Genuit Group plc

Interim condensed set of consolidated financial statements for the six months ended 30 June 2023

Sustainable Solutions for Growth

Genuit Group plc

Interim results for the six months ended 30 June 2023

2023 operating profit at top-end of expectations

Genuit Group plc ("Genuit", the "Company" or the "Group"), the UK's largest provider of sustainable water, climate and ventilation solutions for the built environment, today announces its unaudited interim results for the six months ended 30 June 2023.

Joe Vorih, Chief Executive Officer, said:

"Genuit has made good progress in the first half of the year. Ongoing self-help measures, deployment of the Genuit Business System and continued business simplification enabled improvements in the quality of operating margin despite deteriorating market conditions.

The Group continues to make measurable progress towards our mid-term commitments. Our sustainability plans, including our Science-Based Targets, are progressing well and we continue to focus on being the lowest carbon supplier of choice for our customers. Despite more challenging conditions notably in the residential new build and RMI markets, we upgraded market expectations in May and expect Group full year operating profit to be at the top-end of current full year analyst expectations[1]. Whilst the economic situation remains challenging, we have good momentum moving into the second half as we focus on improving efficiency, creating value and enabling growth."

Financial Results

Statutory Measures	H1 2023	H1 2022	Change
Revenue (£m)	**304.8**	318.0	(4.2%)
Operating profit (£m)	**36.4**	35.7	2.0%
Profit before tax (£m)	**29.7**	32.9	(9.7%)
Earnings per share (basic - pence)	**9.4**	10.1	(6.9%)
Cash generated from operations (£m)	**31.7**	18.4	72.3%
Dividend per share (pence)	**4.1**	4.1	-

Alternative Performance Measures[2]	H1 2023	H1 2022	Change
Underlying operating profit (£m)	**47.0**	47.4	(0.8%)
Underlying cash generated from operations (£m)	**30.5**	15.2	100.7%
Underlying operating margin (%)	**15.4**	14.9	50 bps
Underlying profit before tax (£m)	**40.3**	44.6	(9.6%)
Underlying earnings per share (basic - pence)	**12.4**	14.0	(11.4%)
Leverage (times pro forma EBITDA)	**1.3**	1.5	

1 Underlying operating profit (EBIT) consensus as compiled by Genuit Group plc is £88m with a range of £85m - £89m.

2 Alternative performance measures (APMs) are used by the Group to assess the underlying performance of the business. A definition of all the APMs is set out in note 1 of the interim condensed consolidated financial statements on page 14.

Financial Highlights

- Revenue decrease of 4.2%, 5.0% lower on a like-for-like basis, driven by a volume decline of 14.5% offset with successful new product launches and balanced price and cost management.

- Underlying operating margin improvement of 50 basis points, with sequential month-on-month improvement in margins from April onwards. This was driven by efficiency and cost reduction actions, improved portfolio profit mix, ongoing action on lower margin business and balanced pricing offsetting inflationary headwinds.

- Sustainable Building Solutions' 10.7% revenue decrease driven by lower market volumes yet, despite this, underlying operating margin rose 220 basis points through self-help measures.

- Water Management Solutions revenue declined by 4.0%, outperforming the market and with self-help measures driving 180 basis point underlying operating margin growth.

- Climate Management Solutions revenue grew by 8.9%, recovering from last year's isolated cyber-incident and benefitting from stronger demand for residential ventilation. To reduce the risk of a recurrence, the Group has invested heavily in cyber defence and insurance for this business to bring it up to Group standards. This step up in costs plus short term boiler market weakness contributed to an operating margin that was 400 basis points below last year, but this investment masked sequential underlying operating profit margin improvement since the second half of last year and which management expects to continue.

- Net debt reduced from 1.5 times to 1.3 times pro forma EBITDA in line with expectations.

- The Group intends to pay an interim dividend of 4.1 pence per share (2022: 4.1 pence per share).

ESG Highlights

- The Group is focused on serving the needs created by sustainability-linked growth drivers:
    - Increasing need for resilient drainage;
    - Need for green urbanisation;
    - Increased focus on clean healthy indoor air and ventilation; and
    - A move towards a low, or zero carbon, built environment.
- The Group continues to make progress on operating sustainably, in order to be the lowest carbon supplier of choice for the Group's customers:
    - Recycled materials formed 48.4% of our polymer inputs (2022: 47.1%). We remain the European leader in the sector for use of recyclate.
    - The Group's carbon intensity on a rolling twelve-month basis is broadly in line with the last year end, despite the impact of lower volumes.
    - Sales of new products was £146.8m resulting in a Vitality Index of 24.1%, on track to achieve the 25% 2025 target.
- The Group's commitment to employee development and social mobility is reflected in its membership of The 5% Club:
    - 3.2% of the Group's workforce were in accredited work and learning programmes – largely in line with the figure reported in the Group's 2022 Annual Report.
- In April 2023, the Group's Science-Based Target's (SBTs) were approved by the Science-Based Targets initiative, which dovetail with the Group's existing 2025 targets adding further goals for 2027 as the next milestone on the Group's pathway to reaching net-zero by 2050.

Outlook

- The Group's performance during the first half of the year has been better than management's earlier expectations – driven by self-help actions including organisational simplification, procurement benefits and the initial roll-out of the Genuit Business System ("GBS").
- The market remains challenging, with macro expectations lower than at the start of 2023 notably in the new residential and RM&I portions of the market, while other areas of the construction economy are less affected. An improvement in market conditions in the current year is unlikely given the macroeconomic environment, though Genuit's proven resilience provides scope for ongoing financial outperformance.
- Pent-up boiler and heating system demand is expected to be released as the economic situation stabilises, providing scope for recovery of demand within the climate management space. We remain confident that the tailwind of increasing energy efficiency in heating and ventilation, stormwater management and lower carbon building materials will benefit our businesses.
- The benefits from self-help measures are building and give management the confidence that, notwithstanding the uncertain market backdrop, the Group expects to deliver a financial performance at the top-end of current market expectations.

Enquiries:

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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 a presentation for analysts and investors today at 0830hrs (BST) 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/64b920430120c60d00ff322a/hstr

We recommend you register by 0815hrs (GMT). The webcast will be recorded, and a replay will be available shortly after the webcast ends via the same link above.

The presentation 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"), the UK's largest provider of sustainable water, climate and ventilation solutions for the built environment, 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 twenty nine 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.

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 2023 was 4.2% behind the prior year at £304.8m (2022: £318.0m), driven by a volume decline of 14.5% that was broadly in line with the market, offset by new product launches and balanced price and cost management. The Group remained focused on its medium-term drivers – a structural UK housing shortage, water and climate management regulatory and environmental tailwinds, and indoor air quality.

The Group demonstrated a 220 basis points gross margin improvement versus 2022 H1. Underlying operating profit was £47.0m (2022: £47.4m), broadly in line with the prior year and ahead of expectations, driven by the Group successfully delivering on cost reduction targets of £3.7m and balanced pricing management offsetting ongoing inflationary pressures. This represented an underlying operating margin of 15.4% in the period, an improvement of 50 basis points on the prior year. Sequential month-on-month improvement in margins from the second quarter are expected to come through more fully in the second half of the year.

Underlying finance costs rose to £6.7m (2022: £2.8m), but were broadly in line with expectations, due to significantly higher Standard Overnight Index Average (SONIA) interest rates partially offset by lower RCF borrowings and a component of the Group's borrowing derived from a Private Placement tranche of £25m with interest cost fixed at 4.4%. The Group had, as ever, a keen focus on cash management during H1 2023 to ensure RCF borrowings are as low as possible to reduce interest impact.

Non-underlying operating costs of £10.6m (2022: £11.7m) were driven by transformation costs, as the Group continued to implement its Sustainable Solutions for Growth strategy, and amortisation of intangible assets arising from acquisitions, offset by a gain on sale from disposal of a property.

The total tax charge was £6.4m (2022: £7.9m). The underlying tax charge of £9.5m (2022: £9.8m) represents an effective underlying tax rate of 23.6% (2022: 22.0%), the marginal increase driven by the increase in the statutory tax rate from April 2023.

Underlying profit after tax was lower than the prior year at £30.8m (2022: £34.8m) due to the increase in finance costs. Underlying basic earnings per share was 12.4 pence (2022: 14.0 pence).

Including non-underlying items, profit after tax was £23.3m (2022: £25.0m), and basic earnings per share was 9.4 pence (2022: 10.1 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 27 September 2023 to shareholders on the register at the close of business on 1 September 2023.

Business Review

Revenue (£m)	**H1 2023**	H1 2022	Change %	LFL Change %
Sustainable Building Solutions	**127.5**	142.8	(10.7)	(10.7)
Water Management Solutions	**88.1**	91.8	(4.0)	(7.0)
Climate Management Solutions	**84.7**	77.8	8.9	8.9
	300.3	312.4	(3.9)	(5.0)
Other*	**4.5**	5.6	(19.6)	(19.6)
Total Group	**304.8**	318.0	(4.2)	(5.0)

* relates to assets held for sale which are not reported as part of the Group's Strategic business units.

Underlying operating profit (£m)	H1 2023	ROS %*	H1 2022	ROS %*	Change
Sustainable Building Solutions	**26.2**	**20.5**	26.1	18.3	220 bps
Water Management Solutions	**8.8**	**10.0**	7.5	8.2	180 bps
Climate Management Solutions	**11.4**	**13.5**	13.6	17.5	(400) bps
	46.4	**15.5**	47.2	15.1	40 bps
Other**	**0.6**	**13.3**	0.2	3.6	970 bps
Total Group	**47.0**	**15.4**	47.4	14.9	50 bps

* Return on sales (ROS) is equivalent to underlying operating margin (underlying operating profit : revenue)
** relates to assets held for sale which are not reported as part of the Group's Strategic business units.

Following the Group's announcement of its Sustainable Solutions for Growth Strategy in November 2022 and moving to the new operating structure in January 2023, the Group has continued to focus on profitable growth and improving operating margin despite challenging markets.

The Group has now deployed GBS via Lighthouse Projects at two sites and management is now seeing improvements in customer service, efficiencies, and inventory levels. GBS, coupled with the Group's existing self-help measures and procurement savings, has enabled the Group to grow operating margin despite seeing volume reductions.

The increased collaboration of the Group's teams following the transformation of the business structure is enabling the Group to realise synergies and react quicker to market changes ultimately ensuring that it is agile in decision-making to protect or improve operating margin levels towards its mid-term goals.

The Group has completed the closure of two UK facilities (Glasgow distribution centre and the exit of the Kirk Sandall site) as it continues to review operating footprint. The Group has also announced the closure of its site in Birmingham and will continue to serve customers of these businesses from alternative facilities.

Revenue, in the Strategic business units, for the six months ended 30 June 2023 was 3.9% lower than the prior year at £300.3m (2022: £312.4m). On a like-for-like basis, excluding the impact of acquisitions, revenue was 5.0% lower than prior year.

Sustainable Building Solutions

Trading in the Sustainable Building Solutions ("SBS") business unit performed better than management's expectations, with revenue of £127.5m (2022: £142.8m), 10.7% lower than prior year. Market volume decline in the UK residential new build sector and planned exit of low margin business within SBS was offset with continued balanced price management.

Despite volume challenges, underlying operating profit margin improved by 220 basis points, driven primarily by effective cost management. Management has launched an operating footprint consolidation plan and has completed the sale of the Glasgow distribution centre and exit of the Kirk Sandall site, both of which have been integrated into the remaining Doncaster facilities.

The lean transformation is underway with deployment of GBS at Building Products (Doncaster) in progress, alongside the completion of a significant equipment refresh programme, which is demonstrating a substantial reduction in past due orders with targeted efficiency and inventory benefits. The business unit remains focused on its priorities of growing solutions sales, operational and sales excellence and sustainability.

Water Management Solutions

Water Management Solutions ("WMS") revenue of £88.1m (2022: £91.8m) declined by 4.0% versus 2022 (7.0% on a like-for-like basis). Trading activity for the first six months was relatively strong considering the difficult UK economic dynamics, particularly in residential, and WMS outperformed the market overall. Underpinning this level of activity was the launch of new products to the USA and expansion into further territories in the Middle East, exploiting joint opportunities across the business unit and wider Group and an increased focus on product family specification.

The business unit reported an underlying operating margin of 10.0% during the period, 180 basis points improvement versus prior year, with cost and efficiency initiatives offsetting general inflationary pressures and foreign exchange impacts. Capital investment projects in the first half were focused on site and product development to underpin future growth.

Climate Management Solutions

Revenue of £84.7m (2022: £77.8m) in Climate Management Solutions ("CMS") improved by 8.9% versus 2022. Lost volume following the 2022 isolated cyber-incident has been fully recovered and underlying revenue for CMS, normalising for this event, showed growth of 1.2%. Whilst still having supply constraints they are not as severe as in 2022, however, these are demanding significant time and resource from the business.

Last year's shortages of supply in the boiler market have been overtaken by reduced demand for new boiler and heating system installations, however, revenue has remained broadly flat on 2022 H1 levels. The boiler market remains subdued, but we expect improvement in time, releasing pent-up demand.

The CMS business unit reported an underlying operating margin of 13.5% during the period, 400 basis points lower than H1 2022. The Group has invested heavily in cyber defence and insurance for this business unit, contributing to all the underlying operating margin deterioration. This does not reflect, that since the second half of last year, the underlying operating profit margin has been improving due to self-help measures and momentum in the Nuaire business. Progress on cost reductions has not yet taken full effect but management expect this to improve into the second half of the year.

Environmental, Social & Governance

The Science-Based Targets initiative ("SBTi") has approved Genuit Group's near-term science-based emissions reduction target. The Group has also committed to set long-term emissions reduction targets with the SBTi in line with reaching net-zero by 2050. The Group continue to place innovation at the heart of its business, ensuring it has the solutions for the emerging challenges faced by the construction sector.

Financial Review

Finance Costs

Net underlying finance costs for the six months ended 30 June 2023 rose to £6.7m (2022: £2.8m) due to significantly increased interest rates offset by lower level of RCF borrowing through the first half of the year. 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 2023 was 1.65% (30 June 2022: 1.40%).

Taxation

The Group's tax charge for the six months ended 30 June 2023 decreased to £6.4m (2022: £7.9m). The underlying tax rate (underlying tax: underlying profit before tax) has been provided at the estimated full year rate of 23.6% (2022 full year: 15.6%).

Dividend

The Group's dividend policy is normally to pay a minimum of 40% of the 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 £31.7m (2022: £18.4m inflow), as the Group continued to improve its working capital cycle.

Capital expenditure increased to £12.5m (2022: £9.4m). The full year 2023 is expected to be below £40m, with a primary focus on key, strategic and innovative projects.

Net debt (including unamortised debt issue costs but excluding the effects of IFRS 16 capitalisation) decreased to £154.6m at 30 June 2023 (30 June 2022 £167.9m, 31 December 2022: £143.1m). Leverage was in line with expectations at 1.3 times pro forma EBITDA (30 June 22: 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 consist of a £350.0m Sustainability-Linked Loan with an uncommitted 'accordion' facility of £50.0m and a seven-year private placement loan note of £25.0m with an uncommitted shelf facility of £125.0m. At 30 June 2023, liquidity headroom (cash and undrawn committed banking facilities) was £217.9m (2022: £131.7m). The Group's focus will continue to be on deleveraging and its net debt to EBITDA ratio stood at 1.3 times pro forma EBITDA at 30 June 2023 (30 June 2022: 1.5 times pro forma EBITDA), increasing to 1.5 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 18 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 the 2022 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.

A copy of the 2022 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 14 August 2023 and is available on the Company's website www.genuitgroup.com.

The Directors of the Company are:

Kevin Boyd	Chair
Joe Vorih	Chief Executive Officer
Paul James	Chief Financial Officer
Lisa Scenna	Senior Independent Director
Mark Hammond	Non-executive Director
Louise Brooke-Smith	Non-executive Director
Shatish Dasani	Non-executive Director
Bronagh Kennedy	Non-executive Director

By order of the Board:

J M Vorih

Chief Executive Officer

P A James

Chief Financial Officer

Interim Group Income Statement
for the six months ended 30 June 2023 (unaudited)

		Six months ended 30 June 2023			Six months ended 30 June 2022		
	Notes	**Underlying £m**	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Revenue	3	**304.8**	**-**	**304.8**	318.0	-	318.0
Cost of sales		**(179.8)**	**(0.5)**	**(180.3)**	(194.4)	-	(194.4)
Gross profit		**125.0**	**(0.5)**	**124.5**	123.6	-	123.6
Selling and distribution costs		**(37.6)**	**-**	**(37.6)**	(42.7)	-	(42.7)
Administration expenses		**(40.2)**	**(2.7)**	**(42.9)**	(33.5)	(4.2)	(37.7)
Trading profit		**47.2**	**(3.2)**	**44.0**	47.4	(4.2)	43.2
Amortisation of intangible assets		**(0.2)**	**(7.4)**	**(7.6)**	-	(7.5)	(7.5)
Operating profit	3	**47.0**	**(10.6)**	**36.4**	47.4	(11.7)	35.7
Finance costs	3, 5	**(6.7)**	**-**	**(6.7)**	(2.8)	-	(2.8)
Profit before tax		**40.3**	**(10.6)**	**29.7**	44.6	(11.7)	32.9
Income tax	6	**(9.5)**	**3.1**	**(6.4)**	(9.8)	1.9	(7.9)
Profit for the period attributable to the owners of the parent company		**30.8**	**(7.5)**	**23.3**	34.8	(9.8)	25.0
Basic earnings per share (pence)	7			**9.4**			10.1
Diluted earnings per share (pence)	7			**9.3**			10.0
Dividend per share (pence) – interim	8			**4.1**			4.1

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 2023 (unaudited)

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m
Profit for the period attributable to the owners of the parent company	**23.3**	25.0
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	**23.3**	25.9

Interim Group Balance Sheet
at 30 June 2023 (unaudited)

	Notes	**30 June 2023 £m**	30 June 2022 £m	31 December 2022 £m
Non-current assets				
Property, plant and equipment	9	**170.3**	152.2	169.9
Right-of-use assets		**23.8**	21.1	22.3
Intangible assets	10	**607.8**	639.0	615.1
Total non-current assets		**801.9**	812.3	807.3
Current assets				
Inventories		**81.1**	97.4	89.9
Trade and other receivables		**102.6**	94.8	68.1
Income tax receivable		**4.0**	2.5	2.2
Cash and cash equivalents	11	**27.9**	49.7	50.0
Derivative financial instruments	12	**-**	0.2	-
Assets held-for-sale		**11.2**	-	10.7
Total current assets		**226.8**	244.6	220.9
Total assets		**1,028.7**	1,056.9	1,028.2
Current liabilities				
Trade and other payables		**(126.9)**	(132.4)	(124.2)
Lease liabilities	11, 12	**(5.8)**	(5.4)	(5.8)
Liabilities held-for-sale		**(2.8)**	-	(2.6)
Total current liabilities		**(135.5)**	(137.8)	(132.6)
Non-current liabilities				
Loans and borrowings	11, 12	**(182.5)**	(217.6)	(193.1)
Lease liabilities	11, 12	**(18.5)**	(16.5)	(17.3)
Deferred and contingent consideration	10, 12	**(8.8)**	(6.2)	(8.0)
Other liabilities		**-**	(1.4)	-
Deferred income tax liabilities		**(52.9)**	(53.2)	(50.1)
Total non-current liabilities		**(262.7)**	(294.9)	(268.5)
Total liabilities		**(398.2)**	(432.7)	(401.1)
Net assets		**630.5**	624.2	627.1
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	-
Foreign currency retranslation reserve		**-**	0.6	-
Other reserves		**116.5**	116.5	116.5
Retained earnings		**419.1**	412.0	415.7
Total equity		**630.5**	624.2	627.1

Interim Group Statement of Changes in Equity
for the six months ended 30 June 2023 (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 2023								
Opening balance	**0.2**	**93.6**	**1.1**	**-**	**-**	**116.5**	**415.7**	**627.1**
Profit for the period	-	-	-	-	-	-	**23.3**	**23.3**
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	**23.3**	**23.3**
Dividends paid	-	-	-	-	-	-	**(20.4)**	**(20.4)**
Share-based payments charge	-	-	-	-	-	-	**1.6**	**1.6**
Share-based payments settled	-	-	-	-	-	-	-	-
Share-based payments excess tax benefit	-	-	-	-	-	-	**(1.1)**	**(1.1)**
Closing balance	**0.2**	**93.6**	**1.1**	**-**	**-**	**116.5**	**419.1**	**630.5**
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

Interim Group Cashflow Statement
for the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023 £m**	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Operating activities				
Profit before tax		**29.7**	32.9	45.4
Finance costs	5	**6.7**	2.8	8.0
Operating profit		**36.4**	35.7	53.4
Non-cash items:				
Profit on disposal of property, plant and equipment		**(0.2)**	(0.6)	(0.7)
Research and development expenditure credit		**(0.8)**	(0.6)	(1.2)
Warranty provision release		**-**	-	(1.0)
Non-underlying items:				
– amortisation of intangible assets arising on business combinations	4, 10	**7.4**	7.5	15.2
– provision for acquisition costs	4	**1.5**	1.8	3.3
– provision for restructuring costs	4	**5.5**	1.2	9.3
– provision for product liability claim	4	**0.3**	-	1.0
– provision for cyber-incident related costs	4	**-**	1.2	1.2
– profit on disposal of property, plant and equipment	4	**(4.1)**	-	-
– impairment of goodwill arising on business combinations	4, 10	**-**	-	12.0
– impairment of intangible assets arising on business combinations	4, 10	**-**	-	2.8
Depreciation of property, plant and equipment	9	**10.0**	9.4	19.4
Depreciation of right-of-use assets		**2.5**	2.7	5.4
Amortisation of internally generated intangible assets	10	**0.2**	0.1	0.2
Share-based payments		**1.6**	1.6	2.9
Cash items:				
– settlement of acquisition costs	10	**-**	(0.7)	(0.2)
– settlement of restructuring costs		**(4.5)**	(2.3)	(8.2)
– settlement of product liability claim		**(1.0)**	-	-
– settlement of cyber-incident related costs		**-**	(1.2)	(1.2)
Operating cash flows before movement in working capital		**54.8**	55.8	113.6
Receivables		**(35.0)**	(17.2)	7.8
Payables		**3.1**	(3.9)	(10.4)
Inventories		**8.8**	(16.3)	(17.1)
Cash generated from operations		**31.7**	18.4	93.9
Income tax paid		**(5.2)**	(5.2)	(7.0)
Net cash flows from operating activities		**26.5**	13.2	86.9
Investing activities				
Settlement of deferred and contingent consideration	10	**(0.6)**	(0.5)	(0.5)
Acquisition of businesses net of cash at acquisition	10	**-**	(2.6)	(2.6)
Proceeds from disposal of property, plant and equipment		**6.1**	2.9	2.9
Purchase of property, plant and equipment		**(12.5)**	(9.4)	(41.1)
Patent and development costs expenditure		**(0.3)**	(0.9)	(2.7)
Net cash flows from investing activities		**(7.3)**	(10.5)	(44.0)
Financing activities				
Debt issue costs		**(0.1)**	-	(3.1)
Drawdown of bank loan		**30.0**	30.0	266.2
Repayment of bank loan		**(41.0)**	(10.0)	(268.3)
Interest paid		**(7.0)**	(2.2)	(3.7)
Dividends paid		**(20.4)**	(20.3)	(30.5)
Proceeds from exercise of share options		**-**	0.4	0.4
Settlement of lease liabilities		**(2.8)**	(3.2)	(6.2)
Net cash flows from financing activities		**(41.3)**	(5.3)	(45.2)
Net change in cash and cash equivalents		**(22.1)**	(2.6)	(2.3)
Cash and cash equivalents – opening balance		**50.0**	52.3	52.3
Cash and cash equivalents – closing balance		**27.9**	49.7	50.0

Notes to the Interim Group Financial Statements for the six months ended 30 June 2023

1. Basis of preparation

Genuit 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 2022. 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 2022.

The comparative figures for the financial year ended 31 December 2022, 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 18 months ending 31 December 2024, 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. 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 2023, the Group had available £190.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group's borrowing facilities were renewed on 10 August 2022 and included an increase in the RCF facility to £350.0m available until at least August 2027, subject to covenant headroom, and a seven-year private placement loan note of £25.0m repayable August 2029. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 18 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 2023.

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 the Group's 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 all proceeds from disposals of property, plant and equipment.
- Leverage is defined as net debt divided by pro forma EBITDA (both are reconciled in note 11). 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.

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 2022.

3. Segment information

From 1 January 2023, reporting segments have been aligned with the Group's Sustainable Solutions for Growth Strategy and reorganised into three segments – Sustainable Building Solutions, Water Management Solutions and Climate Management Solutions. Adey, Nuaire, Domus, Nu-Heat and Surestop have been reallocated from the Residential Systems segment into CMS, with the remainder of Residential Systems moving into SBS. The Commercial and Infrastructure segment is now reported as WMS without the commercial element of Nuaire which is now reported in CMS. 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. The prior year comparatives have been restated to the three divisions.

	Six months ended 30 June 2023				Six months ended 30 June 2022			
	Sustainable Building Solutions	Water Management Solutions	Climate Management Solutions	Total	Sustainable Building Solutions	Water Management Solutions	Climate Management Solutions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Segmental revenue	**141.9**	**98.7**	**86.7**	**327.3**	**160.1**	**100.3**	**79.8**	**340.2**
Inter segment revenue	**(14.4)**	**(10.6)**	**(2.0)**	**(27.0)**	**(17.3)**	**(8.5)**	**(2.0)**	**(27.8)**
Revenue*	**127.5**	**88.1**	**84.7**	**300.3**	**142.8**	**91.8**	**77.8**	**312.4**
Underlying operating profit**	**26.2**	**8.8**	**11.4**	**46.4**	**26.1**	**7.5**	**13.6**	**47.2**
Underlying profit from assets held for sale	**-**	**-**	**-**	**0.6**	**-**	**-**	**-**	**0.2**
Non-underlying items – segmental	**0.8**	**(3.5)**	**(7.9)**	**(10.6)**	**(1.8)**	**(2.5)**	**(7.4)**	**(11.7)**
Segmental operating profit	**27.0**	**5.3**	**3.5**	**36.4**	**24.3**	**5.0**	**6.2**	**35.7**
Finance costs				**(6.7)**				**(2.8)**
Profit before tax				**29.7**				**32.9**

* The remaining £4.5m (2022: £5.6m) of revenue relates to assets held for sale which do not form part of the Group's reporting segments.
** 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 £10.6m (2022: £11.7m) are detailed in note 4.

Notes to the Interim Group Financial Statements (continued) for the six months ended 30 June 2023

3. Segment information (continued)

Geographical analysis

Revenue by destination	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m
UK	**268.9**	284.8
Rest of Europe	**19.3**	18.5
Rest of World	**16.6**	14.7
Total – Group	**304.8**	318.0

4. Non-underlying items

Non-underlying items comprised:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Cost of sales:						
Inventory write down	**0.5**	**(0.1)**	**0.4**	-	-	-
Administration expenses:						
Acquisition costs – acquisition and other M&A activity	**1.5**	**-**	**1.5**	1.8	(0.1)	1.7
Product liability claim	**0.3**	**(0.1)**	**0.2**	-	-	-
Restructuring costs	**5.0**	**(1.2)**	**3.8**	1.2	(0.2)	1.0
Profit on disposal of property plant and equipment	**(4.1)**	**-**	**(4.1)**	-	-	-
Isolated cyber-incident	**-**	**-**	**-**	1.2	(0.2)	1.0
Amortisation of intangible assets	**7.4**	**(1.7)**	**5.7**	7.5	(1.4)	6.1
Total non-underlying items	**10.6**	**(3.1)**	**7.5**	11.7	(1.9)	9.8

In the six months ended 30 June 2023, non-underlying items included £1.5m (2022: £1.8m) of acquisition costs in respect of an accrual, for the element of the earn out accounted for as remuneration, associated with the Plura acquisition.

Restructuring costs incurred in both periods are in relation to the reorganisation of the Group. The Group continues to review its operating footprint which resulted in the closure of two sites, this included the sale of one property which accounts for the profit on disposal, reorganisation costs in relation to the new operating structure of the segmental units (see note 3) and costs incurred for consultancy fees for advisory support as part of the initial deployment and design of the Genuit Business system.

Other non-underlying items in the six months ended 30 June 2023, comprised of legal costs relating to a product liability claim associated with a historic acquisition and a provision for inventory for items taken off the market that do not sit within the Genuit product strategy.

Amortisation charged relates to intangible assets arising on business combinations.

In the period ending 30 June 2022, non-underlying items included costs associated with an isolated cyber-incident at one of the Group's businesses.

Notes to the Interim Group Financial Statements (continued) for the six months ended 30 June 2023

5. Finance costs

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m
Interest on bank loan	**6.0**	2.0
Debt issue cost amortisation	**0.4**	0.2
Unwind of discount on lease liabilities	**0.3**	0.4
Other finance costs	**-**	0.2
	6.7	2.8

6. Income tax

Tax has been provided on the profit before tax at the estimated effective rate for the full year of 24.6% (2022 full year: 19.6%). Tax on underlying profit before tax was 23.6% (2022 full year: 15.6%).

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m
Current income tax:		
UK income tax	**4.9**	3.5
Overseas income tax	**0.2**	0.2
Current income tax	**5.1**	3.7
Adjustment in respect of prior years	**(0.4)**	0.6
Total current income tax	**4.7**	4.3
Deferred income tax:		
Origination and reversal of timing differences	0.3	0.2
Effects of changes in income tax rates	0.8	2.4
Deferred income tax	1.1	2.6
Adjustment in respect of prior years	0.6	1.0
Total deferred income tax	**1.7**	3.6
Total tax expense reported in the income statement	**6.4**	7.9

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 2023	Six months ended 30 June 2022
Weighted average number of ordinary shares for the purpose of basic earnings per share	**248,158,835**	247,928,506
Effect of dilutive potential ordinary shares	**3,458,687**	3,101,184
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**251,617,522**	251,029,690

Notes to the Interim Group Financial Statements (continued) for the six months ended 30 June 2023

7. Earnings per share (continued)

Underlying earnings per share is based on the result for the period after tax excluding the impact of non-underlying items of £7.5m (2022: £9.8m). 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 the Group's financial performance. The underlying earnings per share is calculated as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Underlying profit for the period attributable to the owners of the parent company (£m)	**30.8**	34.8
Underlying basic earnings per share (pence)	**12.4**	14.0
Underlying diluted earnings per share (pence)	**12.2**	13.9

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. Property, plant and equipment

	Freehold land and buildings £m	**Plant and other equipment £m**	**Total £m**
At 31 December 2022			
Cost	63.2	203.4	266.6
Accumulated depreciation	(10.8)	(85.9)	(96.7)
Net book value	52.4	117.5	169.9
At 1 January 2023	52.4	117.5	169.9
Additions	2.0	10.5	12.5
Disposals	(1.9)	(0.1)	(2.0)
Depreciation charge	(3.1)	(6.9)	(10.0)
Exchange adjustment	–	(0.1)	(0.1)
At 30 June 2023	**49.4**	**120.9**	**170.3**

In June 2023 the Group sold the land and buildings of one of its operating warehouses. The gain on sale has been recognised in non-underlying items see (note 4).

10. Acquisitions

Acquisition-related deferred and contingent consideration comprised:

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Deferred consideration on Keytec acquisition	**-**	0.6	0.6
Deferred and contingent consideration on Plura acquisition	**8.8**	5.6	7.4
	8.8	6.2	8.0

An amount of £1.4m has been recognised as a non-underlying expense in the Group Income Statement in the six months ended 30 June 2023 in respect of the Plura contingent consideration arrangement. This takes the total amount recognised as a liability on the Group Balance Sheet at 30 June 2023 to £8.8m. The aggregate final consideration is expected to be approximately £11.9m. Contingent consideration was determined using the Directors' assessment of the likelihood that financial targets will be achieved. There is no material difference between the estimated cash consideration and the fair value. The estimated cash consideration is derived from the budgets and forecasts or Plura.

10. Acquisitions (continued)

Acquisition-related cash flows comprised:

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Operating cash flows – settlement of acquisition costs			
Keytec	**-**	0.1	0.1
Other	**0.1**	0.1	0.1
	0.1	0.2	0.2

	Six months ended 30 June 2023 £m	**Six months ended 30 June 2022 £m**	**Year ended 31 December 2022 £m**
Investing cash flows – Settlement of deferred and contingent consideration			
Keytec	**0.6**	**-**	**-**
Permavoid	**-**	0.5	0.5
	0.6	0.5	0.5

	Six months ended 30 June 2023 £m	**Six months ended 30 June 2022 £m**	**Year ended 31 December 2022 £m**
Investing cash flows – acquisition of businesses net of cash at acquisition			
Keytec	**-**	2.6	2.6

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, which was paid in early 2023. 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.

No material intangible assets were 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 was initially allocated entirely to the Commercial and Infrastructure Systems, which is now the Water Management Solutions segment.

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 2023	467.4	40.0	66.5	114.3	0.8	0.9	4.3	694.2
Additions	-	0.3	-	-	-	-	0.6	0.9
Disposals	-	-	-	-	-	-	(0.6)	(0.6)
At 30 June 2023	**467.4**	**40.3**	**66.5**	**114.3**	**0.8**	**0.9**	**4.3**	**694.5**
Amortisation and impairment losses								
At 1 January 2022	12.0	18.8	24.3	22.3	0.4	0.9	0.4	79.1
Charge for the period	-	1.7	2.6	3.1	-	-	0.2	7.6
At 30 June 2023	**12.0**	**20.5**	**26.9**	**25.4**	**0.4**	**0.9**	**0.6**	**86.7**
Net book value								
At 30 June 2023	**455.4**	**19.8**	**39.6**	**88.9**	**0.4**	**-**	**3.7**	**607.8**
At 31 December 2022	455.4	21.2	42.2	92.0	0.4	-	3.9	615.1

Notes to the Interim Group Financial Statements (continued) for the six months ended 30 June 2023

10. 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. The change in the Group's operating segments has not impacted the allocation of goodwill to CGUs.

At 30 June 2023, an assessment was made to identify any indicators of impairment of goodwill. Where there were indicators of impairment affecting a CGU at 30 June 2023, 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. The 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% (2022: 2.60% to 2.80%) thereafter. A pre-tax discount rate of 12.9% (30 June 2022: 11.4%) 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 interim consolidated financial statements. The application of these sensitivities did not cause an impairment of goodwill for any CGU tested, with the exception of Adey. The carrying amount of goodwill in the Adey CGU of £92.8m is sensitive to changes in the key assumptions. The detailed sensitivity analysis indicates that the following changes in each of the key assumptions would result in the headroom being eliminated and an impairment recognised:

- Operating margins declining by 60 basis points per annum from that used in the value-in-use calculation.
- The pre-tax discount rate increasing to 13.1% from that used in the value-in-use calculation of 12.9%.
- A 23% increase in the overall capital expenditure forecast from that used in the value-in-use calculation.

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

11. Analysis of net debt

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Cash and cash equivalents	**27.9**	49.7	50.0
Current loans and borrowings			
Lease liabilities	**5.8**	5.4	5.8
Non-current loans and borrowings			
Bank loan – principal	**160.0**	218.0	170.9
– unamortised debt issue costs	**(2.5)**	(0.4)	(2.8)
Private placement loan notes	**25.0**	-	25.0
Lease liabilities	**18.5**	16.5	17.3
	201.0	234.1	210.4
Net debt	**178.9**	189.8	166.2
Net debt (excluding lease liabilities)	154.6	168.3	143.1

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

Notes to the Interim Group Financial Statements (continued) for the six months ended 30 June 2023

11. Analysis of net debt (continued)

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 2023 was 1.65% (2022: 1.40%). The Group's net debt for the leverage calculation at 30 June 2023 was £154.6m (2022: £167.9m) 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 2023 was £121.4m (2022: £115.7m) and is defined as pre-IFRS 16 underlying operating profit before depreciation, amortisation and share-based payment charges, for the 12 months preceding the balance sheet date, adjusted where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Pro forma EBITDA (12 months preceding the balance sheet)			
Underlying operating profit	**98.0**	94.1	98.2
Depreciation of property, plant and equipment	**20.3**	18.5	19.4
Amortisation of internally generated intangible assets	**0.3**	0.2	0.2
Unwind of discount on lease liabilities	**(0.8)**	(0.8)	(0.8)
Share-based payments charge	**3.6**	3.2	3.1
	121.4	115.2	120.1
EBITDA from acquisitions	**-**	0.5	0.2
	121.4	115.7	120.3

At 30 June 2023, the Group had available, subject to covenant headroom, £190.0m (2022: £82.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

12. 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	**-**	-
Interest-bearing loans and borrowings due after more than one year	**182.5**	182.5
Deferred and contingent consideration	**8.8**	8.8
Lease liabilities	**24.3**	24.3
Total at 30 June 2023	**215.6**	215.6
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	-	-
Interest-bearing loans and borrowings due after more than one year	193.1	193.1
Deferred and contingent consideration	8.0	8.0
Lease liabilities	23.1	23.1
Total at 31 December 2022	224.2	224.2

12. 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 10).
- 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. Contingent consideration is dependent on EBITDA performance during the earn out period, which was determined using the Directors' assessment of the likelihood that financial targets will be achieved, derived from available budgets and forecasts.

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 Genuit Group plc (the Company) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 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 Cashflow Statement and the related Notes to the Interim Group Financial Statements 1 to 12. 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 2023 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" (ISRE) 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

14 August 2023