12 November 2020

Brickability Group plc

("the Group")

Interim Results for the six months ended 30 September 2020

Brickability Group plc, the leading construction materials distributor, today announces its unaudited interim results for the six months ended 30 September 2020.

John Richards, Chairman, said:

"I am delighted to report that following a tough April and a slow start in May, due to COVID-19 related restrictions on trading, the Group returned to profitability in May and in each month since, during H1, produced EBITDA at around 2019 levels.

The recovery that we have seen is V shaped and continues to improve.

Cost control within the Group has been excellent as has the way in which our staff quickly adapted to working from home and to new COVID-19 compliant Health & Safety procedures when they returned to our business locations.

Cash conversion has continued to be strong and the Board are pleased to announce an interim dividend of 0.8678p per share payable on 25 February 2021."

Financial Highlights:

- Revenues of £75.3m (H1 2019: £97.9m)
- Gross profit of £15.8m (H1 2019: £19.1m)
- Gross profit margin of 21.0% (H1 2019: 19.5%)
- Profit before tax of £5.4m (H1 2019: £6.5m)
- Adjusted EBITDA* of £8.0m (H1 2019: £10.4m)
- Cash balance at 30 September of £13.8m (H1 2019: £18.0m)
- Net bank debt as at 30 September of £2.7m (H1 2019: £1.9m)
- Interim dividend declared of 0.8678p per share

Operational Highlights:

- Implemented new COVID-19 Health & Safety procedures
- Returned to business sites in May in line with the re-commencement of construction activity
- Integration of current acquisitions complete
- Reduced costs during lock down period which remain in place
- Advanced preparations put in place for business continuity post EU withdrawal

Post period end and outlook:

- Recovery has continued strongly post period end
- New 63,000 sq. ft warehouse secured for the Heating, Plumbing and Joinery division, demonstrates ongoing investment in the business
- Strong pipeline of acquisitions remains
- Board remains confident in the future of the business and is now in a position to reinstate market guidance for the financial year ending 31 March 2021

Alan J Simpson, Chief Executive Officer, said:

"The Group has benefitted both from the rapidly increasing demand from the homebuilding industry along with the measures quickly put in place in late March to reduce costs. We are also very pleased to note increasing contributions from a number of our acquisitions and our cladding start up business.

The Group continues to pursue its strategy of bolt on acquisitions alongside organic growth and the pipeline for such acquisitions remains strong. We are however exercising caution given market conditions and our criteria remain stringent."

**Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional and acquisition costs.*

This announcement contains inside information.

Enquiries:

Brickability Group PLC
John Richards, Chairman
Alan Simpson, Chief Executive officer
Stuart Overend, Chief Financial Officer
c/o Montfort Communications

Cenkos Securities (Nomad and Broker) 0207 397 8900

Max Hartley (Corporate Finance)
Julian Morse (Sales)

Montfort Communications (Financial PR) 0203 770 7916
James Olley
Woolf Thomson Jones

About Brickability

Brickability is a leading construction materials distributor, serving customers across the UK for over 25 years through its mainstream and local networks. The Company supplies over 300m bricks annually and already has 25 sites and sales offices, employing approximately 285 people throughout the UK. Across its three divisions, the Group supplies bricks, roofing, heating, flooring, doors and windows to meet UK housebuilder demand.

Brickability Group plc

Interim Report for the six months ended 30 September 2020

Chairman's Statement

I am delighted to report that following a difficult April and slow start to May in the face of COVID-19 related "lockdown", the Group returned to profitability in May and in each month since, during H1, has produced EBITDA at 2019 levels. This recovery is V shaped in our experience and continues to improve. Demand from home builders has steadily increased and in many cases is now at pre COVID levels.

The Group responded quickly and robustly in April with many staff efficiently moving to working from home, while those who continued working at our locations adapted seamlessly to the new Health & Safety procedures put in place to avoid the spread of COVID-19.

All staff have been working normally for some time and indeed we have recruited further team members in order to service our strong order book, adding to our growing door, flooring, towel radiator and cladding businesses.

Acquisitions have performed well and the pipeline for further bolt on targets is very encouraging in a number of business areas, including some that will add to the breadth of our product offering. We are also pursuing a number of acquisition/ start up opportunities that will take advantage of low energy manufacturing processes and new technologies.

As profitability has recovered quickly and as confidence has returned across our sector, the Board are pleased to announce an interim dividend of 0.8678p per share, payable on 25 February 2021.

Finally, I would like to thank all of our employees for their remarkable commitment and performance during the challenges of what was a very difficult time.

John Richards
Chairman
12 November 2020

Brickability Group plc

Chief Executive's Review

The Group has benefitted from both the rapidly improving demand from housebuilders along with the measures quickly put in place in April to reduce costs. Both have contributed to our recovery in profitability which began in May.

While brick despatches, including those from Crest Brick and Bespoke Brick, our two brick import businesses, have recovered well, heating, plumbing and joinery have enjoyed an equally encouraging improvement following a difficult April.

While our internal high-end door sales have begun to recover, this has been augmented by the excellent mid-range door portfolio that we now have available to us. As major housebuilders continue to issue positive trading updates, we expect continued recovery in our sales volumes.

This recovery has been driven by the legacy businesses within the Group but has been much supported by the strong contributions from acquisitions. This in turn has been assisted further still from the performance of our start up cladding business which is already profitable.

The Group continues to invest for future growth and is pleased to have committed to a new warehouse of 63,000 sq. ft in Warwickshire to fulfil the requirement for additional warehousing in the Heating, Plumbing and Joinery division. The investment will bring the division significant additional storage and will be functional from early 2021, with a view to serving customers nationally, improving both our efficiency and capacity. The total cost of this investment is £3.85m and is expected to complete in December 2020.

Inside our business, we have continued to strengthen our finance team and have added resource to our DSH Flooring business, along with our IT and Social Media team. We are also undertaking a Group-wide analysis of our IT capabilities, our use of electronic trading and our internet sales vehicles following in the footsteps of Towelrads.com and Radiatorsonline.com.

Post period and outlook

The Group saw the strong recovery continue into H2 and whilst the nation faces more challenges following the Government's 31 October "lockdown" announcement, it is clear that construction is expected to carry on and we will continue to service that demand.

We continue to pursue our strategy of bolt on acquisitions and the pipeline for these remains strong. We also have the opportunity to support further start-up businesses which we are actively progressing.

Looking forward, the market for our products continues to improve and the fundamentals for the housebuilding sector continue to be strong. The Group is optimistic that given the need for more homes to be built, Government support for housing, Help2Buy version 2 and the drive for affordable homes, the demand for quality building materials will remain robust and our order books reflect this. The Group has been readying itself for Brexit since 2016 and is well prepared for the changes that will affect the industry when the UK leaves the European Union on 31 December 2020.

The Group remains confident in the future of the business and is now in a position to reinstate market guidance for the financial year ending 31 March 2021. Accordingly, we currently anticipate delivering a full year adjusted EBITDA of at least £15m.

Alan J Simpson
Chief Executive
12 November 2020

Brickability Group plc

Financial Review

Revenue and Gross Margin

The Group delivered revenue of £75.3m in the first six months of 2020 (H1 2019: £97.9m), representing a total decrease of 23.2% (£22.6m). When the impact of acquisitions is excluded from revenue, like for like ("LFL") revenue was down 32.4%.

The reduction in revenues is reflective of the impact of COVID-19, with revenues in the month of April of c.£3.0m vs c.£14.8m for the same month in 2019. Revenues have been recovering in a V shaped fashion since then, with revenues averaging £17.1m in the last 3 months of the period.

Revenue by division was:

	H1 2020 £'000	H1 2019 £'000	% Decrease
Bricks & Building Materials	**60,313**	75,123	19.7%
Roofing Products and Services	**4,953**	9,770	49.3%
Heating, Plumbing and Joinery	**9,991**	13,052	23.5%
Total	**75,257**	97,945	23.2%

Gross margins across the Group increased to 21.0% (H1 2019: 19.5%). Gross Profit for the 6 months decreased to £15.8m (H1 2019: £19.1m).

Administrative expenses

There was an overall net decrease in administrative expenses of £0.8m across the Group against the prior corresponding period with costs being cut due to COVID-19, even with the additional overheads from the acquired businesses.

Depreciation and amortisation

Depreciation and amortisation has increased in line with acquisitions made last year.

EBITDA

The Group's adjusted EBITDA decreased to £8.0m (-22.7%) in the first six months of 2020, compared to £10.4m in the same period last year, reflecting the impact of the lockdown. EBITDA as a percentage of turnover remained at 10.6% (H1 2019: 10.6%).

Adjusted EBITDA by division was:

	H1 2020 £'000	H1 2020 EBITDA as % turnover	H1 2019 £'000	H1 2019 EBITDA as % turnover
Bricks & Building Materials	**5,520**	9.5%	6,429	8.6%
Roofing Products and Services	**888**	17.9%	1,894	19.4%
Heating, Plumbing and Joinery	**2,515**	25.2%	2,986	22.9%
Central	**(918)**	-	(947)	-
Total	**8,005**	10.6%	10,362	10.6%

Profit before tax

The Group generated a profit before tax for the period of £5.4m, compared to £6.5m in the prior period.

Interest expense fell significantly to £0.5m as net debt has fallen to £2.7m

Earnings per share

Earnings per share was 1.89p per share.

Dividend

The Board has decided to regularise the dividend payments and plans to pay an interim dividend in February and final dividend in August each year.

The Board has declared an interim dividend of 0.8678p per share to shareholders on the register at 29 January 2021. The ex-date and payment date for the dividend will be 28 January 2021 and 25 February 2021 respectively.

Cashflow

The Group generated operating cash flow before movements in working capital of £8.1m in the first six months of the year compared to £11.2m in the same period in 2019. Cash generated from operations was £3.6m (2019 £4.1m). The movement in working capital from 31 March 2020 to 30 September 2020 was due to the fall in sales at the end of March and a full sales month in September 2020, therefore increasing the debtor book at period end. Creditor payments were also normalised following the staggered payments at 31 March during lockdown (suppliers only paid once we received payments from customers).

Balance Sheet and Liquidity

The net bank debt position as at 30 September 2020 was £2.7m, a decrease of £5.0m from the 31 March 2020 position. This mid-year decrease was due to the payment of £6.4m of deferred consideration for subsidiaries and £1.1m of tax paid.

During the period, the Group also repaid £8.5m of bank debt, further reducing overall leverage. Total bank debt as at 30 September 2020 was £16.5m with a further £18.5m of undrawn facilities available.

Post balance sheet events

In November 2020, Towelrads.com Limited committed to purchase a new warehouse for £3.85m, which is expected to complete in December 2020. The Heating, Plumbing and Joinery business has continued to grow and additional warehouse space is required to support the expansion of the division. The Board felt that purchasing the warehouse was a more cost-effective long-term solution given the high demand for warehouse space in the UK. The purchase will be funded though the existing bank RCF facility. There are no other material post balance sheet events.

Stuart J Overend
Chief Financial Officer
12 November 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 September 2020 (unaudited)

	Notes	**6 months ended 30 Sept 2020 £'000**	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
Revenue		**75,257**	97,945	187,126
Cost of sales		**(59,457)**	(78,889)	(149,442)
Gross profit		**15,800**	19,056	37,684
Other operating income		**1**	4	26
Administrative expenses	6	**(7,722)**	(8,547)	(17,766)
Impairment losses on financial assets		**(74)**	(151)	(433)
Depreciation and amortisation		**(2,527)**	(2,041)	(4,387)
Finance income		**11**	39	71
Finance expense		**(454)**	(1,975)	(2,527)
Share of post-tax profit/ (loss) of equity accounted associates		**-**	25	(32)
Fair value gains/ (losses)		**381**	-	(45)
Exceptional income		**-**	1,000	2,000
Exceptional expenses		**-**	(891)	(2,407)
Profit before tax		**5,416**	6,519	12,184
Tax expense		**(1,064)**	(1,507)	(2,893)
Profit for the year and total comprehensive income attributable to equity holders of the parent		**4,352**	5,012	9,291

Earnings per share

Basic earnings per share	8	**1.89 p**	3.18 p	4.79 p
Diluted earnings per share	8	**1.89 p**	3.18 p	4.77 p

EBITDA

Adjusted EBITDA reflects earnings before interest, tax, depreciation, amortisation, fair value movements and exceptional items. It can be reconciled to profit before tax as follows:

	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
Adjusted EBITDA	**8,005**	10,362	19,511
Depreciation	**(779)**	(565)	(1,312)
Amortisation	**(1,748)**	(1,476)	(3,059)
Impairment of goodwill	**-**	-	(16)
Finance income	**11**	39	71
Finance expense	**(454)**	(1,975)	(2,527)
Share of post-tax profit/ (loss) of equity accounted associates	**-**	25	(32)
Fair value gains/ (losses)	**381**	-	(45)
Exceptional income	**-**	1,000	2,000
Exceptional expenses	**-**	(891)	(2,407)
Profit before tax	**5,416**	6,519	12,184

Condensed Consolidated Balance Sheet
Six months ended 30 September 2020 (unaudited)

	Notes	**6 months ended 30 Sept 2020 £'000**	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
Non-current assets				
Property, plant and equipment		**4,002**	3,806	4,173
Right of use assets		**5,944**	5,334	6,375
Intangible assets		**76,302**	73,307	78,050
Investments in equity accounted associates		**352**	1,299	352
Deferred tax assets		**205**	744	205
Trade and other receivables		**391**	337	391
Total non-current assets		**87,196**	84,827	89,546
Current assets				
Inventories		**9,182**	7,363	9,791
Trade and other receivables		**39,151**	39,520	36,560
Cash and cash equivalents		**13,798**	17,951	27,269
Total current assets		**62,131**	64,834	73,620
Total assets		**149,327**	149,661	163,166
Current liabilities				
Trade and other payables		**(33,127)**	(31,571)	(41,912)
Current income tax liabilities		**(529)**	(854)	(277)
Loans and borrowings	11	**-**	(6,978)	-
Lease liabilities		**(774)**	(598)	(776)
Total current liabilities		**(34,430)**	(40,001)	(42,965)
Non-current liabilities				
Trade and other payables		**(2,000)**	(731)	(2,402)
Loans and borrowings	11	**(16,332)**	(19,821)	(24,912)
Lease liabilities		**(5,481)**	(4,932)	(5,802)
Derivative financial liabilities		**-**	(138)	-
Provisions		**(1,325)**	(1,801)	(1,389)
Deferred tax liabilities		**(5,299)**	(4,493)	(5,631)
Total non-current liabilities		**(30,437)**	(31,916)	(40,136)
Total liabilities		**(64,867)**	(71,917)	(83,101)
Net assets		**84,460**	77,744	80,065
Equity				
Called up share capital		**2,305**	2,305	2,305
Share premium account		**49,999**	49,999	49,999
Capital redemption reserve		**2**	2	2
Share-based payment reserve		**99**	14	56
Merger reserve		**1,245**	1,245	1,245
Retained earnings		**30,810**	24,179	26,458
Total equity		**84,460**	77,744	80,065

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2020 (unaudited)

	Share capital	Share premium account	Capital redemption	Share-based payments	Merger reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019 (restated)	**4**	**8,970**	**-**	**-**	**1,245**	**6,167**	**16,386**
Profit for the six months to 30 September 2019	-	-	-	-	-	5,012	5,012
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**5,012**	**5,012**
Issue of paid shares	678	44,223	-	-	-	-	44,901
Bonus issue of shares	1,429	(1,429)	-	-	-	-	-
Conversion of debt to equity	196	13,736	-	-	-	-	13,932
Purchase of own shares	(2)	-	2	-	-	-	-
Increase in share-based payment reserve	-	-	-	14	-	-	14
Share issue costs	-	(2,501)	-	-	-	-	(2,501)
Share premium reduction	-	(13,000)	-	-	-	13,000	-
Total contributions by and distributions to owners	**2,301**	**41,029**	**2**	**14**	**-**	**13,000**	**56,346**
At 30 September 2019	**2,305**	**49,999**	**2**	**14**	**1,245**	**24,179**	**77,744**
Profit and total comprehensive income for the six months to 31 March 2020	-	-	-	-	-	4,279	4,279
Dividends paid	-	-	-	-	-	(2,000)	(2,000)
Increase in share-based payment reserve	-	-	-	42	-	-	42
Total contributions by and distributions to owners	-	-	-	42	-	(2,000)	(1,958)
At 31 March 2020	**2,305**	**49,999**	**2**	**56**	**1,245**	**26,458**	**80,065**

At 1 April 2020	**2,305**	**49,999**	**2**	**56**	**1,245**	**26,458**	**80,065**
Profit for the six months to 30 September 2020	-	-	-	-	-	4,352	4,352
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**4,352**	**4,352**
Increase in share-based payment reserve	-	-	-	43	-	-	43
Total contributions by and distributions to owners	**-**	**-**	**-**	**43**	**-**	**-**	**43**
At 30 September 2020	**2,305**	**49,999**	**2**	**99**	**1,245**	**30,810**	**84,460**

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 September 2020 (unaudited)

	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
Operating activities			
Profit for the six months ended 30 September	**4,352**	5,012	9,291
Adjustments for:			
Depreciation of property, plant and equipment	**334**	114	595
Depreciation of right of use assets	**445**	451	717
Amortisation of intangible assets	**1,748**	1,476	3,059
Loss/ (Gain) on disposal of property, plant & equipment and right of use assets	**14**	(2)	(8)
Foreign exchange losses	**68**	38	4
Share-based payments expense	**43**	14	56
Share of post-tax (profit)/ loss in equity accounted associates	**-**	(25)	32
Impairment of goodwill	**-**	-	16
Fair value changes in contingent consideration	**(381)**	-	45
Movements in provisions	**(64)**	(174)	(586)
Finance income	**(11)**	(39)	(71)
Finance expense	**454**	1,975	2,527
Exceptional expenses	**-**	891	2,407
Income tax expense	**1,064**	1,507	2,893
Amortisation of loan note issue costs	**-**	2	2
Operating cash flows before movements in working capital	**8,066**	11,240	20,979
Changes in working capital:			
Decrease/ (Increase) in inventories	**609**	(657)	(1,890)
(Increase)/ Decrease in trade and other receivables	**(2,591)**	1,168	6,862
Decrease in trade and other payables	**(2,494)**	(7,626)	(5,024)
Cash generated from operations	**3,590**	4,125	20,927
Payment of exceptional acquisition expenses	**-**	(52)	(320)
Interest received	**11**	39	70
Interest paid	**(241)**	(3,479)	(6,049)
Income taxes paid	**(1,144)**	(3,313)	(4,710)
Net cash from operating activities	**2,216**	(2,680)	9,918
Investing activities			
Purchase of property, plant and equipment	**(119)**	(460)	(941)
Proceeds from sale of property, plant and equipment	**9**	14	25
Purchase of right of use assets	**-**	(8)	(32)
Acquisition of subsidiaries	**-**	(8,676)	(11,426)
Net cash acquired with subsidiary undertakings	**-**	1,768	5,146
Dividends received from associates	**-**	18	33
Net cash used in investing activities	**(110)**	(7,344)	(7,195)

The condensed consolidated statement of cash flows continues on the following page.

Condensed Consolidated Statement of Cash Flows *(continued)*
For the six months ended 30 September 2020 (unaudited)

	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
Financing activities			
Equity dividends paid	**-**	-	(2,000)
Proceeds from issue of ordinary shares	**-**	43,923	43,923
Payment of share issue costs	**-**	(414)	(414)
Payment of exceptional financing costs	**-**	(342)	(490)
Proceeds from bank borrowings	**-**	8,158	13,015
Repayment of bank borrowings	**(8,500)**	(25,000)	(25,000)
Repayment of loan notes	**-**	(9,113)	(14,562)
Payment of lease liabilities	**(561)**	(307)	(871)
Payment of deferred consideration	**(6,427)**	(5,885)	(5,885)
Payment of transaction costs relating to loans and borrowings	**(90)**	(70)	(70)
Settlement of derivative financial instruments	**-**	-	(105)
Net cash flows from financing activities	**(15,578)**	10,950	7,541
Net (decrease)/ increase in cash and cash equivalents	**(13,472)**	926	10,264
Cash and cash equivalents at beginning of period	**27,269**	17,001	17,001
Effect of changes in foreign exchange rates	**1**	24	4
Cash and cash equivalents at end of period	**13,798**	17,951	27,269

Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended 30 September 2020 (unaudited)

1. General Information

Brickability Group plc (the 'Company' or the 'Group') is a public company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 (registration number 11123804) and registered in England and Wales. The registered office address is c/o Brick-ability Ltd, South Road, Bridgend Industrial Estate, Bridgend, United Kingdom, CF31 3XG.

Copies of this Interim Report may be obtained from the registered address or from the Investors section of the Company's website at www.brickabilitygroupplc.com.

2. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 March 2020. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding changes in the Group's financial position and performance since the last annual financial statements.

The Annual Report and Accounts for the year ended 31 March 2020 was audited and has been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for the year ended 31 March 2020 was not qualified and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The financial information for the six months ended 30 September 2020 and 30 September 2019 is unaudited and has not been reviewed by the Company's auditors.

The interim financial statements are presented in pounds sterling, which is the functional currency of the Group. Amounts are rounded to the nearest thousand, unless otherwise stated.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in preparing these interim financial statements.

3. Significant Accounting Policies

The Group has applied the same accounting policies in these interim financial statements as in its 2020 annual financial statements, except for amendments to IFRS 16: COVID-19 Related Rent Concessions, which were adopted on 1 June 2020.

Amendments to IFRS 16: COVID-19 Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

i. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
ii. The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
iii. There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy the above criteria may be accounted for in accordance with the practical expedient, which means lessees do not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all eligible rent concessions. The practical expedient has also been applied retrospectively to those rent concessions meeting the criteria from 1 April 2020 to 31 May 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability being recorded against the right of use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the concession occurs.

4. Use of judgements and estimates

The significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty for the interim financial statements are the same as those described in the 2020 annual financial statements.

5. Segmental analysis

The Group generates revenue through three main activities and thus has three reportable segments, as follows:

- Bricks and Building Materials, which incorporates the sale of superior quality building materials to all sectors of the construction industry including national house builders, developers, contractors, general builders and retail to members of the public;
- Roofing Products and Services, which incorporates the supply of roofing construction services, primarily within the residential construction sector; and
- Heating, Plumbing and Joinery, which incorporates the sale of high-performance joinery materials and the distribution of radiators and associated parts and accessories.

The whole of the Group's revenue is generated within the UK. Inter-segment sales are eliminated from the results reported to the chief operating decision maker (CODM) and from the consolidated interim financial statements.

	6 months ended 30 September 2020				6 months ended 30 September 2019			
	Bricks and Building Materials £'000	**Roofing Products and Services £'000**	**Heating, Plumbing and Joinery £'000**	**Consolidated £'000**	Bricks and Building Materials £'000	Roofing Products and Services £'000	Heating, Plumbing and Joinery £'000	Consolidated £'000
Revenue	**60,313**	**4,953**	**9,991**	**75,257**	75,123	9,770	13,052	97,945
EBITDA	**5,520**	**888**	**2,515**	**8,923**	6,429	1,894	2,986	11,309
Centralised costs				**(904)**				(949)
(Loss)/ profit on disposal of assets				**(14)**				2
Group adjusted EBITDA				**8,005**				10,362
Depreciation				**(779)**				(565)
Amortisation				**(1,748)**				(1,476)
Finance income				**11**				39
Finance expense				**(454)**				(1,975)
Share of results of associates				**-**				25
Fair value gains and losses				**381**				-
Exceptional income				**-**				1,000
Exceptional expenses				**-**				(891)
Group profit before tax				**5,416**				6,519

	Year ended 31 March 2020 (Audited)			
	Bricks and Building Materials £'000	Roofing Products and Services £'000	Heating, Plumbing and Joinery £'000	Consolidated £'000
Revenue	143,954	17,104	26,068	187,126
EBITDA	11,469	3,683	6,156	21,308
Centralised costs				(1,805)
Profit on disposal of assets				8
Group adjusted EBITDA				19,511
Impairment of goodwill				(16)
Depreciation				(1,312)
Amortisation				(3,059)
Finance income				71
Finance expense				(2,527)
Share of results of associates				(32)
Fair value gains and losses				(45)
Exceptional income				2,000
Exceptional expenses				(2,407)
Group profit before tax				12,184

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5. Segmental analysis *(continued)*

	6 months ended 30 September 2020				6 months ended 30 September 2019			
	Bricks and Building Materials £'000	**Roofing Products and Services £'000**	**Heating, Plumbing and Joinery £'000**	**Consolidated £'000**	Bricks and Building Materials £'000	Roofing Products and Services £'000	Heating, Plumbing and Joinery £'000	Consolidated £'000
Non-current segment assets	**40,958**	**19,512**	**26,167**	**86,637**	29,532	25,459	27,784	82,775
Current segment assets	**42,448**	**6,584**	**10,970**	**60,002**	41,396	3,891	10,478	55,765
Total segment assets	**83,406**	**26,096**	**37,137**	**146,639**	70,928	29,350	38,262	138,540
Investment in associates				**352**				1,299
Deferred tax assets				**205**				744
Head office				**2,131**				9,078
Group assets				**149,327**				149,661
Total segment liabilities	**(29,900)**	**(4,172)**	**(4,943)**	**(39,015)**	(26,768)	(3,067)	(5,104)	(34,939)
Loans and borrowings (excluding leases and overdrafts)				**(16,332)**				(19,821)
Derivative financial liabilities				**-**				(138)
Deferred tax liabilities				**(5,299)**				(4,493)
Other unallocated central liabilities				**(4,221)**				(12,526)
Group liabilities				**(64,867)**				(71,917)

	Year ended 31 March 2020 (Audited)			
	Bricks and Building Materials £'000	**Roofing Products and Services £'000**	**Heating, Plumbing and Joinery £'000**	**Consolidated £'000**
Non-current segment assets	42,166	19,684	27,134	88,984
Current segment assets	51,856	3,798	10,837	66,491
Total segment assets	94,022	23,482	37,971	155,475
Investment in associates				352
Deferred tax assets				205
Head office				7,134
Group assets				163,166
Total segment liabilities	(34,205)	(2,265)	(4,744)	(41,214)
Loans and borrowings (excluding leases and overdrafts)				(24,912)
Deferred tax liabilities				(5,631)
Other unallocated central liabilities				(11,344)
Group liabilities				(83,101)

6. Government grants

Included within administrative expenses, in the six months to September, is an amount of £1,358,000 (2019 and year ended 31 March 2020: £nil) in respect of government grants received in response to the global COVID-19 pandemic. £30,000 relates to business rates support, while the remainder relates to supporting the payroll costs of the Group's employees. The Group has elected to deduct the grant income from the associated expenses. The Group does not have any unfulfilled obligations relating to the support schemes.

7. Dividends

No dividends were paid during the period. However, the Company declared a final dividend for the 2020 financial year of 1.085p per share which was paid on 23 October 2020, following approval at the Annual General Meeting.

8. Earnings per share

Earnings per share (EPS) is calculated by dividing the profit for the year, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit for the year, attributable to ordinary equity holders, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	6 months ended 30 September 2020			6 months ended 30 September 2019 (Restated)		
	Earnings £'000	**Weighted average number of shares**	**Earnings per share (p)**	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Basic earnings per share	**4,352**	**230,458,821**	**1.89**	5,012	157,727,652	3.18
Effect of dilutive securities						
Employee share options	**-**	**68,223**	**-**	-	111,050	-
Diluted earnings per share	**4,352**	**230,527,044**	**1.89**	5,012	157,838,702	3.18

	Year ended 31 March 2020 (Audited)		
	Earnings £'000	**Weighted average number of shares**	**Earnings per share (p)**
Basic earnings per share	9,291	194,093,236	4.79
Effect of dilutive securities			
Employee share options	-	582,220	-
Diluted earnings per share	9,291	194,675,456	4.77

9. Business combinations and goodwill

Reconciliation of carrying amount of goodwill

	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
Cost			
At 1 April	**49,462**	43,388	43,388
Acquisitions through business combinations	**-**	3,821	6,074
At 30 September/ 31 March	**49,462**	47,209	49,462
Impairment losses			
At 1 April	**16**	-	-
Impairment loss	**-**	-	16
At 30 September/ 31 March	**16**	-	16
Net book value			
At 30 September/ 31 March	**49,446**	47,209	49,446

Contingent consideration

There have been no new business combinations in the six months ended 30 September 2020. However, the following existing contingent consideration arrangements are in place.

A contingent consideration arrangement was agreed during the purchase of The Bespoke Brick Company Limited in May 2019. Additional cash payments of £300,000 per annum are payable if the entity meets an agreed EBITDA target in the three years following acquisition. In addition, an amount of £0.50 is payable for every £1 that the target is exceeded. These terms are conditional on the former owner remaining employed within the Group. Should the target EBITDA be met and the former owner is no longer employed, the amount payable is £100,000 per annum.

At 31 March 2020, the fair value of this contingent consideration was estimated to be £nil as the target EBITDA was not expected to be met. At both the 2019 and 2020 interim reporting dates, this was also the case and thus there has been no change in the estimated contingent consideration.

During the purchase of Brickmongers (Wessex) Limited in July 2019, a contingent consideration arrangement was agreed whereby £0.50 is payable for every £1 that the entity exceeds an agreed EBITDA target in the three years following acquisition.

At 31 March 2020, the fair value of this contingent consideration was estimated to be £143,000 (30 September 2019: £140,000). The fair value is based on a discounting cash flow model, applying a discount rate of 4.8% to the cash flows that are expected to arise. At the interim reporting date, the entity was only expected to meet its EBITDA target in year three and the fair value of the contingent consideration was revised to £27,000. The total undiscounted amount payable is estimated to be £29,000.

A contingent consideration agreement was also entered into during the purchase of U Plastics Limited, in March 2020. An amount of £800,000 per annum is payable, if an agreed EBITDA target is met in the three years following acquisition. The annual amount is reduced on a £1 for £1 basis for any shortfall below the target. However, any shortfall in the first and second year will be repaid at the end of the third year if the target EBITDA is exceeded at the end of year three for all three years, up to a maximum of £2.4m.

At 31 March 2020, the fair value of the contingent consideration was estimated to be £2,214,000. The fair value is based on a discounting cash flow model, applying a discount rate of 3.5% to the cash flows that are expected to arise. The fair value at the interim reporting date was £2,228,000 and the total undiscounted amount payable is estimated to be £2,400,000.

The Group acquired PVH Holdings Limited and its subsidiaries on 6 March 2018. This also included a contingent consideration agreement. If an agreed EBITDA target is met, a further amount is payable at a rate of 0.6 x the excess over the EBITDA target. If the target is not met, an amount is repayable at the same rate.

At 31 March 2020, the fair value of the contingent consideration liability was estimated to be £nil (30 September 2019: £158,000). During the period, a final repayment of £236,000 was received. Fair values were again based on a discounted cash flow model and anticipated payments or repayments. A discount rate of 4.7% was applied to the anticipated cash flows.

10. Financial instruments

Fair values

The significant unobservable inputs used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis at 30 September 2020 and 31 March 2020 are shown below:

Financial instrument	Valuation technique	Significant Unobservable inputs	Range/ estimate	Sensitivity of the input to fair value
Contingent Consideration in a business combination (note 9)	Present value of future cash flows	Assumed probability-adjusted EBITDA of acquired entities.	Sept 2020: £917,000 – £4,038,000 Sept 2019: £1,182,000 – £5,917,000 March 2020: £1,231,000 – £3,750,000	The higher the adjusted EBITDA, the higher the fair value. If forecast EBITDA was 10% higher, while all other variables remained constant, the fair value of the overall contingent consideration liability would increase by £24,000 (2019: £502,000). A 10% decrease in EBITDA would result in a decrease in the liability of £130,000 (2019: £404,000). (March 2020: increase of £67,000 and decrease of £404,000)
		Discount rate	Sept 2020: 3.5% - 4.8% Sept 2019: 4.0% - 4.8% March 2020: 3.5% - 4.8%	The higher the discount rate, the lower the fair value. If the discount rate applied was 2% higher, while all other variables remained constant, the fair value of the overall contingent consideration liability would decrease by £94,000 (2019: £6,000). A 2% decrease in the rate would result in an increase in the liability of £98,000 (2019: £6,000). (March 2020: decrease of £103,000 and increase of £109,000)

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10. Financial instruments *(continued)*

Fair values *(continued)*

Reconciliation of level 3 fair value measurements of financial instruments

Contingent consideration liability	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
At 1 April	**2,357**	566	566
Acquisitions through business combinations	**-**	138	2,345
Finance expense charged to profit or loss	**42**	13	28
Settlement	**236**	(627)	(627)
Fair value (gains)/ losses recognised in profit or loss	**(381)**	-	45
At 30 September/ 31 March	**2,254**	90	2,357

11. Loans and borrowings

	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 (Restated) £'000	Year ended 31 March 2020 (Audited) £'000
Current loans and borrowings at 1 April	**-**	3,053	3,053
Non-current loans and borrowings at 1 April	**24,912**	62,335	62,335
Total loans and borrowings at 1 April	**24,912**	**65,388**	**65,388**
Issue of bank loans	**-**	8,158	13,015
Issue of loan notes on acquisitions through business combinations	**-**	1,514	1,514
Repayment of bank loans	**(8,500)**	(25,000)	(25,000)
Repayment of loan notes	**-**	(9,113)	(14,562)
Conversion of loan notes to equity		(11,845)	(11,845)
Payment of transactions costs	**(90)**	(70)	(70)
Other movements*	**10**	(2,233)	(3,528)
Loans and borrowings at 30 September/ 31 March	**16,332**	26,799	24,912
Analysed as:			
Current loans and borrowings	**-**	6,978	-
Non-current loans and borrowings	**16,332**	19,821	24,912
Loans and borrowings at 30 September/ 31 March	**16,332**	26,799	24,912

*Other movements relate to interest accrued, arrangement fees incurred and the amortisation of those fees.

The Directors consider that the carrying amount of loans and borrowings approximates to their fair value.

12. Related party transactions

Transactions and balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with directors

Included within receivables are the following balances due from directors:

	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 £'000	Year ended 31 March 2020 (Audited) £'000
Directors' loan accounts	**978**	978	978

The amounts advanced were for the purpose of paying up the subscription price for ordinary D shares of £0.01 each. The loans are unsecured and interest free and are repayable on the sale of any of the shares held in the Company by those directors. There has been no movement in these balances during the period.

During the six months to 30 September 2020, interest of £nil (2019 and year to 31 March 2020: £317,000) was charged, at a rate of 9.5% per annum, to profit or loss in respect of loan notes payable to directors.

During the interim period, loan notes payable to directors amounting to £nil (2019 and year to 31 March 2020: £5,883,000) were exchanged for shares in the Company. Loan notes and accrued interest amounting to £nil (2019 and year to 31 March 2020: £3,818,000) were paid to directors.

Key management personnel

	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 £'000	Year ended 31 March 2020 (Audited) £'000
Key management personnel compensation			
Short-term employee benefits	**1,073**	853	2,033
Post-employment benefits	**36**	17	66
Share-based payment expense	**2**	-	2
	1,111	870	2,101

During the period, interest of £nil (2019 and year to 31 March 2020: £279,000) was charged, at a rate of 9.5% per annum, to profit or loss in respect of loan notes payable to key management personnel. Loan notes payable to key management personnel amounting to £nil (2019 and year to 31 March 2020: £3,850,000) were exchanged for shares in the Company. Loan notes and accrued interest amounting to £nil (2019 and year to 31 March 2020: £4,403,000) were paid to key management personnel.

Included within the deferred consideration liabilities is an amount of £nil (2019: £1,045,000 and 31 March 2020: £1,001,000) in respect of deferred consideration payable to key management personnel, in connection with acquisitions made by the Group on 6 March 2018. A finance expense was recognised, in the period, of £12,000 (2019: 44,000 and year to 31 March 2020: £85,000), in respect of the unwinding of the discount applied to deferred consideration due to key management. The March 2020 liability was settled during the interim period.

During the interim period, the Group made sales amounting to £5,000 (2019: £nil and year to 31 March 2020: £68,000) to a member of key management. A balance of £1,000 (2019: £nil and 31 March 2020: £33,000) was included within trade receivables at the reporting date, in respect of these sales.

12. Related party transactions *(continued)*

Other related parties

Included within trade receivables/ payables are the following amounts due from/ to other related parties, at the reporting date:

	Amounts owed by related parties			**Amounts owed to related parties**		
	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 £'000	Year ended 31 March 2020 (Audited) £'000	**6 months ended 30 Sept 2020 £'000**	6 months ended 30 Sept 2019 £'000	Year ended 31 March 2020 (Audited) £'000
Associates	**30**	-	120	**45**	80	44

Transactions undertaken between the Group and its related parties during the year were as follows:

	Purchases from related parties		
	6 months ended 30 Sept 2020 £'000	6 months ended 30 Sept 2019 £'000	Year ended 31 March 2020 (Audited) £'000
Associates	**179**	290	565
Other related parties	**89**	89	178
	268	379	743

Other related parties comprise of entities owned by directors and key management. Purchases relate to rent and administrative expenses.

Included within the finance expense for the six months to 30 September 2020, is interest of £nil (2019 and year ended 31 March 2020: £71,000), at a rate of 9.5% per annum, in respect of loan notes payable to a close relative of a director. During the interim period, £nil (2019 and year to 31 March 2020: £2,048,000) was paid to this close relative, in respect of these loan notes.

Included within the deferred consideration liability is an amount of £nil (2019: £1,423,000 and 31 March 2020: £1,363,000) in respect of deferred consideration payable to close relatives of key management, in connection with acquisitions made by the Group on 6 March 2018. A finance expense of £16,000 (2019: £60,000 and year to 31 March 2020: £116,000) was recognised during the interim period in respect of the unwinding of the discount applied to deferred consideration due to these close relatives. The March 2020 liability was settled during the interim period.

During the six months to 30 September 2020, the Group was charged £nil (2019 and year to 31 March 2020: £50,000), in respect of monitoring fees, by an entity in which members of that entity had significant influence over the Group.

Included within non-current loans and borrowings is an amount of £nil (2019: £6,978,000 and 31 March 2020: £nil) in respect of loan notes and interest payable to an entity in which members of that entity have significant influence over the Group. Interest of £nil (2019 and year to 31 March 2020: £211,000) was accrued during the interim period, at a rate of 9.5% per annum, in respect of loan notes payable to an entity in which members of that entity had significant influence over the Group. The loan notes were secured with interest payable on redemption, which took place in the year ended 31 March 2020.

13. Post balance sheet events

Since the reporting date, the Group reduced its share in an associate from 25% to 12.5%. The value of the remaining investment equates to the carrying value of the investment in associate at the reporting date and thus there is no overall impact on profit or loss for the deemed disposal of the associate.

On 1 November 2020, the Group entered into a contract to purchase a property for £3.85m. Completion is expected to take place in December 2020.

14. Prior period adjustments

At the time of preparing the 2019 interim financial statements, the acquisition accounting adjustments were not complete for all subsidiaries acquired in the six months to 30 September 2019, due to the timing of those acquisitions. The September 2019 comparative figures reported in the condensed interim financial statements have therefore been restated to reflect the revised position once all relevant information had been received to enable completion of the acquisition accounting.

As noted in the 2020 annual financial statements, a prior year adjustment was made in respect of the year ended 31 March 2019. The opening position for the comparative interim balance sheet therefore also takes these adjustments into account.

Compared to the balance sheet figures reported at the 2019 interim, the acquisition and opening balance adjustments have resulted in an increase in non-current assets of £1,142,000, a decrease in current assets of £177,000, a decrease in current liabilities of £428,000 and an increase in non-current liabilities of £2,554,000, with a cumulative decrease in retained earnings of £1,161,000. An amount of £14,000 was also re-classified from current liabilities to the share-based payment reserve in equity.

Adjustments were made to the fair value of assets and liabilities acquired, including intangible assets and the tax liabilities, which impacted the subsequent depreciation, amortisation, finance expense and tax charge within the profit or loss. The overall impact was to decrease profit by £126,000 for the six months ended 30 September 2019 compared to the figure reported at the 2019 interim.

The adjustments resulted in a decrease in the cash outflow from operating activities of £905,000, an increase in cash used in investing activities of £1,549,000 and an increase in cash flows from financing activities of £482,000. Payment of exceptional financing costs of £757,000 was also re-classified from investing activities to a cash outflow from financing activities to be consistent with the 2020 annual financial statements.

An adjustment was also made to correct the classification between share capital and share premium following the issue of shares on the IPO in the six months to 30 September 2019. This has resulted in an increase in share capital of £238,000 with a corresponding decrease in the share premium reserve.

In calculating the basic EPS for the prior interim period, the weighted average number of shares has been re-stated to account for bonus issues in the period as if they had been in place from the start of the year. This, and the decrease in profit as a result of the above adjustments, has led to a revised basic EPS of 3.18p for the six months to 30 September 2019, compared to the 13.31p previously reported.