Half Year Report
For the Six Months Ended 30 June 2022

Grafton Group plc
Half Year Report for the Six Months Ended 30 June 2022
Good Trading Performance from Diversified Earnings Base

Grafton Group plc ("Grafton"), the international building materials distributor and DIY retailer is pleased to announce its half year results for the period ended 30 June 2022.

Continuing Operations[1]	H1 2022	H1 2021	Change
Revenue	**£1,153m**	£1,028m	+12.2%
Adjusted[3] operating profit[2]	**£151.1m**	£158.0m	(4.4%)
Adjusted operating profit before property profit[2]	**£132.6m**	£142.6m	(7.0%)
Adjusted operating profit margin before property profit	**11.5%**	13.9%	(240bps)
Adjusted profit before tax[2]	**£143.4m**	£148.8m	(3.6%)
Adjusted earnings per share[2]	**49.5p**	50.5p	(1.9%)
Dividend per share	**9.25p**	8.50p	+8.8%
Adjusted return on capital employed (ROCE) [2]	**18.8%**	20.6%	(180bps)
Net cash (before IFRS 16 leases)	**£520.5m**	£198.7m	£321.8m
Net cash/(debt) – (including IFRS 16 leases)	**£73.5m**	(£246.6m)	£320.1m

Statutory Results – Continuing Operations	H1 2022	H1 2021	Change
Operating profit	**£140.1m**	£152.1m	(7.9%)
Profit before tax	**£132.4m**	£142.9m	(7.3%)
Basic earnings per share	**45.8p**	48.5p	(5.5%)

[1] Supplementary financial information in relation to Alternative Performance Measures (APMs) is set out on pages 43 to 47.
[2] The adjustment of acquisition related items to the adjusted operating results was a change on previous years and thus the June 2021 comparatives have been restated to conform to current year presentation.
[3] The term "Adjusted" means before exceptional items, amortisation of intangible assets arising on acquisitions and acquisition related items in both periods.

Operational Highlights

- Excellent performance in distribution businesses in Ireland and the Netherlands
- Volumes and profitability lower in Selco relative to last year's exceptional performance
- Normalisation of revenue and profitability in Woodie's DIY, Home and Garden retail business
- Good profit contribution from IKH in Finland at 13.2% operating margin
- Further progress made on sustainability agenda

Financial Highlights

- Full year adjusted profit expected to be in line with current consensus analysts' forecasts
- Small decline in first half adjusted operating profit (before property profit) as expected
- Double digit operating profit margin in all segments (before property profit)
- Strong adjusted return on capital employed of 18.8%
- Cashflow of £137.9 million from operations supports strong balance sheet
- Net cash at 30 June 2022 of £520.5 million (before IFRS 16 lease liabilities) providing significant optionality
- Sustainability linked refinancing of revolving loan facilities for £334.5 million completed in August
- Dividend growth of 8.8% in line with guidance for dividend cover

Gavin Slark, Chief Executive Officer Commented:

"Our first half performance saw a significant normalisation of activity levels following exceptional pandemic related spikes in trading in the first half of 2021. While inflation remains a continuing feature in our markets, we saw improved supply chain consistency as trading patterns normalised and building materials shortages eased.

Though potential macro-economic headwinds remain, Grafton is uniquely placed to outperform given its leading market positions, geographic diversity and the relative resilience of its core repair, maintenance and improvement market. Given the strength of our brands and their market positions together with an exceptionally strong financial position, our focus remains on delivering a strong financial outcome for the year despite the uncertainties in our markets."

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.

The presentation will be played at 9:00am today via webcast followed immediately by a live audio conference call for analysts and investors at 9:30am hosted by Gavin Slark and David Arnold. If investors would like to listen to the conference call, they can do so by clicking "Register for the Presentation and Q&A" on the home page of the Company's website or by clicking on the following link: https://brrmedia.news/GFTU_HY22

Analysts will be invited to raise questions on the call. Should investors wish to submit a question in advance, they can do so before 8.15am today by sending an email to ir@graftonplc.com. A recording of the call will be available on the Company's website later today.

Enquiries:
Grafton Group plc + 353 1 216 0600
Gavin Slark, Chief Executive Officer
David Arnold, Chief Financial Officer

Murray + 353 1 498 0300
Pat Walsh

MHP Communications + 44 20 3128 8147
Tim Rowntree

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 to 30 June 2022

Group Results – Trading Summary, Cashflow, Dividend and Outlook

The Group delivered a good overall performance in the half year relative to the significant advance in profit and record results in the same period last year which had seen a notable rise in spending on the home prompted by a focus on increasing indoor and outdoor living space, home working and less spending in other sectors during the pandemic.

Trading patterns normalised in all of our markets in the first half of 2022 as building materials shortages and supply chain pressures eased considerably. Building materials prices continued to rise sharply, including the carryover effects of price increases implemented in the second half of last year, softening volumes in more competitive markets.

The Group continued to deliver strong underlying profitability and is well positioned in its markets.

These results demonstrate the benefit of the balanced spread of the Group's operations across geographic markets and sectors which has created a more diversified earnings base.

Distribution

UK

Trading in the UK residential repair, maintenance and improvement ("RMI") market was relatively subdued against a strong performance in the comparative period last year. Acquisitions and new branches contributed to overall revenue growth for the period. Revenue in the like-for-like business was marginally lower as a decline in volumes was offset by high double digit price inflation. While operating profit was lower, a strong operating margin of 11.0 per cent was achieved. Selco, which accounted for almost three quarters of UK distribution revenue, continued to innovate, improve its customer proposition and invest in its branch network.

Ireland

Chadwicks, the market leader in the distribution of building materials in Ireland, produced an exceptionally strong performance in a market that returned to more normalised trading conditions in the half year. Revenue and operating profit grew strongly and the operating profit margin advanced by 80 basis points to 12.4 per cent.

Strong demand was driven by increased spending on housing RMI, an acceleration in the construction of housing scheme developments and one-off houses and an increase in non-residential private and public sector construction.

The Sitetech business acquired at the end of February 2022 made an excellent contribution to profit, adding expertise to Chadwicks in the specialist construction accessories market where it has a leadership position.

The Netherlands

The Isero ironmongery, tools and fixings business reported excellent growth in revenue and profitability and increased its operating profit margin by 170 basis points to 12.5 per cent. Isero expanded market coverage into the Northeast of the Netherlands with the acquisition in January of the five branch Regts business in Friesland which made a very good contribution to profit. The branch estate increased to 123 in the half year.

Finland

IKH, the workwear, personal protective equipment, tools and spare parts wholesaler acquired in July 2021, made a good contribution to operating profit in the half year and reported an operating profit margin of 13.2 per cent. Revenue in the early months of the year was down, on the pre-acquisition comparative period, due to lower demand for a number of weather sensitive product categories and weaker consumer confidence that was affected by the war in Ukraine. The business has integrated well in its first year under Grafton ownership and is a good strategic fit.

Retailing

Trading in the Woodie's market leading DIY, Home and Garden business in Ireland normalised and revenue and operating profit were lower as anticipated, compared to the exceptional Covid related gains made in the first half of last year when the business continued to trade as an essential retailer while Ireland was in lockdown. Revenue and profitability were materially ahead of the pre-pandemic level and the operating profit margin was 11.7%.

Manufacturing

CPI EuroMix, the market leading mortars manufacturing business in Great Britain, reported good growth in revenue that was mainly driven by higher selling prices as a consequence of increased input costs.

StairBox, our on-line market leading staircase manufacturer, performed strongly and achieved a good increase in volumes and revenue.

The operating profit margin in the overall manufacturing segment was 20.4 per cent.

Property

The Group recognised property profits of £18.5 million (2021: £15.4 million) in the half year. As part of the sale of the traditional merchanting business in Great Britain, Grafton retained the freeholds of a small number of properties. The disposal of two of these properties in the first half generated cash proceeds of £24.0 million and realised a profit of £18.2 million. In addition, a fair value gain of £0.3 million was recognised on two investment properties in Ireland.

Cash Flow

The Group's cashflow from operations was £137.9 million, down from £255.3 million in the first half of 2021 which included discontinued operations. The strong underlying cash generation from operations included an investment of £39.7 million in working capital which compares to a release of working capital of £37.7 million in the same period last year.

The Group had net cash (before IFRS 16 lease liabilities) of £520.5 million at 30 June 2022, a decline of £67.5 million from £588.0 million at 31 December 2021. Net cash including IFRS 16 lease liabilities was £73.5 million (31 December 2022: £139.0 million).

Financial Highlights Compared to 2019

In view of the previous two financial years being heavily affected by the pandemic and the repositioning of the Group following the disposal of the traditional merchanting business in Great Britain, it is worthwhile considering how the business performed in the first half of 2022 compared with the first half of 2019. Grafton is today a structurally better business that has delivered improved returns since the first half of 2019. This is reflected in adjusted operating profit, before property profit, growing by 33.7 per cent to £132.6 million from £99.2 million reported for the first half of 2019 and the operating profit margin before property profit increasing by 460 basis points to 11.5 per cent from 6.9 per cent.

Over the same period, adjusted earnings per share increased by 57.6 per cent and the interim dividend by 42.3 per cent. Return on capital employed advanced by 590 basis points to 18.8 per cent from 12.9 per cent and the further strengthening of the balance sheet is demonstrated with the Group moving from a net debt position of £540.5 million, including IFRS 16 leases, at 30 June 2019 to a net cash position of £73.5 million at 30 June 2022, an improvement of £614.0 million.

Financing

In August 2022, the Group completed a refinancing of its loan facilities that were due to expire in March 2023. Bilateral revolving loan facilities for £334.5 million were agreed with four established relationship banks for a term of five years to August 2027. The arrangements include two one-year extension options exercisable at the discretion of Grafton and the banks. These new facilities provide certainty of finance over a longer period on improved terms and replace existing facilities of £374.5 million.

This is sustainability linked debt funding and includes an incentive connected to the achievement of carbon emissions, workforce diversity and community support targets that are fully aligned to the Group's sustainability strategy.

Allocation of Capital

The Group's purpose is Building Progress Together and, as outlined at our November Capital Markets event, we remain determined to grow and add value for our shareholders through enhancing our capabilities in construction and related activities. Our principal focus remains on distribution since we believe this model gives us flexibility to respond to the evolving needs of our customers and to work with the best suppliers and manufacturers for the job. This flexibility is particularly important as our markets become more influenced by the demands for carbon reduction and higher standards in ESG.

The Group invested £45.8 million in three bolt-on acquisitions in the half year and the strength of internal cashflows and exceptionally strong balance sheet provide the capacity to take advantage of opportunities that are a good strategic fit and meet the Group's hurdle rates of return on investment.

Acquisitions have been an important part of the Grafton growth strategy over the past quarter of a century and have supported entry into new markets as well as increasing our presence in existing markets. Our Group has a history of identifying, acquiring and integrating businesses and a skilled and experienced acquisition team to complete transactions. We continue to evaluate a pipeline of acquisition opportunities in our preferred geographies and market segments and the Board and management will continue to complete transactions that make good strategic and financial sense.

In line with the Group's disciplined approach to capital allocation and supported by its strong financial position, a share buyback programme commenced in May 2022 of up to £100 million to be completed by the end of the year. This buyback amount represents the estimated free cash flow generation from the business in the current financial year before development spend. As at 30 June 2022, the Group had completed £43.9 million of the buyback programme, including transaction costs, and the amount completed increased to £88.5 million on 23 August 2022.

Dividend

The Board has decided to pay an interim dividend for 2022 of 9.25p per share, an increase of 8.8 per cent on last year's interim dividend. The interim dividend is in line with the Board's guidance for full year dividend cover of between two and three times adjusted earnings and reflects the Group's strong balance sheet and profitability and cashflow from operations for the half year.

The interim dividend will be paid on 7 October 2022 by Grafton Group plc to shareholders on the Register of Members at the close of business on 9 September 2022, the record date. The Ex-dividend date is 8 September 2022.

In the half year, the Group had a cash outflow of £52.7 million on payment of the final dividend for 2021.

CEO Succession

The search for a new Group Chief Executive Officer is progressing with the support of an executive search firm. As previously announced, Mr. Gavin Slark will continue in his roles as CEO and Board Director until 31 December 2022.

Implementing Our Sustainability Strategy

Our sustainability agenda is based on reflecting the interests of all stakeholders in our business decisions and focusing on those areas in our business that are likely to yield the most success and deliver tangible results and outcomes that will make a real difference to our stakeholders.

We have set specific targets and KPIs across the five focus areas of our sustainability strategy to guide our performance and help us work in a way that's responsible and sustainable. Our sustainability programme informs longer term strategic and investment decisions and day to day operational decisions.

Further progress was made during the half year and this is demonstrated in a very real way in the commentaries on the individual businesses that follow which show how sustainability is becoming embedded in our operations.

At Grafton we believe there is a positive connection between sustainability and financial performance. Our businesses are focusing on the issues most relevant to them and we are aligning resources to these key areas to deliver maximum impact.

In another step towards delivering on our sustainability goals, Grafton is pleased to announce the appointment of Mrs. Rosie Howells to the newly created role as Group Head of Sustainability. Rosie has almost thirteen years' experience in sustainability roles and her experience will be invaluable to Grafton as we continue to develop and implement our long-term sustainability strategy.

Colleagues

The Board would like to express its appreciation to colleagues across our Group for continuing to provide exceptional support to our customers and business partners and for their hard work and commitment in achieving these half year results.

After nine years in the role as CEO of Woodie's, Mr. Declan Ronayne will retire at the end of the year. Following an externally led search process that involved internal and external candidates, Mr. Damien Dwyer who has been Commercial Director of Woodie's since 2013 was appointed as Declan's successor. The Board is very grateful to Declan for his significant contribution to the business and congratulates Damien on his appointment. Declan will be available to Damien until the end of the year to facilitate an orderly transition and transfer of responsibilities.

Outlook

Whilst the outlook for all our markets is weaker now than it was at the start of the year, we are on track to deliver full year profit in line with current consensus analysts' forecasts (Adjusted EBITA of approximately £267.0 million) though this remains dependent on the usual seasonal upturn in the important trading months of September through to the end of November. We have scheduled our annual autumn trading update for Thursday 10 November which will provide an opportunity to comment on trading in September and October.

Households have experienced cost of living increases in recent months and the shorter term outlook across our markets is more uncertain given potential impacts on disposable income. Significant building materials price inflation has also impacted construction costs and affordability.

In the UK, housing RMI is expected to remain soft as households reduce discretionary spending on improvements and housing transactions slow. Housing demand continues to remain strong and a near term fall-off in house building is not anticipated.

In Ireland, key indicators are positive, and the economy is forecast to continue on a growth path that is among the strongest in the EU. A more moderate rate of activity is expected in the housing RMI and DIY markets and house building is expected to finish the year strongly.

In the Netherlands, record employment and significant household savings may cushion the extent of any decline in spending. While volume growth in the ironmongery, tools and fixings market is likely to remain relatively subdued, we expect the Isero business to make further progress in the second half of the year.

In Finland, IKH should continue to benefit from the volume of ongoing activity that was carried into this year.

July was a weaker trading month than anticipated, principally as a result of the twin effects of the very hot weather in the UK and a more pronounced reduction in construction activity with more of our customers taking holidays after two years of enduring the pandemic. Retail and smaller value RMI transactions have softened but the trade market remains resilient, supported in particular by larger projects and new build work.

Group average daily like-for-like revenue was flat in the period from 1 July 2022 to 14 August 2022. Average daily like-for-like revenue in the UK Distribution business declined by 5.2 per cent. There was growth of 1.5 per cent in the distribution business in Ireland and 1.8 per cent in the Netherlands and a decline of 10.5 per cent in Finland. Retailing grew average daily like-for-like revenue by 6.9 per cent and Manufacturing by 30.4 per cent.

Notwithstanding the short-term outlook, the strength of our brands, their market positions and our balance sheet strength leave us extremely well placed to respond to the opportunities that will undoubtedly emerge in due course. We fundamentally believe we will outperform through the cycle and therefore continue to commit organic development capital in line with our normal disciplined approach to ensure our brands continue to strengthen their customer offering for the medium and long term.

Operating Review – Continuing Operations

The Distribution businesses in the UK, Ireland, the Netherlands and Finland contributed 84.5 per cent of Group revenue (2021: 79.8 per cent), Retailing 10.3 per cent (2021: 15.4 cent) and Manufacturing 5.2 per cent (2021: 4.8 per cent).

Our geographical footprint continues to diversify. UK businesses contributed 42.0 per cent (2021: 44.8 per cent) of Group revenue, Ireland 37.5 per cent (2021: 40.9 per cent), the Netherlands 14.6 per cent (2021: 14.3 per cent) and Finland 5.9 per cent (2021: N/A).

Distribution Segment

(84.5% of Group Revenue, 2021: 79.8%)

	2022 £'m	2021* £'m	Change**
Revenue	974.5	820.3	18.8%
Adjusted operating profit before property profit	115.7	101.3	14.3%
Adjusted operating profit margin before property profit	11.9%	12.3%	(40bps)
Adjusted operating profit	134.2	111.9	20.0%
Adjusted operating profit margin	13.8%	13.6%	+20bps

** June 2021 comparatives have been restated to conform to current year presentation of acquisition related items*
***Change represents the movement between 2022 v 2021 and is based on unrounded numbers*

UK Distribution generated 37.2 per cent (2021: 40.3 per cent) of Group revenue, Irish Distribution 26.8 per cent (2021: 25.2 per cent), Netherlands Distribution 14.6 per cent (2021: 14.3 per cent) and Finnish Distribution 5.9 per cent (2021: N/A).

UK Distribution

(37.2% of Group Revenue, 2021: 40.3%)

	2022 £'m	2021* £'m	Change**
Revenue	429.0	414.1	3.6%
Adjusted operating profit before property profit	47.2	55.2	(14.5%)
Adjusted operating profit margin before property profit	11.0%	13.3%	(230bps)
Adjusted operating profit	65.3	65.0	0.6%
Adjusted operating profit margin	15.2%	15.7%	(50bps)

** June 2021 comparatives have been restated to conform to current year presentation of acquisition related items*
***Change represents the movement between 2022 v 2021 and is based on unrounded numbers*

The comparative results for the UK distribution business do not include the Traditional Merchanting Business in Great Britain that was divested on 31 December 2021 and which is classified as discontinued operations.

Average daily like-for-like revenue was down by 0.2 per cent on the first half of last year and up by 16.2 per cent on the first half of 2019.

New Selco and Leyland SDM branches contributed revenue of £8.8 million and the P. McDermott & Sons and Woodfloor Warehouse acquisitions in Northern Ireland contributed revenue in the half year of £9.0 million.

The gross margin was down by 100 basis points reversing a similar increase last year and was in line with the more comparable level reported for the first half of 2019. The decline on last year was attributed to a normalisation of customer and product mix, non-recurring stock gains realised last year relating to materials price inflation and a more competitive trading environment this year with greater product availability compared with the same period last year.

Adjusted operating profit before property profit declined to £47.2 million (2021: £55.2 million) and the adjusted operating profit margin, before property profit, was 230 basis points lower than last year reflecting the small decline in like-for-like revenue, a normalisation of the gross margin and an increase in operating costs.

Selco Builders Warehouse

Selco Builders Warehouse experienced a small increase in total revenue that was generated by branch openings and a small decline in revenue in the like-for-like branches.

Revenue trends this year developed against the backdrop of a surge in activity in the second quarter of 2021 leading to record trading in the first half of 2021.

Average daily like-for-like revenue in the first half of this year declined by 1.4 per cent following the exceptional increase in revenue in the first half of last year. Changes in average daily like-for-like revenue in the first half of 2021 and 2020 were distorted by the closure of branches for a period in the first half of 2020 due to the pandemic. Average daily-like-for-like revenue growth was 18.4 per cent over the two years to the end of June 2021 and is a more reliable gauge of performance over this period and grew by 16.7 per cent for the three years to the end of June 2022.

Supply chain pressures eased although price increases continued to come through from suppliers due to higher energy, commodity and raw materials prices and the war in Ukraine. Building materials costs price inflation in Selco averaged circa 19 per cent year-on-year in the first half comprising 27 per cent for timber and 16 per cent for other materials and products.

There was a substantial normalisation in volumes from the historically high level in the first half of last year. Selco's customer base is generally focused on smaller housing RMI projects and the sharp increase in the cost of building materials, decline in sentiment and real disposable incomes led to reduced discretionary spending on the home. Demand from jobbing builders was resilient but there was a decline in transactions with higher margin retail customers from the elevated level experienced during the pandemic. Demand was also affected by a post-pandemic shift away from spending on improving indoor and outdoor living space, that drove the rise in RMI activity last year, to spending on recreational, travel and leisure activities.

Branches in the Greater London Area performed more strongly than the regions, reversing the trading pattern in the first half of last year when the regions outperformed.

The decline in volumes and increase in the price of building materials, that was mainly passed on to customers, contributed to more competitive market conditions. The gross margin was down on the prior year, which benefitted from a more favourable customer and product mix as well as one-off inventory gains following the surge in inflation, but compared favourably with historic norms for the business.

Costs were well controlled but reflected payroll pressures due to inflation and a very tight labour market that saw some vacancies go unfilled for a period.

Operating profit was down on the record level achieved in the first half of last year due to the decline in volumes, which were mainly offset by inflation, a small contraction in the gross margin and an increase in operating costs.

Having opened branches in Liverpool, Orpington, Canning Town and Rochester last year, Selco increased the branch estate to 73 with the opening of a branch in Exeter in April and later this year will extend market coverage further with the opening of branches in Cheltenham and Peterborough. Our target to increase the estate to 100 branches by the end of 2026 will increase selling space to over one million square feet. We continue to progress a good pipeline of new branch opportunities that are at various stages of development. Selco currently has very strong branch coverage across London, Manchester and Birmingham and, as well as further bolstering these cities and other parts of the country where we have branches, we will also be taking the unique Selco model to new cities and towns that fulfil our investment criteria for new stores. We want to provide a flexible multi-channel offering to trades-people who can enjoy the benefits of the widest range of products in stock, unrivalled availability, excellent customer service and competitive trade pricing.

Overall revenue developed ahead of plan in the Liverpool, Orpington, Canning Town and Rochester branches that were opened last year.

Selco made a significant investment in recent years upgrading its online platform and website and continued its digital journey with the recent launch of a new App that provides further flexibility, improved functionality and new features that enable customers to more easily purchase building materials. Digital sales accounted for 5.1 per cent of revenue and approximately 80 per cent of on-line orders were fulfilled through deliveries from branches and delivery hubs.

Last year “Selco Forest”, an initiative designed to accelerate the process of offsetting Selco’s carbon footprint, was launched and this year, in a move to reduce carbon emissions, twelve electrically powered counterbalance forklift trucks have been added to the fleet beginning a process to transition the entire fleet of over 300 forklift trucks. In addition, seven Compressed Natural Gas (CNG) vehicles are currently in operation with plans to introduce a further three in the new delivery hub in Birmingham.

Selco has also extended its use of alternative fuels with the introduction of HVO (Hydrotreated Vegetable Oil) into the fleet. HVO is manufactured from waste materials and reduces carbon emissions by up to 90 per cent.

Leyland SDM

Leyland SDM, London’s largest specialist decorators’ merchant that trades from 32 stores in the city, showed modest growth in daily like-for-like revenue as Central London lagged the rest of the country in its post pandemic recovery.

Trading in Central London is heavily dependent on demand conditions created by overseas and domestic tourists and office workers. Footfall continued to lag pre-pandemic levels and the recovery has some way to run as international visitor numbers are still improving post pandemic and hybrid working has slowed the return of workers to offices.

The lower footfall from office workers relative to 2019 has reduced sales of paint and accessories to retail customers and demand from trade customers was weaker because of reduced RMI spending on offices, restaurants and the leisure sector.

New stores that opened last year in Clapham Junction, Dulwich and Bayswater performed ahead of plan.
Principally as a result of higher operating costs, operating profit was lower than the first half of last year.

MacBlair

The MacBlair distribution business in Northern Ireland performed well, almost matching last year’s record operating profit with the benefit of contributions from acquisitions.

Average daily like-for-like revenue was flat despite the anticipated fall in transactions with retail customers who completed an exceptional level of home and garden RMI projects in the same period last year. The decline in RMI revenue was offset by an increase in house building which was subdued in the early months of last year before showing a gradual recovery as the year progressed. The increase in housebuilding revenue was led by self-build customers, small scheme developers and timber frame manufacturers. The return to more normalised trading and the change in the mix of end-use markets between housing RMI and house building resulted in a decline in the gross margin.

The acquisition by MacBlair of P. McDermott & Sons, a single branch distribution business located in Omagh, in December of last year extended market coverage into the Mid-Western region of the province. In February of this year MacBlair acquired Woodfloor Warehouse, a leading in-store and online timber flooring distributor with branches in Bangor, Belfast and Warrington. Woodfloor Warehouse brings expertise to MacBlair in the timber flooring market and the acquisition is in line with our strategy of acquiring specialist high quality businesses in complementary markets. Both businesses performed ahead of pre-acquisition expectations.

TG Lynes

TG Lynes, a leading distributor of commercial pipes and fittings in London and the Southeast, experienced a relatively slow start to trading last year and then gradually improved and ended the year strongly. This growth momentum carried into this year and the half year performance was very strong with excellent growth in revenue, operating profit and the operating profit margin.

TG Lynes improved its market position increasing volumes with subcontractors to the national housebuilders. The post pandemic recovery in public sector refurbishment projects on schools and hospitals also contributed higher volumes.

One of several sustainability initiatives implemented last year to reduce carbon emissions was the installation of solar panels on the roof of the TG Lynes freehold property in Enfield. These solar panels reduced the carbon footprint of the business in the half year by generating the equivalent of two thirds of the electricity required to operate the business and reduced demand for energy from the national grid.

Irish Distribution

(26.8% of Group Revenue, 2021: 25.2%)

	2022 £'m	2021 £'m	Change*	Constant Currency Change*
Revenue	309.1	258.7	19.5%	22.9%
Adjusted operating profit before property profit	38.5	30.1	27.8%	29.8%
Adjusted operating profit margin before property profit	12.4%	11.6%	+80bps	
Adjusted operating profit	38.8	30.9	25.7%	30.8%
Adjusted operating profit margin	12.6%	11.9%	+70bps	

**Change represents the movement between 2022 v 2021 and is based on unrounded numbers*

Chadwicks' market leading distribution business in Ireland performed exceptionally well in the half year in a market that experienced a return to more normal trading conditions following the pandemic. Overall revenue growth was driven by volume growth, significant building materials price inflation, particularly for steel and timber products, and a contribution from acquisitions.

Strong demand was generated from increased spending on materials used in a wide range of housing RMI projects, an acceleration in the construction of scheme and one-off houses and an increase in non-residential private and public sector construction.

Average daily like-for-like revenue growth of 41.9 per cent in the first quarter was measured against weaker trading in the comparative period last year due to the sharp contraction in construction activity caused by pandemic related restrictions. In contrast, the rate of growth in average daily like-for-like revenue in the second quarter eased to 4.3 per cent against a very strong comparator that benefitted from the rapid recovery in house building following the reopening of sites, pent-up demand that developed during the lockdown and increased spending generally on the home. Overall growth in the average daily like-for-like revenue was 19.5 per cent in the half year.

The Steel division, a segment of the business that provides early-stage exposure to new build construction activity, increased revenue and profitability strongly with the benefit of a significant investment made last year in Cut & Bend capacity.

The gross margin compared favourably with historic norms for the business but was down on the prior year due to changes in the mix of revenue from end-use markets including a lower proportion of revenue from RMI transactions with retail customers. There were also changes in the product mix from hardware and timber products to plumbing, heating, building materials and steel together with a lower level of inflation related inventory gains. While supply chain imbalances eased considerably, building materials price inflation remained at a very elevated level with average year-on-year cost prices up by 15 per cent which reduced project affordability for customers and weighed on margins.

House completions in Ireland increased by just under 50 per cent in the first half to 13,300 units taking the number of units completed in the year to June 2022 to 25,000, the highest level since 2009. The construction of scheme houses and single dwellings, the primary end-use markets supplied by Chadwicks, increased by one-third in the period and accounted for almost 70 per cent of units completed in the half year. Early indicators of future housing supply show that in the year to June 2022, under 30,000 units were commenced.

Estimates indicate that the number of housing transactions in the year to June 2022 were well above the pre-pandemic level in 2019. Both the construction of new homes and the return by vendors of existing properties to the market, as Covid-19 restrictions were lifted and prices rose, have increased activity in the housing market.

The Proline Architectural Hardware ("Proline") business acquired in February 2021 produced excellent results for the half year that were well ahead of plan and synergies from this acquisition included increased profitability in 11 Chadwicks branches that now distribute a range of Proline products.

The Sitetech construction accessories business acquired at the end of February 2022, also traded well ahead of expectations and made an excellent profit contribution in the four months to the end of June in addition to providing Chadwicks with a presence for the first time in a complementary segment of a market where Sitetech has a leading position.

In June, Chadwicks completed a sustainability focused upgrade to its Bray branch that forms part of its nationwide upgrade programme. Chadwicks is a member of the Irish Green Building Council and the Bray branch includes a new ECO Centre, the third opened to date, that provides sustainable building solutions and supports customers in meeting their sustainability goals. The ECO Centre distributes the most up-to-date materials for sustainable building needs including insulation, airtightness, ventilation systems, heat pumps and controls, solar energy and water-saving products. This initiative helps support a more affordable grant aided, deep retrofit programme recently launched by the Irish Government that targets energy upgrades to a quarter of the national housing stock.

Taking steps toward a more sustainable future and to achieve a high energy rating, Chadwicks made significant updates to the Bray branch's building fabric, installed Solar PV panels, and introduced a new high-performance energy-efficient heating system with heat recovery ventilation.

Chadwicks digital platform generated a considerable level of traffic following completion of the rollout of a new transactional website for trade customers with improved functionality. Rollout of a delivery transport system was completed in May and is improving transport planning, route optimisation, customer service and communications, while reducing transport costs.

Netherlands Distribution

(14.6% of Group Revenue, 2021: 14.3%)

	2022 £'m	2021 £'m	Change*	Constant Currency Change*
Revenue	168.7	147.5	14.4%	17.8%
Adjusted operating profit	21.2	16.0	32.2%	39.7%
Adjusted operating profit margin	12.5%	10.8%	+170bps	

**Change represents the movement between 2022 v 2021 and is based on unrounded numbers*

The Isero specialist ironmongery, tools and fixings distribution business in the Netherlands performed strongly and produced excellent results against the backdrop of broadly positive market conditions, a good contribution from acquisitions and commercial initiatives to improve performance.

Year-on-year revenue trends in the half year were not impacted by the pandemic as the business was treated as an essential distributor and remained open throughout last year. Revenue growth trends were broadly even across the half year and average daily like-for-like revenue growth of 7.5 per cent was driven by price inflation as volumes were broadly flat.

Improved demand came from key account customers engaged on large construction projects including apartment blocks and warehousing, growth in value added solutions and increased spending by housing corporations on social housing RMI. Demand was strong in the residential and commercial new build sectors and there was a recovery in the public sector residential and non-residential RMI markets. Transaction numbers with smaller customers engaged in housing RMI projects were lower. This was a segment of the market that performed strongly last year as households spent some of the savings built up during the pandemic on home improvement projects.

Organic growth in operating profit was very strong despite pressure on volumes, higher payroll costs in a very tight labour market and increased energy prices. The increase in profitability reflected the drop-through from the increase in like-for-like revenue and an improved gross margin that were partly offset by increased operating costs. This outcome helped deliver an improvement of 170 basis points in the operating profit margin.

Organic revenue growth was complemented by a significant contribution from acquisitions that increased total revenue for the half year by 17.8 per cent in constant currency. The Regts B.V. ("Regts") business in Friesland acquired in January 2022 performed strongly. The Regts back-office functions were integrated into Isero and good progress was made harmonising its product portfolio and aligning procurement arrangements. The five Regts branches and the four Govers branches acquired in April of last year expanded coverage into the Northeast region of the Netherlands.

The two Rotterdam branches that we relocated last year and the new branch in Lelystad performed well. During the half year a new branch was opened in Zaandam, just north of Amsterdam, increasing the branch estate to 123.

The rate of house price growth in the Netherlands has slowed this year from 20 per cent in 2021 as mortgage rates have roughly doubled and increased the downward pressure on prices. There continues to be a national housing shortage and, despite the strong demand, the number of existing houses for sale is forecast to decline for a second successive year. The number of new houses constructed this year is forecast to increase but will fall well short of meeting demand as supply continues to be constrained.

Isero continued to implement solutions to reduce carbon emissions including the installation of LED light fittings in several branches as part of an ongoing program and, with the cooperation of landlords, solar panels and heat pumps were installed in three branches.

Finland Distribution

(5.9% of Group Revenue)

	2022 £'m
Revenue	67.7
Operating profit	8.9
Operating profit margin	13.2%

Grafton acquired IKH, one of Finland's largest workwear and personal protective equipment ("PPE"), tools and spare parts wholesalers, on 1 July 2021.

IKH operates in an attractive segment of the technical trades' distribution market in Finland and has integrated well during its first year under Grafton ownership.

Revenue in the first half was lower than the pre-acquisition level in the comparative period last year as milder than normal weather conditions in the early months of the year impacted demand for a number of seasonally sensitive product categories from SME end-use customers operating in the construction, renovation, industrial, agricultural and repair shops sectors. In addition, consumer confidence was adversely affected by the war in Ukraine given the long border that Finland has with Russia.

Revenue from IKH products, which are distributed through a network of independently operated IKH partner stores, third party distributors and eleven owned stores located in major cities, improved in May and June following the slow start to the year. Local IKH partner stores in Estonia delivered growth and performed well.

Housing starts were at a record high last year and, with construction work continuing on these projects, house building is having a good year supported by demand from consumers and investors who are focused on investment in Helsinki and other major cities. Although consumer confidence has weakened significantly, home buying intentions have remained relatively strong. Spending on residential RMI by consumers eased following the pandemic but there was an increase in RMI activity carried out by trades people on multi-unit properties where access was restricted during the pandemic. The volume of non-residential construction including hotels, warehousing, offices and retail centres has recovered following sharp declines in recent years.

Retail Segment

(10.3% of Group Revenue, 2021: 15.4%)

	2022 £'m	2021 £'m	Change*	Constant Currency Change*
Revenue	118.9	158.4	(24.9%)	(22.8%)
Operating profit	13.9	34.2	(59.4%)	(56.6%)
Operating profit margin	11.7%	21.6%	(990bps)	

**Change represents the movement between 2022 v 2021 and is based on unrounded numbers*

The Woodie's DIY, Home and Garden business in Ireland returned to more normalised levels of trading as anticipated in the half year. This follows constant currency revenue growth of 62.2 per cent in the first half of last year when Woodie's was treated as an essential retailer and remained open during the early months of the year when the country was in lockdown.

The home and garden remained important to Woodie's customers and they continued to be engaged in a diverse range of projects. Half year revenue was 25.6 per cent ahead of the pre-pandemic level in the first half of 2019. This is a better indicator of underlying performance and reflects Woodie's successful focus in recent years on providing a differentiated customer experience that has made it one of Ireland's best-known retailers with a very high-level brand recognition and awareness.

In the first half of last year Woodie's experienced exceptional revenue growth in an unprecedented trading environment. Demand was elevated across all DIY, home and garden categories and while strong gains were preserved in the first half of this year compared to 2019, most product categories declined to more normalised levels.

The fall in revenue was reflected in a lower number of transactions and a small decline in the average basket value that was partly offset by inflation. Customers purchased fewer higher value seasonal products including garden furniture and lawn mowers compared to last year.

Woodie's continued to leverage activity on its digital platform which has grown revenue by 68.5 per cent since 2019. Following the significant on-line investment in recent years, the delivery of a seamless and consistent shopping experience is resonating well with customers with approximately two thirds of online orders now being fulfilled through the stores. Digital accounted for 3.4 per cent of revenue (2021: 3.1 per cent). Woodie's now has the strategy, infrastructure and strong social media presence to increase brand visibility and grow revenue through its digital platform as customer preferences gradually change.

While the gross margin was at a healthy level, it declined on the prior year due to a range of factors including a less favourable product mix, increased promotional activity, particularly for seasonal ranges, and higher shipping and freight costs.

Overheads were tightly controlled and were down on the prior year reflecting the decline in transaction numbers and a lower level of inventory merchandised through the stores. Some of the additional capacity created last year to support exceptional customer demand was withdrawn.

In June, 'Woodie's Community', a new online data platform with product and project content, was launched. Customers can find helpful tips, expert advice and inspiration for their Home & Garden projects on this platform as well as learning more about Local Community initiatives.

Woodie's sustainability journey continued with the introduction of metal cages for safely loading, moving and warehousing products. The metal cages will replace wooden pallets and eliminate the extensive use of plastic shrink wrapping. The upgrading and redevelopment of the Sallynoggin branch freehold property last year included solar panels which has substantially reduced demand for energy for this store from the national grid and reduced the company's carbon footprint.

Manufacturing Segment

(5.2% of Group Revenue, 2021: 4.8%)

	2022 £'m	2021 £'m	Change*	Constant Currency Change*
Revenue	59.4	49.1	21.1%	21.3%
Operating profit	12.1	12.7	(4.5%)	(4.0%)
Operating profit margin	20.4%	25.9%	(550bps)	

**Change represents the movement between 2022 v 2021 and is based on unrounded numbers*

Revenue growth of 18.4 per cent in the ten CPI EuroMix manufacturing plants, that supply national, regional and local house builders and plastering contractors in Great Britain, was mainly driven by the recovery of price increases in response to a sharp increase in the price of raw materials and other input costs.

Mortar volumes showed double digit growth in the first quarter measured against volume weakness in the first quarter of last year when house building was disrupted by the pandemic. Second quarter volumes were marginally lower against a very strong comparator last year which benefitted from the lifting of restrictions and increased house building activity. Volumes in a few plants were impacted by supply chain disruption from shortages of cement, sand and limestone and programmed works to replace or upgrade production equipment.

Operating profit and the operating margin were behind the prior year due to a challenging trading environment that had to absorb significant raw materials price increases and escalating energy and fuel cost inflation.

While demand in the new housing market remained strong supported by an ongoing under supply, the operating environment for CPI Mortars' house building and plastering contractor customers was affected by labour and materials shortages.

CPI EuroMix customer service benefitted from a record number of mortar silos on customers' sites throughout the half year following the investment made last year in additional capacity.

StairBox, the market leading manufacturer of bespoke staircases, reported strong growth in revenue driven by high single digit volume growth and raw materials price increases. The business experienced very good demand from its trade customers operating in the housing RMI market across Great Britain.

StairBox continued to develop its state-of-the-art staircase manufacturing technology including a major update to its factory management software that improved the efficiency of the manufacturing and assembly processes. The StairBuilder on-line stairs designer software was also updated to include further design innovations that were well received by customers.

StairBox entered into a new lease on a property located close to its existing facility that provides additional capacity in response to the exceptional growth in volumes in recent years and secured the future development of the business at its current location in Stoke-on-Trent.

Operating Review – Discontinued Operations

Discontinued Operations

	June 2021 £'m
Revenue	522.9
Adjusted operating profit before property profit	30.4
Adjusted operating profit margin before property profit	5.8%

The Group completed the divestment of the Traditional Merchanting Business in Great Britain for an enterprise value of £520 million on 31 December 2021. For accounting purposes, this was treated as a deemed disposal on 30 June 2021. This business comprised the Buildbase, Civils & Lintels, PDM Buildbase, The Timber Group, Frontline, Bathroom Distribution Group and NDI brands. The Group also retained freehold properties with development potential that had a market value of circa £25 million at the time of divestment. Grafton retained responsibility for funding the UK defined benefit pension scheme which was closed to future accrual at the end of 2020 when alternative arrangements were put in place.

Financial Review

Revenue

Group revenue from continuing operations, which excludes the Traditional Merchanting Business in Great Britain divested on 31 December 2021 and classified as discontinued, increased by 12.2 per cent to £1.15 billion from £1.03 billion in 2021.

Revenue in the like-for-like business increased by 3.0 per cent (£30.9 million) on the prior year.

The acquisition of IKH in Finland and a number of smaller transactions in Ireland, the UK and the Netherlands, contributed revenue of £101.8 million and there was revenue of £8.9 million from new Selco and Leyland SDM branches in the UK and one new branch in the Netherlands.

Currency translation reduced revenue by £15.8 million and the closure of a single branch in Ireland on expiry of a lease reduced revenue by £0.7 million.

Adjusted Operating Profit

Adjusted operating profit from continuing operations of £151.1 million was down by 4.4 per cent from £158.0 million in the same period last year.

Adjusted operating profit before property profit of £132.6 million was down by 7.0 per cent from last year's record half year result of £142.6 million. The adjusted operating profit margin before property profit declined by 240 basis points to 11.5 per cent.

Net Finance Income and Expense

The net finance expense decreased by £1.5 million to £7.7 million (2021: £9.2 million). This charge includes an interest charge of £7.2 million (2021: £7.2 million) on lease liabilities recognised under IFRS 16.

Interest payable on bank borrowings and US Private Placement Senior Unsecured Notes, net of bank interest received on deposits, decreased by £2.9 million to £0.2 million (2021: £3.1 million). The decline was mainly due to lower interest cost on gross debt and deposit interest received on the proceeds of the sale of the Traditional Distribution business in the UK.

The net finance expense included a foreign exchange translation loss of £0.3 million which compares to a gain of £1.4 million in the same period last year.

Taxation

The income tax expense of £23.0 million (2021: £26.9 million) is equivalent to an effective tax rate of 17.3 per cent of profit before tax (2021 Full Year: 17.2 per cent). This is a blended rate of corporation tax on profits in the four countries where the Group operates and is based on the forecast rate for the full year.

Certain items of expenditure charged in arriving at profit before tax, including depreciation on buildings, are not eligible for a tax deduction. This factor increased the rate of tax payable on profits above the headline rates.

Cashflow

Cash generated from operations for the half year was £137.9 million (2021: £255.3 million). The decline of £117.4 million compared to the prior year was partly due to an investment of £39.7 million in working capital this year which compares to a cash release of working capital of £37.7 million in the first half of last year, a change of £77.4 million.

The cash outflow on the dividend payment (£52.7 million) and buyback of shares (£51.5 million) amounted to £104.2 million (Half Year to 30 June 2021: £64.6 million on two dividend payments).

There was a cash outflow of £45.8 million on completion of the Sitetech acquisition in Ireland, the Woodfloor Warehouse acquisition in Northern Ireland and the Regts acquisition in the Netherlands.

Capital Expenditure and Investment in Intangible Assets

We continued to maintain tight control over capital expenditure which amounted to £21.1 million (2021: £17.1 million). There was also expenditure of £1.2 million (2021: £0.5 million) on software costs that are classified as intangible assets.

Asset replacement capital expenditure of £10.4 million (2021: £12.0 million) compares to the depreciation charge (before IFRS 16) on property, plant and equipment of £16.5 million and related principally to the replacement of fixtures and fittings, plant and machinery, forklifts, plant and tools for hire by customers and other assets required to operate the Group's branch network.

The Group incurred development capital expenditure of £10.7 million (2021: £5.1 million) on a range of development initiatives including new branches in Selco, Isero and IKH; upgrades to Chadwicks and Isero branches; as well as investment in IT hardware.

The proceeds from the disposal of fixed assets increased to £24.1 million from £17.0 million. The proceeds on disposal of fixed assets exceeded capital expenditure by £1.7 million (2021: Capital expenditure exceeded the proceeds on disposal of fixed assets by £0.6 million).

Pensions

The IAS 19 defined benefit pension schemes showed a surplus of assets over liabilities of £7.7 million, an improvement of £19.1 million on the deficit of £11.5 million at 31 December 2021.

Changes to financial assumptions reduced scheme liabilities by £83.9 million. This reduction in liabilities by £83.9 million reflected the net impact of a gain from the increase in discount rates and a loss from the increase in inflation expectations. Experience gains and changes in demographic assumptions increased scheme liabilities by £2.5 million and by £0.2 million respectively.

The increase in discount rates used to discount scheme liabilities was in line with increases in corporate bond rates. The rate used to discount UK liabilities increased by 200 basis points to 3.9 per cent and the rate used to discount Irish liabilities increased by 225 basis points to 3.4 per cent.

Market forecasts for future inflation increased significantly over the past six months. This impacted the value of liabilities as future benefit payments from the pension plans are directly or indirectly linked to future inflation.

This is more relevant to the UK scheme where inflation both in the period up to and after retirement increases the projected growth in benefits. In Ireland, pensions are fixed once they come into payment with inflation only increasing liabilities in the period up to the date that members retire.

There was a loss on plan assets of £63.3 million due to the fall in bonds and equities which was in line with expectations as it offset a high proportion of the liability gains. The asset losses in the UK scheme were of a similar magnitude to the movement in the liabilities such that the overall UK deficit did not materially change over the half year. In the Irish schemes, the asset losses were equivalent to just over half the gains on the liabilities resulting in a significant improvement in the Irish schemes' financial position.

Following the divestment of the traditional distribution business in Great Britain, Grafton retained responsibility for the UK defined benefit pension scheme which was closed to future accrual at the end of 2020 when alternative arrangements were put in place.

Net Cash/Debt

Net cash (including lease obligations) at 30 June 2022 was £73.5 million which compares to £139.0 million at 31 December 2021, a position that was boosted by the proceeds received on completion of the sale of the Traditional Merchanting Business in Great Britain for an enterprise value of £520.0 million.

The Group's net cash position, before recognising lease liabilities, was £520.5 million which compares to £588.0 million at 31 December 2021.

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 with excellent liquidity, net cash before IFRS 16 lease liabilities and a robust balance sheet.

The Group had liquidity of £1,113.4 million at 30 June 2022 (31 December 2021: £1,235.4 million). As shown in the analysis of liquidity on page 47, accessible cash amounted to £778.7 million (31 December 2021: £840.7 million) and there was undrawn revolving bank facilities of £334.7 million (31 December 2021: £394.7 million).

At 30 June 2022, the Group had bilateral loan facilities of £374.5 million (31 December 2021: £433.7 million) with four relationship banks and debt obligations of £137.3 million (31 December 2021: £134.4 million) from the issue of unsecured senior notes in the US Private Placement market.

In addition, a new one-year facility for £85.8 million was put in place in December 2021 that was facilitated by one of the Group's relationship banks under the ECB's Targeted Longer-Term Refinancing Operations. This facility was used to temporarily replace drawings on existing facilities on more attractive terms and will be repaid in December 2022.

The average maturity of the committed bank facilities and unsecured senior notes at 30 June 2022 was 2.2 years.

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, the Netherlands and Finland.

As already noted, in August 2022, the Group completed a refinancing of its loan facilities that were due to expire in March 2023. Bilateral revolving loan facilities for £334.5 million were agreed with four banks for a term of five years to August 2027, with two one-year extension options, to replace existing facilities of £374.5 million.

IFRS 16 Leases

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

IFRS 16 increased operating profit by £6.8 million (2021: £6.3 million) and the finance (interest) expense by £7.2 million (2021: £7.2 million) in the period. Profit before tax was reduced by £0.4 million (2021: reduced by £0.9 million) and profit after tax reduced by £0.4 million (2021: reduced by £0.8 million) because of IFRS 16.

The right-of-use asset in the balance sheet at 30 June 2022 was £418.1 million (31 December 2021: £421.3 million) and lease liabilities were £447.0 million (31 December 2021: £449.0 million).

IFRS 16 does not alter the overall cashflows or the economic effect of the leases to which the Group is a party. Similarly, there is no effect on Grafton's banking covenants.

Shareholders' Equity

The Group's balance sheet strengthened further in the period with shareholders' equity up by £36.1 million to £1.76 billion. Profit after tax increased shareholders' equity by £109.4 million and there was a gain of £11.3 million on translation of euro denominated net assets to sterling. Shareholders' equity was increased by £15.6 million for a remeasurement gain on pension schemes and was reduced for dividends paid of £52.7 million and £51.5 million for the buyback of shares. Other changes increased equity by £4.0 million.

Return on Capital Employed

Return on Capital Employed in continuing operations declined by 180 basis points to 18.8 per cent (2021: 20.6 per cent) including leased assets.

Principal Risks and Uncertainties

The primary risks and uncertainties affecting the Group are set out on pages 64 to 69 of the 2021 Annual Report and will be updated in the 2022 Annual Report. These risks refer to Macro Economic Conditions in the UK, Ireland, the Netherlands and Finland; Cyber Security and Data Protection; Acquisition and Integration of New Businesses; Supply Chain; Colleagues; Sustainability and Climate Change; Competition in Distribution, Retailing and Manufacturing Markets; Health and Safety; Information Technology Systems and Infrastructure; Pandemic Risk – Covid-19; and Internal Controls and Fraud.

We have considered the additional indirect risk as a consequence of the war in Ukraine and the Group continues to monitor the geopolitical and macroeconomic impacts. At this time, it is not possible to make a full assessment of the likely adverse impact of the increase in energy prices or the wider economic implications for the Group's businesses and markets.

Period End Financial Information

The consolidated period-end financial statements presented on pages 20 to 42 comprise:

- the Group condensed income statement and Group condensed statement of comprehensive income for the six months to 30 June 2022;
- the Group condensed balance sheet as at 30 June 2022;
- the Group condensed cash flow statement for the six months to 30 June 2022;
- the Group condensed statement of changes in equity; and
- the explanatory notes to the condensed consolidated half year financial statements on pages 26 to 42.

Grafton Group plc

Group Condensed Income Statement
For the six months ended 30 June 2022

	Notes	Six months to 30 June 2022 (unaudited) £'000	Six months to 30 June 2021 (unaudited) £'000
Revenue	**2**	**1,152,847**	1,027,787
Operating costs		**(1,031,290)**	(891,081)
Property profits	**3**	**18,518**	15,418
Operating profit		**140,075**	152,124
Finance expense	**4**	**(9,849)**	(10,730)
Finance income	**4**	**2,158**	1,490
Profit before tax		**132,384**	142,884
Income tax expense	**17**	**(22,950)**	(26,855)
Profit after tax for the financial period from continuing operations		**109,434**	116,029
Profit after tax from discontinued operations	**14**	**-**	115,387
Profit after tax for the financial period		**109,434**	231,416
Profit attributable to:			
Owners of the Company		**109,434**	231,416
Profit attributable to:			
Continuing operations		**109,434**	116,029
Discontinued operations		**-**	115,387
Earnings per ordinary share (continuing operations) - basic	5	**45.8p**	48.5p
Earnings per ordinary share (continuing operations) - diluted	5	**45.8p**	48.4p
Earnings per ordinary share (discontinued operations) - basic	5	**-**	48.2p
Earnings per ordinary share (discontinued operations) - diluted	5	**-**	48.2p
Earnings per ordinary share (total) - basic	5	**45.8p**	96.7p
Earnings per ordinary share (total) - diluted	5	**45.8p**	96.6p

Grafton Group plc

Group Condensed Statement of Comprehensive Income
For the six months ended 30 June 2022

	Notes	**Six months to 30 June 2022 (Unaudited) £'000**	Six months to 30 June 2021 (Unaudited) £'000
Profit after tax for the financial period		**109,434**	231,416
Other comprehensive income			
Items that are or may be reclassified subsequently to the income statement			
Currency translation effects:			
- on foreign currency net investments		**11,267**	(14,397)
Fair value movement on cash flow hedges:			
- effective portion of changes in fair value of cash flow hedges		**10**	194
		11,277	(14,203)
Items that will not be reclassified to the income statement			
Remeasurement gain on Group defined benefit pension schemes	**13**	**17,882**	16,602
Deferred tax on Group defined benefit pension schemes		**(2,278)**	(3,148)
		15,604	13,454
Total other comprehensive income/(expense)		**26,881**	(749)
Total comprehensive income for the financial period		**136,315**	230,667
Total comprehensive income attributable to:			
Owners of the Company		**136,315**	230,667
Total comprehensive income for the financial period		**136,315**	230,667

Grafton Group plc - Group Condensed Balance Sheet as at 30 June 2022

	Notes	30 June 2022 (Unaudited) £'000	30 June 2021 (Unaudited) £'000	31 Dec 2021 (Audited) £'000
ASSETS				
Non-current assets				
Goodwill	**15**	**625,434**	570,132	599,810
Intangible assets	**16**	**158,566**	81,506	144,327
Property, plant and equipment	**9**	**331,788**	298,322	319,295
Right-of-use asset	**8**	**418,134**	419,685	421,254
Investment properties	**9**	**21,939**	27,491	26,527
Deferred tax assets		**5,856**	10,441	8,793
Lease receivable		**528**	259	881
Retirement benefit assets	**13**	**8,508**	3,843	3,596
Other financial assets		**128**	127	126
Total non-current assets		**1,570,881**	1,411,806	1,524,609
Current assets				
Properties held for sale	**9**	**5,461**	6,984	6,125
Inventories	**10**	**399,209**	245,491	344,172
Trade and other receivables	**10**	**287,149**	804,081	233,486
Lease receivable		**212**	26	212
Derivative financial instruments	**11**	**10**	113	-
Cash and cash equivalents	**11**	**782,720**	460,428	844,663
Total current assets		**1,474,761**	1,517,123	1,428,658
Total assets		**3,045,642**	2,928,929	2,953,267
EQUITY				
Equity share capital		**8,388**	8,583	8,570
Share premium account		**221,112**	217,902	219,447
Capital redemption reserve		**869**	621	643
Revaluation reserve		**12,434**	12,631	12,519
Shares to be issued reserve		**8,312**	8,749	11,837
Cash flow hedge reserve		**2**	129	(8)
Foreign currency translation reserve		**68,018**	67,522	56,751
Retained earnings		**1,444,139**	1,324,927	1,413,737
Treasury shares held		**(7,526)**	(3,897)	(3,897)
Equity attributable to owners of the Parent		**1,755,748**	1,637,167	1,719,599
Total equity		**1,755,748**	1,637,167	1,719,599
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	**11**	**136,786**	261,821	172,601
Lease liabilities	**11**	**390,598**	395,538	396,070
Provisions		**15,647**	15,663	14,862
Retirement benefit obligations	**13**	**853**	37,146	15,067
Deferred tax liabilities		**60,649**	42,301	56,402
Total non-current liabilities		**604,533**	752,469	655,002
Current liabilities				
Interest-bearing loans and borrowings	**11**	**125,461**	-	84,030
Lease liabilities	**11**	**56,399**	49,759	52,924
Derivative financial instruments	**11**	**-**	-	8
Trade and other payables	**10**	**480,171**	461,812	419,111
Current income tax liabilities		**17,197**	20,593	15,956
Provisions		**6,133**	7,129	6,637
Total current liabilities		**685,361**	539,293	578,666
Total liabilities		**1,289,894**	1,291,762	1,233,668
Total equity and liabilities		**3,045,642**	2,928,929	2,953,267

Grafton Group plc - Group Condensed Cash Flow Statement

For the six months ended 30 June 2022	Notes	Six months to 30 June 2022 (Unaudited) £'000	Six months to 30 June 2021 (Unaudited) £'000
Profit before taxation from continuing operations		**132,384**	142,884
Profit before taxation from discontinued operations	**14**	**-**	124,811
Profit before taxation		**132,384**	267,695
Finance income		**(2,158)**	(1,490)
Finance expense	**4,14**	**9,849**	11,973
Operating profit		**140,075**	278,178
Depreciation	**8,9**	**45,377**	53,872
Amortisation of intangible assets	**16**	**10,228**	7,810
Share-based payments charge		**2,377**	2,599
Movement in provisions		**(94)**	(1,027)
Loss on sale of property, plant and equipment		**104**	106
Property profits – continuing operations		**(18,157)**	(5,258)
Property profits – discontinued operations		**-**	(396)
Fair value gains recognised as property profits		**(361)**	(10,160)
Profit on deemed disposal of Group businesses	**14**	**-**	(107,240)
Gain on derecognition of leases		**(711)**	(576)
Contributions to pension schemes in excess of IAS 19 charge		**(1,204)**	(298)
(Increase)/decrease in working capital	**10**	**(39,694)**	37,691
Cash generated from operations		**137,940**	255,301
Interest paid		**(10,208)**	(10,402)
Income taxes paid		**(21,861)**	(24,715)
Cash flows from operating activities		**105,871**	220,184
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment		**83**	95
Proceeds from sale of properties held for sale/investment properties		**23,978**	16,945
Interest received		**2,158**	106
		26,219	17,146
Outflows			
Acquisition of subsidiary undertakings (net of cash acquired)	**14**	**(45,818)**	(12,323)
Net cash deemed disposed with Group businesses	**14**	**-**	(103,778)
Investment in intangible asset – computer software	**16**	**(1,215)**	(504)
Purchase of property, plant and equipment	**9**	**(21,140)**	(17,137)
		(68,173)	(133,742)
Cash flows from investing activities		**(41,954)**	(116,596)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**1,709**	1,455
Proceeds from borrowings		**16,478**	316
		18,187	1,771
Outflows			
Repayment of borrowings		**(16,854)**	-
Dividends paid	**6**	**(52,731)**	(64,577)
Treasury shares purchased	**20**	**(51,521)**	-
Payment on lease liabilities		**(26,973)**	(29,686)
		(148,079)	(94,263)
Cash flows from financing activities		**(129,892)**	(92,492)
Net (decrease)/increase in cash and cash equivalents		**(65,975)**	11,096
Cash and cash equivalents at 1 January		**844,663**	456,028
Effect of exchange rate fluctuations on cash held		**4,032**	(6,696)
Cash and cash equivalents at the end of the period		**782,720**	460,428
Cash and cash equivalents are broken down as follows:			
Cash at bank and short-term deposits		**782,720**	460,428

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 2022 (Unaudited)										
At 1 January 2022	8,570	219,447	643	12,519	11,837	(8)	56,751	1,413,737	(3,897)	1,719,599
Profit after tax for the financial period	-	-	-	-	-	-	-	109,434	-	109,434
Total other comprehensive income										
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	15,604	-	15,604
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	10	-	-	-	10
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	11,267	-	-	11,267
Total other comprehensive expense	-	-	-	-	-	10	11,267	15,604	-	26,881
Total comprehensive income	-	-	-	-	-	10	11,267	125,038	-	136,315
Transactions with owners of the Company recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	(52,731)	-	(52,731)
Issue of Grafton Units	44	1,665	-	-	-	-	-	-	-	1,709
Purchase of treasury shares (Note 20)	-	-	-	-	-	-	-	-	(51,521)	(51,521)
Cancellation of treasury shares (Note 20)	(226)	-	226	-	-	-	-	(47,892)	47,892	-
Share based payments charge	-	-	-	-	2,377	-	-	-	-	2,377
Transfer from shares to be issued reserve	-	-	-	-	(5,902)	-	-	5,902	-	-
Transfer from revaluation reserve	-	-	-	(85)	-	-	-	85	-	-
	(182)	1,665	226	(85)	(3,525)	-	-	(94,636)	(3,629)	(100,166)
At 30 June 2022	8,388	221,112	869	12,434	8,312	2	68,018	1,444,139	(7,526)	1,755,748

	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 2021 (Unaudited)										
At 1 January 2021	8,569	216,496	621	12,733	6,714	(65)	81,919	1,143,933	(3,897)	1,467,023
Profit after tax for the financial period	-	-	-	-	-	-	-	231,416	-	231,416
Total other comprehensive income										
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	13,454	-	13,454
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	194	-	-	-	194
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(14,397)	-	-	(14,397)
Total other comprehensive expense	-	-	-	-	-	194	(14,397)	13,454	-	(749)
Total comprehensive income	-	-	-	-	-	194	(14,397)	244,870	-	230,667
Transactions with owners of the Company recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	(64,577)	-	(64,577)
Issue of Grafton Units	49	1,406	-	-	-	-	-	-	-	1,455
Cancellation of A Shares	(35)	-	-	-	-	-	-	35	-	-
Share based payments charge	-	-	-	-	2,599	-	-	-	-	2,599
Transfer from shares to be issued reserve	-	-	-	-	(564)	-	-	564	-	-
Transfer from revaluation reserve	-	-	-	(102)	-	-	-	102	-	-
	14	1,406	-	(102)	2,035	-	-	(63,876)	-	(60,523)
At 30 June 2021	8,583	217,902	621	12,631	8,749	129	67,522	1,324,927	(3,897)	1,637,167

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 2021 (Audited)										
At 1 January 2021	8,569	216,496	621	12,733	6,714	(65)	81,919	1,143,933	(3,897)	1,467,023
Profit after tax for the financial year	-	-	-	-	-	-	-	341,267	-	341,267
Total other comprehensive income										
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	11,674	-	11,674
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	57	-	-	-	57
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(25,168)	-	-	(25,168)
Total other comprehensive expense	-	-	-	-	-	57	(25,168)	11,674	-	(13,437)
Total comprehensive income	-	-	-	-	-	57	(25,168)	352,941	-	327,830
Transactions with owners of the Company recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	(84,921)	-	(84,921)
Issue of Grafton Units	23	2,951	-	-	-	-	-	-	-	2,974
Cancellation of A Shares	(22)	-	22	-	-	-	-	-	-	-
Share based payments charge	-	-	-	-	5,601	-	-	-	-	5,601
Tax on share based payments	-	-	-	-	1,092	-	-	-	-	1,092
Transfer from shares to be issued reserve	-	-	-	-	(1,570)	-	-	1,570	-	-
Transfer from revaluation reserve	-	-	-	(214)	-	-	-	214	-	-
	1	2,951	22	(214)	5,123	-	-	(83,137)	-	(75,254)
At 31 December 2021	8,570	219,447	643	12,519	11,837	(8)	56,751	1,413,737	(3,897)	1,719,599

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, the Netherlands and Finland. Grafton is also the market leader in the DIY retailing market in Ireland and is the largest manufacturer of dry mortar in Great Britain where it also operates a staircase manufacturing business.

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 2022 are unaudited but have been reviewed by the auditor whose report is set out on pages 49 and 50.

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 Group annual financial statements and should be read in conjunction with the Group's annual financial statements in respect of the year ended 31 December 2021 that are available on the Company's website www.graftonplc.com.

The condensed consolidated half year financial statements presented do not constitute financial statements prepared in accordance with IFRS as adopted by the European Union. The financial information included in this report in relation to the year ended 31 December 2021 does not comprise statutory annual financial statements within the meaning of section 295 of the Companies Act 2014. The 2021 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 Rules of the Financial Conduct Authority ('FCA') and International Accounting Standard ("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 financial statements prepared in accordance with IFRS. 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 financial statements as at and for the year ended 31 December 2021.

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 annual financial statements as at and for the year ended 31 December 2021. 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.

Having made enquiries, 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 at least 12 months from the date of approval of the financial statements. Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its condensed consolidated half year financial statements.

1. General Information (continued)

Basis of Preparation, Accounting Policies and Estimates (continued)

The financial statements are presented in sterling. Items included in the financial statements of each of the Group's entities are measured using its functional currency, being the currency of the primary economic environment in which the entity operates which is primarily euro and sterling. The functional currency of the parent company is euro.

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

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.

(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 Group's annual financial statements as at and for the year ended 31 December 2021.

As set out in note 15, goodwill is subject to impairment testing on an annual basis, and additionally during the year if an indicator of impairment is considered to exist. Therefore impairment testing is not a key source of estimation uncertainty in these half year financial statements.

Where a surplus on a defined benefit scheme arises, the rights of the trustees to prevent the group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. The UK and ROI defined benefit schemes are in surplus under IAS 19 valuation methodology as at 30 June 2022. The directors are satisfied that that these amounts meet the requirements of recoverability on the basis that paragraph 11 (b) of IFRIC 14 applies, enabling a refund of the surplus assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme, and a surplus of £7.7 million has been recognised.

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 2022

Certain new accounting standards and interpretations have been published that are effective from 1 January 2022. 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, amortisation of intangible assets arising on acquisitions and acquisition related items.

	Six months to 30 June 2022 (Unaudited) £'000	Six months to 30 June 2021* (Unaudited) £'000
Revenue		
UK distribution	**428,970**	414,085
Ireland distribution	**309,135**	258,735
Netherlands distribution	**168,732**	147,522
Finland distribution	**67,667**	-
Total distribution - continuing	**974,504**	820,342
Retailing	**118,908**	158,354
Manufacturing	**66,035**	55,478
Less: inter-segment revenue - manufacturing	**(6,600)**	(6,387)
Total revenue from continuing operations	**1,152,847**	1,027,787
Segmental operating profit before exceptional items, intangible amortisation arising on acquisitions and other acquisition related items		
UK distribution	**47,189**	55,163
Ireland distribution	**38,478**	30,099
Netherlands distribution	**21,165**	16,005
Finland distribution	**8,903**	-
Total distribution – continuing	**115,735**	101,267
Retailing	**13,855**	34,158
Manufacturing	**12,139**	12,717
	141,729	148,142
Reconciliation to consolidated operating profit		
Central activities	**(9,112)**	(5,518)
	132,617	142,624
Property profits	**18,518**	15,418
Operating profit before exceptional items, intangible amortisation arising on acquisitions and other acquisition related items	**151,135**	158,042
Acquisition related items*	**(1,320)**	(207)
Amortisation of intangible assets arising on acquisitions	**(9,740)**	(5,711)
Operating profit	**140,075**	152,124
Finance expense	**(9,849)**	(10,730)
Finance income	**2,158**	1,490
Profit before tax	**132,384**	142,884
Income tax expense	**(22,950)**	(26,855)
Profit after tax for the financial period from continuing operations	**109,434**	116,029
Profit after tax from discontinued operations	**-**	115,387
Profit after tax for the financial period	**109,434**	231,416

**Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, professional fees, adjustments to previously estimated earn outs, customer relationships asset impairment charges and goodwill impairment charges. The June 2021 comparatives, where applicable, have been restated to conform to current year presentation.*

2. Segmental Analysis (continued)

The amount of revenue by geographic area is as follows:

	Six months to 30 June 2022 (Unaudited) £'000	Six months to 30 June 2021 (Unaudited) £'000
Revenue*		
United Kingdom	**484,649**	460,174
Ireland	**431,799**	420,091
Netherlands	**168,732**	147,522
Finland	**67,667**	-
Total revenue – continuing operations	**1,152,847**	1,027,787

**Service revenue, which is recognised over time, amounted to £4.5 million for the period (2021 restated: £3.9 million)*

	30 June 2022 (Unaudited) £'000	30 June 2021 (Unaudited) £'000
Segment assets		
Distribution*	**1,929,044**	2,148,343
Retailing	**205,306**	202,153
Manufacturing	**114,070**	103,481
	2,248,420	2,453,977
Unallocated assets		
Deferred tax assets	**5,856**	10,441
Retirement benefit assets	**8,508**	3,843
Other financial assets	**128**	127
Cash and cash equivalents	**782,720**	460,428
Derivative financial instruments (current)	**10**	113
Total assets	**3,045,642**	2,928,929

**Distribution segment assets at 30 June 2021 include amounts receivable of £581.7 million in relation to the disposal of the Traditional Merchanting Business in Great Britain.*

	30 June 2022 (Unaudited) £'000	30 June 2021 (Unaudited) £'000
Segment liabilities		
Distribution	**716,524**	678,397
Retailing	**197,121**	222,027
Manufacturing	**35,303**	29,477
	948,948	929,901
Unallocated liabilities		
Interest bearing loans and borrowings (current and non-current)	**262,247**	261,821
Retirement benefit obligations	**853**	37,146
Deferred tax liabilities	**60,649**	42,301
Current income tax liabilities	**17,197**	20,593
Total liabilities	**1,289,894**	1,291,762

3. Operating Profit

The property profit of £18.5 million (2021: £15.4 million) relates to profit on property disposals of £18.2 million (2021: £5.3 million) and fair value gains of £0.3 million (2021: £10.1 million).

In 2022, the Group disposed of two UK properties (2021: one UK property, one Irish property and six properties in Belgium).

The fair value gain of £0.3 million in 2022 relates to two investment properties in Ireland**.** The fair value gain of £10.1 million recognised in June 2021 related to five properties which were transferred to investment properties during the period. Four of these properties were retained by the Group following the disposal of the Traditional Merchanting business in Great Britain.

4. Finance Expense and Finance Income

	Six months to 30 June 2022 (Unaudited) £'000		Six months to 30 June 2021 (Unaudited) £'000	
Finance expense				
Interest on bank loans, US senior notes and overdrafts	**2,321**	*	3,237	*
Interest on lease liabilities	**7,194**	*	7,232	*
Net finance cost on pension scheme obligations	**65**		261	
Foreign exchange loss	**269**		-	
	9,849		10,730	
Finance income				
Interest income on bank deposits	**(2,158)**	*	(106)	*
Foreign exchange gain	**-**		(1,384)	
	(2,158)		(1,490)	
Net finance expense	**7,691**		9,240	

** Net bank and US senior note interest of £0.2 million (2021: £3.1 million). Including interest on lease liabilities, this amounts to £7.4 million (2021: £10.4 million)*

5. Earnings per Share

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

	Half Year 30 June 2022 (Unaudited) £'000	Half Year 30 June 2021* (Unaudited) £'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial period from continuing operations	**109,434**	116,029
Profit after tax for the financial period from discontinued operations	**-**	115,387
Numerator for basic and diluted earnings per share	**109,434**	231,416
Profit after tax for the financial period from continuing operations	**109,434**	116,029
Amortisation of intangible assets arising on acquisitions	**9,740**	5,711
Tax relating to amortisation of intangible assets arising on acquisitions	**(2,185)**	(1,226)
Acquisition related items*	**1,320**	207
Tax on acquisition related items	**(116)**	-
Numerator for adjusted earnings per share	**118,193**	120,721
	Number of Grafton Units	Number of Grafton Units
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	**238,882,241**	239,275,910
Dilutive effect of options and awards	**149,550**	353,873
Denominator for diluted earnings per share	**239,031,791**	239,629,783
Earnings per share (pence) – from total operations		
- Basic	**45.8**	96.7
- Diluted	**45.8**	96.6
Earnings per share (pence) – from continuing operations		
- Basic	**45.8**	48.5
- Diluted	**45.8**	48.4
Earnings per share (pence) – from discontinued operations		
- Basic	**-**	48.2
- Diluted	**-**	48.2
Adjusted earnings per share (pence) – from continuing operations		
- Basic	**49.5**	50.5
- Diluted	**49.4**	50.4

** The adjustment of acquisition related items to the adjusted earnings per share APM was a change on previous years which was implemented at 31 December 2021 and thus the June 2021 comparative has been restated to conform to current year presentation.*

6. Dividends

The payment in 2022 of a second interim dividend for 2021 of 22.00 pence amounted to £52.7 million (2021: second interim dividend for 2019 of £29.9 million and final dividend for 2020 of £34.7 million).

An interim dividend for 2022 of 9.25 pence per share will be paid on 7 October 2022 to shareholders on the register at the close of business on 9 September 2022 (the 'Record Date'). The ex-dividend date is 8 September 2022.

A liability in respect of the interim dividend has not been recognised in the balance sheet at 30 June 2022, as there was no present obligation to pay the dividend 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 2022 was Stg84.24p (six months to 30 June 2021: Stg86.80p). The sterling/euro exchange rate at 30 June 2022 was Stg85.82p (30 June 2021: Stg85.81p and 31 December 2021: Stg84.03p).

8. Right-Of-Use Asset

	Right-of-use asset £'000
Recognised at 1 January 2022	**421,254**
Additions*	**16,281**
Disposals	**(2,222)**
Depreciation	**(28,920)**
Remeasurements*	**4,791**
Arising on acquisition (Note 14)	**2,745**
Currency translation adjustment	**4,205**
As at 30 June 2022	**418,134**

**Right-of-use asset additions relate to new lease contracts entered into during the period and mainly arise due to leases entered into for new store locations, a new warehouse and new lease contracts agreed for existing stores. Right-of-use asset remeasurements have mainly arisen due to the finalisation of rent reviews and extension options on a number of property leases.*

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 2022	**319,295**	**6,125**	**26,527**
Additions	**21,140**	**-**	**-**
Depreciation	**(16,457)**	**-**	**-**
Disposals	**(188)**	**(745)**	**(5,075)**
Fair value gains	**-**	**-**	**361**
Arising on acquisition (Note 14)	**4,718**	**-**	**-**
Currency translation adjustment	**3,280**	**81**	**126**
As at 30 June 2022	**331,788**	**5,461**	**21,939**

10. Movement in Working Capital

Current	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total £'000
At 1 January 2022	**344,172**	**233,486**	**(419,111)**	**158,547**
Currency translation adjustment	**5,083**	**3,368**	**(5,621)**	**2,830**
Deferred acquisition consideration (Note 14)	**-**	**-**	**(5,197)**	**(5,197)**
Arising on acquisition (Note 14)	**7,561**	**8,505**	**(5,753)**	**10,313**
Working capital movement in 2022	**42,393**	**41,790**	**(44,489)**	**39,694**
At 30 June 2022	**399,209**	**287,149**	**(480,171)**	**206,187**

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

	30 June 2022 £'000	30 June 2021 £'000	31 Dec 2021 £'000
Interest-bearing loans and borrowings			
Bank loans (current)	**125,461**	-	84,030
Bank loans (non-current)	**-**	125,115	38,699
US senior notes	**136,786**	136,706	133,902
Total interest-bearing loans and borrowings	**262,247**	261,821	256,631
Leases			
Included in non-current liabilities	**390,598**	395,538	396,070
Included in current liabilities	**56,399**	49,759	52,924
Total leases	**446,997**	445,297	448,994
Derivatives			
Included in current liabilities	**-**	-	8
Included in current assets	**(10)**	(113)	-
Total derivatives	**(10)**	(113)	8
Cash and cash equivalents	**(782,720)**	(460,428)	(844,663)
Net (cash)/debt	**(73,486)**	246,577	(139,030)
Net (cash) before leases	**(520,483)**	(198,720)	(588,024)

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

The following table shows the fair value of financial assets and liabilities, all of which are within level 2 of 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 2022 £'000	31 Dec 2021 £'000
(Assets)/liabilities measured and recognised at fair value		
Designated as hedging instruments		
Interest rate swaps and other derivatives	**(10)**	8
Fair value measurement of liabilities carried at amortised cost		
US senior notes	**129,824**	134,448

The fair value of Financial assets and liabilities recognised at amortised cost
It is considered that the carrying amounts of other financial assets and liabilities including trade payables, trade receivables and bank loans, which are recognised at amortised cost in the condensed consolidated half year financial statements approximate to fair value. The fixed rate US senior notes denominated in euro are disclosed above at fair value and reflect the differential between the fixed interest rates on these notes and market rates at 30 June 2022.

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 and deferred consideration 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 Cash/(Debt)

	30 June 2022 £'000	30 June 2021 £'000
Net (decrease)/increase in cash and cash equivalents	**(65,975)**	11,096
Net movement in derivative financial instruments	**18**	178
Lease liabilities deemed disposed (Note 14)	**-**	67,100
Movement in debt and lease financing	**6,919**	13,858
Change in net cash resulting from cash flows	**(59,038)**	92,232
Currency translation adjustment	**(6,506)**	16,192
Movement in net cash in the period	**(65,544)**	108,424
Net cash/(debt) at 1 January	**139,030**	(355,001)
Net cash/(debt) at end of the period	**73,486**	(246,577)

13. Retirement Benefits

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

	Irish Schemes		UK Schemes	
	At 30 June 2022	At 31 Dec 2021	**At 30 June 2022**	At 31 Dec 2021
Rate of increase in salaries	**3.75%**	3.30%	**0.00%** *	0.00% *
Rate of increase of pensions in payment	**-**	-	**3.10%**	3.10%
Discount rate	**3.40%**	1.15%	**3.90%**	1.90%
Inflation	**2.55%**	2.10%	**2.60%/3.20%** **	2.70%/3.30% **

* Pensionable salaries are not adjusted for inflation
** The inflation assumption shown for the UK is based on the Consumer Price Index (CPI) and the Retail Price Index (RPI)

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 2022	Year to 31 Dec 2021	**Half year to 30 June 2022**	Year to 31 Dec 2021	**Half year to 30 June 2022**	Year to 31 Dec 2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
At 1 January	**283,705**	263,604	**(295,176)**	(314,188)	**(11,471)**	(50,584)
Interest income on plan assets	**2,207**	2,836	**-**	-	**2,207**	2,836
Contributions by employer	**2,257**	24,082	**-**	-	**2,257**	24,082
Contributions by members	**230**	469	**(230)**	(469)	**-**	-
Benefit payments	**(4,763)**	(9,128)	**4,763**	9,128	**-**	-
Current service cost	**-**	-	**(1,046)**	(2,359)	**(1,046)**	(2,359)
Other long term benefit (expense)	**-**	-	**(7)**	(191)	**(7)**	(191)
Past service credit (exceptional)	**-**	-	**-**	2,500	**-**	2,500
Interest cost on scheme liabilities	**-**	-	**(2,272)**	(3,219)	**(2,272)**	(3,219)
Administration costs	**-**	(382)	**-**	-	**-**	(382)
Remeasurements						
Actuarial gains/(loss) from:						
-experience variations	**-**	-	**(2,480)**	1,131	**(2,480)**	1,131
-financial assumptions	**-**	-	**83,908**	1,992	**83,908**	1,992
-demographic assumptions	**-**	-	**(201)**	846	**(201)**	846
Return on plan assets excluding interest income	**(63,345)**	10,917	**-**	-	**(63,345)**	10,917
Translation adjustment	**2,284**	(8,693)	**(2,179)**	9,653	**105**	960
At 30 June / 31 December	**222,575**	283,705	**(214,920)**	(295,176)	**7,655**	(11,471)
Related deferred tax asset (net)					**(902)**	1,636
Net pension asset/(deficit)					**6,753**	(9,835)

13. Retirement Benefits (continued)

The net pension scheme surplus of £7.7 million (31 December 2021: deficit of £11.5 million) is shown in the Group balance sheet as (i) retirement benefit obligations (non-current liabilities) of £0.8 million (31 December 2021: £15.1 million) and (ii) retirement benefit assets (non-current assets) of £8.5 million (31 December 2021: £3.6 million).

At 30 June 2022, £8.0 million of the retirement benefit asset relates to schemes in Ireland and £0.5 million relates to one UK scheme. The surplus has been recognised in accordance with IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' as it has been determined that the Group has an unconditional right to a refund of the surplus assets if the schemes are run off until the last member has left the scheme. The retirement benefit obligation of £0.8 million relates to schemes in the Netherlands.

At 31 December 2021, £3.6 million of the retirement benefit asset relates to one scheme in Ireland. The £15.1m retirement benefit obligation relates to one scheme in the UK (£0.7 million) and schemes in Ireland and the Netherlands (£14.4 million).

14. Acquisitions and Discontinued Operations

Acquisitions

On 11 January 2022, the Group acquired the entire share capital of Regts B.V. ("Regts"). Regts is a distributor of tools, ironmongery and fixings in the Netherlands with a strong market position in the province of Friesland where it trades from five branches. On 14 February 2022, Woodfloor Warehouse Limited ("Woodfloor") was acquired. Woodfloor is a leading in-store and online timber flooring distributor trading from two branches in Northern Ireland and from one branch in the UK. On 28 February 2022, the Group completed the acquisition of Sitetech Building Products Limited ("Sitetech"), the market leader in the distribution of specialist construction accessories in Ireland where the business trades from two locations in Dublin and Cork.

The three acquisitions are incorporated in the Distribution segment. None of these acquisitions were individually material for separate disclosure under IFRS3.

The provisional fair value of assets and liabilities acquired in 2022 are set out below:

	Total £'000
Property, plant and equipment	**4,718**
Right-of-use asset	**2,745**
Intangible assets – trade names	**2,889**
Intangible assets – customer relationships	**17,686**
Inventories	**7,561**
Trade and other receivables	**8,505**
Trade and other payables	**(5,753)**
Lease liability	**(2,745)**
Corporation tax liability	**(82)**
Deferred tax liability	**(3,592)**
Cash acquired	**5,879**
Net assets acquired	**37,811**
Goodwill	**19,083**
Consideration	**56,894**
Satisfied by:	
Cash paid	**51,697**
Deferred consideration (Note 10)	**5,197**
	56,894
Net cash outflow – arising on acquisitions	
Cash consideration	**51,697**
Less: cash and cash equivalents acquired	**(5,879)**
	45,818

14. Acquisitions and Discontinued Operations (continued)

The fair value of the net assets acquired have been determined on a provisional basis. Goodwill on these acquisitions reflects the anticipated cashflows to be realised as part of the enlarged Group.

Any adjustments to provisional fair value of assets and liabilities including recognition of any newly identified assets and liabilities, will be made within 12 months of respective acquisition dates. There were no adjustments made to provisional fair values in the period relating to the IKH and Proline acquisitions completed in the prior year.

Acquisitions contributed revenue of £24.1 million and operating profit of £4.1 million for the period from the date of acquisition to 30 June 2022. If all three acquisitions had occurred on 1 January 2022, they would have contributed revenue of £29.8 million and operating profit of £5.1 million in the year. The Group incurred acquisition costs of £0.4 million in 2022 (2021: £0.2 million) which are included in operating costs in the Group Income Statement.

Deferred consideration is payable within 3 years and is not contingent.

In addition to this deferred consideration, the Group has an agreement to make further payments to selling shareholders who as part of the agreement are required to remain in employment with the Group for the deferred period.

Discontinued Operations – Traditional Merchanting Business in the UK – 30 June 2021

On 30 June 2021, the Group entered into an agreement to divest its Traditional Merchanting Business in Great Britain ("the Business") for an enterprise value of £520.0 million to Huws Gray, one of the UK's largest independent builders' merchants, that is controlled by equity funds managed by Blackstone. The Group retained freehold properties with development potential that had a market value of circa £25 million.

The Share Purchase Agreement was signed on 30 June 2021 and from that date Grafton ceased to have rights to variable returns from its shareholdings in the entities being divested and instead received an agreed daily amount up to the date of completion. International Financial Reporting Standards required that the business being divested be treated as discontinued operations and as a deemed disposal at 30 June 2021.

The enterprise value agreed with the purchaser was based on the balance sheet as at 30 April 2021 and all cashflow generated after that date was for the benefit of the purchaser. Grafton received a daily ticker rate for the period from 1 May 2021 to 31 December 2021 that compensated the Group for the loss of profits over this period.

The transaction completed on 31 December 2021 and the proceeds, which amounted to £602.3 million, were received on that date. These included £116.0 million of intercompany balances which were due to Grafton Group at 30 June 2021.

14. Acquisitions and Discontinued Operations (continued)

The carrying value of assets and liabilities deemed disposed at 30 June 2021 were as follows:

	Total £'000
Goodwill	126,291
Intangible assets	29,827
Property, plant and equipment	177,515
Right-of-use assets	60,838
Finance lease receivable	2,143
Deferred tax asset	1,729
Inventory	99,253
Trade and other receivables	212,547
Cash	103,778
Trade and other payables	(242,167)
Amounts owed by discontinued operations to the Group	(115,969)
Provisions	(5,339)
Lease liabilities (current and non-current)	(67,100)
Deferred tax liability	(18,691)
Income tax liability	(6,161)
Net assets of deemed disposal	358,494
Cash consideration receivable	(465,734)
Net profit on deemed disposal of discontinued operations, before disposal costs	(107,240)

Net cash/debt movement of deemed disposal

	£'000
Cash and cash equivalents	103,778
Lease liabilities	(67,100)
Net cash flow movement	36,678

Amounts recognised in the period to 30 June 2021 within discontinued operations

	£'000
Gross profit on deemed disposal	107,240
Disposal costs*	(11,945)
Profit on deemed disposal, net of disposal costs	95,295
Result for the period from discontinued operations	20,092
Total amount recognised in discontinued operations	115,387

* Disposal costs include professional fees of £4.9 million, legal fees of £1.0 million, vendor financial, tax & IT due diligence fees of £0.9 million, property related costs of £0.3 million and £4.8 million of other costs related to the divestment of the business.

Reconciliation of cash consideration receivable from 30 June 2021 to cash received at 31 December 2021

	£'000
Cash consideration receivable at 30 June 2021	465,734
Cash received for intercompany balances owed to the Group at 30 June 2021	115,969
Additional consideration payable to date of completion (daily ticker rate)	20,385
Other adjusting items upon completion	220
Cash consideration received and settlement of intercompany balances	602,308

14. Acquisitions and Discontinued Operations (continued)

Results from discontinued operations

	30 June 2021 (unaudited) £'000
Revenue	522,895
Operating costs	(492,532)
Operating profit before property profits	30,363
Property profits	396
Operating profit pre-exceptional items	30,759
Exceptional items*	95,295
Operating profit	126,054
Net finance costs	(1,243)
Profit before tax	124,811
Income tax	(9,424)
Profit after tax for the financial period	115,387

* Exceptional items at 30 June 2021 relate to the profit on the deemed disposal, net of disposal costs.

Cash flows from discontinued operations

	30 June 2021 (unaudited) £'000
Net cash flow from operating activities	36,592
Net cash flow from investing activities	(3,346)
Net cash flow from financing activities	(4,794)
Net cash flow from discontinued operations	28,452

The overall impact on the Group income statement for June 2021 is set out below.

Impact on the Group Condensed Income Statement for the six months ended 30 June 2021

	2021 (unaudited) Continuing £'000	2021 (unaudited) Discontinued £'000	2021 (unaudited) Total £'000
Revenue	1,027,787	522,895	1,550,682
Operating costs	(891,081)	(492,532)	(1,383,613)
Operating profit before property profits	136,706	30,363	167,069
Property profits	15,418	396	15,814
Operating profit before exceptional items	152,124	30,759	182,883
Exceptional items	-	95,295	95,295
Operating profit	152,124	126,054	278,178
Finance expense	(10,730)	(1,243)	(11,973)
Finance income	1,490	-	1,490
Profit before tax	142,884	124,811	267,695
Income tax expense	(26,855)	(9,424)	(36,279)
Profit after tax for the financial period	116,029	115,387	231,416

15. Goodwill

Goodwill is subject to impairment testing on an annual basis at 31 December and additionally during the year if an indicator of impairment is considered to exist. There were no indications of impairment during the period (2021: £Nil).

	Goodwill £'000
Net Book Value	
As at 1 January 2022	**599,810**
Arising on acquisition (Note 14)	**19,083**
Currency translation adjustment	**6,541**
As at 30 June 2022	**625,434**

16. Intangible Assets

	Computer Software £'000	Trade Names £'000	Customer Relationships & Technology £'000	Total £'000
Net Book Value				
As at 1 January 2022	**4,001**	**30,415**	**109,911**	**144,327**
Additions	**1,215**	**-**	**-**	**1,215**
Amortisation	**(488)**	**(1,651)**	**(8,089)**	**(10,228)**
Arising on acquisition (Note 14)	**-**	**2,889**	**17,686**	**20,575**
Currency translation adjustment	**40**	**515**	**2,122**	**2,677**
As at 30 June 2022	**4,768**	**32,168**	**121,630**	**158,566**

The amortisation expense of £10.2 million (2021: £7.8 million) has been charged in 'operating costs' in the income statement. Amortisation of intangible assets arising on acquisitions amounted to £9.7 million (H1 2021: £5.7 million).

17. Taxation

The income tax expense of £23.0 million (2021: £26.9 million) is equivalent to an effective tax rate of 17.3 per cent on profit from continuing operations (2021 Full Year: 17.2 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 four jurisdictions where the Group operates.

Certain items of expenditure charged in arriving at profit before tax, including depreciation on buildings, are not eligible for a tax deduction. This factor increased the rate of tax payable on profits above the headline rates that apply in the UK, Ireland, the Netherlands and Finland.

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.

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.

17. Taxation (continued)

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 2022, there were unrecognised deferred tax assets in relation to capital losses of £1.4 million (31 December 2021: £3.1 million), trading losses of £1.1 million (31 December 2021: £1.1 million) and deductible temporary differences of £8.2 million (31 December 2021: £8.5 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 historic losses and the Directors believe that it is not probable there will be sufficient taxable profits in the particular 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 were no changes in related parties from those described in the 2021 Annual Report that materially affected the financial position or the performance of the Group during the period to 30 June 2022.

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

LTIP awards were made over 706,305 Grafton Units on 1 April 2022. The fair value of the awards of £6.0 million, which are subject to vesting conditions, will be charged to the income statement over the vesting period of three years. The 2021 Annual Report discloses details of the LTIP scheme.

20. Share Buyback and Treasury Shares

On 28 April 2022, the Group announced its intention to introduce a share buyback programme. On 9 May 2022, the Group entered into non-discretionary arrangements with Goodbody Stockbrokers UC (acting as agent) and Numis Securities Limited (acting as principal) to conduct the programme and to buy back ordinary shares (the "Shares") on the Group's behalf for a maximum aggregate consideration of up to £100 million and to make trading decisions under the programme independently of the Group in accordance with certain pre-set parameters (the "Buyback").

The Buyback commenced on 9 May 2022 and will end no later than 31 December 2022 subject to market conditions. At 30 June 2022, the Group had purchased 5,018,428 shares in aggregate for cancellation at a total cost of £43.9 million, including transaction costs. However, due to timing, only 4,558,428 were cancelled at 30 June 2022 and 460,000 shares purchased for £3.6 million were cancelled in early July.

In addition to the above, on 3 May 2022 and 4 May 2022, the Group purchased and cancelled 796,902 Grafton Units which was effected to offset the dilutive effect of issuing new shares to satisfy share award obligations under the Company's Long Term Incentive Plan. The total consideration was £7.6 million, including transaction costs.

21. Issue of Shares

During the year 763,152 Grafton Units were issued under the 2011 Grafton Group Long Term Incentive Plan (LTIP) on the vesting of the 2019 grants. A further 273,396 Grafton Units were issued under the Group's Savings Related Share Option Scheme (SAYE) to eligible UK employees.

22. Events after the Balance Sheet Date

The Company bought back, for cancellation, 5,645,891 shares at cost of £44.6 million between 1 July 2022 and 23 August 2022.

In August 2022, the Group completed a refinancing of its loan facilities that were due to expire in March 2023. Bilateral revolving loan facilities for £334.5 million were agreed with four established relationship banks for a term of five years to August 2027. The arrangements include two one-year extension options exercisable at the discretion of Grafton and the banks. These new facilities replace existing facilities of £374.5 million. This is sustainability linked debt funding and includes an incentive connected to the achievement of carbon emissions, workforce diversity and community support targets that are fully aligned to the Group's sustainability strategy.

There have been no other material events subsequent to 30 June 2022 that would require adjustment to or disclosure in this report.

23. Board Approval

These condensed consolidated half year financial statements were approved by the Board of Grafton Group plc on 24 August 2022.

Supplementary Financial Information

Alternative Performance Measures

Certain financial information set out in these consolidated 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 2021 are available in the 2021 Annual Report and the 2021 Half Year Report, subject to restatement for acquisition related items.

The term "Adjusted" means before exceptional items and acquisition related items. These items do not relate to the underlying operating performance of the business and therefore to enhance comparability between reporting periods and businesses, management do not take these items into account when assessing the underlying profitability of the Group.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, professional fees, adjustments to previously estimated earn outs, customer relationships asset impairment charges and goodwill impairment charges. Customer relationships, technology and brands amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions and therefore are also included as adjusting items. The adjustment of acquisition related items is a change on previous years and thus the 2021 comparative APMs have been restated to conform to current year presentation.

Note: *The Traditional Merchanting Business in Great Britain was classified as discontinued operations for the period ended 30 June 2021. In the computation of APMs for June 2021 below the revenue and operating profit of the business are excluded from the Group. Revenue and the operating result are reflected in the profit/(loss) after tax from discontinued operations.*

APM	Description
Adjusted operating profit/EBITA	Profit before acquisition related items, exceptional items, net finance expense and income tax expense.
Operating profit 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, acquisition related items, 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 acquisition related items, exceptional items and income tax expense.
Adjusted profit after tax	Profit before acquisition related items 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, amortisation and acquisition related items.
EBITDA Interest Cover	EBITDA divided by net bank/loan note interest.
Gearing	The Group net (cash)/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 Earnings Per Share	A measure of underlying profitability of the Group. Adjusted profit after tax is divided by the weighted average number of Grafton Units in issue, excluding treasury shares.

Adjusted Operating Profit/EBITA before Property Profit

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Revenue - continuing	1,152.8	1,027.8
Operating profit	140.1	152.1
Property profit	(18.5)	(15.4)
Other acquisition related items	1.3	0.2
Amortisation of intangible assets arising on acquisitions	9.7	5.7
Adjusted operating profit/EBITA before property profit	132.6	142.6
Adjusted operating profit/EBITA margin before property profit	11.5%	13.9%

Operating Profit Margin

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Revenue - continuing	1,152.8	1,027.8
Operating profit	140.1	152.1
Operating profit/EBITA margin	12.2%	14.8%

Adjusted Operating Profit/EBITA

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Revenue - continuing	1,152.8	1,027.8
Operating profit	140.1	152.1
Other acquisition related items	1.3	0.2
Amortisation of intangible assets arising on acquisitions	9.7	5.7
Adjusted operating profit/EBITA	151.1	158.0
Adjusted operating profit/EBITA margin	13.1%	15.4%

Adjusted Profit before Tax

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Profit before tax	132.4	142.9
Other acquisition related items	1.3	0.2
Amortisation of intangible assets arising on acquisitions	9.7	5.7
Adjusted profit before tax	143.4	148.8

Adjusted Profit after Tax

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Profit after tax	109.4	116.0
Other acquisition related items	1.3	0.2
Tax on other acquisition related items	(0.1)	0.0
Amortisation of intangible assets arising on acquisitions	9.7	5.7
Related tax on amortisation of intangible assets arising on acquisitions	(2.2)	(1.2)
Adjusted profit after tax	118.2	120.7

Reconciliation of Profit to EBITDA – Continuing Operations

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Profit after tax	109.4	116.0
Net finance expense	7.7	9.2
Income tax expense	23.0	26.9
Depreciation	45.4	40.8
Other acquisition related items	1.3	0.2
Intangible asset amortisation	10.2	5.9
EBITDA – continuing operations	197.0	199.0

Net (Cash)/Debt to EBITDA

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
EBITDA (rolling 12 months)	371.4	350.1
Net (cash)/debt	(73.5)	246.6
Net (cash)/debt to EBITDA – times	(0.20)	0.70

EBITDA Interest Cover (including interest on lease liabilities)

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
EBITDA	197.0	199.0
Net bank/loan note interest including interest on lease liabilities	7.4	10.4
EBITDA interest cover – times	26.8	19.2

EBITDA Interest Cover (excluding interest on lease liabilities)

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
EBITDA	197.0	199.0
Net bank/loan note interest excluding interest on lease liabilities	0.2	3.1
EBITDA interest cover – times	1,208.6	63.6

Gearing

	30 June 2022 Reported £'m	30 June 2021 Restated £'m
Total equity	1,755.7	1,637.2
Net (cash)/debt	(73.5)	246.6
Gearing*	N/A	15%

**gearing relates to 2021 only as the Group was in a net cash position for 2022*

Return on Capital Employed – Continuing Operations

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Operating profit (rolling 12 months)	257.1	257.9
Other acquisition related items (rolling)	5.2	1.1
Exceptional items (rolling)	-	11.9
Amortisation of intangible assets arising on acquisitions (rolling)	18.7	9.8
Adjusted operating profit (rolling 12 months)	281.1	280.7
Total equity – current period end	1,755.7	1,637.2
Net (cash)/debt	(73.5)	246.6
Deemed disposal adjustment	-	(581.7)
Capital employed – current period end	1,682.3	1,302.0
Total equity – prior period end	1,637.2	1,376.7
Deemed disposal adjustment	-	115.4
Net debt	246.6	479.2
Deemed disposal adjustment	(581.7)	(545.0)
Capital employed – prior period end	1,302.0	1,426.3
Average capital employed	1,492.2	1,364.2
Return on capital employed	18.8%	20.6%

Capital Turn

	Six months to 30 June 2022 Reported £'m	Six months to 30 June 2021 Restated £'m
Revenue H2 prior period	1,082.1	975.6
Revenue H1 current period	1,152.8	1,027.8
Total revenue for previous 12 months	2,235.0	2,003.4
Average capital employed	1,492.2	1,364.2
Capital turn - times	1.5	1.5

Liquidity

	30 June 2022 Reported £'m	30 June 2021 Restated £'m
Cash and cash equivalents	782.7	460.4
Less: cash held against letter of credit*	(4.0)	(4.0)
Accessible cash	778.7	456.4
Undrawn revolving bank facilities	334.7	353.3
Liquidity	1,113.4	809.7

*At 30 June 2022, cash of £4.0 million (2021: £4.0 million) was reserved to cover the risk of an event of default by the Group on a letter of credit. This arrangement can be replaced at any time.

Responsibility Statement in Respect of the Six Months Ended 30 June 2022

The Directors, whose names and functions are listed on pages 88 and 89 in the Group's 2021 Annual Report, are responsible for preparing this interim management report and the condensed consolidated half year financial statements in accordance with International Accounting Standards 34, 'Interim Financial Reporting' as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

- the condensed consolidated interim financial statements for the half year ended 30 June 2022 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 2022, 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
Chief Executive Officer

David Arnold
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") in the Half Year Report of Grafton Group plc for the six month period ended 30 June 2022.

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 Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements, comprise:

- the Group Condensed Balance Sheet as at 30 June 2022;
- 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 explanatory notes to the interim financial statements.

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 Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' ("ISRE (Ireland) 2410") issued for use in 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.

Conclusions relating to going concern

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

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However future events or conditions may cause the group to cease to continue as a going concern.

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 Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Report including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority 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.

PricewaterhouseCoopers
Chartered Accountants
24 August 2022
Dublin

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.