of 16.5%. Sequential month-on-month improvement in margins in the second quarter are expected to come through more fully in the second half of the year.

Underlying finance costs of £2.8m (2021: £2.1m) were broadly in line with expectations driven by larger levels of drawdown of the Revolving Credit Facility compared to prior year.

Non-underlying operating costs of £11.7m (2021: £12.3m) consist of acquisition costs, some severance costs, the costs associated with resolving a cyber incident and amortisation of intangible assets arising from acquisitions.

The total tax charge for the period was £7.9m (2021: £14.7m). The underlying tax charge of £9.8m (2021: £8.2m) represents an effective underlying tax rate of 22.0% (2021: 17.6%).

Underlying profit after tax was lower than the prior year at £34.8m (2021: £38.3m). Underlying basic earnings per share decreased to 14.0 pence (2021: 15.8 pence).

Including non-underlying items, profit after tax increased to £25.0m (2021: £19.1m). Basic earnings per share increased to 10.1 pence (2021: 7.9 pence).

The Board recognises the importance of dividends to shareholders and has declared an interim dividend of 4.1 pence per share. This dividend will be paid on 28 September 2022 to shareholders on the register at the close of business on 2 September 2022.

Business Review

Revenue	**2022**	2021	Change	LFL Change
	£m	£m	%	%
Residential Systems	**198.9**	183.8	8.2	6.1
Commercial and Infrastructure Systems	**119.1**	111.8	6.5	5.2
	318.0	295.6	7.6	5.7

Underlying operating profit	**2022**	**ROS**	2021	ROS	Change
	£m	**%**	£m	%	%

Residential Systems	**37.3**	**18.8**	35.8	19.5	4.2
Commercial and Infrastructure Systems	**10.1**	**8.5**	12.8	11.4	(21.1)
	47.4	**14.9**	48.6	16.4	(2.5)

The Group led the industry in robust pricing moves and reduced implementation time lags to mitigate the effects of input cost inflation. Management has increased its commercial focus, walking away from low margin sales and increasing the quality of the Group's business. Inflation has been a considerable challenge as well as supply constraints, most noticeably semiconductors and printed circuit boards but there are signs that raw materials inflation at least is starting to ease.

During the period we experienced an isolated cyber incident on our Climate & Ventilation division that was ultimately unsuccessful 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. Our order books remain strong, and we anticipate that most of the lost volume will be made up in the second half of the year.

The combined impacts on EBIT for both the cyber incident and constraints on upstream boiler manufacturing was some £7m in the period and we expect the portion attributable for the cyber incident at least to be fully recoverable in the second half and for there to be some mitigation of the effects of the shortfalls in boiler manufacturing also in H2.

The acquisition of Keytec Geomembranes for £2.6m was made during the period and has exceeded expectations, and its integration into the Group is progressing well. This business strengthens our water management systems installation capabilities.

Revenue for the six months ended 30 June 2022 was 7.6% higher than the prior year at £318.0m (2021: £295.6m). On a like-for-like basis, excluding the impact of acquisitions, revenue was 5.7% higher than prior year.

Revenue in Residential Systems was 8.2% ahead of prior year and 6.1% on a like-for-like basis. In Commercial and Infrastructure Systems, revenue was 6.5% ahead of prior year and 5.2% on a like-for-like basis. 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 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. 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.

Residential Systems

Trading in the Residential Systems segment performed strongly, with revenue of £198.9m (2021: £183.8m) 8.2% above prior year, and 6.1% ahead on a like-for-like basis, driven by robust price leadership in the market. The residential sector remains strong, driven by the continued structural housing shortage and pent-up demand with house prices remaining buoyant. Confidence remains in the sector over the short to medium term. Overall, the CPA is forecasting that 2022 housing activity will be 1% up on 2021.

Margin recovery continued through the first half of the year reaching 18.8% for the half with robust sequential margin improvement throughout the second quarter. Excluding the impacts of upstream supply chain issues affecting Adey and the cyber incident, divisional EBIT margin would have been some 19.7% for the period.

Commercial and Infrastructure Systems

Revenue of £119.1m (2021: £111.8m) in Commercial and Infrastructure Systems improved by 6.5% vs 2021 (5.2% on a like-for-like basis). Sales in our ventilation business is driven by increased focus on the importance of air quality in the workplace when it was temporarily impacted by a cyber incident in the second half of April that curtailed manufacturing and sales for six weeks. The order book remains strong, and management anticipates recovering most of this lost volume in the second half of the year.

The division reported an underlying operating margin of 8.5% during the period, which excluding the impact of the cyber incident, would have been some 11.5% for the period. Our Water Management solutions have performed well with the ongoing requirement for new housing and our most recent acquisition in Keytec has strengthened our ability to supply and install our attenuation systems, which is also helping to bridge the onsite skills shortage gap.

Environmental, Social & Governance

We remain committed to be carbon neutral by 2050, as we continue our improvement trajectory beyond the targets we have set out for 2025. 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.

Our commitment to employee development and social mobility is reflected in our membership of The 5% Club, our proportion of qualifying colleagues at 3.0%. Our use of recycled material in the first half was 47.1% of our total tonnage. By 2025, recycled materials should represent 62% of our total polymer consumption and we expect a new multi-layer extrusion tooling due to come on stream in the second half. During the period, the Group began its migration of its company car fleet to electric vehicles and plug-in hybrid electric vehicles.

Financial Review

Finance Costs

Net underlying finance costs for the six months ended 30 June 2022 increased to £2.8m (2021: £2.1m) due to increased interest rates on a higher level of borrowing through the first half of the year. With effect from 4 January 2022, interest was payable on the Group's RCF at the Standard Overnight Index Average (SONIA) plus an interest rate margin ranging from 0.90% to 2.75% depending on leverage. The interest rate margin at 30 June 2022 was 1.40% (30 June 2021: 1.65%).

Taxation

The Group's tax charge for the six months ended 30 June 2022 decreased to £7.9m (2021: £14.7m) as the prior year included an adjustment in respect of changes in the income tax rate. The underlying tax rate (underlying tax: underlying profit) has been provided at the estimated full year rate of 22.0% (2021 full year: 17.6%), driven by a prior year adjustment in respect of a corporate interest restriction in one of our group companies.

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 £18.4m (2021: £23.6m inflow). This result includes a working capital outflow of £37.4m (2021: £31.1m). A first half working capital outflow is a normal feature of the Group's annual working capital cycle and arose due to rebate settlements and the impact of raw material inflation on inventory valuation.

Capital expenditure decreased to £9.4m (2021: £15.1m) with larger projects forecasted to be completed in the second half of the year. The full year 2022 capital expenditure is expected to be in the region of £40m, with a primary focus on key commercial and innovation lead projects.

Net debt (including unamortised debt issue costs but excluding the effects of IFRS 16 capitalisation) decreased to £167.9m at 30 June 2022 (2021: £169.6m). Leverage was in line with prior year and expectations at 1.5 times pro forma EBITDA.

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 were subsequently renewed on 10 August 2022 and consist of a £350.0m RCF and a seven year committed £25.0m private placement. At 30 June 2022, the Group's RCF was £300m of which £82.0m was undrawn (2021: £102.0m) and the Group's liquidity headroom (cash and undrawn committed banking facilities) was £131.7m (2021: £129.6m). Our focus will continue to be on deleveraging and our net debt to EBITDA ratio stood at 1.5 times pro forma EBITDA at 30 June 2022 (2021: 1.5 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.

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 15 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 2021 Annual Report and Accounts.

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

The Board is mindful of the global macro-economic uncertainty from the ongoing tragic events in Ukraine. The impact of this situation on the Group in the first half of the year has been minimal and the Group is well positioned to mitigate any further risk for the full year 2022.

A copy of the 2021 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 15 August 2022 and is available on the Company's website www.genuitgroup.com.

The Directors of the Company are:

Ron Marsh	Chairman
Joe Vorih	Chief Executive Officer
Paul James	Chief Financial Officer
Matt Pullen	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:

J M Vorih	**P A James**
Chief Executive Officer	**Chief Financial Officer**

INTERIM GROUP INCOME STATEMENT

for the six months ended 30 June 2022 (unaudited)

	Notes	**Six months ended 30 June 2022**			Six months ended 30 June 2021		
		Underlying £m	**Non-Underlying £m**	**Total £m**	Underlying £m	Non-Underlying £m	Total £m
Revenue	3	**318.0**	**-**	**318.0**	295.6	-	295.6
Cost of sales		**(194.4)**	**-**	**(194.4)**	(173.6)	(1.7)	(175.3)
Gross profit		**123.6**	**-**	**123.6**	122.0	(1.7)	120.3
Selling and distribution costs		**(42.7)**	**-**	**(42.7)**	(40.0)	-	(40.0)
Administration expenses		**(33.5)**	**(4.2)**	**(37.7)**	(33.4)	(4.0)	(37.4)
Trading profit		**47.4**	**(4.2)**	**43.2**	48.6	(5.7)	42.9
Amortisation of intangible assets		**-**	**(7.5)**	**(7.5)**	-	(6.6)	(6.6)
Operating profit	3	**47.4**	**(11.7)**	**35.7**	48.6	(12.3)	36.3
Finance costs	3, 5	**(2.8)**	**-**	**(2.8)**	(2.1)	(0.4)	(2.5)
Profit before tax		**44.6**	**(11.7)**	**32.9**	46.5	(12.7)	33.8
Income tax	6	**(9.8)**	**1.9**	**(7.9)**	(8.2)	(6.5)	(14.7)
Profit for the period attributable to the owners of the parent company		**34.8**	**(9.8)**	**25.0**	38.3	(19.2)	19.1
Basic earnings per share (pence)	7			**10.1**			7.9
Diluted earnings per share (pence)	7			**10.0**			7.8
Dividend per share (pence) - interim	8			**4.1**			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 2022 (unaudited)

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Profit for the period attributable to the owners of the parent company	**25.0**	19.1
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**0.6**	-
Effective portion of changes in fair value of forward foreign currency derivatives	**0.3**	-
Other comprehensive income for the period net of tax	**0.9**	-
Total comprehensive income for the period attributable to the owners of the parent company	**25.9**	19.1

INTERIM GROUP BALANCE SHEET

at 30 June 2022 (unaudited)

	Notes	**30 June 2022 £m**	30 June 2021 £m	31 December 2021 £m
Non-current assets				
Property, plant and equipment		**152.2**	145.1	151.7
Right-of-use assets		**21.1**	21.7	20.6
Intangible assets	9	**639.0**	644.4	642.8
Total non-current assets		**812.3**	811.2	815.1
Current assets				
Inventories		**97.4**	64.4	80.8
Trade and other receivables		**94.8**	99.4	76.7
Income tax receivable		**2.5**	1.2	1.1
Cash and cash equivalents	10	**49.7**	27.6	52.3
Derivative financial instruments	11	**0.2**	-	-
Total current assets		**244.6**	192.6	210.9
Total assets		**1,056.9**	1,003.8	1,026.0
Current liabilities				
Trade and other payables		**(132.4)**	(129.0)	(135.5)
Lease liabilities	10,11	**(5.4)**	(4.3)	(4.5)
Deferred and contingent consideration	9,11	**-**	(0.9)	(0.5)
Derivative financial instruments	11	**-**	(0.8)	(0.1)
Total current liabilities		**(137.8)**	(135.0)	(140.6)
Non-current liabilities				
Loans and borrowings	10,11	**(217.6)**	(197.2)	(197.4)
Lease liabilities	10,11	**(16.5)**	(17.5)	(16.1)
Deferred and contingent consideration	9,11	**(6.2)**	(2.6)	(4.3)
Other liabilities		**(1.4)**	(1.4)	(1.4)
Deferred income tax liabilities		**(53.2)**	(46.9)	(48.5)
Total non-current liabilities		**(294.9)**	(265.6)	(267.7)
Total liabilities		**(432.7)**	(400.6)	(408.3)
Net assets		**624.2**	603.2	617.7
Capital and reserves				
Equity share capital		**0.2**	0.2	0.2
Share premium		**93.6**	93.6	93.6
Capital redemption reserve		**1.1**	1.1	1.1
Hedging reserve		**0.2**	-	(0.1)
Foreign currency retranslation reserve		**0.6**	0.4	-
Other reserves		**116.5**	116.5	116.5
Retained earnings		**412.0**	391.4	406.4
Total equity		**624.2**	603.2	617.7

INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 (unaudited)

	Equity share capital £m	Share premium £m	Capital redemption reserve £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Six months ended 30 June 2022								
Opening balance	**0.2**	**93.6**	**1.1**	**(0.1)**	**-**	**116.5**	**406.4**	**617.7**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**25.0**	**25.0**
Other comprehensive income	**-**	**-**	**-**	**0.3**	**0.6**	**-**	**-**	**0.9**
Total comprehensive income for the period	**-**	**-**	**-**	**0.3**	**0.6**	**-**	**25.0**	**25.9**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(20.3)**	**(20.3)**
Share-based payments charge	**-**	**-**	**-**	**-**	**-**	**-**	**1.6**	**1.6**
Share-based payments settled	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Share-based payments excess tax benefit	**-**	**-**	**-**	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Closing balance	**0.2**	**93.6**	**1.1**	**0.2**	**0.6**	**116.5**	**412.0**	**624.2**
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**

INTERIM GROUP CASH FLOW STATEMENT

for the six months ended 30 June 2022

	Notes	**Six months ended 30 June 2022 £m**	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Operating activities				
Profit before tax		**32.9**	33.8	62.9
Finance costs	5	**2.8**	2.5	4.2
Operating profit		**35.7**	36.3	67.1
Non-cash items:				
Profit on disposal of property, plant and equipment		**(0.6)**	-	(0.2)
Transaction costs on issue of share capital		**-**	0.1	0.1
Research and development expenditure credit		**(0.6)**	-	(2.0)

Non-underlying items:				
- amortisation of intangible assets arising on business combinations	4,9	**7.5**	6.6	14.2
- provision for acquisition costs	4	**1.3**	4.0	6.6
- unwind of inventory fair value adjustment	4	**-**	1.7	3.7
- provision for restructuring costs	4	**1.2**	-	1.1
- provision for product liability claim		**-**	-	2.6
- provision for cyber incident related costs	4	**1.2**	-	-
- provision for intellectual property infringement legal costs	4	**0.5**	-	-
Depreciation of property, plant and equipment		**9.4**	9.3	18.4
Depreciation of right-of-use assets		**2.7**	2.1	4.4
Amortisation of internally generated intangible assets	9	**0.1**	-	0.1
Share-based payments		**1.6**	1.0	2.2
Cash items:				
- settlement of acquisition costs	9	**(0.7)**	(6.4)	(6.9)
- settlement of restructuring costs		**(1.8)**	-	-
- settlement of cyber incident related costs		**(1.2)**	-	-
- settlement of intellectual property infringement legal costs		**(0.5)**	-	-
Operating cash flows before movement in working capital		**55.8**	54.7	111.4
Receivables		**(17.2)**	(22.3)	(0.9)
Payables		**(3.9)**	(8.5)	(6.2)
Inventories		**(16.3)**	(0.3)	(19.9)
Cash generated from operations		**18.4**	23.6	84.4
Income tax paid		**(5.2)**	(5.3)	(9.5)
Net cash flows from operating activities		**13.2**	18.3	74.9
Investing activities				
Settlement of deferred and contingent consideration	9	**(0.5)**	-	-
Acquisition of businesses net of cash at acquisition	9	**(2.6)**	(236.2)	(236.4)
Proceeds from disposal of property, plant and equipment		**1.5**	0.1	0.5
Purchase of property, plant and equipment		**(9.4)**	(15.1)	(33.1)
Patent and development costs expenditure		**(0.9)**	-	(1.5)
Net cash flows from investing activities		**(11.9)**	(251.2)	(270.5)
Financing activities				
Issue of share capital		**-**	96.3	96.3
Transaction costs on issue of share capital		**-**	(2.8)	(2.8)
Drawdown of bank loan		**30.0**	148.0	148.0
Repayment of bank loan		**(10.0)**	(10.0)	(10.0)
Interest paid		**(2.2)**	(1.2)	(2.9)
Proceeds from sale and leaseback of property, plant and equipment		**1.4**	-	-
Dividends paid		**(20.3)**	(11.9)	(21.7)
Proceeds from exercise of share options		**0.4**	0.6	2.1
Settlement of lease liabilities		**(3.3)**	(2.5)	(5.1)
Net cash flows from financing activities		**(4.0)**	216.5	203.9
Net change in cash and cash equivalents		**(2.7)**	(16.4)	8.3
Cash and cash equivalents - opening balance		**52.3**	44.1	44.1
Net foreign exchange difference		**0.1**	(0.1)	(0.1)
Cash and cash equivalents - closing balance		**49.7**	27.6	52.3

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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 2021. 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 2021.

The comparative figures for the financial year ended 31 December 2021, 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 range of scenarios with the base forecast being one in which, over the 15 months ending 30 September 2023, sales volumes grow in line with 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 30 June 2022, the Group had available £82.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group's borrowing facilities were subsequently renewed on 10 August 2022 and included an increase in the RCF facility to £350.0m available until at least August 2026, 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 15 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 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 (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 (both are reconciled in note 10). 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 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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 2021.

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 2022			Six months ended 30 June 2021		
	Residential Systems	**Commercial & Infrastructure**	**Total £m**	Residential Systems	Commercial & Infrastructure	Total £m

	£m	Systems £m		£m	Systems £m	
Segmental revenue	**202.5**	**124.9**	**327.4**	186.7	116.4	303.1
Inter-segment revenue	**(3.6)**	**(5.8)**	**(9.4)**	(2.9)	(4.6)	(7.5)
Revenue	**198.9**	**119.1**	**318.0**	183.8	111.8	295.6
Underlying operating profit*	**37.3**	**10.1**	**47.4**	35.8	12.8	48.6
Non-underlying items - segmental	**(7.0)**	**(4.7)**	**(11.7)**	(9.7)	(2.6)	(12.3)
Segmental operating profit	**30.3**	**5.4**	**35.7**	26.1	10.2	36.3
Non-underlying items - finance costs			**-**			(0.4)
Finance costs			**(2.8)**			(2.1)
Profit before tax			**32.9**			33.8

* 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 segmental profit used by the Group's CODM. Details of the non-underlying items of £11.7m (2021: £12.7m) are detailed in Note 4.

Geographical analysis

Revenue by destination	**Six months ended 30 June 2022 £m**	Six months ended 30 June 2021 £m
UK	**284.8**	266.3
Rest of Europe	**18.5**	18.4
Rest of World	**14.7**	10.9
Total - Group	**318.0**	295.6

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

4. Non-underlying items

Non-underlying items comprised:

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	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	**1.3**	**-**	**1.3**	4.0	(0.2)	3.8
Administration expenses: Isolated cyber incident costs	**1.2**	**(0.2)**	**1.0**	-	-	-
Administration expenses: Intellectual property infringement legal costs	**0.5**	**(0.1)**	**0.4**	-	-	-
Administration expenses: Restructuring costs	**1.2**	**(0.2)**	**1.0**	-	-	-
Amortisation of intangible assets	**7.5**	**(1.4)**	**6.1**	6.6	7.1	13.7
Finance costs: Unwind of discount on contingent consideration	**-**	**-**	**-**	0.4	(0.1)	0.3
Total non-underlying items	**11.7**	**(1.9)**	**9.8**	12.7	6.5	19.2

In the six months ended 30 June 2022 non-underlying items included £1.3m of acquisition costs in respect of an accrual, for the element of the earn out accounted for as remuneration, associated with the Plura acquisition. Other non-underlying items in the six months ended 30 June 2022 comprised of costs associated with an isolated cyber incident at one of the Group's businesses, legal costs relating to an intellectual property infringement claim which was successfully defended and restructuring costs incurred following a strategic review of the Group.

In the prior year, 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 and costs relating to the acquisitions of Adey, Nu-Heat and Plura which includes an accrual for the earn out associated with the Plura acquisition. The non-underlying tax charge in the six months ended 30 June 2021 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.

5. Finance costs

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Interest on bank loan	**2.0**	1.2
Debt issue cost amortisation	**0.2**	0.3
Unwind of discount on lease liabilities	**0.4**	0.3
Other finance costs	**0.2**	0.3
Unwind of discount on contingent consideration	**-**	0.4
	2.8	2.5

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

6. Income tax

Tax has been provided on the profit before tax at the estimated effective rate for the full year of 24.0% (2021 full year: 34.8%). Tax on underlying profit before tax was 22.0% (2021 full year: 17.6%).

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Current income tax:		
UK income tax	**3.5**	5.1
Overseas income tax	**0.2**	0.1
Current income tax	**3.7**	5.2
Adjustment in respect of prior years	**0.6**	-
Total current income tax	**4.3**	5.2
Deferred income tax:		
Origination and reversal of timing differences	0.2	(1.2)
Adjustment in respect of changes in income tax rate	2.4	10.7
Deferred income tax	2.6	9.5
Adjustment in respect of prior years	1.0	-
Total deferred income tax	**3.6**	9.5
Total tax expense reported in the income statement	**7.9**	14.7

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 2022	Six months ended 30 June 2021
Weighted average number of ordinary shares for the purpose of basic earnings per share	**247,928,506**	242,745,684
Effect of dilutive potential ordinary shares	**3,101,184**	3,311,655
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**251,029,690**	246,057,339

Underlying earnings per share is based on the result for the period after tax excluding the impact of non-underlying items of £9.8m (2021: £19.2m). 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 2022	Six months ended 30 June 2021
Underlying profit for the period attributable to the owners of the parent company (£m)	**34.8**	38.3
Underlying basic earnings per share (pence)	**14.0**	15.8
Underlying diluted earnings per share (pence)	**13.9**	15.6

8. Dividends

The Directors have proposed an interim dividend for the current year of £10.2m which equates to 4.1 pence per share.

9. Acquisitions

Acquisition-related deferred and contingent consideration comprised:

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Deferred consideration on Keytec acquisition	**0.6**	-	-
Contingent consideration on Plura acquisition	**5.6**	2.6	4.3
Deferred and contingent consideration on Permavoid acquisition	**-**	0.9	0.5
	6.2	3.5	4.8

Deferred and 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 and Keytec.

Acquisition-related cash flows comprised:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Operating cash flows - settlement of acquisition costs			
Nu-Heat	**-**	0.6	0.6
Plura	**-**	0.3	0.7
Adey	**0.2**	3.0	3.1
Permavoid	**-**	2.5	2.5
Other - aborted acquisition costs	**0.5**	-	-
	0.7	6.4	6.9

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Investing cash flows - settlement of deferred and contingent consideration			
Permavoid	**0.5**	**-**	**-**

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended December 31 2021 £m
Investing cash flows - acquisition of businesses net of cash at acquisition			
Keytec	**2.6**	-	-
Nu-Heat	**-**	25.8	25.8
Plura	**-**	1.8	1.8
Adey	**-**	208.4	208.6
Tree Ground Solutions	**-**	0.2	0.2
	2.6	236.2	236.4

9. Acquisitions (continued)

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 technical expertise of the Keytec staff, synergies of companies offering both supply and install services and market share. The goodwill is allocated entirely to the Commercial and Infrastructure Systems segment.

The fair value of trade and other receivables was £0.7m. 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 £1.3m revenue and £0.2m 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 six months ended 30 June 2022 would have shown revenue of £319.1m and underlying operating profit of £47.6m.

Immaterial acquisition costs were incurred and are included in non-underlying items in administration expenses.

Following the Keytec acquisition, 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 2022	467.7	39.5	66.5	114.3	0.8	0.9	2.0	691.7
Additions	-	0.3	-	-	-	-	0.6	0.9
Acquisition of businesses	2.9	-	-	-	-	-	-	2.9
At 30 June 2022	**470.6**	**39.8**	**66.5**	**114.3**	**0.8**	**0.9**	**2.6**	**695.5**
Amortisation and impairment losses								
At 1 January 2021	-	15.4	19.2	13.4	0.3	0.4	0.2	48.9
Charge for the period	-	1.6	2.6	3.1	-	0.2	0.1	7.6
At 30 June 2022	**-**	**17.0**	**21.8**	**16.5**	**0.3**	**0.6**	**0.3**	**56.5**
Net book value								
At 30 June 2022	**470.6**	**22.8**	**44.7**	**97.8**	**0.5**	**0.3**	**2.3**	**639.0**
At 31 December 2021	467.7	24.1	47.3	100.9	0.5	0.5	1.8	642.8

9. Acquisitions (continued)

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.

At 30 June 2022 an assessment was made to identify any indicators of impairment of goodwill as a result of the impacts of upstream supply chain issues in certain end markets and the cyber incident. Where required, impairment tests of the carrying amounts of goodwill were performed by analysing the carrying amount allocated to each CGU against its value-in-use. Value-in-use of a CGU is calculated as the net present value of that CGU's discounted future pre-tax cash flows. These pre-tax cash flows are based on forecast cash flow information for a period of one year, construction industry forecasts of growth for the following year and growth of between 2.60% to 2.80% (2021: 2.68% to 2.80%) thereafter. A pre-tax discount rate of 11.4% (2021: 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 indicate any impairment of goodwill was reasonably possible at 30 June 2022.

10. Analysis of net debt

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m

Cash and cash equivalents	**49.7**	27.6	52.3
Current loans and borrowings			
Lease liabilities	**5.4**	4.3	4.5
Non-current loans and borrowings			
Bank loan - principal	**218.0**	198.0	198.0
- unamortised debt issue costs	**(0.4)**	(0.8)	(0.6)
Lease liabilities	**16.5**	17.5	16.1
	234.1	214.7	213.5
Net debt	**189.8**	191.4	165.7

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.

Subsequently on 10th August 2022 the Group renewed its banking facilities and entered into a Sustainability Linked Loan revolving credit facility agreement for £350.0m with a £50.0m uncommitted accordion facility expiring in August 2026 and a separate agreement for private placement loan notes of £25.0m with an uncommitted £125.0m shelf facility repayable August 2029. Any debt issue costs in respect of entering into both agreements will be capitalised and amortised to the income statement over the whole term of each facility, respectively.

With effect from 4 January 2022, LIBOR was replaced by the Standard Overnight Index Average (SONIA).

Interest was 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 30 June 2022 was 1.40% (2021: 1.65%). The Group's net debt for the leverage calculation at 30 June 2022 was £167.9m (2021: £169.6m) and 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 at 30 June 2022 was £115.7m (2021: £116.2m) and is defined as pre-IFRS 16 underlying operating profit before depreciation, amortisation and share-based payment charges, for the 12 months preceding

10. Analysis of net debt (continued)

the balance sheet date, adjusted where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.

	30 June 2022 £m	30 June 2021 £m	30 December 2021 £m
Pro forma EBITDA (12 months preceding the balance sheet)			
Underlying operating profit	**94.1**	80.3	95.3
Depreciation of property, plant and equipment	**18.5**	17.7	18.4
Amortisation of internally generated intangible assets	**0.2**	-	0.1
Unwind of discount on lease liabilities	**(0.8)**	(0.6)	(0.7)
Share-based payments charge	**3.2**	2.2	2.5
	115.2	99.6	115.6
EBITDA from acquisitions	**0.5**	16.6	2.3
	115.7	116.2	117.9

At 30 June 2022, the Group had available, subject to covenant headroom, £82.0m (2021: £102.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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	**(0.2)**	(0.2)
Interest-bearing loans and borrowings due after more than one year	**217.6**	217.6
Deferred and contingent consideration	**6.2**	6.2
Lease liabilities	**21.9**	21.9

Total at 30 June 2022	**245.5**	245.5
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	21.8	21.8
Total at 30 June 2021	223.3	223.3
Forward foreign currency derivatives	0.1	0.1
Interest-bearing loans and borrowings due after more than one year	197.4	197.4
Deferred and contingent consideration	4.8	4.8
Lease liabilities	20.6	20.6
Total at 31 December 2021	222.9	222.9

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

11. Other financial assets and liabilities (continued)

The fair values were determined as follows by reference to:

· Forward foreign currency derivatives: quoted exchange rates.

· 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 financial statements in the half-yearly financial report for the six months ended 30 June 2022 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 half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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 financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are 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 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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

15 August 2022