Grafton Group plc

Half Year Report
For the Six Months Ended 30 June 2020

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Emerging from Lockdown in Strong Position

£m[1]	H1 2020	H1 2019[2]	Change
Revenue – total	**1,058**	1,483	(29%)
- Revenue – continuing operations	**1,058**	1,314	(19%)
Adjusted[3]			
Operating profit – all operations	**39.4**	104.5	(63%)
- Operating profit – continuing operations	**39.4**	99.8	(61%)
Profit before tax – continuing operations	**24.8**	87.1	(72%)
Earnings per share – basic (continuing operations)	**8.1p**	30.1p	(73%)
Statutory results			
Operating profit – continuing operations	**35.1**	97.2	(64%)
Profit before tax – continuing operations	**20.5**	84.4	(76%)
Earnings per share – basic (continuing operations)	**6.7p**	29.2p	(77%)
Dividend	**0.0p**	6.5p	(100%)
Net cash/(debt) (pre IFRS 16)	**58.6**	(0.1)	+£58.7m
Net debt	**479.2**	540.5	(£61.3m)
Adjusted operating margin pre property profit	**3.7%**	7.2%	(350bps)
Adjusted operating profit margin	**3.7%**	7.6%	(390bps)
Return on capital employed	**7.8%**	10.4%	(260bps)

[1] Supplementary financial information in relation to Alternative Performance Measures (APMs) is set out on pages 37 to 46.
[2] H1 2019 has now been restated as the Plumbase business is now classified as a discontinued operation. Details are set out in Note 14 and in the APM's.
[3] The term "Adjusted" means before exceptional items and amortisation of intangible assets arising on acquisitions in both periods.

Highlights

- Revenue down 19% and adjusted operating profit in continuing operations down 61% due to Covid-19 pandemic
- Strong recovery in RMI markets across all geographies
- Exceptional performance by Woodie's following 51 days of suspended trading
- Netherlands business remained open with increased scale and profitability following Polvo acquisition
- Strong cash flow from operations of £121.5 million (2019: £157.2 million)
- Net cash position (pre IFRS 16) increases to £58.6 million (31 December 2019: £7.8 million)
- Liquidity of £693.4 million at 30 June 2020 (30 June 2019: £628.6 million)
- Encouraging start to second half with average daily like-for-like revenue up by 3.8%

Gavin Slark, Chief Executive Officer Commented:

"We are very pleased with the performance of our business which was made possible by the outstanding efforts and commitment of colleagues in a half year outturn that demonstrates the resilience and the cash generative qualities of our Group and the agility of our management teams in responding to the Covid-19 pandemic.

Grafton's resilience, market positioning and geographic diversity together with its low debt and strong liquidity leaves the Group well positioned for continuing progress. We are very encouraged by the performance of the Group in recent months as it emerged in a strong position from the Covid-19 lockdown and based on current trends the Group should deliver a similar level of adjusted operating profit in the second half to the comparable period last year."

Webcast and Conference Call Details

A pre-recorded results presentation and a copy of the results presentation document are available at 7:00am today via the home page of the Company's website www.graftonplc.com.

A live audio conference call for analysts and investors will be hosted by Gavin Slark and David Arnold at 9:30am today. If investors would like to listen to the conference call, they can do so via the "Live Audio Conference Call" webcast link on the home page of the Company's website www.graftonplc.com.

Analysts will be invited to raise questions on the call. Should investors wish to submit a question in advance, they can do so before 8.45am today by sending an email to ir@graftonplc.com. A recording of the call will be available on the Company's website later today.

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Cautionary Statement
Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward looking statements. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of Directors and senior management concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. The Directors do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Half Year Report
For the Six Months Ended 30 June 2020

Group Results

The Covid-19 pandemic and the measures taken to contain it had a significant impact on our businesses and is reflected in these results. The performance for the half year demonstrated both the resilience and the cash generative qualities of the Group and it also highlighted the agility of our management teams in responding at speed to this unparalleled event.

Our number one priority was, and remains, the health and safety of our colleagues and customers and this informed and shaped our response from the outset of the crisis. A wide range of health and safety protocols and social distancing measures were implemented in our branches and stores. We also sought to support essential services and the emergency needs of households with the supply of building materials and we took immediate steps to protect the Group's strong financial position.

Trading across the Group was broadly in line with expectations until the second half of March. The impact of Covid-19 on trading over the remainder of the first half varied by country and market and was influenced by the nature and duration of the lockdown measures adopted.

Distribution

Trading in the **UK** distribution business was affected by the national lockdown and the majority of our branches were closed from 24 March until the beginning of May when reopening commenced on a phased basis. Practically the entire branch estate was reopened on a full-service basis by the end of June. Selco, in particular, benefitted from the marked post-lockdown recovery in the residential repair, maintenance and improvement ("RMI") market. House building sites began reopening at a more gradual pace from mid-May and as a consequence the recovery in this end-use segment of the distribution market was less advanced at the end of the half year.

The Chadwicks distribution business in **Ireland** was closed on 28 March except for essential deliveries and it fully reopened on 18 May in the first phase of the Irish Government's roadmap for reopening the country. June revenue was ahead of the prior year driven by strong demand from trade and retail customers undertaking housing RMI projects. House building activity was more subdued and slower to recover.

The **Netherlands** business was categorised as an essential service and remained open throughout the half year while observing strict social distancing and health and safety measures. The business performed well despite the national lockdown and significantly increased its profit contribution following the acquisition of Polvo in July 2019 which performed in line with expectations.

Retailing

Woodie's market leading DIY, Home and Garden business in Ireland was closed between 28 March and 18 May except for digital transactions. On reopening, it experienced a surge in demand that continued to the end of June and remarkably, it reported a similar level of profit to the prior year despite being closed for 51 trading days.

Manufacturing

Revenue in the **CPI EuroMix** mortar manufacturing business in Great Britain was affected by the closure of plants during the lockdown and by the slow recovery in house building which accounts for a very high proportion of output.

Property Profit

The Group realised a profit of £0.3 million (2019: £4.7 million) from the disposal of surplus properties in the UK.

Organisational Changes

In view of the weaker trading conditions in the traditional UK distribution business, some organisational and branch changes are being implemented in the second half. These measures will provide sustainable benefits in 2021 and beyond and result in a current year exceptional charge of £16 million. These steps are expected to result in a cash outflow of £6.0 million, and a payback of less than one year, with the benefit of unwinding working capital in the branches affected and the disposal of freehold property.

Cash Flow

The Group continued to be very cash generative with cashflow from operations of £121.5 million (2019: £157.2 million). The Group had net cash of £58.6 million on the balance sheet at 30 June 2020 before lease liabilities having opened the year with net cash of £7.8 million. Lease liabilities were £537.8 million at 30 June 2020 (31 December 2019: £543.4 million) and net debt including lease liabilities was £479.2 million (31 December 2019: £533.8 million), an improvement of £54.6 million in the half year.

Dividend

On 24 March 2020, the Group announced that it was implementing a range of precautionary measures in light of Covid-19 to preserve liquidity and ensure it came through the crisis well positioned for growth. One of these actions was the suspension of the second interim dividend for 2019 of 12.5p per share, which was due to be paid on 6 April 2020.

In view of the impact on trading of Covid-19, the Board does not propose paying a first interim dividend for 2020 in respect of the financial performance for the six months ended 30 June 2020, as it normally would do at this time. The Group however recognises the importance of dividends to shareholders and will consider the scope for the payment of the suspended second interim dividend for 2019 and a full year dividend for 2020, having regard to any significant interruptions to trading from Covid-19 in the second half, as part of its overall review of the full year results.

Outlook

The outlook for the Group's businesses remains uncertain due to the unprecedented situation caused by the Covid-19 pandemic. It is likely that Governments and health authorities will require some social distancing and other measures to remain in place for some time, including possible local or national lockdowns which may be reintroduced from time to time, impacting sentiment, trading and the broader economic environment over the remainder of the year.

The reopening of the UK economy and relaxation of social distancing measures has seen a recovery in the Group's UK distribution and mortar manufacturing businesses in May and June that was sustained in July and August. The gradual recovery in housebuilding is expected to continue but will remain sensitive to the confidence of households to make long term commitments of this nature, employment prospects after the furlough scheme ends and the availability of mortgage finance.

The recovery in the UK housing RMI market is likely to have benefitted from pent-up demand and an increase in household savings during the lockdown. RMI spending over the remainder of the year will be influenced by consumer sentiment at a time of significant uncertainty and the willingness of households to undertake indoor projects due to concerns about social distancing.

In Ireland, although economic activity remains below pre-Covid-19 levels, the Chadwicks and Woodie's businesses have in recent months outperformed the prior year. The near-term prospects remain favourable but are sensitive to the possible reintroduction of containment measures that may be needed to control the spread of the virus and the associated impact on unemployment, consumer confidence and spending over the coming months.

In the Netherlands, measures to control Covid-19, a decline in exports and a moderation in household spending are likely to temper demand in the Isero and Polvo businesses over the remainder of the year. The Polvo acquisition made over a year ago provides an opportunity to continue to realise integration benefits in the enlarged business.

Average daily like-for-like Group revenue increased by 3.8 per cent in the period from 1 July to 16 August. This comprises a decline of 0.7 per cent in UK Distribution, an increase of 11.6 per cent in Irish Distribution, a decline of 1.3 per cent in the Netherlands Distribution, an increase of 35.6 per cent in Retailing and a decline of 12.3 per cent in Manufacturing.

We are very encouraged by the performance of the Group in recent months as it emerged in a strong position from the Covid-19 lockdown but we remain cautious about revenue trends in our markets over the remainder of the year. Based on current trends the Group should deliver a similar level of adjusted operating profit in the second half to the comparable period last year.

Operating Review – Continuing Operations

Distribution Segment* (88% of Group Revenue)

	H1 2020 £'m	Restated H1 2019 £'m*	Change
Revenue	933.7	1,173.0	(20.4%)
Adjusted operating profit before property profit	31.6	83.8	(62.3%)
Adjusted operating profit margin before property profit	3.4%	7.1%	(370bps)
Adjusted operating profit	31.9	88.5	(64.0%)
Adjusted operating profit margin	3.4%	7.5%	(410bps)

** Excludes Belgium Distribution and the Plumbase Business*

The distribution businesses in the UK, Ireland and the Netherlands contributed 88.2 per cent of Group revenue (2019: 89.3 per cent), retailing 9.4 per cent (2019: 7.6 per cent) and manufacturing 2.4 per cent (2019: 3.1 per cent). UK distribution generated 57.2 per cent (2019: 65.9 per cent) of Group revenue.

UK Distribution*

	H1 2020 £'m	Restated H1 2019 £'m*	Change
Revenue	605.4	865.8	(30.1%)
Adjusted operating profit before property profit	2.3	55.5	(95.9%)
Adjusted operating profit margin before property profit	0.4%	6.4%	(600bps)
Adjusted operating profit	2.6	56.5	(95.4%)
Adjusted operating profit margin	0.4%	6.5%	(610bps)

** Excludes the Plumbase Business*

The measures adopted to contain the spread of the Covid-19 virus had a very material impact on revenue and profitability in the UK distribution business. There was a sharp and immediate fall in revenue between 24 March 2020 when the majority of branches were closed and the beginning of May when reopening commenced on a phased basis leading to a gradual recovery in trading.

Revenue in the like-for-like business declined by £258.6 million due to the pandemic. Revenue for the half year was further reduced by £5.4 million following the consolidation of a number of branches while the opening of new Selco and Leyland SDM branches contributed revenue of £3.6 million.

The UK distribution business availed of UK Government support of £19.4 million through the Coronavirus Job Retention Scheme for colleagues who were furloughed when branches were closed or operating at a reduced capacity on re-opening.

A decline in the gross margin by 150 basis points was driven mainly by competitive market conditions in the traditional distribution market.

Selco Builders Warehouse performed in line with expectations in the period up to the lockdown which took effect on 24 March 2020 with the closure of all branches.

Selco initially reopened 42 branches on 6 May for Click & Collect and Click & Delivered trading. The remaining 26 branches were reopened on the same basis on 18 May. In a gradual return to a more normalised operating environment, trading in the 42 branches that were initially reopened was extended to a full in-branch self-select service by the end of May and the remainder of the branch estate was fully operational on 22 June 2020 except for Sunday trading which resumed on 9 August 2020.

Average daily like-for-like revenue increased by 4.7 per cent in June and by 8.2 per cent in the period from 22 June to the month end when all branches were fully open. Selco performed strongly in June with the benefit of strong revenue growth and an increase in the gross margin. Reduced promotional activity and a favourable change in product mix contributed to the improvement in gross margin. Revenue from landscaping products, tools and ironmongery grew strongly in June offsetting declines in insulation, plasterboard and other materials used in projects where preserving social distancing was more challenging for tradespeople and households.

Selco strengthened its digital capability with a major upgrade to its website in February of this year. Functionality was enhanced to provide an improved user experience for customers. This investment better positioned the business to support a higher proportion of online revenue on reopening. Online click & deliver and click & collect accounted for 18 per cent of revenue in May enhancing Selco's reputation for service and providing customers with more flexibility and convenience. It also extended the reach and awareness of the brand enabling customers located in areas not serviced by a local branch to trade with Selco. Digital contributed 12 per cent of revenue in June as customers availed of the self-select service option to make purchases.

The Kingston-Upon-Thames branch that was opened at the end of November performed well and extended coverage of the London market where Selco trades from 39 branches. In February, Selco opened its 68th branch in Orpington and a new branch in Salford is scheduled to open in October. The Bristol branch will be relocated to a larger purpose-built facility prior to the year end and the Chessington branch will be extended into an adjoining unit in September.

The new distribution centre that opened earlier this year in Oxford is successfully providing a fulfilment service for lightside products to all branches.

The safety of colleagues and customers has guided Selco's response to managing the Covid-19 pandemic and they have been reassured by the phased resumption of trading to allow for modifications to branches and the implementation of comprehensive safety and social distancing measures.

Leyland SDM, London's largest specialist decorators' merchant, was categorised as an essential business and was therefore permitted to remain open during the lockdown. All stores implemented strict social distancing and health and safety measures including appointing marshals to safely manage queuing outside the stores and limiting the number of customers allowed in stores at any time. The decline in construction activity across London in response to the lockdown contributed to lower demand from trade customers which was offset by increased spending on painting and decorating products by households. There were early indications in June that the trade business was starting to recover in the central London stores. Revenue and profitability for the half year were broadly in line with the prior year. The new stores in Maida Vale and Streatham performed well. In July, GDC Paints, a five branch decorators merchant based in London, was acquired. The acquisition of this leading specialist business provides

Leyland SDM with complementary trading locations in Acton, Greenford, Cricklewood, Fulham and Tooting and increases the store network to 28.

Buildbase experienced low single digit growth in average daily revenue in the period up to the lockdown on 24 March but competitive market conditions exerted strong pricing pressure and consequently the gross margin was lower than the prior year. Buildbase maintained a limited service from 40 branches during the lockdown providing materials to support public infrastructure and essential supplies for the repair and maintenance of homes. The phased reopening of the business commenced in early May with the opening of 80 branches and the remaining branches, except for a small number, were reopened by the end of May. Customers initially placed orders and completed transactions by calling branches or on-line for either same day collection at designated times from branches or for direct delivery to customers sites. Branches were open on a full service basis by mid-June when health and safety and social distancing measures were in place.

Average daily like-for-like revenue was 86 per cent of the prior year level for the month of June and reflected strong demand for materials used for outdoor residential RMI projects, caution on the part of some households undertaking internal RMI projects due to social distancing concerns and the more gradual resumption of house building and commercial new build projects. Buildbase also upgraded its website offering in the first half which led to growth in online activity.

The new Microsoft AX ERP system went live in a number of branches prior to the lockdown and rollout to the remaining branches recommenced in June. The entire branch network is scheduled to migrate on a phased basis over the next 18 months. Amortisation of the system development cost over a period of ten years commenced on 1 January 2020.

Civils & Lintels, a distributor of heavyside building materials to groundworks and civils sub-contractors operating in the new housing market, was materially impacted by the closure of its branch network between 24 March and 11 May and by the moderate rate of recovery which reached close to 80 per cent of the prior year level by the end of the half year. Demand for groundworks materials was influenced by the phased reopening of new housing sites, new ways of working and house builders prioritising the completion and sale of units that were in progress at the time of the lockdown before commencing new developments.

In Scotland, lockdown restrictions were relaxed on construction sites in a series of phases that permitted a gradual return of workers in June. The Buildbase PDM branches made good progress in the month operating at over 70 per cent of the prior year level.

MacBlair, the Northern Ireland distribution business, traded positively up to the lockdown on 24 March. Branches across the province reopened on a phased basis between 30 April and 13 May and traded strongly in the period to the end of the half year. Growth in average daily revenue in June was driven by strong demand in the residential RMI market which more than offset weakness in the housebuilding and commercial markets. A focus on outdoor projects saw exceptional demand for landscaping, fencing, decking and paint products from both trade and private customers. Changes to end-use markets supplied and product mix contributed to a favourable gross margin outcome.

TG Lynes, a leading distributor of commercial pipes and fittings in London, maintained a partial service throughout the lockdown to support essential services including hospitals and care homes. The business fully reopened in late April and revenue slowly recovered in May and June ending the half year at 80 per cent of the prior year level. Demand from its building services contractor customer base, who are engaged in refurbishment and new build projects in the commercial, public sector and residential markets, was impacted by construction sites operating at a lower levels of productivity than the pre-Covid-19 level due to new work practices and protocols.

Irish Distribution

	H1 2020 £'m	H1 2019 £'m	Change	Constant Currency Change
Revenue	190.2	226.2	(15.9%)	(16.0%)
Operating profit before property profit	15.2	19.3	(21.2%)	(22.0%)
Operating profit margin before property profit	8.0%	8.5%	(50bps)	
Operating profit	15.2	23.1	(34.1%)	(34.7%)
Operating profit margin	8.0%	10.2%	(220bps)	

Chadwicks average daily like-for-like revenue was marginally ahead of the prior year in January and February. The rate of growth accelerated to 5.1 per cent in the period to 28 March when the lockdown restrictions imposed by the Irish Government to slow the spread of Covid-19 took effect. All branches were closed except for nineteen that remained partially open and over 1,100 colleagues were placed on leave of absence. Health and other critical public sector projects continued to be supplied on a delivered-only basis and emergency supplies of materials were also made to businesses and homes in line with public health guidelines.

Revenue was significantly impacted during the lockdown which ended on 18 May with the reopening of all branches on a full-service basis while implementing strict social distancing measures and health and safety protocols to protect colleagues and customers. Average daily like-for-like revenue was down by 5.0 per cent between 18 May and the month end and increased by 7.3 per cent in June driven primarily by strong demand in the residential repair, maintenance and improvement market. Promotional activity on social media and local marketing campaigns generated increased footfall in branches and a higher proportion of revenue from retail transactions.

The recovery in housebuilding activity was slower as sites reopened on a phased basis with new health and safety measures and work practices extending construction timelines. House completions are estimated to have declined by one-third in the second quarter and are forecast to decline by 20 per cent for the year to 16,500 units. House builders were focused on completing units in existing developments that were under construction prior to the lockdown and they adopted a more cautious approach to commencing work on new sites.

The programme announced last September for rebranding all distribution branches in Ireland under the Chadwicks brand, except for three large destination branches, continued in the half year with the upgrading and rebranding of the Gorey, Limerick and Drogheda branches taking the number completed to fifteen.

Geographic coverage of the Irish market was extended in July with the acquisition of Daly Brothers (North East) Ltd., a single branch builders distribution business located in Dundalk, County Louth that complements the Chadwicks branch network.

A new Chadwicks Fixing Centre launched late last year in the Thomas Street branch in Central Dublin performed well and the concept was replicated at the end of June in Cork Builders Providers, a destination branch in Cork City. The Fixing Centre's supply builders, engineers and specialist tradespeople with a broad range of fixings and tools.

The gross margin benefitted in May and June from changes in mix with a higher proportion of revenue from lower value RMI transactions which attracted a higher margin.

Chadwicks second quarter revenue declined by 35 per cent on the prior year and the business availed of the Temporary Covid-19 Wage Subsidy Scheme for the quarter. All colleagues were retained on the payroll and a subsidy of £4.7 million was received under the terms of the scheme that partially funded payroll costs in the quarter. Branch colleagues received their normal salary in full during the period. Overheads for the half year were down due to the wage subsidy and a decline in variable costs that were partly offset by a small increase in provisioning for potential bad debts.

Netherlands Distribution

	H1 2020 £'m	H1 2019 £'m	Change	Constant Currency Change
Revenue	138.1	80.9	+70.6%	+70.4%
Adjusted operating profit	14.1	9.0	+56.9%	+56.1%
Adjusted operating profit margin	10.2%	11.1%	(90bps)	

The relatively mild lockdown in the Netherlands resulted in a less severe downturn in the economy compared to other European countries. The Covid-19 pandemic has nevertheless reduced construction activity and the economy is forecast to contract by almost six per cent in the current year. The lockdown measures were partially relaxed on 11 May and eased further on 1 June and 1 July with the reopening of most of the economy.

The Isero and Polvo ironmongery, tools and fixings business was not required to close as the Dutch Government and health authorities deemed construction an essential activity that was permitted to continue operating subject to implementing health and safety and social distancing measures. Health and safety protocols were implemented to allow all Isero and Polvo branches and offices to operate safely and to preserve social distancing.

Average daily like-for-like revenue in Isero was down by 0.7 per cent for the half year driven by modest growth in January and February, market weakness in March and April due to the Covid-19 pandemic and a return to growth in May and June. The Polvo business acquired on 1 July 2019 was also very resilient and performed in line with plan for the period.

Demand from corporations that carry out routine maintenance on social housing and public sector properties was directly impacted by the lockdown. Revenue from technical services was also weaker, major projects were delayed and investment by key customers in power tools, scaffolding, PPE and other products was deferred. Revenue shortfalls in these segments of the market were offset by stronger demand from the core customer base of tradespeople engaged in private residential RMI projects whose customers used the lockdown as an opportunity to undertake home renovations.

Activity in the housing market was positive with growth in prices and transactions supported by a housing shortage and low mortgage interest rates. Demand held up well in both the secondary and new build markets.

Polvo transitioned to the Isero buying group at the end of last year which enabled a move towards supplier consolidation, a closer alignment of private label brands and greater harmonisation of procurement terms in the current year.

The Amsterdam based Gunters en Meuser branches were successfully migrated to the Isero Microsoft AX ERP system which has improved visibility of the business and provided opportunities for realising further integration benefits. This development enabled the Gunters en Meuser branches to be supplied on a twice daily basis with a wider range of products from the increased capacity provided by the new purpose-built distribution centre that was opened last year in Waddinxveen, North East Rotterdam. Kooning, a single branch business located at Schiphol airport acquired in November 2019, performed to plan in the period and was migrated to the Polvo Microsoft AX ERP platform.

The Group's strategy for the integration of its market leading Netherlands business remained firmly on track in the half year despite the challenges presented by the Covid-19 pandemic.

Retail Segment (9% of Group Revenue)

	H1 2020 £'m	H1 2019 £'m	Change	Constant Currency Change
Revenue	99.3	99.9	(0.6%)	(1.5%)
Operating profit	9.7	9.5	+1.8%	(1.6%)
Operating profit margin	9.8%	9.5%	+30bps	

Marginal revenue declines in January and February were more than offset by a one-third increase in revenue in March as customers engaged in forward buying ahead of the lockdown imposed by the Irish Government that took effect on 28 March when all stores were closed. These restrictions required the closure of all non-essential businesses including hardware and DIY stores and remained in place until 18 May.

Extensive social distancing measures and health and safety protocols were developed during the lockdown to allow for the safe reopening of our stores and colleagues were provided with training to implement these changes in line with the public health guidelines.

Woodie's stores reopened on 18 May to a surge in demand that saw revenue for the 14 trading days to the month end increase by 153 per cent on the same period in the prior year. Growth continued at a moderating pace through the month of June when revenue was ahead of the prior year by 62 per cent establishing a new record for monthly revenue. Revenue growth was driven by exceptional levels of demand for interior and exterior paint and woodcare products. There was also strong demand for shrubs and plants, garden furniture, barbeques, outdoor sheds, fencing and tools. A material increase in average transaction values reflected increased purchases by customers due to pent-up demand.

The gross margin for the half year was slightly impacted by a change in the mix from increased sales of seasonal products.

Operating costs were lower due to savings on variable store costs during the lockdown and a lower spend on discretionary costs including marketing and advertising. Improved terms were agreed on a number of lease renewals to align rents with current market levels. These savings were partly offset by significant Covid-19 costs related to social distancing, incremental cleaning and sanitation and other health and safety initiatives in stores to protect customers and colleagues.

Woodie's claimed support under the Temporary Wage Subsidy Scheme for April and May but following the strong recovery in trading on reopening the business, this support has been fully repaid since the end of the half year.

Woodie's digital revenue increased by 25.1 per cent from a low base as shopping patterns rapidly evolved and restrictions caused by the pandemic increased omnichannel activity. Customers availed of the digital option particularly during the seven week period when stores were closed. While Woodie's stores will remain at the heart of the customer experience, the business has responded to the shift in consumer behaviour by accelerating planned investment in digital channels.

In February and March, Woodie's successfully transitioned to an upgrade of its established Microsoft ERP system that has delivered the latest retail technology at the point of sale with a modern and more streamlined navigation experience and an updated supply chain and financial management platform. The upgrade also provides improved technology to support the planned growth in digital revenue.

Woodie's response to Covid-19 underscored its reputation as Ireland's leading DIY, Home and Garden retailer and as a great place to work. The business performed well in the half year and despite the closure of all stores for a seven week period reported only a marginal decline in revenue and a small increase in operating profit.

Manufacturing Segment (3% of Group Revenue)

	H1 2020 £'m	H1 2019 £'m	Change	Constant Currency Change
Revenue	25.4	40.7	(37.7%)	(37.7%)
Operating profit	3.6	9.2	(61.0%)	(61.0%)
Operating profit margin	14.1%	22.5%	(840bps)	

CPI EuroMix, the market leading dry mortar manufacturing business that operates nationally from ten plants in Great Britain, was making good progress and broadly on track to meet our current year expectations in the period to 24 March 2020 when a decision was taken to temporarily close all plants in line with the advice from the UK Government. Procedures and protocols were developed during the lockdown ahead of the safe reopening of the nine plants in England on a phased basis during late April and early May. The plant in Scotland reopened at the end of June following the lifting of Government restrictions.

Volumes were negligible for April and recovered to one-third of the prior year level in May and seventy per cent in June as house building sites gradually reopened and construction recommenced with an initial focus on completing houses that were at an advanced stage of construction. There was significant disruption to the housing market during the second quarter as the shutdown of sites delayed building programmes and reduced volumes. Completion timelines were extended on reopening sites due to the operation of social distancing measures.

The shortage of homes has underpinned demand in the new housing market which saw increased activity as the economy gradually reopened and emerged from the lockdown. Strong underlying demand was supported by a shortage of supply, an historically low interest rate environment and support for first time buyers through the Help to Buy Scheme.

CPI EuroMix has a resilient and flexible operating model that was responsive to changes in market conditions during the period and continued to deliver good returns and cash flows on substantially lower revenue.

Operating Review – Discontinued Operations

The Group entered into a conditional agreement in the first half of 2019 for the sale of its business in Belgium which completed on 4 October 2019. The business was reported as a discontinued operation in the half year to 30 June 2019 and the assets and liabilities were presented as held for sale. The goodwill allocated to the Belgium business of £9.2 million was written-off in the period and net assets were written down to fair value less costs to sell of £16.8 million, totalling £26.0 million. This charge, including the profit for the period of £0.3m, resulted in an overall net loss of £25.7 million which was recognised as a loss after tax from discontinued operations in the income statement.

On 1 October 2019 the Group completed the disposal of Plumbase, a specialist UK plumbing and heating business. The results for the period ended 30 June 2019 have been restated to report the Plumbase profit of £3.2 million as a discontinued operation.

Financial Review

The Group achieved a satisfactory outcome for the half in unprecedented circumstances. The sharp decline in revenue and profitability experienced by the Group's businesses in the UK and Ireland was due to a public health intervention in both countries which led to a shutdown of branches to prevent the spread of the Covid-19 virus rather than a lack of demand by customers.

Despite the decline in profitability, cash flow from operations remained strong at £121.5 million (2019: £157.2 million). The decline in revenue released working capital of £25.1 million. Trade and other receivables declined by £102.4 million but this cash inflow was offset by a decline in trade and other payables by £101.4 million.

Revenue

Group revenue from continuing operations declined by 19.4 per cent to £1.06 billion (2019: £1.31 billion) and by 19.5 per cent in constant currency. Revenue in the like-for-like business declined by £312.9 million. Acquisitions and new branches contributed revenue of £61.9 million and revenue was reduced by £5.4 million from branch consolidations. A currency translation gain increased revenue by £1.2 million.

The UK accounted for 59.4 per cent (2019: 68.8 per cent) of Group revenue, Ireland for 27.5 per cent (2019: 25.0 per cent) and the Netherlands 13.1 per cent (2019: 6.2 per cent).

Adjusted Operating Profit

Adjusted operating profit from continuing operations of £39.4 million (2019: £99.8 million) declined by 60.5 per cent due to the decline in profitability in the distribution and manufacturing businesses in the UK and the distribution business in Ireland as a consequence of the measures introduced to stop the spread of the Covid-19 virus including the temporary closure of branches.

Adjusted operating profit before property profit of £39.1million (2019: £95.1 million) declined by 58.9 per cent. The adjusted operating profit margin declined by 390 basis points to 3.7 per cent and by 350 basis points to 3.7 per cent excluding property profit.

Property

The disposal of a small number of UK properties that were held for resale generated proceeds of £1.1 million (2019: £8.2 million) and a profit on disposal of £0.3 million (2019: £4.7 million).

Net Finance Income and Expense

The net finance expense increased by £1.9 million to £14.6 million (2019: £12.7 million). The recognition of leases on the balance sheet under IFRS 16 created an interest charge on lease liabilities of £9.3 million (2019: £9.3 million).

Interest payable on bank borrowings and US Private Placement Senior Unsecured Notes, net of bank interest received on deposits, increased by £0.8 million to £4.0 million (2019: £3.2 million). The increase was mainly due to the drawdown of £263.0 million as a precautionary measure to increases liquidity in response to the Covid-19 crisis. The rate of interest receivable on bank deposits declined during the period because of excess liquidity in the banking system which led to lower interest rates on sterling deposits and more negative rates on euro deposits.

The net finance expense included a foreign exchange translation loss of £1.1 million which compares to a gain of £0.1 million in the same period last year.

Taxation

The income tax expense of £4.5 million (2019: £14.9 million) is equivalent to an effective tax rate of 22.1 per cent on profit from continuing operations (2019: 17.7 per cent) and is based on the current forecast rate for the year. This is a blended rate of corporation tax on profits in the jurisdictions where the Group operates and is higher than the rate of 19.5 per cent guided at the time of our 2019 Final Results Announcement which was based on a higher level of forecast profitability for the year.

Legislation that was passed in 2016 to reduce the UK rate of corporation tax by two percent to 17 per cent with effect from 1 April 2020 did not proceed leading to a one-off increase in the charge for deferred tax which increased the forecast tax rate for the current year by 3.1 percentage points as opposed to 1.1 per cent in the guided rate of 19.5 per cent.

Certain items of expenditure charged in arriving at profit before tax, including depreciation on buildings, are not eligible for a tax deduction. The ineligible expenditure accounted for a higher proportion of profit forecast for the year which along with a change in the profit mix from each jurisdiction contributed to a net increase in the forecast tax rate for 2020 by 0.6 per cent.

Capital Expenditure and Investment in Intangible Assets

As a precautionary measure to preserve liquidity, the Group has cautiously managed its capital expenditure commitments since the outbreak of Covid-19 in March 2020. Gross capital expenditure was £13.2 million (2019: £19.3 million) and there was also expenditure of £0.3 million (2019: £1.1 million) on intangible assets. Proceeds of £1.4 million (2019: £9.0 million) were received on disposal of fixed assets and the net investment on capital expenditure and intangible assets was £12.2 million (2019: £11.4 million).

The Group incurred capital expenditure of £6.5 million (2019: £7.5 million) on various development initiatives including new Selco branches, upgrades to Woodie's and Chadwicks branches in Ireland, energy-efficient lighting systems and other projects of a development nature.

Asset replacement capital expenditure of £6.7 million (2019: £11.8 million) compares to the pre-IFRS 16 depreciation charge for the period of £22.5 million and related principally to replacement of the distribution fleet that supports delivered revenue, replacement of equipment, forklifts, plant and tools for hire by customers and other assets required to operate the Group's branch network. An investment of £0.3 million (2019: £1.1 million) was made on software development projects.

Pensions

The IAS 19 deficit on defined benefit pension schemes was £44.7 million at 30 June 2020, an increase of £23.5 million from £21.2 million at 31 December 2019. Changes to financial assumptions increased scheme liabilities by £14.2 million. There was a further fall in discount rates used to discount scheme liabilities in line with declines in corporate bond rates. The rate used to discount UK liabilities fell by 60 basis points to 1.5 per cent and the rate used to discount Irish liabilities fell by 10 basis points to 0.95 per cent. Changes in financial assumptions that were based on experience increased liabilities by £3.3 million and there was an actuarial loss of £5.0 million on plan assets due to the investment performance in the period being less than the actuarial assumptions.

Net Cash/Debt

The Group's net cash position, before recognising lease liabilities, increased to £58.6 million at 30 June 2020 from £7.8 million at 31 December 2019. The Group remains in a very strong financial position with pre-IFRS 16 EBITDA interest cover of 14.4 times (Year ended 31 December 2019: 39.9 times).

Net debt including lease obligations referred to below improved by £54.6 million to £479.2 million at 30 June 2020 from £533.8 million at 31 December 2019.

The Group's policy is to maintain its investment grade credit rating while investing in organic developments and acquisition opportunities that are expected to generate attractive returns and maintain a progressive dividend policy.

Liquidity

Grafton started the year in a very strong financial position and well placed to respond to the adverse impact on trading of Covid-19 with excellent liquidity, net cash before IFRS 16 lease liabilities and a robust balance sheet.

The Group had liquidity of £693.4 million at 30 June 2020 (30 June 2019: £628.6 million) of which £419.0 million (30 June 2019: £354.9 million) was held in accessible cash and £274.4 million (30 June 2019: £273.7 million) in undrawn revolving bank facilities.

The Group had bilateral loan facilities of £494.6 million with six relationship banks at 30 June 2020 and debt obligations of £146.0 million (31 December 2019: £136.1 million) from the issue of unsecured senior notes in the US Private Placement market.

The average maturity of the committed bank facilities and unsecured senior notes at 30 June 2020 was 4.2 years.

In addition, the Group moved quickly to secure access to the Bank of England's Covid Corporate Financing Facility and was approved to borrow up to £300 million. This facility remains undrawn and there is no current intention to utilise it, serving as it does as an additional backstop to Grafton's existing committed facilities.

The Group's key financing objective continues to be to ensure that it has the necessary liquidity and resources to support the short, medium and long term funding requirements of the business. These resources together with strong cash flow from operations provide good liquidity and the capacity to fund investment in working capital, routine capital expenditure and development activity including acquisitions.

The Group's gross debt is drawn in euros and provides a hedge against exchange rate risk on euro assets in the businesses in Ireland and the Netherlands.

IFRS 16 Leases

Leases that are recorded on the balance sheet principally relate to distribution and DIY branch properties, office buildings, cars and distribution vehicles.

IFRS 16 increased operating profit by £6.3 million and the finance (interest) expense by £9.2 million in the half year. Profit before tax was reduced by £3.0 million and profit after tax by £2.4 million as a result of IFRS 16.

It should be noted that the overall impact on the Income Statement of adopting IFRS 16 will be neutral over the life of a lease but will result in a higher charge in the earlier years following implementation and a lower charge in the later years. The overall effect on profit before tax is expected to be neutral after approximately three to four years, then becoming positive moving towards the end of the leases.

The right-of-use asset in the balance sheet at 30 June 2020 was £504.0 million (31 December 2019: £522.2 million).

IFRS 16 did not alter the overall cashflows or the economic effect of the leases to which the Group is a party. Similarly, there was no effect on Grafton's banking covenants as a result of the implementation of IFRS 16 in 2019.

Shareholders' Equity

The Group's balance sheet strengthened further with shareholders' equity up by £14.1 million to £1.38 billion. Profit after tax increased shareholders' equity by £16.0 million and there was a gain of £16.0 million on translation of euro denominated net assets to sterling. Shareholders' equity was reduced by £18.9 million for a remeasurement loss on pension schemes.

Return on Capital Employed

Return on Capital Employed before recognising IFRS 16 leased assets declined by 420 basis points to 10.1 per cent (2019: 14.3 per cent) and by 260 basis points to 7.8 per cent (2019: 10.4 per cent) including leased assets. The decline reflects the fall in profitability in the half year caused by the Covid-19 pandemic.

Principal Risks and Uncertainties

The primary risks and uncertainties affecting the Group are set out on pages 48 to 53 of the 2019 Annual Report and will be updated in the 2020 Annual Report. These risks refer to Macro Economic Conditions in the UK, Ireland and the Netherlands including the Impact of Brexit; Colleagues; Pandemic Risk – Covid-19 Virus; Competition in Distribution, DIY and Mortar Markets; Information Technology Systems and Infrastructure; Cyber Security and Data Protection; Health and Safety; Acquisition and Integration of New Businesses; Supplier Management and Rebates; Internal Controls and Fraud; and Sustainability.

The Covid-19 pandemic has increased the potential impact of certain of these risks and the longer term impacts will depend on a range of factors including the duration and scope of the pandemic, the impact of the pandemic on economic activity in the UK, Ireland and the Netherlands and the nature and severity of measures adopted by governments in these countries, including restrictions on or temporarily requiring the closure of the Group's businesses including, distribution branches, DIY, Home and Garden stores and mortar manufacturing plants, travel, regulations that require avoiding large gatherings and orders to self-quarantine or self-isolate. The Covid-19 pandemic may have significant negative impacts in the medium and long term on the Group's businesses. Changes in consumer behaviour as a result of government imposed lock downs and the need for people to self-quarantine or self-isolate or observe social distancing for an indeterminate period of time may lead to the closure of distribution branches, DIY, Home and Garden stores and mortar manufacturing plants. The severity of government-imposed lock downs and the period for which they continue in the UK, Ireland and the Netherlands will have an impact on customer demand in those countries. A deterioration in the financial position of customers and consumers as a result of Covid-19 pandemic may also impact demand for the Group's distribution, DIY and mortar products. In addition, disruptions as a result of Covid-19 in manufacturing, supply and distribution arrangements may also adversely impact the performance of the overall Group.

Period End Financial Information

The consolidated period-end financial statements presented on pages 17 to 36 comprise:

- the Group condensed balance sheet as at 30 June 2020;
- the Group condensed income statement and Group condensed statement of comprehensive income for the six months to 30 June 2020;
- the Group condensed statement of cash flows for the six months to 30 June 2020;
- the Group condensed statement of changes in equity; and
- the explanatory notes to the condensed consolidated half year financial statements on pages 23 to 36.

Grafton Group plc

Group Condensed Income Statement
For the six months ended 30 June 2020

	Notes	**2020 (unaudited) £'000**	2019 (unaudited) Restated £'000
Revenue	**2**	**1,058,412**	1,313,603
Operating costs		**(1,023,596)**	(1,221,166)
Property profits	**3**	**308**	4,737
Operating profit		**35,124**	97,174
Finance expense	**4**	**(15,161)**	(13,284)
Finance income	**4**	**515**	510
Profit before tax		**20,478**	84,400
Income tax expense	**17**	**(4,524)**	(14,939)
Profit after tax for the financial period from continuing operations		**15,954**	69,461
Loss after tax from discontinued operations	**14**	**-**	(22,541)
Profit after tax for the financial period		**15,954**	46,920
Profit attributable to:			
Owners of the Company		**15,954**	46,920
Profit attributable to:			
Continuing operations		**15,954**	69,461
Discontinued operations		**-**	(22,541)
Earnings per ordinary share (continuing operations) - basic	5	**6.7p**	29.2p
Earnings per ordinary share (continuing operations) - diluted	5	**6.7p**	29.1p
Earnings per ordinary share (discontinued operations) - basic	5	**0.0p**	(9.5p)
Earnings per ordinary share (discontinued operations) - diluted	5	**0.0p**	(9.5p)
Earnings per ordinary share (total) - basic	5	**6.7p**	19.7p
Earnings per ordinary share (total) - diluted	5	**6.7p**	19.7p

Grafton Group plc

Group Condensed Statement of Comprehensive Income

For the six months ended 30 June 2020

	Notes	**Six months to 30 June 2020 (Unaudited) £'000**	Six months to 30 June 2019 (Unaudited) £'000
Profit after tax for the financial period		**15,954**	46,920
Other comprehensive income			
Items that are or may be reclassified subsequently to the income statement			
Currency translation effects:			
- on foreign currency net investments		**16,034**	1,649
Fair value movement on cash flow hedges:			
- effective portion of changes in fair value of cash flow hedges		**(68)**	(41)
- net change in fair value of cash flow hedges transferred from equity		**-**	151
Deferred tax on cash flow hedges		**-**	(9)
		15,966	1,750
Items that will not be reclassified to the income statement			
Remeasurement (loss) on Group defined benefit pension schemes	**13**	**(22,998)**	(676)
Deferred tax on Group defined benefit pension schemes		**4,089**	383
		(18,909)	(293)
Total other comprehensive income		**(2,943)**	1,457
Total comprehensive income for the financial period		**13,011**	48,377
Total comprehensive income attributable to:			
Owners of the Company		**13,011**	48,377
Total comprehensive income for the financial period		**13,011**	48,377

Grafton Group plc - Group Condensed Balance Sheet as at 30 June 2020

	Notes	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 Dec 2019 (Audited) £'000
ASSETS				
Non-current assets				
Goodwill	**15**	**676,450**	637,553	657,845
Intangible assets	**16**	**99,764**	77,256	103,268
Property, plant and equipment	**9**	**498,208**	509,126	500,924
Right-of-use asset	**8**	**504,012**	525,457	522,245
Investment properties	**9**	**12,752**	13,786	12,526
Deferred tax assets		**12,143**	7,263	7,600
Lease receivable	**10**	**2,266**	2,423	2,417
Retirement benefit assets	**13**	**890**	1,714	756
Other financial assets		**128**	126	127
Total non-current assets		**1,806,613**	1,774,704	1,807,708
Current assets				
Properties held for sale	**9**	**19,936**	11,992	16,274
Inventories	**10**	**303,163**	344,093	317,632
Trade and other receivables	**10**	**294,462**	477,340	388,023
Lease receivable	**10**	**151**	301	297
Derivative financial instruments	**11**	**-**	84	7
Cash and cash equivalents	**11**	**422,988**	358,926	348,787
Total current assets		**1,040,700**	1,192,736	1,071,020
Assets of disposal group held for sale	**14**	**-**	32,525	-
Total assets		**2,847,313**	2,999,965	2,878,728
EQUITY				
Equity share capital		**8,552**	8,514	8,516
Share premium account		**213,785**	213,452	213,719
Capital redemption reserve		**621**	621	621
Revaluation reserve		**12,864**	13,057	12,954
Shares to be issued reserve		**8,745**	9,520	12,889
Cash flow hedge reserve		**(59)**	58	9
Foreign currency translation reserve		**86,176**	80,929	70,142
Retained earnings		**1,049,926**	991,251	1,047,698
Treasury shares held		**(3,897)**	(3,897)	(3,897)
Equity attributable to owners of the Parent		**1,376,713**	1,313,505	1,362,651
Total equity		**1,376,713**	1,313,505	1,362,651
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	**11**	**364,308**	357,043	339,261
Lease liabilities	**11**	**480,656**	489,198	487,999
Provisions		**17,742**	16,066	15,785
Retirement benefit obligations	**13**	**45,572**	22,189	21,939
Deferred tax liabilities	**17**	**49,342**	40,446	47,109
Total non-current liabilities		**957,620**	924,942	912,093
Current liabilities				
Lease liabilities	**11**	**57,144**	53,198	55,368
Trade and other payables	**10**	**424,154**	634,841	511,855
Current income tax liabilities	**17**	**22,824**	33,890	27,461
Derivative financial instruments	**11**	**62**	27	-
Provisions		**8,796**	9,471	9,300
Total current liabilities		**512,980**	731,427	603,984
Liabilities of disposal group held for sale	**14**	**-**	30,091	-
Total liabilities		**1,470,600**	1,686,460	1,516,077
Total equity and liabilities		**2,847,313**	2,999,965	2,878,728

Grafton Group plc - Group Condensed Cash Flow Statement

For the six months ended 30 June 2020	Notes	Six months to 30 June 2020 (Unaudited)	Six months to 30 June 2019 Restated (Unaudited)
		£'000	£'000
Profit before taxation from continuing operations		20,478	84,400
Loss before taxation from discontinued operations	14	-	(21,759)
Profit before taxation		20,478	62,641
Finance income		(515)	(510)
Finance expense		15,161	13,284
Operating profit		35,124	75,415
Depreciation	8,9	53,270	54,170
Amortisation of intangible assets	16	6,829	3,680
Share-based payments charge		949	3,176
Movement in provisions		248	2,435
Loss on sale of property, plant and equipment		293	112
Property profits		(308)	(4,737)
Asset impairment adjustments / other		506	(169)
Fair value adjustments	14	-	16,788
Goodwill impairment		-	9,176
Contributions to pension schemes in excess of IAS 19 charge		(592)	(255)
Decrease / (increase) in working capital	10	25,137	(2,626)
Cash generated from operations		121,456	157,165
Interest paid		(14,791)	(12,994)
Income taxes paid		(10,251)	(14,196)
Cash flows from operating activities		96,414	129,975
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment	9	304	788
Proceeds from sales of properties held for sale	9	1,078	8,176
Interest received		515	368
		1,897	9,332
Outflows			
Investment in intangible asset – computer software	16	(336)	(1,118)
Purchase of property, plant and equipment	9	(13,232)	(19,297)
		(13,568)	(20,415)
Cash flows from investing activities		(11,671)	(11,083)
Financing activities			
Inflows			
Proceeds from the issue of share capital		102	22
Proceeds from borrowings		261,099	116,256
		261,201	116,278
Outflows			
Repayment of borrowings		(262,640)	(32,671)
Dividends paid	6	-	(28,532)
Treasury share purchased		-	(6,080)
Payment on lease liabilities		(19,164)	(29,202)
		(281,804)	(96,485)
Cash flows from financing activities		(20,603)	19,793
Net increase in cash and cash equivalents		64,140	138,685
Cash and cash equivalents at 1 January		348,787	222,984
Net cash reclassified as held for sale	14	-	(2,461)
Effect of exchange rate fluctuations on cash held		10,061	(282)
Cash and cash equivalents at the end of the period		422,988	358,926
Cash and cash equivalents are broken down as follows:			
Cash at bank and short-term deposits		422,988	358,926

Grafton Group plc
Group Condensed Statement of Changes in Equity

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Shares to be issued reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Treasury shares £'000	Total equity £'000
Six months to 30 June 2020 (Unaudited)										
At 1 January 2020	**8,516**	**213,719**	**621**	**12,954**	**12,889**	**9**	**70,142**	**1,047,698**	**(3,897)**	**1,362,651**
Profit after tax for the financial period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,954**	**-**	**15,954**
Total other comprehensive income										
Remeasurement loss on pensions (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,909)**	**-**	**(18,909)**
Movement in cash flow hedge reserve (net of tax)	**-**	**-**	**-**	**-**	**-**	**(68)**	**-**	**-**	**-**	**(68)**
Currency translation effect on foreign currency net investments	**-**	**-**	**-**	**-**	**-**	**-**	**16,034**	**-**	**-**	**16,034**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(68)**	**16,034**	**(18,909)**	**-**	**(2,943)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(68)**	**16,034**	**(2,955)**	**-**	**13,011**
Transactions with owners of the Company recognised directly in equity										
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of Grafton Units	**36**	**66**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**102**
Share based payments charge	**-**	**-**	**-**	**-**	**949**	**-**	**-**	**-**	**-**	**949**
Transfer from shares to be issued reserve	**-**	**-**	**-**	**-**	**(5,093)**	**-**	**-**	**5,093**	**-**	**-**
Transfer from revaluation reserve	**-**	**-**	**-**	**(90)**	**-**	**-**	**-**	**90**	**-**	**-**
	36	**66**	**-**	**(90)**	**(4,144)**	**-**	**-**	**5,183**	**-**	**1,051**
At 30 June 2020	**8,552**	**213,785**	**621**	**12,864**	**8,745**	**(59)**	**86,176**	**1,049,926**	**(3,897)**	**1,376,713**

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Shares to be issued reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Treasury shares £'000	Total equity £'000
Six months to 30 June 2019 (Unaudited)										
At 1 January 2019	8,514	213,430	621	13,146	11,220	(43)	79,280	974,271	(3,897)	1,296,542
Profit after tax for the financial period	-	-	-	-	-	-	-	46,920	-	46,920
Total other comprehensive income										
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	(293)	-	(293)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	101	-	-	-	101
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	1,649	-	-	1,649
Total other comprehensive income	-	-	-	-	-	101	1,649	(293)	-	1,457
Total comprehensive income	-	-	-	-	-	101	1,649	46,627	-	48,377
Transactions with owners of the Company recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	(28,532)	-	(28,532)
Issue of Grafton Units	-	22	-	-	-	-	-	-	-	22
Share based payments charge	-	-	-	-	3,176	-	-	-	-	3,176
Transfer from shares to be issued reserve	-	-	-	-	(4,876)	-	-	4,876	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(6,080)	(6,080)
Cancellation of treasury shares	-	-	-	-	-	-	-	(6,080)	6,080	-
Transfer from revaluation reserve	-	-	-	(89)	-	-	-	89	-	-
	-	22	-	(89)	(1,700)	-	-	(29,647)	-	(31,414)
At 30 June 2019	8,514	213,452	621	13,057	9,520	58	80,929	991,251	(3,897)	1,313,505

Grafton Group plc
Group Condensed Statement of Changes in Equity (continued)

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Shares to be issued reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Treasury shares £'000	Total equity £'000
Year to 31 December 2019 (Audited)										
At 1 January 2019	8,514	213,430	621	13,146	11,220	(43)	79,280	974,271	(3,897)	1,296,542
Profit after tax for the financial year	-	-	-	-	-	-	-	119,232	-	119,232
Total other comprehensive income										
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	(918)	-	(918)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	52	-	-	-	52
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(9,138)	-	-	(9,138)
Total other comprehensive income	-	-	-	-	-	52	(9,138)	(918)	-	(10,004)
Total comprehensive income	-	-	-	-	-	52	(9,138)	118,314	-	109,228
Transactions with owners of the Company recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	(43,986)	-	(43,986)
Issue of Grafton Units	2	289	-	-	-	-	-	-	-	291
Share based payments charge	-	-	-	-	6,171	-	-	-	-	6,171
Tax on share based payments	-	-	-	-	485	-	-	-	-	485
Purchase of treasury shares	-	-	-	-	-	-	-	-	(6,080)	(6,080)
Cancellation of treasury shares	-	-	-	-	-	-	-	(6,080)	6,080	-
Transfer from shares to be issued reserve	-	-	-	-	(4,987)	-	-	4,897	-	-
Transfer from revaluation reserve	-	-	-	(192)	-	-	-	192	-	-
	2	289	-	(192)	1,669	-	-	(44,887)	-	(43,119)
At 31 December 2019	8,516	213,719	621	12,954	12,889	9	70,142	1,047,698	(3,897)	1,362,651

Grafton Group plc
Notes to Condensed Consolidated Half Year Financial Statements for the six months ended 30 June 2020

1. General Information

Grafton Group plc ("Grafton" or "the Group") is an international distributor of building materials to trade customers who are primarily engaged in residential repair, maintenance and improvement projects and house building.

The Group has leading regional or national market positions in the distribution markets in the UK, Ireland and the Netherlands. Grafton is also the market leader in the DIY retailing market in Ireland and is the largest manufacturer of dry mortar in Great Britain.

The Group's origins are in Ireland where it is headquartered, managed and controlled. It has been a publicly quoted company since 1965 and its Units (shares) are quoted on the London Stock Exchange where it is a constituent of the FTSE 250 Index and the FTSE All-Share Index.

The condensed consolidated half year financial statements for the six months ended 30 June 2020 are unaudited but have been reviewed by the auditor whose report is set out on pages 48 and 49.

The financial information presented in this report has been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union. These condensed consolidated half year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements in respect of the year ended 31 December 2019 that are available on the Company's website www.graftonplc.com.

The condensed consolidated half year financial statements presented do not constitute full statutory accounts. The financial information included in this report in relation to the year ended 31 December 2019 does not comprise statutory annual financial statements within the meaning of section 295 of the Companies Act 2014. The 2019 annual financial statements have been filed with the Registrar of Companies and the audit report thereon was unqualified and did not contain any matters to which attention was drawn by way of emphasis.

Basis of Preparation, Accounting Policies and Estimates

(a) Basis of Preparation and Accounting Policies

The condensed consolidated half year financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with *IAS 34 Interim Financial Reporting* as adopted by the European Union. They do not include all the information and disclosures necessary for a complete set of IFRS compliant financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

The accounting policies applied by the Group in the condensed consolidated half year financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019, except for those noted below.

The financial statements are prepared in GBP (Sterling) which is the functional currency of the majority of the Group's business.

The financial information includes all adjustments that management considers necessary for a fair presentation of such financial information. All such adjustments are of a normal recurring nature.

1. General Information (continued)

Basis of Preparation, Accounting Policies and Estimates (continued)

(a) Basis of Preparation and Accounting Policies (continued)

Going Concern

The Group's net cash position, before recognising lease liabilities, increased to £58.6 million at 30 June 2020 from £7.8 million at 31 December 2019. The Group had liquidity of £693.4 million at 30 June 2020 of which £419.0 million was held in accessible cash and £274.4 million in undrawn revolving bank facilities. In addition, the Group has access to the Bank of England's Covid Corporate Financing Facility ("BOE CCFF") and was approved to borrow up to £300 million. In view of the Group's strong cash and liquidity position, debt of £263 million that had been prudently drawn in April under the committed revolving bank facilities and held in cash was repaid. No refinancing of debt is due until March 2023, the Group does not have a leverage (net debt/EBITDA) covenant in its financing arrangements and its assets are unsecured.

Having made appropriate enquiries and regard to the above information, the Directors have a reasonable expectation that Grafton Group plc, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of approval of the Half Year Report. Having reassessed the principal risks, as detailed on page 16, in particular the impact of the Covid-19 pandemic and based on expected cashflows, the strong liquidity position of the Group and additional BOE CCFF borrowing facility, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its condensed interim financial statements.

(b) Estimates

The preparation of half-yearly 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated half year 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 2019.

Goodwill

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. In view of the impact on the Group's businesses in the UK and Ireland from the introduction of national lockdowns which resulted in the temporary closure of the majority of the branches, the impairment review conducted at the end of 2019 was updated at 30 June 2020. The impairment testing process resulted in no impairment of goodwill.

Impacts of standards and interpretations in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Impacts of standards effective from 1 January 2020

Certain new accounting standards and interpretations have been published that are effective from 1 January 2020. These standards did not have a material impact on the Group in the current reporting period and are not expected to have a material impact on future reporting periods and on foreseeable future transactions.

2. Segmental Analysis

The amount of revenue and operating profit under the Group's reportable segments of Distribution, Retailing and Manufacturing is shown below. Segment profit measure is operating profit before exceptional items and amortisation of intangible assets arising on acquisitions.

	Six months to 30 June 2020 (Unaudited) £'000	**Six months to 30 June 2020 (Unaudited) Pre-IFRS 16 £'000**	Six months to 30 June 2019 (Unaudited) Restated £'000	Six months to 30 June 2019 (Unaudited) Restated Pre-IFRS 16 £'000
Revenue				
UK distribution	**605,443**	**605,443**	865,820	865,820
Ireland distribution	**190,150**	**190,150**	226,210	226,210
Netherlands distribution	**138,125**	**138,125**	80,945	80,945
Total distribution - continuing	**933,718**	**933,718**	1,172,975	1,172,975
Retailing	**99,319**	**99,319**	99,924	99,924
Manufacturing	**29,680**	**29,680**	47,391	47,391
Less: inter-segment revenue - manufacturing	**(4,305)**	**(4,305)**	(6,687)	(6,687)
Total revenue from continuing operations	**1,058,412**	**1,058,412**	1,313,603	1,313,603
Segmental operating profit before exceptional items and intangible amortisation arising on acquisitions				
UK distribution	**2,303**	**(1,579)**	55,517	51,968
Ireland distribution	**15,231**	**15,085**	19,330	19,151
Netherlands distribution	**14,055**	**13,560**	8,959	8,629
Total distribution – continuing	**31,589**	**27,066**	83,806	79,748
Retailing	**9,694**	**7,982**	9,524	8,045
Manufacturing	**3,568**	**3,530**	9,156	9,123
	44,851	**38,578**	102,486	96,916
Reconciliation to consolidated operating profit				
Central activities	**(5,745)**	**(5,758)**	(7,383)	(7,434)
	39,106	**32,820**	95,103	89,482
Property profits	**308**	**308**	4,737	4,737
Operating profit before exceptional items and intangible amortisation arising on acquisitions	**39,414**	**33,128**	99,840	94,219
Amortisation of intangible assets arising on acquisitions	**(4,290)**	**(4,290)**	(2,666)	(2,666)
Operating profit	**35,124**	**28,838**	97,174	91,553
Finance expense	**(15,161)**	**(5,925)**	(13,284)	(3,989)
Finance income	**515**	**515**	510	510
Profit before tax	**20,478**	**23,428**	84,400	88,074
Income tax expense	**(4,524)**	**(5,032)**	(14,939)	(15,609)
Profit after tax for the financial period from continuing operations	**15,954**	**18,396**	69,461	72,465
Loss after tax from discontinued operations	**-**	**-**	(22,541)	(22,844)
Profit after tax for the financial period	**15,954**	**18,396**	46,920	49,621

2. Segmental Analysis (continued)

The amount of revenue by geographic area is as follows:

	Six months to 30 June 2020 (Unaudited) £'000	Six months to 30 June 2019 (Unaudited) Restated £'000
Revenue*		
United Kingdom	**628,963**	904,199
Ireland	**291,324**	328,459
Netherlands	**138,125**	80,945
Total revenue – continuing operations	**1,058,412**	1,313,603

**Service revenue, which is recognised over time, amounted to £12.6 million for the period (2019: £16.2 million)*

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000
Segment assets		
Distribution	**2,147,057**	2,324,539
Retailing	**216,111**	223,677
Manufacturing	**47,996**	51,111
	2,411,164	2,599,327
Unallocated assets		
Deferred tax assets	**12,143**	7,263
Assets of disposal group held for sale	**-**	32,525
Retirement benefit assets	**890**	1,714
Other financial assets	**128**	126
Cash and cash equivalents	**422,988**	358,926
Derivative financial instruments (current)	**-**	84
Total assets	**2,847,313**	2,999,965

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000
Segment liabilities		
Distribution	**750,830**	966,323
Retailing	**224,542**	214,668
Manufacturing	**13,120**	21,783
	988,492	1,202,774
Unallocated liabilities		
Interest bearing loans and borrowings (current and non-current)	**364,308**	357,043
Liabilities of disposal group held for sale	**-**	30,091
Retirement benefit obligations	**45,572**	22,189
Deferred tax liabilities	**49,342**	40,446
Current income tax liabilities	**22,824**	33,890
Derivative financial instruments (non-current)	**62**	27
Total liabilities	**1,470,600**	1,686,460

3. Operating Profit

Operating profit includes Government Assistance of £25.1 million in respect of the Coronavirus Job Retention Scheme in the UK and the Temporary Covid-19 Wage Subsidy Scheme in Ireland.

The property profit of £0.3 million (2019: £4.7 million) relates to the disposal of four UK properties (2019: two UK properties and two Irish properties).

4. Finance Expense and Finance Income

	Six months to 30 June 2020 (Unaudited) £'000		Six months to 30 June 2019 (Unaudited) Restated £'000	
Finance expense				
Interest on bank loans, US senior notes and overdrafts	**4,555**	*	3,580	*
Net change in fair value of cash flow hedges transferred from equity	**-**		151	
Interest on lease liabilities	**9,292**		9,343	
Net finance cost on pension scheme obligations	**169**		210	
Foreign exchange loss	**1,145**		-	
	15,161		13,284	
Finance income				
Interest income on bank deposits	**(515)**	*	(368)	*
Foreign exchange gain	**-**		(142)	
	(515)		(510)	
Net finance expense	**14,646**		12,774	

** Net bank and US senior note interest of £4.0 million (2019: £3.2 million).*

5. Earnings per Share

The computation of basic, diluted and underlying earnings per share is set out below.

	Half Year 30 June 2020 (Unaudited) £'000	Half Year 30 June 2019 (Unaudited) Restated £'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial period from continuing operations	**15,954**	69,461
Loss after tax for the financial period from discontinued operations	**-**	(22,541)
Numerator for basic and diluted earnings per share	**15,954**	46,920
Profit after tax for the financial period from continuing operations	**15,954**	69,461
Amortisation of intangible assets arising on acquisitions	**4,290**	2,666
Tax relating to amortisation of intangible assets arising on acquisitions	**(874)**	(532)
Numerator for adjusted earnings per share	**19,370**	71,595
	Number of Grafton Units	Number of Grafton Units
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	**238,352,174**	237,778,336
Dilutive effect of options and awards	**-**	659,376
Denominator for diluted earnings per share	**238,352,174**	238,437,712
Earnings per share (pence) – from total operations		
- Basic	**6.7**	19.7
- Diluted	**6.7**	19.7
Earnings per share (pence) – from continuing operations		
- Basic	**6.7**	29.2
- Diluted	**6.7**	29.1
Earnings per share (pence) – from discontinued operations		
- Basic	**-**	(9.5)
- Diluted	**-**	(9.5)
Adjusted earnings per share (pence) – from continuing operations		
- Basic	**8.1**	30.1
- Diluted	**8.1**	30.0

6. Dividends

On 24 March 2020, the Group announced that it was implementing a range of precautionary measures in light of Covid-19 to preserve liquidity and ensure it came through the crisis well positioned for growth. One of these actions was the suspension of the second interim dividend for 2019 of 12.5p per share, which was due to be paid on 6 April 2020.

In view of the impact on trading of Covid-19, the Board does not propose paying a first interim dividend for 2020 in respect of the financial performance for the six months ended 30 June 2020, as it normally would do at this time. The Group however recognises the importance of dividends to shareholders and will consider the scope for the payment of the suspended second interim dividend for 2019 and a full year dividend for 2020, having regard to any significant interruptions to trading from Covid-19 in the second half, as part of its overall review of the full year results.

A liability in respect of any future dividend has not been recognised at 30 June 2020, as there was no present obligation to pay any dividends at the half-year.

7. Exchange Rates

The results and cash flows of subsidiaries with euro functional currencies have been translated into sterling using the average exchange rate for the half-year. The balance sheets of subsidiaries with euro functional currencies have been translated into sterling at the rate of exchange ruling at the balance sheet date.

The average sterling/euro rate of exchange for the six months ended 30 June 2020 was Stg87.46p (six months to 30 June 2019: Stg87.36p). The sterling/euro exchange rate at 30 June 2020 was Stg91.24p (30 June 2019: Stg89.66p and 31 December 2019: Stg85.08p).

8. Right-Of-Use Asset

	Right-of-use asset £'000
Recognised at 1 January 2020	**522,245**
Additions	**786**
Disposals	**(2,525)**
Depreciation	**(30,796)**
Remeasurements	**(1,276)**
Currency translation adjustment	**15,578**
As at 30 June 2020	**504,012**

9. Property, Plant and Equipment, Properties Held for Sale and Investment Properties

Net Book Value	**Property, plant and equipment £'000**	**Properties held for sale £'000**	**Investment properties £'000**
As at 1 January 2020	**500,924**	**16,274**	**12,526**
Additions	**13,232**	**-**	**-**
Depreciation	**(22,474)**	**-**	**-**
Disposals	**(625)**	**(741)**	**-**
Impairment charge	**-**	**(146)**	**-**
Transfer to properties held for sale	**(3,294)**	**3,579**	**(285)**
Currency translation adjustment	**10,445**	**970**	**511**
As at 30 June 2020	**498,208**	**19,936**	**12,752**

10. Movement in Working Capital

Current	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total £'000
At 1 January 2020	**317,632**	**388,023**	**(511,855)**	**193,800**
Currency translation adjustment	**9,630**	**8,884**	**(13,706)**	**4,808**
Working capital movement in 2020	**(24,099)**	**(102,445)**	**101,407**	**(25,137)**
At 30 June 2020	**303,163**	**294,462**	**(424,154)**	**173,471**
Lease receivable under IFRS 16				
Included in current assets	**-**	**151**	**-**	**151**
Included in non-current assets	**-**	**2,266**	**-**	**2,266**
At 30 June 2020	**-**	**2,417**	**-**	**2,417**

11. Interest-Bearing Loans, Borrowings and Net Debt

	30 June 2020 £'000	30 June 2019 £'000	31 Dec 2019 £'000
Non-current liabilities			
Bank loans	**219,020**	214,338	203,814
US senior notes	**145,288**	142,705	135,447
Total non-current interest-bearing loans and borrowings	**364,308**	357,043	339,261
Leases			
Included in non-current liabilities	**480,656**	489,198	487,999
Included in current liabilities	**57,144**	53,198	55,368
Total leases	**537,800**	542,396	543,367
Derivatives			
Included in current liabilities	**62**	27	-
Included in current assets	**-**	(84)	(7)
Total derivatives	**62**	(57)	(7)
Cash and cash equivalents	**(422,988)**	(358,926)	(348,787)
Net debt	**479,182**	540,456	533,834

In April 2020, the Group drew £261.1 million under its revolving bank facilities which was held in cash as a precautionary measure to increase liquidity. In view of the Group's strong cash flow from operations, loans of £263.1 million were repaid in June 2020.

11. Interest-Bearing Loans, Borrowings and Net Debt (continued)

The following table shows the fair value of financial assets and liabilities including their level in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	30 June 2020 £'000	31 Dec 2019 £'000
Assets/liabilities measured at fair value		
Designated as hedging instruments		
Interest rate swaps and other derivatives (Level 2)	**62**	(7)
Liabilities not measured at fair value		
Liabilities at amortised cost		
Bank loans	**220,159**	205,295
US senior notes	**145,984**	136,128
Leases	**537,800**	543,367
	903,943	884,790

Financial assets and liabilities recognised at amortised cost
Except as detailed above, it is considered that the carrying amounts of financial assets and liabilities including trade payables, trade receivables, net debt and deferred consideration, which are recognised at amortised cost in the condensed consolidated half year financial statements, approximate to their fair values.

Financial assets and liabilities carried at fair value
All of the Group's financial assets and liabilities which are carried at fair value are classified as Level 2 in the fair value hierarchy. There have been no transfers between levels in the current period. Fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The fair values of interest rate swaps and other derivatives are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using forward currency rates and market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

12. Reconciliation of Net Cash Flow to Movement in Net Debt

The impact of IFRS 16 on net debt is also set out within the APM's.	**30 June 2020 £'000**	30 June 2019 £'000
Net increase in cash and cash equivalents	**64,140**	138,685
Net cash reclassified as held for sale	**-**	(2,461)
Net movement in derivative financial instruments	**(69)**	111
Movement in debt and lease financing	**7,228**	(623,774)
Change in net debt resulting from cash flows	**71,299**	(487,439)
Currency translation adjustment	**(16,647)**	70
Movement in net debt in the period	**54,652**	(487,369)
Net debt at 1 January	**(533,834)**	(53,087)
Net debt at end of the period	**(479,182)**	(540,456)
Gearing	**35%**	41%

13. Retirement Benefits

The principal financial assumptions employed in the valuation of the Group's defined benefit scheme liabilities for the current and prior year were as follows:

	Irish Schemes		UK Schemes	
	At 30 June 2020	At 31 Dec 2019	**At 30 June 2020**	At 31 Dec 2019
Rate of increase in salaries	**1.90%***	2.30%*	**0.00%****	0.00%**
Rate of increase of pensions in payment	**-**	-	**2.70%**	2.90%
Discount rate	**0.95%**	1.05%	**1.50%**	2.10%
Inflation	**0.70%**	1.10%	**2.00%*****	1.90%***

*1.90% applies from 2 January 2021 (31 December 2019: 2.30% from 2 January 2020)
** Pensionable salaries are not adjusted for inflation
*** The inflation assumption shown for the UK is based on the Consumer Price Index (CPI)

The following table provides a reconciliation of the scheme assets (at bid value) and the actuarial value of scheme liabilities:

	Assets		Liabilities		Net asset/(deficit)	
	Half year to 30 June 2020	Year to 31 Dec 2019	**Half year to 30 June 2020**	Year to 31 Dec 2019	**Half year to 30 June 2020**	Year to 31 Dec 2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
At 1 January	**249,933**	230,671	**(271,116)**	(250,834)	**(21,183)**	(20,163)
Acquired in the year	-	-	**-**	(227)	-	(227)
Disposed in the year	-	(1,575)	**-**	1,998	-	423
Interest income on plan assets	**1,997**	5,352	**-**	-	**1,997**	5,352
Contributions by employer	**2,129**	2,956	**-**	-	**2,129**	2,956
Contributions by members	**302**	621	**(302)**	(621)	**-**	-
Benefit payments	**(4,485)**	(11,376)	**4,485**	11,376	**-**	-
Current service cost	**(246)**	-	**(1,255)**	(2,443)	**(1,501)**	(2,443)
Settlement cost	**-**	-	**-**	(580)	**-**	(580)
Other long term benefit (expense)	**-**	-	**(36)**	(49)	**(36)**	(49)
Interest cost on scheme liabilities	**-**	-	**(2,166)**	(5,763)	**(2,166)**	(5,763)
Remeasurements						
Actuarial gains/(loss) from:						
-experience variations	**-**	-	**(3,305)**	1,579	**(3,305)**	1,579
-financial assumptions	**-**	-	**(14,220)**	(31,178)	**(14,220)**	(31,178)
-demographic assumptions	**-**	-	**(509)**	(1,048)	**(509)**	(1,048)
Return on plan assets excluding interest income	**(4,964)**	29,356	**-**	-	**(4,964)**	29,356
Translation adjustment	**8,502**	(6,072)	**(9,426)**	6,674	**(924)**	602
At 30 June / 31 December	**253,168**	249,933	**(297,850)**	(271,116)	**(44,682)**	(21,183)
Related deferred tax asset (net)					**7,597**	3,228
Net pension liability					**(37,085)**	(17,955)

13. Retirement Benefits (continued)

The net pension scheme deficit of £44.7 million is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) of £45.6 million and retirement benefit assets (non-current assets) of £0.9 million. £15.9 million of the retirement benefit obligations relates to schemes in Ireland and the Netherlands and £29.7 million relates to one UK scheme. £0.3 million of the retirement benefit asset relates to a second UK scheme and £0.6 million is one scheme in Ireland.

The 2019 net pension scheme deficit of £21.2 million is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) of £21.9 million and retirement benefit assets (non-current assets) of £0.7 million. £10.8 million of the retirement benefit obligations relates to schemes in Ireland and the Netherlands and £11.1 million relates to one UK scheme. £0.3 million of the retirement benefit asset relates to a second UK scheme and £0.4 million to one scheme in Ireland.

14. Non-Current Assets Held for Sale and Discontinued Operations

30 June 2019

In early 2019, the Group conducted a strategic review of its operations in Belgium in the context of its allocation and reallocation of capital. This resulted in a decision to divest of the business and a process was initiated to dispose of the operations. The Group entered into a conditional agreement for the sale of the business which was subsequently completed on 4 October 2019. For reporting purposes, for the period ended 30 June 2019, the assets and liabilities of the Belgium operations were presented as held for sale and the Belgium Group was reported as a discontinued operation. The related goodwill allocated to the Belgium Group was written off in the period (30 June 2019: £9.2 million). The write down to fair value of the assets, less costs to sell was £16.8 million. Together, for the period ended 30 June 2019, this resulted in an overall net loss of £26.0 million which was recognised as Exceptional Items within the Income Statement of the discontinued operation.

On 1 October 2019 the Group completed the disposal of Plumbase, its specialist UK plumbing and heating business, to Plumbing and Heating Investments Limited ("PHIL"), a UK company engaged in the distribution of plumbing and heating products. The disposal of Plumbase is in line with the Group's strategy of orientating towards higher returning businesses with good long-term growth prospects. As a result of this, the results for the period ended 30 June 2019 have been restated to report Plumbase as a discontinued operation.

Assets of disposal group (Belgium) classified as held for sale

	Transferred to held for sale £'000	Fair value Adjustment £'000	Total assets transferred £'000
Property, plant and equipment	4,114	(4,114)	-
Right-of-use assets	9,777	(9,777)	-
Investment property	159	-	159
Inventory	14,752	(2,897)	11,855
Trade and other receivables	16,979	-	16,979
Cash and cash equivalents	3,532	-	3,532
Total assets held for sale	49,313	(16,788)	32,525

Liabilities of disposal group (Belgium) classified as held for sale

	£'000
Trade and other payables	(18,897)
Lease liabilities	(9,829)
Loans and borrowings	(1,071)
Pension liability	(294)
Total liabilities held for sale	(30,091)

14. Non-Current Assets Held for Sale and Discontinued Operations (continued)

Net cash movement on transfer to held for sale - Belgium

	£'000
Cash and cash equivalents	3,532
Loans and borrowings	(1,071)
Total cash flow movement	2,461

Exceptional items recognised in the period within the discontinued operation - Belgium

	£'000
Fair value adjustment to assets held for sale	16,788
Goodwill impairment	9,176
Total exceptional items recognised	25,964

Results from discontinued operations

	30 June 2019 (unaudited) Reported Belgium £'000	30 June 2019 (unaudited) Restated Plumbase £'000	30 June 2019 (unaudited) Restated* £'000	31 December 2019 (unaudited) Reported £'000
Revenue	45,290	123,713	169,003	251,792
Operating costs	(44,654)	(119,660)	(164,314)	(245,297)
Operating profit pre-exceptional items	636	4,053	4,689	6,495
Exceptional items (see above)	(25,964)	-	(25,964)	(29,357)
Operating (loss)	(25,328)	4,053	(21,275)	(22,862)
Net finance costs	(234)	(250)	(484)	(702)
(Loss) before tax	(25,562)	3,803	(21,759)	(23,564)
Income tax	(140)	(642)	(782)	(1,128)
(Loss) after tax for the financial period	(25,702)	3,161	(22,541)	(24,692)

* The Reported Results at 30 June 2019 included Belgium only as a discontinued operation. Results for the period ended 30 June 2019 have since been restated to include the Plumbase business as a discontinued operation.

The overall impact on the Group income statement for June 2019 is set out below. The results for the period ended 30 June 2019 have been restated to include the Plumbase business as a discontinued operation.

Impact on the Group Condensed Income Statement for the six months ended 30 June 2019

	2019 (unaudited) Continuing Restated £'000	2019 (unaudited) Discontinued Restated £'000	2019 (unaudited) Total £'000
Revenue	1,313,603	169,003	1,482,606
Operating costs	(1,221,166)	(164,314)	(1,385,480)
Operating profit before property profits	92,437	4,689	97,126
Property profits	4,737	-	4,737
Operating profit before exceptional items	97,174	4,689	101,863
Exceptional items	-	(25,964)	(25,964)
Operating profit	97,174	(21,275)	75,899
Finance expense	(13,284)	(484)	(13,768)
Finance income	510	-	510
Profit before tax	84,400	(21,759)	62,641
Income tax expense	(14,939)	(782)	(15,721)
Profit after tax for the financial period	69,461	(22,541)	46,920

15. Goodwill

Goodwill is subject to impairment testing on an annual basis and more frequently if an indicator of impairment is considered to exist. In view of the impact on the Group's businesses in the UK and Ireland from the introduction of national lockdowns which resulted in the temporary closure of the majority of the branches, the impairment review conducted at the end of 2019 was updated at 30 June 2020. The impairment testing process resulted in no impairment of goodwill.

	Goodwill £'000
Net Book Value	
As at 1 January 2020	**657,845**
Currency translation adjustment	**18,605**
As at 30 June 2020	**676,450**

16. Intangible Assets

	Computer Software £'000	Trade Names £'000	Customer Relationships £'000	Total £'000
Net Book Value				
As at 1 January 2020	**36,195**	**5,507**	**61,566**	**103,268**
Additions	**336**	**-**	**-**	**336**
Amortisation	**(2,539)**	**(372)**	**(3,918)**	**(6,829)**
Currency translation adjustment	**64**	**238**	**2,687**	**2,989**
As at 30 June 2020	**34,056**	**5,373**	**60,335**	**99,764**

The computer software asset of £34.1 million at 30 June 2020 (December 2019: £36.2 million) primarily reflects the cost of the Group's investment on upgrading the IT systems and infrastructure that supports a number of UK businesses as part of a multi-year programme of investment.

The amortisation expense of £6.8 million (H1 2019: £3.7 million) has been charged in 'operating costs' in the income statement. Amortisation on acquired intangibles amounted to £4.3 million (H1 2019: £2.7 million).

17. Taxation

The income tax expense of £4.5 million (2019: £14.9 million) is equivalent to an effective tax rate of 22.1 per cent on profit from continuing operations (2019: 17.7 per cent) and is based on the current forecast rate for the year. This is a blended rate of corporation tax on profits in the jurisdictions where the Group operates and is higher than the rate of 19.5 per cent guided at the time of our 2019 Final Results Announcement which was based on a higher level of forecast profitability for the year.

Legislation that was passed in 2016 to reduce the UK rate of corporation tax by two percent to 17 per cent with effect from 1 April 2020 did not proceed leading to a one-off increase in the charge for deferred tax which increased the forecast tax rate for the current year by 3.1 percentage points as opposed to 1.1 per cent in the guided rate of 19.5 per cent.

Certain items of expenditure charged in arriving at profit before tax, including depreciation on buildings, are not eligible for a tax deduction. The ineligible expenditure accounted for a higher proportion of profit forecast for the year which along with a change in the profit mix from each jurisdiction contributed to a net increase in the forecast tax rate for 2020 by 0.6 per cent.

The liability shown for current taxation includes a liability for tax uncertainties and is based on the Directors' estimate of (i) the most likely amount; or (ii) the expected value of the probable outflow of economic resources that will be required. As with all estimates, the actual outcome may be different to the current estimate.

17. Taxation (continued)

Accounting estimates and judgements

Management is required to make judgements and estimates in relation to taxation provisions and exposures. In the ordinary course of business, the Group is party to transactions for which the ultimate tax determination may be uncertain. As the Group is subject to taxation in a number of jurisdictions, an open dialogue is maintained with

Revenue Authorities with a view to the timely agreement of tax returns. The amounts provided/recognised for tax are based on management's estimate having taken appropriate professional advice.

If the final determination of these matters is different from the amounts that were initially recorded such differences could materially impact the income tax and deferred tax liabilities and assets in the period in which the determination was made.

Deferred tax

At 30 June 2020, there were unrecognised deferred tax assets in relation to capital losses of £1.2 million (31 December 2019: £1.6 million), trading losses of £2.0 million (31 December 2019: £1.9 million) and deductible temporary differences of £2.9 million (31 December 2019: £2.2 million).

Deferred tax assets were not recognised in respect of certain capital losses as they can only be recovered against certain classes of taxable profits. The Directors believe that it is not probable that such profits will arise in the foreseeable future. The trading losses arose in entities that have incurred losses in recent years and the Directors believe that it is not probable there will be sufficient taxable profits in the relevant entities against which they can be utilised. Separately, the Directors believe that it is not probable the deductible temporary differences will be utilised.

18. Related Party Transactions

There have been no new related party transactions. There were no other changes in related parties from those described in the 2019 Annual Report that materially affected the financial position or the performance of the Group during the period to 30 June 2020.

19. Grafton Group plc Long Term Incentive Plan (LTIP)

There were no LTIP awards made in the current period. The 2019 Annual Report discloses details of the scheme.

20. Issue of Shares

During the year 814,284 Grafton Units were issued under the 2011 Grafton Group Long Term Incentive Plan (LTIP) on the vesting of the 2017 grants. A further 9,845 Grafton Units were issued under the Group's Savings Related Share Option Scheme (SAYE) to eligible UK employees.

21. Events after the Balance Sheet Date

There have been no material events subsequent to 30 June 2020 that would require adjustment to or disclosure in this report.

22. Board Approval

These condensed consolidated half year financial statements were approved by the Board of Grafton Group plc on 26 August 2020.

Supplementary Financial Information

Alternative Performance Measures

Certain financial information set out in this consolidated half year financial statements is not defined under International Financial Reporting Standards ("IFRS"). These key Alternative Performance Measures ("APMs") represent additional measures in assessing performance and for reporting both internally and to shareholders and other external users. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides readers with a more meaningful understanding of the underlying financial and operating performance of the Group.

None of these APMs should be considered as an alternative to financial measures drawn up in accordance with IFRS. The key Alternative Performance Measures ("APMs") of the Group are set out below. As amounts are reflected in £'m some non-material rounding differences may arise. Numbers that refer to 2019 are available in the 2019 Annual Report and the 2019 Half Year Report subject to restatement for discontinued operations.

Note: *Plumbase and Belgium Distribution are now classified as discontinued operations for the period ended 30 June 2019. The revenue and operating profit of both businesses are excluded from the Group. Revenue and the operating result are reflected in the (loss)/profit after tax from discontinued operations. Prior year comparatives have been updated to conform to the current year presentation.*

APM	Description
Adjusted operating profit/EBITA	Profit before amortisation of intangible assets arising on acquisitions, exceptional items, net finance expense and income tax expense.
EBITA	Profit before exceptional items, net finance expense, income tax expense and amortisation of intangible assets arising on acquisitions.
Operating profit/EBITA margin	Profit before net finance expense and income tax expense as a percentage of revenue.
Adjusted operating profit/EBITA before property profit	Profit before profit on the disposal of Group properties, amortisation of intangible assets arising on acquisitions, exceptional items, net finance expense and income tax expense.
Adjusted operating profit/EBITA margin before property profit	Adjusted operating profit/EBITA before property profit as a percentage of revenue.
Adjusted profit before tax	Profit before amortisation of intangible assets arising on acquisitions, exceptional items and income tax expense.
Adjusted profit after tax	Profit before amortisation of intangible assets arising on acquisitions and exceptional items but after deducting the income tax expense.
Capital Turn	Revenue for the previous 12 months divided by average capital employed (where capital employed is the sum of total equity and net debt at each period end).
Constant Currency	Constant currency reporting is used by the Group to eliminate the translational effect of foreign exchange on the Group's results. To arrive at the constant currency change, the results for the prior period are retranslated using the average exchange rates for the current period and compared to the current period reported numbers.

EBITDA	Profit before exceptional items, net finance expense, income tax expense, depreciation and amortisation of intangible assets arising on acquisitions. EBITDA (rolling 12 months) is EBITDA for the previous 12 months.
EBITDA Interest Cover	EBITDA divided by net bank/loan note interest.
Gearing	The Group net debt divided by the total equity attributable to owners of the Parent times 100, expressed as a percentage.
Like-for-like revenue	Changes in like-for-like revenue is a measure of underlying revenue performance for a selected period. Branches contribute to like-for-like revenue once they have been trading for more than twelve months. Acquisitions contribute to like-for-like revenue once they have been part of the Group for more than 12 months. When branches close, or where a business is disposed of, revenue from the date of closure, for a period of 12 months, is excluded from the prior year result.
Return on Capital Employed	Operating profit divided by average capital employed (where capital employed is the sum of total equity and net debt at each period end) times 100, expressed as a percentage.

Adjusted Operating Profit/EBITA before Property Profit

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Revenue - continuing	1,058.4	1,313.6
Operating profit	35.1	97.2
Property profit	(0.3)	(4.7)
Amortisation of intangible assets arising on acquisitions	4.3	2.7
Adjusted operating profit/EBITA before property profit	39.1	95.1
Adjusted operating profit/EBITA margin before property profit	3.7%	7.2%

Operating Profit/EBITA Margin

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Revenue - continuing	1,058.4	1,313.6
Operating profit	35.1	97.2
Operating profit/EBITA margin	3.3%	7.4%

Adjusted Operating Profit/EBITA

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Revenue - continuing	1,058.4	1,313.6
Operating profit	35.1	97.2
Amortisation of intangible assets arising on acquisitions	4.3	2.7
Adjusted operating profit/EBITA	39.4	99.8
Adjusted operating profit/EBITA margin	3.7%	7.6%

Adjusted Profit before Tax

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Profit before tax	20.5	84.4
Amortisation of intangible assets arising on acquisitions	4.3	2.7
Adjusted profit before tax	24.8	87.1

Adjusted Profit after Tax

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Profit after tax	16.0	69.5
Amortisation of intangible assets arising on acquisitions	4.3	2.7
Related tax on amortisation of intangible assets arising on acquisitions	(0.9)	(0.5)
Adjusted profit after tax	19.4	71.6

Reconciliation of Profit to EBITDA

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Profit after tax	16.0	69.5
Net finance expense	14.6	12.8
Income tax expense	4.5	14.9
Depreciation	53.3	54.2
Intangible asset amortisation	6.8	3.7
EBITDA	95.2	155.0

Net Debt to EBITDA

	Six months to 30 June 2020 Impact £'m	Six months to 30 June 2019 Restated £'m
EBITDA (rolling 12 months)	252.8	270.9
Net debt	479.2	540.5
Net debt to EBITDA – times	1.90	1.99

EBITDA Interest Cover

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
EBITDA	95.2	155.0
Net bank/loan note interest	4.0	3.2
EBITDA interest cover – times	23.6	48.3

Gearing

	30 June 2020 Reported £'m	30 June 2019 Restated £'m
Total equity	1,376.7	1,313.5
Group net debt	479.2	540.5
Gearing	35%	41%

Return on Capital Employed

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Operating profit (rolling 12 months)	135.7	187.7
Exceptional items (rolling)	-	1.9
Amortisation of intangible assets arising on acquisitions (rolling)	8.6	5.4
Adjusted operating profit (rolling 12 months)	144.3	195.0
Total equity – current period end	1,376.7	1,313.5
Net debt – current period end	479.2	540.5
Capital employed – current period end	1,855.9	1,854.0
Total equity – prior period end	1,313.5	1,232.2
Net debt – prior period end	540.5	676.5
Capital employed – prior period end	1,854.0	1,908.7
Average capital employed	1,854.9	1,881.3
Return on capital employed	7.8%	10.4%

Capital Turn

	Six months to 30 June 2020 Reported £'m	Six months to 30 June 2019 Restated £'m
Revenue H2 prior period	1,358.7	1,200.6
Revenue H1 current period	1,058.4	1,313.6
Total revenue for previous 12 months	2,417.1	2,514.2
Average capital employed	1,854.9	1,881.3
Capital turn - times	1.3	1.3

Liquidity

	30 June 2020 Reported £'m	30 June 2019 Reported £'m
Cash and cash equivalents	423.0	358.9
Less: cash held against letter of credit	(4.0)	(4.0)
Accessible cash	419.0	354.9
Undrawn revolving bank facilities	274.4	273.7
Liquidity	693.4	628.6

Supplementary Financial Information

Alternative Performance Measures

Impact of IFRS 16 "Leases" on the Group Income Statement

	2020 (Unaudited) Pre IFRS 16 Impact £'000	2020 (Unaudited) IFRS 16 Impact £'000	2020 (Unaudited) Reported £'000
Revenue	1,058,412	-	1,058,412
Operating costs	(1,029,882)	6,286	(1,023,596)
Operating profit before property profits	28,530	6,286	34,816
Property profits	308	-	308
Operating profit	28,838	6,286	35,124
Finance expense	(5,925)	(9,236)	(15,161)
Finance income	515	-	515
Profit before tax	23,428	(2,950)	20,478
Income tax expense	(5,032)	508	(4,524)
Profit after tax for the financial period	18,396	(2,442)	15,954
Profit attributable to:			
Owners of the Company	18,396	(2,442)	15,954
Earnings per ordinary share - basic	7.7p	(1.0p)	6.7p
Earnings per ordinary share - diluted	7.7p	(1.0p)	6.7p

Group Condensed Balance Sheet as at 30 June 2020

	30 June 2020 (Unaudited) Pre IFRS 16 Impact	30 June 2020 (Unaudited) IFRS 16 Impact	30 June 2020 (Unaudited) Reported
ASSETS	**£'000**	**£'000**	**£'000**
Non-current assets			
Goodwill	676,450	**-**	676,450
Intangible assets	99,764	**-**	99,764
Property, plant and equipment	500,362	**(2,154)**	498,208
Right-of-use asset	-	**504,012**	504,012
Investment properties	12,752	**-**	12,752
Deferred tax assets	11,393	**750**	12,143
Lease receivable	-	**2,266**	2,266
Retirement benefit assets	890	**-**	890
Other financial assets	128	**-**	128
Total non-current assets	1,301,739	**504,874**	1,806,613
Current assets			
Properties held for sale	19,936	**-**	19,936
Inventories	303,163	**-**	303,163
Trade and other receivables	299,834	**(5,372)**	294,462
Lease receivable	-	**151**	151
Cash and cash equivalents	422,988	**-**	422,988
Total current assets	1,045,921	**(5,221)**	1,040,700
Total assets	**2,347,660**	**499,653**	**2,847,313**
EQUITY			
Equity share capital	8,552	**-**	8,552
Share premium account	213,785	**-**	213,785
Capital redemption reserve	621	**-**	621
Revaluation reserve	12,864	**-**	12,864
Shares to be issued reserve	8,745	**-**	8,745
Cash flow hedge reserve	(59)	**-**	(59)
Foreign currency translation reserve	86,541	**(365)**	86,176
Retained earnings (prior years)	1,054,868	**(7,170)**	1,047,698
Retained earnings (current year)	4,670	**(2,442)**	2,228
Treasury shares held	(3,897)	**-**	(3,897)
Total equity	1,386,690	**(9,977)**	1,376,713
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	364,308	**-**	364,308
Lease liabilities	1,154	**479,502**	480,656
Provisions	23,244	**(5,502)**	17,742
Retirement benefit obligations	45,572	**-**	45,572
Deferred tax liabilities	49,342	**-**	49,342
Total non-current liabilities	483,620	**474,000**	957,620
Current liabilities			
Lease liabilities	464	**56,680**	57,144
Trade and other payables	442,214	**(18,060)**	424,154
Current income tax liabilities	24,110	**(1,286)**	22,824
Derivative financial instruments	62	**-**	62
Provisions	10,500	**(1,704)**	8,796
Total current liabilities	477,350	**35,630**	512,980
Total liabilities	960,970	**509,630**	1,470,600
Total equity and liabilities	**2,347,660**	**499,653**	**2,847,313**

Group Condensed Cash Flow Statement

	Six months to 30 June 2020 (Unaudited) Pre IFRS 16 Impact £'000	Six months to 30 June 2020 (Unaudited) IFRS 16 Impact £'000	Six months to 30 June 2020 (Unaudited) Reported £'000
Profit before taxation	23,428	**(2,950)**	20,478
Finance income	(515)	-	(515)
Finance expense	5,925	**9,236**	15,161
Operating profit	28,838	**6,286**	35,124
Depreciation	22,474	**30,796**	53,270
Amortisation of intangible assets	6,829	-	6,829
Share-based payments charge	949	-	949
Movement in provisions	(152)	**400**	248
Loss on sale of property, plant and equipment	293	-	293
Property profit	(308)	-	(308)
Asset impairment / fair value adjustments	146	**360**	506
Contributions to pension schemes in excess of IAS 19 charge	(592)	-	(592)
(Increase)/decrease in working capital	34,791	**(9,654)**	25,137
Cash generated from operations	93,268	**28,188**	121,456
Interest paid	(5,555)	**(9,236)**	(14,791)
Income taxes paid	(10,251)	-	(10,251)
Cash flows from operating activities	77,462	**18,952**	96,414
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment	304	-	304
Proceeds from sales of properties held for sale	1,078	-	1,078
Interest received	515	-	515
	1,897	-	1,897
Outflows			
Investment in intangible asset – computer software	(336)	-	(336)
Purchase of property, plant and equipment	(13,232)	-	(13,232)
	(13,568)	-	(13,568)
Cash flows from investing activities	(11,671)	-	(11,671)
Financing activities			
Inflows			
Proceeds from the issue of share capital	102	-	102
Proceeds from borrowings	261,099	-	261,099
	261,201	-	261,201
Outflows			
Repayment of borrowings	(262,640)	-	(262,640)
Payment on lease liabilities	(212)	**(18,952)**	(19,164)
	(262,852)	**(18,952)**	(281,804)
Cash flows from financing activities	(1,651)	**(18,952)**	(20,603)
Net increase in cash and cash equivalents	64,140	-	64,140
Cash and cash equivalents at 1 January	348,787	-	348,787
Effect of exchange rate fluctuations on cash held	10,061	-	10,061
Cash and cash equivalents at the end of the period	422,988	-	422,988

Reconciliation of Net Cash Flow to Movement in Net Cash/Debt

	30 June 2020 (Unaudited) Pre IFRS 16 Impact £'000	30 June 2020 (Unaudited) IFRS 16 Impact £'000	30 June 2020 (Unaudited) Reported £'000
Net increase in cash and cash equivalents	64,140	**-**	64,140
Net movement in derivative financial instruments	(69)	**-**	(69)
Movement in debt and lease financing	1,753	**5,475**	7,228
Change in net cash/(debt) resulting from cash flows	65,824	**5,475**	71,299
Currency translation adjustment	(16,647)	**-**	(16,647)
Movement in net cash/(debt) in the period	49,177	**5,475**	54,652
Net cash/(debt) at 1 January	7,823	**(541,657)**	(533,834)
Net cash/(debt) at end of the period*	**57,000**	**(536,182)**	**(479,182)**

* Lease liabilities amounting to £1.6m are included in the pre-IFRS 16 net cash balance. Excluding this, the pre-IFRS16 net cash position is £58.6m and the IFRS 16 impact is £537.8m.

Earnings per Share

	30 June 2020 (Unaudited) Pre IFRS 16 Impact £'000	30 June 2020 (Unaudited) IFRS 16 Impact £'000	30 June 2020 (Unaudited) Reported £'000
Numerator for basic, adjusted and diluted earnings per share:			
Profit after tax for the financial period from continuing operations	18,396	(2,442)	15,954
Numerator for basic and diluted earnings per share	18,396	(2,442)	15,954
Profit after tax for the financial period from continuing operations	18,396	(2,442)	15,954
Amortisation of intangible assets arising on acquisitions	4,290	-	4,290
Tax relating to amortisation of intangible assets arising on acquisitions	(874)	-	(874)
Numerator for adjusted earnings per share - continuing	21,812	(2,442)	19,370
	Number of Grafton Units	**Number of Grafton Units**	**Number of Grafton Units**
Denominator for basic and adjusted earnings per share:			
Weighted average number of Grafton Units in issue	238,352,174	238,352,174	238,352,174
Dilutive effect of options and awards	-	-	-
Denominator for diluted earnings per share	238,352,174	238,352,174	238,352,174
Earnings per share (pence) – from continuing operations			
- Basic	7.7p	(1.0p)	6.7p
- Diluted	7.7p	(1.0p)	6.7p
Adjusted earnings per share (pence) – from continuing operations			
- Basic	9.1p	(1.0p)	8.1p
- Diluted	9.1p	(1.0p)	8.1p

Responsibility Statement in Respect of the Six Months Ended 30 June 2020

The Directors, whose names and functions are listed on pages 66 and 67 in the Group's 2019 Annual Report, are responsible for preparing this interim management report and the condensed consolidated half year financial statements in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with IAS 34, Interim Financial Reporting as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

- the condensed consolidated interim financial statements for the half year ended 30 June 2020 have been prepared in accordance with the international accounting standard applicable to interim financial reporting, IAS 34 as adopted by the EU;

- the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed consolidated interim financial statements for the half year ended 30 June 2020, and a description of the principal risks and uncertainties for the remaining six months;

- the interim management report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the Board:

Gavin Slark	David Arnold
Chief Executive Officer	Chief Financial Officer

Independent review report to Grafton Group Plc

Report on the condensed consolidated half year financial statements

Our conclusion

We have reviewed Grafton Group Plc's condensed consolidated half year financial statements (the "interim financial statements") as set out on pages 17 to 47 and as defined below, in the Half Year Report of Grafton Group Plc for the six month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

What we have reviewed

The interim financial statements, comprise:

- the Group Condensed Balance Sheet as at 30 June 2020;
- the Group Condensed Income Statement and Group Condensed Statement of Comprehensive Income for the period then ended;
- the Group Condensed Cash Flow Statement for the period then ended;
- the Group Condensed Statement of Changes in Equity for the period then ended; and
- the Notes to the Condensed Consolidated Half Year Financial Statements on pages 23 to 47.

The interim financial statements included in the Half Year Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom and Ireland. 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 (Ireland) 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.

We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers
Chartered Accountants
26 August 2020
Dublin, Ireland

Notes:

(a) The maintenance and integrity of the Grafton Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.