Half Year Report
For the Six Months Ended 30 June 2023

Grafton Group plc
Half Year Report for the Six Months Ended 30 June 2023
Resilient Performance in Challenging Markets; Full Year Expectations Reaffirmed

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 2023.

Financial Highlights

- Full year adjusted operating profit expected to be in line with Analysts' expectations[1]
- Decline in first half adjusted operating profit (before property profit) as anticipated
- Strong operating profit margin and return on capital employed
- Excellent cashflow of £191.3 million from operations
- £132.7 million returned to shareholders in dividend payments and share buybacks
- Interim dividend growth of 8.1% on lower number of shares in issue following buybacks
- Net cash at 30 June 2023 of £438.4 million (before IFRS 16 lease liabilities) was almost unchanged from the year end position after returning cash to shareholders
- New share buyback programme for up to £50.0 million announced

Operational Highlights

- Underlying market fundamentals remain strong despite current challenges
- Resilient first half performance despite challenging Distribution markets
- Volumes lower across the Group's distribution businesses
- Woodie's DIY, Home and Garden retail business performed strongly
- Notably strong performance by UK Manufacturing businesses
- Further progress made on sustainability agenda

Total Operations[2]	**H1 2023**	H1 2022	Change
Revenue	**£1,189m**	£1,153m	+3.2%
Adjusted[3] operating profit	**£105.1m**	£151.1m	(30.5%)
Adjusted operating profit before property profit	**£103.9m**	£132.6m	(21.6%)
Adjusted operating profit margin before property profit	**8.7%**	11.5%	(280bps)
Adjusted profit before tax	**£104.3m**	£143.4m	(27.3%)
Adjusted earnings per share	**38.1p**	49.5p	(23.1%)
Interim dividend	**10.0p**	9.25p	+8.1%
Adjusted return on capital employed (ROCE)	**14.3%**	18.8%	(450bps)
Net cash (including IFRS 16 leases)	**£3.7m**	£73.5m	(£69.8m)
Net cash (before IFRS 16 leases)	**£438.4m**	£520.5m	(£82.1m)

Statutory Results	**H1 2023**	H1 2022	Change
Operating profit	**£94.3m**	£140.1m	(32.7%)
Profit before tax	**£93.6m**	£132.4m	(29.3%)
Basic earnings per share	**34.2p**	45.8p	(25.3%)

[1] Grafton compiled consensus Analysts' forecasts for 2023 show adjusted operating profit of circa £202.6 million and a range of £194.6 million to £209.4 million.
[2] Supplementary financial information in relation to Alternative Performance Measures (APMs) is set out on pages 43 to 47.
[3] The term "Adjusted" means before exceptional items, amortisation of intangible assets arising on acquisitions and acquisition related items in both periods.

Eric Born, Chief Executive Officer Commented:

"The strength of the Group's market positions and our experienced management teams have underpinned a resilient performance in the face of challenging conditions during the first half. Grafton's robust cash generation has enabled us to return £132.7 million to shareholders in the half year by way of share buybacks and dividends whilst leaving our net cash position broadly unchanged. This strong balance sheet, together with our nimble operating structure, will allow us to take advantage of organic and acquisitive growth opportunities. Whilst uncertainties remain in the short term, we are confident that Grafton is exceptionally well positioned to benefit as the cycle turns, markets normalise and consumer confidence gains momentum."

Webcast and Conference Call Details

A highlights video and a copy of the results presentation document are available at 7:00am on 31 August 2023 via the home page of the Company's website www.graftonplc.com.

A presentation for analysts and investors will be hosted by Eric Born and David Arnold at 9:00am on 31 August 2023. A live webcast of the presentation including Q&A will be available to view via the Company's website at www.graftonplc.com or by clicking here.

Analysts will be invited to raise questions during the presentation. 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 webcast will be made available on the Company's website.

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Cautionary Statement

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

Half Year Report for the Six Months to 30 June 2023

Group Results – Trading Summary, Cashflow, Dividend and Outlook

Grafton achieved a resilient set of results in the first half in challenging markets and measured against a strong performance outcome in the comparative period. The half year results were in line with the Board's expectations and reflect the successful response by management in mitigating the decline in profitability from the combined impacts of weaker markets and cost pressures.

The quality of the Group's portfolio of high returning and differentiated businesses was a significant factor in delivering this resilient performance in a more challenging macro-economic and construction environment.

Adjusted earnings per share, a key driver of shareholder returns and a primary indicator of corporate performance, was 38.1 pence per share for the half year. This reflects solid returns from operations as well as interest income on cash deposits and a taxation rate of 20.1 per cent that benefits from the lower rate of corporation tax of 12.5 per cent payable on profits generated in Ireland.

Residential repair, maintenance and improvement ("RMI") and house building activity across the four geographies where the Group operates was adversely affected by cost-of-living pressures caused by the current environment of high inflation and successive interest rate increases.

Volumes were lower in the Distribution segment where inflationary pressures in building materials and construction supplies moderated significantly with sharp and sustained falls in steel and timber prices from record highs. These were among the commodities that were most affected by the pandemic related rebound in activity and the spike in the price of building materials. Distribution product price inflation elsewhere moderated significantly but remained positive.

Lower volumes and steel and timber price deflation contributed to gross margin pressure in competitive markets and reduced profitability in the Distribution businesses in Ireland and the UK.

Inflation increased payroll costs across the Group at the fastest rate in decades in tight labour markets. We responded to the weaker market conditions and cost pressures by implementing targeted reductions in payroll costs, mainly through normal attrition rates, and discretionary overheads.

The medium and long-term underlying fundamentals of the markets that Grafton operates in remain strong and its businesses are well positioned to benefit from structural growth drivers as markets recover. An ageing housing stock and the drive to improve energy efficiency and reduce carbon emissions, that is vital to creating a more sustainable future, support a positive outlook for housing RMI activity over the medium and longer term. House building volumes are underpinned by demographic trends and a prolonged period of under supply.

These results demonstrate the benefit of the spread of the Group's operations across geographic markets and sectors that has created a more diversified earnings base with 60 per cent of revenue generated in Ireland, the Netherlands and Finland.

Based on current trading conditions, we continue to anticipate delivering full year operating profit in line with Analysts' expectations while acknowledging that ongoing risks remain from cost-of-living pressures and interest rate increases.

Distribution

Ireland

Chadwicks operated at high levels of activity in a market that is supported by sound demand fundamentals. New build construction activity was resilient, but demand was lower for materials supplied for housing RMI projects in a tight market for skilled labour where affordability pressures also weighed on activity.

UK

Selco experienced challenging trading conditions in the residential RMI market as households reduced investment on home improvements and discretionary spending on repairs and maintenance in response to the cost-of-living increases, the decline in real disposable incomes and interest rate rises. Selco solely supplies the RMI market which has been hit hard in the current downturn although the pace of the decline in volumes moderated towards the end of the half year. We responded to market conditions and invested in price on core products, balancing volume and margin to optimise profitability. We also implemented measures to realign volumes and operating costs that will create material savings in the second half of this year and next year. A new Selco branch was opened in Peterborough in April increasing the estate to 75 branches.

Revenue and profitability recovered through the half year in Leyland SDM and a new store was opened in Hammersmith in February 2023. The London based TG Lynes commercial pipes and fittings distribution business delivered a good result maintaining operating profit in line with the record performance in the prior year.

Subdued demand and weak sentiment resulted in lower activity in the new housing market in Northern Ireland and contributed to a decline in revenue and profitability in the MacBlair distribution business. MacBlair extended market coverage in the province with the acquisition in June 2023 of a single branch in Portglenone, County Antrim. Post the half year, in July 2023, it acquired a further branch in Strabane, County Tyrone.

The Netherlands

Revenue growth in Isero was supported by major new build projects being undertaken by national construction companies and by RMI activity on social housing. Activity levels with smaller customers, typically sole trader businesses operating in construction and other industries, were softer in the period.

Finland

IKH average daily like-for-like revenue was marginally down due to a softening in demand across the Partner network in Finland driven by a decline in residential and non-residential construction that was partly offset by stronger demand from Partners in Estonia and Sweden.

Retailing

Trading in the Woodie's DIY, Home and Garden business in Ireland performed strongly driven by good levels of demand for seasonal products in the second quarter.

Manufacturing

CPI Mortars continued to demonstrate resilience as dry mortar volumes held up well despite a softening of activity in the new housing market. Demand was weaker for packaged ready-to-use products supplied to the residential RMI market.

StairBox continued to strengthen its market position increasing the volume of bespoke staircases supplied to the secondary housing market.

Property

The Group realised a property profit of £1.1 million (2022: £18.5 million) in the half year. This related to the disposal of one property that generated cash proceeds of £1.3 million (2022: £24.0 million for two properties).

Cashflow

The Group's cashflow from operations was exceptionally strong at £160.7 million (2022: £105.9 million) including £36.0 million generated from reducing investment in working capital. There was a normal seasonal increase in trade payables in the period while more resilient supply chains enabled inventory to be turned over more quickly. This release of working capital largely reversed an increase in working capital of £39.7 million in the first half of last year.

Cash returned to shareholders in dividend payments and share buybacks amounted to £132.7 million (2022: £104.0 million) in the half year, excluding transaction costs.

The Group had net cash (before IFRS 16 lease liabilities) of £438.4 million at 30 June 2023, a decline of £19.8 million from £458.2 million at 31 December 2022. Net cash including IFRS 16 lease liabilities was £3.7 million at 30 June 2023 (31 December 2022: £8.9 million).

Returns to Shareholders

Dividends

The Board has declared an interim dividend of 10.0 pence per share, an increase of 8.1 per cent on last year's interim dividend of 9.25 pence.

The cash outflow on this year's interim dividend is expected to be circa £21.2 million which is in line with the cash outflow on last year's interim dividend. Notwithstanding the reduction in first half profitability, the Board has decided to maintain the same level of cash payment for the 2023 interim dividend and to allow shareholders to benefit from the lower number of shares in issue following the buyback of shares. The actual amount of the cash outflow on the 2023 interim dividend is dependent on the number of shares in issue on the dividend record date.

The interim dividend is in line with the Board's guidance for full year dividend cover of between two- and three-times adjusted earnings. This reflects the Group's very strong balance sheet, profitability and cashflow from operations.

The interim dividend will be paid on 20 October 2023 by Grafton Group plc to shareholders on the Register of Members at the close of business on 22 September 2023, the record date. The ex-dividend date is 21 September 2023.

In the half year, the Group had a cash outflow of £51.6 million on payment of the final dividend for 2022. Only dividends paid in the half year have been charged to equity and no liability for the interim dividend has been recognised at 30 June 2023 as there was no payment obligation at that date.

Share Buybacks

Grafton has completed three share buyback programmes since May 2022 in line with its disciplined approach to capital allocation and supported by its strong financial position. During the first programme 12.28 million ordinary shares (5.1 per cent of the share capital) were repurchased at a total cost of £100 million and an average price of £8.14 per share. In the second programme 10.89 million ordinary shares (4.8 per cent of the share capital) were repurchased at an average price of £8.57 per share and a total cost of £93.3 million.

During the third share buyback programme that was launched on 12 May 2023 and completed on 30 August 2023, 6.0 million ordinary shares were repurchased at a total cost of £50 million and an average price of £8.33 per share. As at 30 June 2023, the Group had purchased 2.77 million ordinary shares for £22.8 million under this programme.

A total of £216.1 million was returned to shareholders through share buybacks between 9 May 2022 and 30 June 2023.

The Board today announces that it intends to introduce a fourth programme to buy back ordinary shares in the Company for an aggregate consideration of up to £50 million, reflecting its confidence in the prospects for the Group, its strong balance sheet and cash generation from operations, while at the same time retaining significant capacity to invest in strategic growth opportunities. The fourth share buyback programme will commence today and end no later than 31 January 2024 subject to market conditions.

Allocation of Capital

The cornerstone of our approach to the allocation of capital is the creation of sustainable shareholder value through sound strategic, commercial and financial business decisions.

We have an established federated structure at Grafton that devolves operational decision making and accountability to local management teams who have a deep knowledge of our customers and markets across the Distribution, Retailing and Manufacturing segments in the four geographies where we operate. Through regular formal reviews and day-to-day contact, the Group leadership and local management teams remain closely aligned and have an intimate knowledge of the opportunities and risks in each of our markets. These short lines of communication and collaboration enable a sharing of ideas and best practice across the Group and facilitate prompt decisions on the allocation of capital and other material matters.

Grafton has developed historically through both organic growth and acquisitions, and we will continue to allocate capital to our existing portfolio of businesses and brands that have headroom for growth and operate in markets that are structurally attractive through the cycle. Acquisitions are focused on enhancing the market positions of existing businesses, exploiting appropriate opportunities in adjacent markets and developing new growth platforms in new geographies. Our central strategic development team is focused on potential platform acquisition opportunities in fragmented segments of the building materials distribution market in Europe, where we continue to evaluate opportunities and engage with vendors.

Following a strategic and market assessment during the half year by the Group's new CEO and management, the acquisition search in the European distribution market for building materials and construction related products was widened both geographically and by product segment from a narrow base to include a larger set of potential value creation opportunities. The rate at which capital will ultimately be allocated for platform acquisitions is dependent on timing decisions by business owners and agreeing terms that are mutually acceptable.

The Group returned £132.7 million to shareholders in dividends and share buybacks in the half year and £208.9 million for the full year in 2022. Net cash before IFRS 16 leases was £438.4 million at 30 June 2023 and as previously reported we are targeting to return to a more appropriate level of financial leverage in the medium-term rather than continuing to hold net cash while remaining committed to retaining our investment grade credit rating. Recognising the cyclical markets in which we operate, our objective is to allocate capital to opportunities that meet or exceed our defined hurdle rates of return and to manage the balance sheet and liquidity of the Group to ensure stability over the long term regardless of economic or financial market conditions.

The Board is committed to growing Grafton over the medium to long-term through value adding organic and acquisitive growth opportunities. It may also decide from time-to-time to return surplus cash to shareholders where it forms the view that this represents an attractive financial investment relative to other opportunities and is appropriate for the delivery of value for shareholders while at same time retaining the financial capacity to invest in strategic growth opportunities.

Implementing Our Sustainability Strategy

The Group continued to make significant and wide-ranging progress implementing its sustainability strategy.

Grafton is committed to delivering net zero carbon emissions no later than the end of 2050. A project to measure the Group's Scope 3 carbon emissions is ongoing. As most of the Group's revenues are derived from distribution and retail activities, Scope 3 carbon emissions are estimated to account for 98 per cent of the Group's total carbon emissions. Grafton has committed to setting science-based targets (SBTi) by the end of 2024 and, as part of the target setting process, it is developing a transition plan that shows how these targets will be achieved, how progress will be monitored and the estimated financial impact of implementation.

Grafton takes its climate change responsibilities very seriously and will only set targets that it has a high level of confidence can be achieved. Setting science-based targets requires accurate Scope 3 data and this data is currently being compiled under a detailed and complex process. The approach being adopted is to follow the Science Based Targets Methodology which is grounded in an objective scientific evaluation of what can be achieved.

Stakeholder engagement is a central part of our preparation for the implementation of the EU Corporate Sustainability Reporting Directive (CSRD) and we have reached out to major shareholders as part of the consultation process. CSRD is being phased in from 2024 and will impact all businesses over time. This engagement will contribute to our 'double materiality' assessment which requires companies to report not only on the financial impact of their operations on themselves but also on the impact of their activities on society and the environment. This consultation will also help to inform the future development of our ESG strategy and reporting plans.

Outlook

Our resilient first half performance was underpinned by the strength of our businesses and their proximity to customers through the Group's federated structure. Our branches are well invested and our customers are supported with good levels of inventories and competitively priced products. Whilst market conditions are expected to remain challenging over the remainder of the year amid a backdrop of high inflation, high interest rates and cost of living pressures, our management teams lead our businesses with a through-the-cycle mindset and we are confident in the medium to long term strength of the Group's brands and market positions to deliver superior returns.

Grafton has a portfolio of market leading brands and good geographic diversity with 60 per cent of revenues now coming from Ireland, the Netherlands and Finland and 40 per cent from the UK. The Group also benefits from considerable financial strength attributable to the cash generating capacity of its businesses and strong balance sheet.

The focus of our management teams over the remainder of the second half will continue to be on supporting customers, tightly managing the cost base and responding to evolving trading conditions.

Whilst activity in RMI markets will continue to be affected in the near term by the decline in real disposable incomes and project affordability following the sharp increase in materials and labour costs over the past two years, reducing inflation levels and greater price stability should start to have a positive bearing on our markets and underlying demand. Successive Sterling and Euro interest rate increases are expected to impact buyer sentiment and demand for new homes as affordability reduces. These common themes will impact demand to varying degrees in the Group's markets.

The adverse effects on activity of these headwinds in our markets may be mitigated to some extent by strong labour markets and growth in incomes that is supporting household income and demand. Moreover, in the UK and Ireland there has been a prolonged period of housing supply falling short of demand.

In Ireland, the outlook for the economy has improved somewhat due to stronger growth in employment and incomes which is supportive of consumer spending in the RMI and DIY markets. House completions have held up better than expected with the number of units to be completed this year expected to be similar to last year.

In the UK, activity in the housing RMI market is expected to be challenging over the remainder of the year and discretionary spending by households to remain weak. In view of the reduction in order books and reservation rates together with interest rates likely to remain higher for longer, we expect continuing caution by house builders about starting new developments in response to lower demand.

In the Netherlands, the outlook for the housing market remains subdued as house prices decline and transactions for existing and new homes weaken in response to interest rate increases.

In Finland, IKH's exposure to a range of end-use markets is expected to help protect it from some of the effects of a modest contraction in the economy and fall in residential and non-residential construction.

Group average daily like-for-like revenue in the period from 1 July 2023 to 20 August 2023 was 0.4% ahead of the same period last year. Average daily like-for-like revenue in the UK Distribution business declined by 0.3 per cent. There was growth of 3.2 per cent in the Distribution business in Ireland and 2.5 per cent in the Netherlands and a decline of 5.9 per cent in Finland. Retailing average daily like-for-like revenue fell by 1.6 per cent and Manufacturing by 3.1 per cent.

Grafton aims to outperform its markets through the cycle and it has the financial resources to invest in organic and acquisitive growth opportunities that will increase shareholder value over the medium-term. We will allocate organic development capital as required to ensure that the Group's brands continue to support their customers and strengthen their market positions. We continue to execute our strategy and are maintaining momentum in evaluating possible acquisition opportunities and engaging with potential vendors. As already noted, we are focused on potential platform acquisition opportunities in fragmented segments of the European distribution market for building materials and construction related products.

Operating Review

The Distribution businesses in the UK, Ireland, the Netherlands and Finland contributed 83.5 per cent of Group revenue (2022: 84.5 per cent), Retailing 11.0 per cent (2022: 10.3 per cent) and Manufacturing 5.5 per cent (2022: 5.2 per cent).

UK businesses contributed 40.4 per cent (2022: 42.0 per cent) of Group revenue, Ireland 38.2 per cent (2022: 37.5 per cent), the Netherlands 15.5 per cent (2022: 14.6 per cent) and Finland 5.9 per cent (2022: 5.9 per cent).

Distribution Segment **(83.5% of Group Revenue, 2022: 84.5%)**

	H1 2023 £'m	H1 2022 £'m	Change*
Revenue	992.5	974.5	1.8%
Adjusted operating profit before property profit	80.3	115.7	(30.6%)
Adjusted operating profit margin before property profit	8.1%	11.9%	(380bps)
Adjusted operating profit	81.4	134.2	(39.4%)
Adjusted operating profit margin	8.2%	13.8%	(560bps)

**Change represents the movement between 2023 v 2022 and is based on unrounded numbers*

UK Distribution generated 35.3 per cent (2022: 37.2 per cent) of Group revenue, Irish Distribution 26.8 per cent (2022: 26.8 per cent), Netherlands Distribution 15.5 per cent (2022: 14.6 per cent) and Finnish Distribution 5.9 per cent (2022: 5.9 per cent).

Irish Distribution

(26.8% of Group Revenue, 2022: 26.8%)

	H1 2023 £'m	H1 2022 £'m	Change*	Constant Currency Change*
Revenue	318.1	309.1	2.9%	(1.0%)
Adjusted operating profit before property profit	28.9	38.5	(24.8%)	(27.2%)
Adjusted operating profit margin before property profit	9.1%	12.4%	(330bps)	-
Adjusted operating profit	29.7	38.8	(23.6%)	(25.9%)
Adjusted operating profit margin	9.3%	12.6%	(330bps)	-

**Change represents the movement between 2023 v 2022 and is based on unrounded numbers*

Chadwicks operated at high levels of activity in a market that is supported by sound demand fundamentals. New build construction activity was resilient, but demand was lower for materials supplied for housing RMI projects in a tight market for skilled labour where affordability pressures also weighed on activity.

There was a partial reversal of the significant price increases in prior years for steel and timber that contributed to a decline in average daily like-for-like revenue by 2.6 per cent. The downward trend in steel prices, which accounted for one tenth of revenue, that started in the second half of last year continued through the half year. This reflected weak demand conditions in construction and other steel-using sectors in Europe, overcapacity in international mills and a decline in inventory levels in anticipation of further price declines. The price of timber and engineered wood products commonly used in construction and RMI projects fell on the back of weaker demand in Europe relative to record highs caused by the pandemic related surge in demand and supply chain disruption.

A decline in the gross margin was principally related to the fall in steel prices that reduced profitability on inventories and to changes in the mix of revenue from end-use markets. The proportion of revenue transacted with trade customers increased and there was a decline in RMI transactions with retail customers from above trend levels in recent years. Competitive pressure in a market that experienced a decline in volumes also delayed the recovery of price increases in certain product categories.

An increase in overheads was concentrated on investment in payroll to support colleagues and ease pressure on their finances from cost-of-living increases. Chadwicks provides colleagues with a quality work experience and the best opportunities in the industry to develop their careers. The strength of engagement with colleagues was recognised by Great Place to Work survey with a ranking for Chadwicks of 23rd in the large organisations category of Ireland's Best Workplaces.

The strong housing market in Ireland showed no signs of abating and will require sustained house building to address a significant supply side shortfall and meet demand. New home completions increased by 6.1 per cent to 14,069 units in the half year although the rate of completions was down by 3.5 per cent in the second quarter due to a sharp decline in apartment construction following a strong outturn in the first quarter. Housing scheme developments and single dwelling completions, the primary segments of the new housing market supplied by Chadwicks, increased by 6.0 per cent and accounted for 70 per cent of units completed in the half year.

Housing starts increased by 10.0 per cent in the half year to 15,561 units driven by growth of 39.0 per cent in Dublin led by new apartment developments. Outside of Dublin, new starts declined by 3.7 per cent reflecting affordability pressures in the housing scheme and single dwelling markets. The construction of new homes accelerated towards the end of the half year as viability concerns related to increased materials and labour costs and interest rate rises lessened.

In an initiative designed to reduce energy costs and make homes more energy efficient, Chadwicks has partnered with YourRetrofit.ie, a platform that allows households to identify energy efficient opportunities in their homes, based on Building Energy Rating (BER) assessment data. The recently launched platform provides households with tailored advice on home upgrade options that match their budgets including detailed project cost estimates, grants available under the National Retrofit Plan, that targets 500,000 home energy upgrades, and energy and mortgage savings. The platform provides homeowners with details of project materials supplied by Chadwicks and connects them to local approved contractors as part of a complete home energy upgrade solution.

Sitetech, the market leader in the distribution of construction accessories acquired at the end of February 2022, traded materially ahead of pre-acquisition expectations and made a strong operating profit contribution.

Chadwicks continued to deliver strategic progress and further strengthened its national distribution network and market leading position with the reopening of a larger branch at East Wall Road to support existing and planned housing, commercial and civils projects in Dublin city centre and the Docklands area. This development is part of a wider response planned to support customers in areas where major construction projects are planned. Major upgrades were completed to the Kilkenny, Clonmel, Dundalk, Waterford and Robinhood Road branches that also facilitated the introduction of new product ranges.

Chadwicks is committed to be an industry leading distributor of sustainable building materials and to working with partners across the supply chain in supporting its customers to reduce carbon emissions by using the most environmentally efficient materials and products on the market. The new and upgraded branches incorporate ECO Centres that promote sustainable building products including external wall and internal insulation, airtightness, ventilation systems, heat pumps and controls, solar energy and water-saving products.

UK Distribution

(35.3% of Group Revenue, 2022: 37.2%)

	H1 2023 £'m	H1 2022 £'m	Change*
Revenue	419.3	429.0	(2.2%)
Adjusted operating profit before property profit	23.9	47.2	(49.4%)
Adjusted operating profit margin before property profit	5.7%	11.0%	(530bps)
Adjusted operating profit	24.3	65.3	(62.9%)
Adjusted operating profit margin	5.8%	15.2%	(940bps)

**Change represents the movement between 2023 v 2022 and is based on unrounded numbers*

Average daily like-for-like revenue in the UK Distribution business was down by 2.3 per cent in the first half. The rate of decline eased from 3.8 per cent in the first quarter to 0.9 per cent in the second quarter. Acquisitions and new branches contributed revenue of £4.1 million.

The gross margin was down by 250 basis points following a significant investment in pricing to deliver better value for customers on core ranges, maintain competitiveness and drive volume in a weak market.

Adjusted operating profit before property profit declined to £23.9 million (2022: £47.2 million) and the adjusted operating profit margin, before property profit, was 530 basis points lower than last year reflecting the decline in like-for-like revenue, investment in pricing and an increase in operating costs in a high inflation environment.

Selco Builders Warehouse

While longer term demand fundamentals for the UK residential RMI market to which Selco is predominantly exposed remain positive, there has been a significant fall in volumes since March 2022. The rate of decline in volumes eased to 6.0 per cent in the half year following a drop of 15.1 per cent reported for last year. The drop in first half volumes was reflected in a decline in daily like-for-like revenue of 3.9 per cent and price inflation of 2.1 per cent.

Households faced significant financial pressures from cost-of-living increases, falling real disposable incomes and interest rate rises that weakened sentiment and made them cut back on discretionary spending on home improvements. The housing RMI market was also exposed to increased costs for materials and labour which has pushed up project costs and reduced affordability. The number of housing transactions declined by 21.0 per cent in the year to June 2023 which alongside a reduction in the level of RMI activity that traditionally follows house moves and last year's decline in planning applications for larger residential improvements weighed on activity in the RMI market. In response to sharply higher prices of building materials and an uncertain outlook, some home improvement projects that were planned were put on hold and in other cases households opted to complete projects in stages. The return of greater certainty on project affordability and pent-up demand should help to underpin confidence to start RMI projects.

The RMI market has now gone through a period of significant volume declines following a period of unprecedented demand during the pandemic. Average transaction values which incorporate significant cumulative inflation over the past two years started to deflate and were down in the half year driven by the fall in timber prices and changes in mix. Price deflation on timber and sheet materials which accounted for 30 per cent of revenue and softness in demand for products and materials used in landscaping and home extension projects accounted for a significant proportion of the decline in revenue. A further indication of customers moving away from larger to smaller projects was firmer demand for bathroom, kitchen and decorating materials.

The gross margin was down on the first half of last year, a period that benefitted from building materials cost price inflation of circa 19 per cent comprising growth of 27 per cent for timber and 16.0 per cent for other products. There was timber price deflation in the first half of this year and the rate of inflation in other products turned negative towards the end of the period. Selco responded with agility to the changing customer dynamics in a challenging marketplace by investing in price on core products in a more competitive market that has struggled to absorb the scale of the price rises over the past two years.

Selco operates from a network of well invested and well-located network branches that offer customers an attractive value and service proposition. Supported by knowledgeable colleagues, Selco is a strong advocate for customer value and of providing a broad range of best-in-class products that are in-stock and available when customers need them. The medium to longer-term fundamentals of the residential RMI market are attractive and Selco has the spare capacity to benefit and deliver value for stakeholders when the near-term impacts of high inflation and high interest rates subside and the recovery takes hold.

Overall costs were very tightly controlled notwithstanding inflationary pressures and investment in payroll required to support colleagues through the cost-of-living crises in a very tight labour market. There were also cost pressures from increased rents on several branch properties that were subject to five yearly reviews. Selco's operating model is supported by a mainly fixed cost base with a minimum number of branch and head office colleagues required to support customers. Measures were implemented in the half year to realign volumes and overall operating costs that will contribute material savings in the second half of this year and next year.

Operating profit and the operating profit margin were materially lower due to the decline in volumes, that were partly offset by inflation, a decline in the gross margin from timber price deflation, investment in pricing in a competitive market and higher operating costs in an inflationary environment.

Selco is engaged in an ongoing store upgrade programme that delivers a better experience for customers and colleagues and ensures that the overall estate is maintained to a good standard. During the half year it completed mini upgrades to two stores.

Branches that were opened in 2021 in Liverpool, Orpington, Canning Town and Rochester and last year in Exeter and Cheltenham continued to build market share in a more challenging RMI market than originally envisioned. A new branch in Peterborough opened in April 2023 increased the estate to 75 branches.

In the first half we prioritised supporting customers with better value and implemented initiatives to realign the cost base. As we look forward, we will continue to prudently invest in the Selco model to strengthen its market position. As indicated earlier this year, in view of the weaker near-term growth outlook for the UK economy and the impact of interest rate increases on developers funding new development projects, we reassessed Selco's plans for the rollout of new stores and concluded that, subject to finding suitable properties in priority locations, an estate of approximately 90 stores is a realistic medium-term target.

Preparatory work was completed last year on upgrading Selco's Microsoft Dynamics 365 finance and operations ERP system and having tested and trialled the new system, this significant IT upgrade was successfully deployed in the Corporate Office and the majority of branches. The full roll out across the network of 75 branches is expected to be completed in September 2023. This is a modern software package with a high degree of "out of the box" functionality that allows for continual version upgrades, greater operational flexibility and improved performance and efficiency.

Selco has taken significant strides over recent years to reduce carbon emissions across the branch estate ranging from the introduction of LED light fittings to a new gas management system that has reduced gas consumption by using sensors to control heating. Over 300,000 trees have been planted in Scotland and Wales including 45,000 this year under the "Selco Forest" initiative that was designed to accelerate the process of offsetting its carbon footprint. The trees planted will offset 15,000 tonnes of carbon during their life cycle which is equivalent to the amount of carbon used on customer deliveries over four years.

Selco is exploring energy generation opportunities across the estate and following a successful trial of solar panels on the roof of the Barking branch, it will extend the initiative to two further branches. The process to transition the entire fleet of over 300 forklift trucks to electric, as they come up for replacement, continued in the half year. In addition, ten Compressed Natural Gas (CNG) vehicles are now in operation in the delivery hubs in London and Birmingham. Selco has also extended its use of alternative fuels by using HVO (Hydrotreated Vegetable Oil) which reduces carbon emissions by up to 90 per cent. All delivery vehicles in the two delivery hubs in London and Birmingham are fuelled by either HVO or natural gas. An electric dropside van with a range of 230km is being trialled at the delivery hub in Birmingham.

Leyland SDM

The recovery in footfall in Leyland SDM, London's largest specialist decorators' and DIY business, that started last year gained good momentum in the half year. Average daily like-for-like revenue growth accelerated to 15.5 per cent in the first half from 2.0 per cent in the first half of last year driven by inflation and a return to volume growth at an enhanced gross margin. The business performed well against a challenging RMI backdrop under a management team whose priority has been to deliver for customers and colleagues. The Leyland SDM store network is well located in Central London to support trade and retail customers who increasingly prioritise convenience and service. We have invested in service by increasing pay for frontline hourly paid colleagues and improved our category management, availability, ranging and merchandising as well as simplifying some of our operating procedures and enhancing others. The financial performance was improved in the period and good foundations laid to build on this progress.

MacBlair

The MacBlair distribution business in Northern Ireland encountered difficult trading conditions and pressure on gross margins leading to a significant decline in operating profit.

A decline in average daily like-for-like revenue of 5.8 per cent was concentrated on the house building segment of the market which declined sharply as the increase in interest rates caused builders of scheme houses to act more cautiously and slow their pipeline of work. Revenue from the housing RMI, commercial and civils segments continued to grow helping to partially offset lower house building activity. Housing transactions in Northern Ireland declined by 20 per cent in the six months to the end of June 2023 and were down by 16 per cent in the year to June 2023. Competition was intense in quieter markets and there was downward pressure on gross margins in all end-markets.

MacBlair extended market coverage in the province with the acquisition in June 2023 of Clady Timber, a distributor of timber and building materials from a single branch in Portglenone, County Antrim. In July 2023, B. MacNamee, a distributor of building materials, timber, hardware, power tools, plumbing and electrical products from a single branch in Strabane, County Tyrone, was acquired increasing the number of MacBlair branches in the province to 21.

TG Lynes

The London based TG Lynes commercial pipes and fittings distribution business delivered a good result maintaining operating profit in line with the record performance in the prior year. Revenue growth was attributed to product price inflation and activity levels and volumes were flat.

Demand from subcontractors to national housebuilders was softer as anticipated but non-residential new build projects with long lead times that account for a high proportion of revenue in the hotel, leisure, data centre, retail and office sectors held up. Public sector funded upgrades to schools, hospitals and universities were also resilient.

Netherlands Distribution

(15.5% of Group Revenue, 2022: 14.6%)

	H1 2023 £'m	H1 2022 £'m	Change*	Constant Currency Change*
Revenue	184.6	168.7	9.4%	5.2%
Adjusted operating profit	20.4	21.2	(3.6%)	(7.1%)
Adjusted operating profit margin	11.1%	12.5%	(140bps)	-

**Change represents the movement between 2023 v 2022 and is based on unrounded numbers*

The Isero specialist ironmongery, tools and fixings distribution business in the Netherlands performed strongly and produced a good result reporting an operating profit margin of 11.1 per cent against the backdrop of more challenging market conditions.

Year-on-year daily like-for-like revenue growth was slightly weaker in the second quarter and averaged 3.7 per cent in the half year. Overall volumes were marginally down with revenue growth driven by product price inflation.

The Netherlands' economy slowed in the period but domestic demand remained fairly resilient despite the rise in inflation and lower consumer confidence. Real disposable incomes rose as pay increases outpaced inflation in a very tight labour market. The housing market was under pressure and prices fell from the peak level recorded in July of last year. Higher interest rates reduced the amounts that buyers could borrow based on their incomes and demand for housing cooled. Buyers were also reluctant to step into the market until prices stabilise. The number of transactions in existing houses has fallen considerably in recent years and this trend continued although the rate of decline slowed since mid-2022. Increased construction costs and higher interest rates coupled with the decline in house prices has led to a sharp fall in the number of newly constructed houses offered for sale and the number of building permits granted for new houses also declined despite strong underlying demand and a shortage of homes.

Branch revenue increased with activity levels supported by larger national customers, customers who conduct RMI work on social housing and customers that transferred from new build to renovation and maintenance projects. Transactions were down with smaller customers who are typically sole trader businesses, operating in construction and other industries, that buy a range of products and with retail customers who purchase products for their personal use.

Revenue grew with national construction companies engaged on large new build projects and with construction purchasing organisations. Isero's physical and digital logistics capability, established supply chain relationships, valued added services, technical knowledge and branch network make it uniquely positioned to meet the needs and aspirations of customers in this segment of the market. Revenue from the supply of hinges and locks to timber factories, where Isero's end-to-end service proposition is also a differentiator, was down as a result of the fall in house building.

The gross margin was maintained at the same level as the prior year despite pressure on volumes in competitive markets. The adverse effect on margin of a change in the mix of end-markets supplied was offset by improved procurement arrangements. The drop-through effect of the increase in like-for-like revenue and an unchanged gross margin was more than offset by increased operating costs that reduced operating profit and the operating margin. This was principally salary increases negotiated between employers' representatives and unions under collective labour agreements (CLA's) for technical specialist distributors in a very tight labour market with more vacancies than unemployed people to fill them and long lead times to fill roles. Energy costs also increased.

Isero supported the five branch Regts B.V. business acquired in January 2022 to accelerate revenue growth in the Northeast region and increase profitability ahead of plan. The branch in Zaandam, North Holland, that opened in the first half of last year performed well building its market position in the city at an encouraging rate and a second branch in the province was opened in the city of Alkmaar in May. Isero operated from 124 branches at 30 June 2023.

Isero's sustainability journey focused on its commitment to a more circular economy that involves keeping products that it sells in use for as long as possible, minimising waste and promoting resource efficiency. Boxes were placed at branches to collect workwear and Personal Protective Equipment ("PPE") that is returned by customers and then reused in the manufacture of new products. Customers can monitor the impact of their returns on the circular economy through a dashboard that provides information on the reduction in Co2 emissions and other sustainability measures. A pilot scheme was launched in five branches in cooperation with two Housing Associations to return old sanitaryware that is then refurbished by suppliers and returned to the branches for resale.

Finland Distribution

(5.9% of Group Revenue, 2022: 5.9%)

	H1 2023 £'m	H1 2022 £'m	Change*	Constant Currency Change*
Revenue	70.4	67.7	4.1%	0.1%
Operating profit	7.1	8.9	(20.6%)	(23.4%)
Operating profit margin	10.0%	13.2%	(320bps)	-

**Change represents the movement between 2023 v 2022 and is based on unrounded numbers.*

IKH, is among Finland's largest workwear and PPE, tools and spare parts wholesalers. While its primary end market is the construction sector, it has a balanced exposure across other complementary and adjacent end customer segments including repair shops, industrial and farming.

IKH products are distributed through a network of independently operated IKH partner stores, third party distributors and 14 owned stores operated from complementary locations. These three routes to market provide a balanced channel exposure to support customers operating in the construction, renovation, industrial, agricultural and spares end markets. Revenue was down in the Partner network and third-party distributors in Finland driven by a decline in residential and non-residential construction. This decline was mainly offset by stronger demand from Partners in Estonia and Sweden. The partner in Estonia opened a new store in Tallinn in March 2023. Like-for-like revenue in owned stores was flat. The owned store that was opened in Rovaniemi, the capital city of Lapland in Northern Finland, started to establish a presence and grow its market share in the city and IKH's 14th store was opened in Lielahti, a suburb of the city of Tampere, Southern Finland, in May 2023. In July 2023, IKH acquired its partner store in Kouvolan, a city in southeastern Finland.

The Finish economy is forecast to marginally contract this year and return to growth next year. There was a sharp decline in the number of building permits issued for new homes over the last twelve months as mortgage rates and construction costs increased. House building started to return to more normal levels of activity this year following a period of strong growth. Non-residential investment also slowed.

Retail Segment

(11.0% of Group Revenue, 2022: 10.3%)

	H1 2023 £'m	H1 2022 £'m	Change*	Constant Currency Change*
Revenue	131.2	118.9	10.4%	6.3%
Operating profit	16.0	13.9	15.2%	11.9%
Operating profit margin	12.2%	11.7%	50bps	-

**Change represents the movement between 2023 v 2022 and is based on unrounded numbers*

The overall strong performance in Woodie's DIY, Home and Garden business in Ireland incorporated a decline in revenue of 4.0 per cent in the first quarter because of poor weather leading to weak demand for seasonal products and growth of 14.1 per cent in the second quarter as the weather improved. The business generated a particularly strong performance in May and June with growth led by demand for seasonal ranges.

Half year revenue growth of 6.3 per cent was supported by an increase in the number of transactions by 2.0 per cent and growth of 4.3 per cent in average transaction values driven mainly by inflation. The strongest performing categories were decorative products, gardening and DIY.

Sentiment in Ireland gradually improved over the half year with confidence building slowly as concerns about the economic outlook and cost of living eased. Confidence remained well below the long-term trend rate however and households were cautious about spending as finances continued to be under pressure.

A recovery in the gross margin was helped by changes in product mix, a fall in shipping and freight costs and a lower level of promotional activity while continuing to prioritise value for money for our customers.

Overheads although tightly controlled were higher as the business invested in supporting colleagues through cost-of-living challenges.

Woodie's click-and-collect service is growing in popularity as customers increasingly look for flexibility, speed and convenience. In June, a new Click & Collect In-Store App for colleagues was launched to create a more seamless picking and packing process and the in-store customer collection experience was enhanced by dedicating more space across the store network to click-and-collect orders.

In May 2023, Woodie's launched its new TV and social media ad campaign that inspires people to extend acts of homemaking friendship to their neighbours. The "Larry the Ladder" marketing campaign ad tells the story of how borrowing a simple everyday household object when needed can bring a neighbourhood together in a demonstration of community spirit.

Woodie's was recognised as A Great Place to Work for the eighth successive year and ranked 16th in Ireland's Best Workplaces for large companies. Woodie's is proud to be acknowledged as a great place to work and to highlight the priority it puts on maintaining a positive work experience for colleagues and for promoting a culture that is based on teamwork, diversity and inclusion.

The phased rollout of a Building Management System across the store network continued and contributed to a significant reduction in energy costs and more sustainable energy management. The computer-based system is used to control and monitor energy consumption and to collect data that can provide insights into optimising the energy performance of stores.

Following the successful trial of roof mounted solar panels at the Sallynoggin branch, Woodie's has signed an agreement to rollout solar panels at four more stores in a project that demonstrates its ongoing commitment to reducing carbon emissions by investing in lower cost renewable electricity.

Manufacturing Segment **(5.5% of Group Revenue, 2022: 5.2%)**

	H1 2023 £'m	H1 2022 £'m	Change*	Constant Currency Change*
Revenue	65.6	59.4	10.4%	10.1%
Operating profit	15.3	12.1	26.1%	25.9%
Operating profit margin	23.3%	20.4%	290bps	-

**Change represents the movement between 2023 v 2022 and is based on unrounded numbers*

CPI Mortars delivered a strong performance in a challenging market for house building. Revenue growth of 10.0 per cent in the ten CPI EuroMix manufacturing plants, that supply dry mortar to national, regional and local house builders and plastering contractors in Great Britain, was driven by input price inflation. The sharp rise in raw materials prices and higher labour, energy and fuel cost prices in the first half of the prior year was partly absorbed by the business leading to margin erosion and a decline in profitability. This decline was reversed in the current year as cost increases were recovered and margins restored to trend levels.

Quarter one mortar volumes were flat and showed a low single digit decline in the second quarter as builders planned for a reduction in the number of house completions over the coming months in response to lower reservation rates and a reduction in the value of forward orders. While underlying demand for housing remained strong, the re-pricing of mortgage products in response to successive interest rate rises reduced affordability. Closure of the help-to-buy scheme in England also reduced demand from first time buyers for new homes while demand from existing homeowners was more resilient.

The number of silos on customers' sites declined in line with volumes from a record level in the prior year as housing starts slowed and the number of outlets operated by house builders reduced. The volume of packaged ready-to-use products utilised for outdoor RMI applications, a segment of the market that generates circa 10 per cent of revenue, was down by one third.

SAP Business One, an integrated ERP solution that controls the entire business is being successfully rolled out and is functioning smoothly in the finance function and in four plants. Deployment in the remaining plants is scheduled to be completed by the year end.

StairBox, the on-line market leading manufacturer of bespoke staircases, continued to make gains further strengthening its market position. Revenue growth was driven by a low single digit increase in volumes and recovery of raw materials price increases. The business experienced good demand from trade customers across Great Britain in a more challenging housing RMI market.

A number of innovations launched in the period reduced the manufacturing cycle time and increased materials efficiency by generating less waste. The relocation of the assembly operation last year to a nearby property provided additional capacity to more efficiently re-configure certain elements of the manufacturing process that were space constrained.

Financial Review

Revenue

Group revenue increased by 3.2 per cent to £1.19 billion from £1.15 billion in the first half of 2022.

Group revenue in the like-for-like business declined by 0.1 per cent (£1.6 million) on the prior year.

Incremental revenue from the Sitetech, Woodfloor Warehouse and Regts acquisitions that were completed in January and February 2022 and the Clady Timber acquisition in Northern Ireland that was completed in June 2023 increased revenue by £6.1 million. New Selco and Leyland SDM branches in the UK and one new branch in each of the Distribution businesses in the Netherlands, Finland and Ireland contributed revenue of £5.6 million.

Currency translation of revenue in the euro denominated businesses to sterling increased revenue by £26.4 million. The average Sterling/Euro rate of exchange for the six months ended 30 June 2023 was Stg87.64p compared to Stg84.24p for the six months to 30 June 2022.

Adjusted Operating Profit

Adjusted operating profit of £105.1 million was down from £151.1 million last year. This result for the half year included property profit of £1.1million (2022: £18.5 million).

Adjusted operating profit, before property profit, of £103.9 million was down from £132.6 million last year, a decline of 21.6 per cent. The adjusted operating profit margin, before property profit, declined by 280 basis points to 8.7 per cent.

Net Finance Income and Expense

The net finance expense declined to £0.8 million (2022: £7.7 million). This charge incorporates an interest charge of £8.0 million (2022: £7.2 million) on lease liabilities recognised under IFRS 16.

Interest income on cash deposits amounted to £10.9 million (2022: £2.2 million). The Group had cash resources of £640.1 million at the end of the half year. Returns on deposits and account balances increased as the period developed to reflect the 13 occasions that the Bank of England raised rates from 0.25 per cent at the start of 2022 to 5.0 per cent at the end of June 2023. The rate was 3.5 per cent on 1 January 2023.

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. Interest payable on bank borrowings denominated in euros and US Private Placement Senior Unsecured Notes increased to £4.2 million (2022: £2.3 million). The increase was due to a lower interest rate payable in the prior year period on part of the bank debt borrowed under the ECB's Targeted Longer-Term Refinancing Operations. The interest rate payable on bank debt also increased following eight rate increases by the European Central Bank to its refinancing rate from zero per cent in January 2022 to 4.0 per cent on 30 June 2023.

The net finance expense included a foreign exchange translation gain of £0.8 million which compares to a loss of £0.3 million in the prior year.

Taxation

The income tax expense of £18.8 million (2022: £23.0 million) is equivalent to an effective tax rate of 20.1 per cent of profit before tax (2022: 17.3 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 as previously guided.

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 of £191.3 million (2022: £137.9 million) was very strong and benefitted from a reduction in working capital by £36.0 million that reversed the majority of the increase in working capital of £39.7 million in the same period last year.

Interest paid amounted to £11.0 million (2022: £10.2 million) which included interest of £8.0 million on IFRS 16 lease liabilities (2022: £7.2 million). Taxation paid was £19.6 million (2022: £21.9 million). Cashflow from operations after the payment of interest and taxation was £160.7 million (2022: £105.9 million).

The cash outflow on the dividend payment was £51.6 million (2022: £52.7 million) and £81.2 million (2022: £51.5 million was spent on the buyback of shares. The total cash outflow on the dividend payment and buyback of shares was £132.7 million (2022: £104.0 million), excluding transaction costs.

Capital Expenditure and Investment in Intangible Assets

We continued to maintain appropriate control over capital expenditure which amounted to £23.9 million (2022: £21.1 million). There was also expenditure of £1.9 million (2022: £1.2 million) on software that is classified as intangible assets.

Asset replacement capital expenditure of £14.4 million (2022: £10.4 million) compares to the depreciation charge (before IFRS 16) on property, plant and equipment ("PPE") of £19.2 million (2022: £16.5 million) and related principally to the replacement of plant and machinery, plant and tools for hire by customers, rebranding, IT hardware and other assets required to operate the Group's branch network.

The Group incurred development capital expenditure of £9.5 million (2022: £10.7 million) on a range of development including new branches in Chadwicks, Selco, Leyland, Isero and IKH, branch upgrades in Chadwicks, Selco, Woodie's and Isero and investment in IT hardware.

The proceeds received from the disposal of PPE was £2.1 million (2022: £24.1 million). The amount spent on capital expenditure and software development net of the proceeds received on asset disposals was £23.7 million (2022: excess proceeds of £1.7 million over expenditure on PPE and software).

Pensions

The Group operates four legacy defined benefit schemes (one in the UK and three in Ireland), all of which are now closed to future accrual. The defined benefit pension schemes had an accounting deficit of £2.2 million at the year end, down by £8.3 million from a deficit of £10.5 million on 31 December 2022.

The deficit on the UK scheme reduced by £2.4 million to £11.9 million and the surplus on the schemes in Ireland increased by £5.9 million to £10.5 million.

There was a scheme deficit of £0.8 million (31 December 2022: £0.8 million) related to the Netherlands business.

Net Cash/Debt

Net cash (including lease obligations) at 30 June 2023 was £3.7 million which compares to £8.9 million at 31 December 2022.

The Group's net cash position, before recognising lease liabilities, was £438.4 million, down from £458.2 million at 31 December 2022.

The Group's policy is to maintain its investment grade credit rating while investing in organic developments and acquisition opportunities. The Group has a progressive dividend policy with an objective of maintaining dividend cover at between two and three-times earnings.

Liquidity

Grafton was in a very strong financial position at the end of the half year with excellent liquidity, net cash before IFRS 16 lease liabilities and a robust balance sheet.

The Group had liquidity of £904.3 million at 30 June 2023 (31 December 2022: £934.6 million). As shown in the analysis of liquidity on page 47, accessible cash amounted to £636.1 million (31 December 2022: £707.7 million) and there were undrawn revolving bank facilities of £268.2 million (31 December 2022: £226.9 million).

The Group had bilateral loan facilities of £334.5 million at the 30 June 2023 (31 December 2022: £340.7 million) with four relationship banks and debt obligations of £137.3 million (31 December 2022: £141.9 million) from the issue of unsecured senior notes in the US Private Placement market.

The revolving loan facilities for £334.5 million with four established relationship banks were put in place for a term of five years to August 2027. The arrangements included two one-year extension options exercisable at the discretion of Grafton and the four banks. The first one-year extension has been agreed and these facilities are now repayable in August 2028. 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.

The average maturity of the committed bank facilities and unsecured senior notes was 4.7 years at 30 June 2023. This increases to 5.4 years following agreement earlier this month of the one-year extension option on the revolving loan facilities.

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

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

Shareholders' Equity

Shareholders' equity declined by £70.2 million to £1.67 billion at 30 June 2023 from £1.75 billion at 31 December 2022. Profit after tax increased shareholders' equity by £74.8 million. There was a loss of £20.7 million on retranslation of euro denominated net assets to sterling at the period end rate of exchange. Shareholders' equity was increased for a remeasurement gain (net of tax) of £5.4 million on the pension schemes and was reduced for dividends paid of £51.6 million and by £81.2 million for the buyback of shares. Other changes increased equity by £3.1 million.

Return on Capital Employed

Return on Capital Employed in continuing operations declined by 450 basis points to 14.3 per cent (2022: 18.8 per cent) including leased assets.

Principal Risks and Uncertainties

The primary risks and uncertainties affecting the Group are set out on pages 70 to 75 of the 2022 Annual Report and Accounts. 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; Competition in Distribution, Retailing and Manufacturing Markets; Information Technology Systems and Infrastructure; Health and Safety; Sustainability and Climate Change; Internal Controls and Fraud and Pandemic Risk.

Period End Financial Information

The consolidated period-end financial statements presented on pages 22 to 42 comprise:

- the Group condensed income statement and Group condensed statement of comprehensive income for the six months to 30 June 2023;
- the Group condensed balance sheet as at 30 June 2023;
- the Group condensed cash flow statement for the six months to 30 June 2023;
- the Group condensed statement of changes in equity; and
- the explanatory notes to the condensed consolidated half year financial statements on pages 28 to 42.

Grafton Group plc

Group Condensed Income Statement
For the six months ended 30 June 2023

	Notes	Six months to 30 June 2023 (unaudited) £'000	Six months to 30 June 2022 (unaudited) £'000
Revenue	**2**	**1,189,322**	1,152,847
Operating costs		**(1,096,130)**	(1,031,290)
Property profits	**3**	**1,147**	18,518
Operating profit		**94,339**	140,075
Finance expense	**4**	**(12,458)**	(9,849)
Finance income	**4**	**11,678**	2,158
Profit before tax		**93,559**	132,384
Income tax expense	**17**	**(18,775)**	(22,950)
Profit after tax for the financial period		**74,784**	109,434
Profit attributable to:			
Owners of the Company		**74,784**	109,434
Earnings per ordinary share - basic	5	**34.21p**	45.81p
Earnings per ordinary share - diluted	5	**34.15p**	45.78p

Grafton Group plc

Group Condensed Statement of Comprehensive Income
For the six months ended 30 June 2023

	Notes	**Six months to 30 June 2023 (Unaudited) £'000**	Six months to 30 June 2022 (Unaudited) £'000
Profit after tax for the financial period		**74,784**	109,434
Other comprehensive income			
Items that are or may be reclassified subsequently to the income statement			
Currency translation effects:			
- on foreign currency net investments		**(20,745)**	11,267
Fair value movement on cash flow hedges:			
- effective portion of changes in fair value of cash flow hedges		**76**	10
		(20,669)	11,277
Items that will not be reclassified to the income statement			
Remeasurement gain on Group defined benefit pension schemes	**13**	**6,407**	17,882
Deferred tax on Group defined benefit pension schemes		**(1,045)**	(2,278)
		5,362	15,604
Total other comprehensive (expense)/income		**(15,307)**	26,881
Total comprehensive income for the financial period		**59,477**	136,315
Total comprehensive income attributable to:			
Owners of the Company		**59,477**	136,315
Total comprehensive income for the financial period		**59,477**	136,315

Grafton Group plc - Group Condensed Balance Sheet as at 30 June 2023

	Notes	30 June 2023 (Unaudited) £'000	30 June 2022 (Unaudited) £'000	31 Dec 2022 (Audited) £'000
ASSETS				
Non-current assets				
Goodwill	**15**	**625,756**	625,434	635,751
Intangible assets	**16**	**141,562**	158,566	153,712
Property, plant and equipment	**9**	**354,563**	331,788	354,402
Right-of-use asset	**8**	**406,871**	418,134	420,115
Investment properties	**9**	**24,548**	21,939	26,084
Deferred tax assets		**6,104**	5,856	8,063
Lease receivable		**361**	528	453
Retirement benefit assets	**13**	**10,535**	8,508	4,584
Other financial assets		**126**	128	129
Total non-current assets		**1,570,426**	1,570,881	1,603,293
Current assets				
Properties held for sale	**9**	**5,020**	5,461	4,364
Inventories	**10**	**391,530**	399,209	399,565
Trade and other receivables	**10**	**293,039**	287,149	267,694
Lease receivable		**195**	212	196
Derivative financial instruments	**11**	**39**	10	-
Cash and cash equivalents	**11**	**640,051**	782,720	711,721
Total current assets		**1,329,874**	1,474,761	1,383,540
Total assets		**2,900,300**	3,045,642	2,986,833
EQUITY				
Equity share capital		**7,476**	8,388	7,870
Share premium account		**222,205**	221,112	221,975
Capital redemption reserve		**1,785**	869	1,389
Revaluation reserve		**12,286**	12,434	12,375
Shares to be issued reserve		**11,487**	8,312	8,647
Cash flow hedge reserve		**39**	2	(37)
Foreign currency translation reserve		**66,747**	68,018	87,492
Retained earnings		**1,359,762**	1,444,139	1,411,053
Treasury shares held		**(6,438)**	(7,526)	(5,185)
Equity attributable to owners of the Parent		**1,675,349**	1,755,748	1,745,579
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	**11**	**201,724**	136,786	253,502
Lease liabilities	**11**	**373,984**	390,598	389,198
Provisions		**14,650**	15,647	15,189
Retirement benefit obligations	**13**	**12,712**	853	15,068
Deferred tax liabilities		**57,895**	60,649	61,011
Total non-current liabilities		**660,965**	604,533	733,968
Current liabilities				
Interest-bearing loans and borrowings	**11**	**-**	125,461	-
Lease liabilities	**11**	**60,644**	56,399	60,105
Derivative financial instruments	**11**	**-**	-	29
Trade and other payables	**10**	**477,581**	480,171	420,653
Current income tax liabilities		**20,093**	17,197	20,595
Provisions		**5,668**	6,133	5,904
Total current liabilities		**563,986**	685,361	507,286
Total liabilities		**1,224,951**	1,289,894	1,241,254
Total equity and liabilities		**2,900,300**	3,045,642	2,986,833

Grafton Group plc - Group Condensed Cash Flow Statement

For the six months ended 30 June 2023	Notes	**Six months to 30 June 2023 (Unaudited) £'000**	Six months to 30 June 2022 (Unaudited) £'000
Profit before taxation		**93,559**	132,384
Finance income	**4**	**(11,678)**	(2,158)
Finance expense	**4**	**12,458**	9,849
Operating profit		**94,339**	140,075
Depreciation	**8,9**	**51,306**	45,377
Amortisation of intangible assets	**16**	**10,382**	10,228
Share-based payments charge		**2,914**	2,377
Movement in provisions		**(234)**	(94)
(Profit)/loss on sale of property, plant and equipment		**(46)**	104
Property profits		**(1,147)**	(18,157)
Fair value gains recognised as property profits		**-**	(361)
Loss/(gain) on derecognition of leases		**202**	(711)
Contributions to pension schemes in excess of IAS 19 charge		**(2,363)**	(1,204)
Decrease/(increase) in working capital	**10**	**35,978**	(39,694)
Cash generated from operations		**191,331**	137,940
Interest paid		**(11,045)**	(10,208)
Income taxes paid		**(19,572)**	(21,861)
Cash flows from operating activities		**160,714**	105,871
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment		**831**	83
Proceeds from sale of properties held for sale/investment properties		**1,303**	23,978
Interest received		**10,922**	2,158
		13,056	26,219
Outflows			
Acquisition of subsidiary undertakings (net of cash acquired)	**14**	**(3,250)**	(45,818)
Deferred acquisition consideration paid		**(725)**	-
Investment in intangible assets – computer software	**16**	**(1,933)**	(1,215)
Purchase of property, plant and equipment	**9**	**(23,868)**	(21,140)
		(29,776)	(68,173)
Cash flows from investing activities		**(16,720)**	(41,954)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**232**	1,709
Proceeds from borrowings		**-**	16,478
		232	18,187
Outflows			
Repayment of borrowings		**(44,443)**	(16,854)
Dividends paid	**6**	**(51,611)**	(52,731)
Treasury shares purchased	**20**	**(81,242)**	(51,521)
Payment on lease liabilities		**(33,074)**	(26,973)
		(210,370)	(148,079)
Cash flows from financing activities		**(210,138)**	(129,892)
Net (decrease) in cash and cash equivalents		**(66,144)**	(65,975)
Cash and cash equivalents at 1 January		**711,721**	844,663
Effect of exchange rate fluctuations on cash held		**(5,526)**	4,032
Cash and cash equivalents at the end of the period		**640,051**	782,720

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 2023 (Unaudited)										
At 1 January 2023	7,870	221,975	1,389	12,375	8,647	(37)	87,492	1,411,053	(5,185)	1,745,579
Profit after tax for the financial period	-	-	-	-	-	-	-	74,784	-	74,784
Total other comprehensive income										
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	5,362	-	5,362
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	76	-	-	-	76
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(20,745)	-	-	(20,745)
Total other comprehensive expense	-	-	-	-	-	76	(20,745)	5,362	-	(15,307)
Total comprehensive income	-	-	-	-	-	76	(20,745)	80,146	-	59,477
Transactions with owners of the Company recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	(51,611)	-	(51,611)
Issue of Grafton Units	2	230	-	-	-	-	-	-	-	232
Purchase of treasury shares (Note 20)	-	-	-	-	-	-	-	-	(81,242)	(81,242)
Cancellation of treasury shares (Note 20)	(396)	-	396	-	-	-	-	(79,502)	79,502	-
Transfer from treasury shares (Note 20)	-	-	-	-	-	-	-	(487)	487	-
Share based payments charge	-	-	-	-	2,914	-	-	-	-	2,914
Transfer from shares to be issued reserve	-	-	-	-	(74)	-	-	74	-	-
Transfer from revaluation reserve	-	-	-	(89)	-	-	-	89	-	-
	(394)	230	396	(89)	2,840	-	-	(131,437)	(1,253)	(129,707)
At 30 June 2023	7,476	222,205	1,785	12,286	11,487	39	66,747	1,359,762	(6,438)	1,675,349
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

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 2022 (Audited)										
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 year	-	-	-	-	-	-	-	208,618	-	208,618
Total other comprehensive income										
Remeasurement (loss) on pensions (net of tax)	-	-	-	-	-	-	-	(2,482)	-	(2,482)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	(29)	-	-	-	(29)
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	30,741	-	-	30,741
Total other comprehensive expense	-	-	-	-	-	(29)	30,741	(2,482)	-	28,230
Total comprehensive income	-	-	-	-	-	(29)	30,741	206,136	-	236,848
Transactions with owners of the Company recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	(73,868)	-	(73,868)
Issue of Grafton Units	46	2,528	-	-	-	-	-	-	-	2,574
Purchase of treasury shares (Note 20)	-	-	-	-	-	-	-	-	(142,981)	(142,981)
Cancellation of treasury shares (Note 20)	(746)	-	746	-	-	-	-	(141,693)	141,693	-
Share based payments charge	-	-	-	-	4,719	-	-	-	-	4,719
Tax on share based payments	-	-	-	-	(1,312)	-	-	-	-	(1,312)
Transfer from shares to be issued reserve	-	-	-	-	(6,597)	-	-	6,597	-	-
Transfer from revaluation reserve	-	-	-	(144)	-	-	-	144	-	-
	(700)	2,528	746	(144)	(3,190)	-	-	(208,820)	(1,288)	(210,868)
At 31 December 2022	7,870	221,975	1,389	12,375	8,647	(37)	87,492	1,411,053	(5,185)	1,745,579

Grafton Group plc
Notes to Condensed Consolidated Half Year Financial Statements for the six months ended 30 June 2023

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.

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 ('EU'). These condensed consolidated half year financial statements do not include all the information and disclosures required in the Group Annual Report and Accounts and should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2022 that are available on the Company's website www.graftonplc.com.

The condensed consolidated half year financial statements for the six months ended 30 June 2023 are unaudited but have been reviewed by the auditor whose report is set out on pages 49 and 50.

The condensed consolidated half year financial statements presented do not constitute financial statements prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the EU. The financial information included in this report in relation to the year ended 31 December 2022 does not comprise statutory annual financial statements within the meaning of section 295 of the Companies Act 2014. The Annual Report and Accounts for the year ended 31 December 2022 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.

The accounting policies and methods of computation and presentation adopted in the preparation of the condensed consolidated half year financial statements are consistent with those applied in the Annual Report and Accounts for the year ended 31 December 2022. 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. Certain tables in the financial information may not add precisely because of our consistent convention of rounding to one decimal place.

The financial reporting framework that has been applied in the preparation of the Group Annual Report and Accounts for the year ended 31 December 2022 is applicable law and IFRS, as adopted by the EU.

Basis of Preparation, Accounting Policies and Estimates (continued)

Going Concern

The Group's net cash position, before recognising lease liabilities, was £438.4 million at 30 June 2023 (31 December 2022: £458.2 million). The Group had liquidity of £904.3 million at 30 June 2023 (£934.6 million at 31 December 2022) of which £636.1 million (2022: £707.7 million) was held in accessible cash and £268.2 million.

1. General Information (continued)

(2022: £226.9 million) in undrawn revolving bank facilities. No refinancing of debt is due until August 2028, the Group does not have a leverage (net debt/EBITDA) covenant in its financing arrangements and its assets are unsecured.

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 these financial statements. Having reassessed the principal risks, as detailed on page 21, and based on expected cashflows and the strong liquidity position of the Group, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its financial information.

The consolidated financial information is presented in sterling. Items included in the financial information 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.

Climate Change

In preparing the financial information, the Directors have considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates in the current period. The Group's analysis of the impact of climate change continues to evolve with Grafton committed to delivering net zero carbon emissions no later than the end of 2050. EU Corporate Sustainability Reporting Directive (CSRD) is being phased in from 2024 and will impact all businesses over time.

(b) Critical accounting estimate and judgements

The preparation of the half-yearly financial statements requires management to make certain estimations, assumptions and judgements that affect the reported profits, assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised. In particular, information about significant areas of estimation and judgement that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the respective notes to these consolidated financial statements.

In preparing these half-yearly 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 Report and Accounts for the year ended 31 December 2022.

New Standards and Interpretations

Certain new and revised accounting standards and interpretations have been issued. The Group intends to adopt the relevant new and revised standards when they become effective and the Group's assessment of the impact of these standards and interpretations is set out below:

The following Standards and Interpretations are effective for the Group in 2023 but do not have a material effect on the results or financial position of the Group:

- IAS 1 (Amendments) Presentation of Financial Statements *(Effective 1 January 2023)*
- IAS 8 (Amendments) Accounting Policies, Changes in Accounting Estimates & Errors *(Effective 1 January 2023)*
- IAS 12 (Amendments) Income Taxes *(Effective 1 January 2023)*
- IFRS 16 (Amendments) Leases *(Effective 1 January 2023)*
- IFRS 17 Insurance Contracts *(Effective 1 January 2023)*

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 2023 (Unaudited) £'000	Six months to 30 June 2022 (Unaudited) £'000
Revenue		
UK distribution	**419,330**	428,970
Ireland distribution	**318,131**	309,135
Netherlands distribution	**184,588**	168,732
Finland distribution	**70,438**	67,667
Total distribution	**992,487**	974,504
Retailing	**131,248**	118,908
Manufacturing	**73,539**	66,035
Less: inter-segment revenue - manufacturing	**(7,952)**	(6,600)
Total revenue	**1,189,322**	1,152,847
Segmental operating profit before exceptional items, intangible amortisation arising on acquisitions and acquisition related items		
UK distribution	**23,855**	47,189
Ireland distribution	**28,930**	38,478
Netherlands distribution	**20,412**	21,165
Finland distribution	**7,068**	8,903
Total distribution	**80,265**	115,735
Retailing	**15,959**	13,855
Manufacturing	**15,310**	12,139
	111,534	141,729
Reconciliation to consolidated operating profit		
Central activities	**(7,593)**	(9,112)
	103,941	132,617
Property profits	**1,147**	18,518
Operating profit before intangible amortisation arising on acquisitions and acquisition related items	**105,088**	151,135
Acquisition related items*	**(874)**	(1,320)
Amortisation of intangible assets arising on acquisitions	**(9,875)**	(9,740)
Operating profit	**94,339**	140,075
Finance expense	**(12,458)**	(9,849)
Finance income	**11,678**	2,158
Profit before tax	**93,559**	132,384
Income tax expense	**(18,775)**	(22,950)
Profit after tax for the financial period	**74,784**	109,434

** 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 and customer relationships asset impairment charges.*

2. Segmental Analysis (continued)

The amount of revenue by geographic area is as follows:

	Six months to 30 June 2023 (Unaudited) £'000	Six months to 30 June 2022 (Unaudited) £'000
Revenue*		
United Kingdom	**480,160**	484,649
Ireland	**454,136**	431,799
Netherlands	**184,588**	168,732
Finland	**70,438**	67,667
Total revenue	**1,189,322**	1,152,847

**Service revenue, which relates to plant and equipment hire and is recognised over time, amounted to £5.5 million for the period (2022: £4.5 million)*

	30 June 2023 (Unaudited) £'000	30 June 2022 (Unaudited) £'000
Segment assets		
Distribution	**1,946,408**	1,929,044
Retailing	**180,631**	205,306
Manufacturing	**116,406**	114,070
	2,243,445	2,248,420
Unallocated assets		
Deferred tax assets	**6,104**	5,856
Retirement benefit assets	**10,535**	8,508
Other financial assets	**126**	128
Cash and cash equivalents	**640,051**	782,720
Derivative financial instruments (current)	**39**	10
Total assets	**2,900,300**	3,045,642

	30 June 2023 (Unaudited) £'000	30 June 2022 (Unaudited) £'000
Segment liabilities		
Distribution	**710,412**	716,524
Retailing	**188,681**	197,121
Manufacturing	**33,434**	35,303
	932,527	948,948
Unallocated liabilities		
Interest bearing loans and borrowings (current and non-current)	**201,724**	262,247
Retirement benefit obligations	**12,712**	853
Deferred tax liabilities	**57,895**	60,649
Current income tax liabilities	**20,093**	17,197
Total liabilities	**1,224,951**	1,289,894

3. Property Profits

The property profit of £1.1 million relates to profit on property disposals of £1.1 million. The property profit realised in 2023 included £0.4 million which was the recovery of an amount which had been provided against in the previous period.

The property profit in 2022 of £18.5 million relates to profit on property disposals of £18.2 million and fair value gains of £0.3 million.

In 2023, the Group disposed of one Irish property (2022: two UK properties).

The fair value gain of £0.3 million in 2022 related to two investment properties in Ireland.

4. Finance Expense and Finance Income

	Six months to 30 June 2023 (Unaudited) £'000		Six months to 30 June 2022 (Unaudited) £'000	
Finance expense				
Interest on bank loans, US senior notes and overdrafts	**4,222**	*	2,321	*
Interest on lease liabilities	**8,021**	*	7,194	*
Net finance cost on pension scheme obligations	**215**		65	
Foreign exchange loss	**-**		269	
	12,458		9,849	
Finance income				
Interest income on bank deposits	**(10,922)**	*	(2,158)	*
Foreign exchange gain	**(756)**		-	
	(11,678)		(2,158)	
Net finance expense	**780**		7,691	

** Net bank and US senior note interest income of £6.7 million (2022: £0.2 million interest expense). Including interest on lease liabilities, net interest expense was £1.3 million (2022: £7.4 million net interest expense)*

5. Earnings per Share

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

	Half Year 30 June 2023 (Unaudited)	Half Year 30 June 2022 (Unaudited)
	£'000	£'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial period	**74,784**	109,434
Numerator for basic and diluted earnings per share	**74,784**	109,434
Profit after tax for the financial period	**74,784**	109,434
Amortisation of intangible assets arising on acquisitions	**9,875**	9,740
Tax relating to amortisation of intangible assets arising on acquisitions	**(2,213)**	(2,185)
Acquisition related items	**874**	1,320
Tax on acquisition related items	**(109)**	(116)
Numerator for adjusted earnings per share	**83,211**	118,193
	Number of Grafton Units	Number of Grafton Units
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	**218,582,690**	238,882,241
Dilutive effect of options and awards	**377,690**	149,550
Denominator for diluted earnings per share	**218,960,380**	239,031,791
Earnings per share (pence)		
- Basic	**34.21**	45.81
- Diluted	**34.15**	45.78
Adjusted earnings per share (pence)		
- Basic	**38.07**	49.48
- Diluted	**38.00**	49.45

6. Dividends

The payment in 2023 of a final dividend for 2022 of 23.75 pence amounted to £51.6 million (2022: final dividend for 2021 of 22.0p amounted to £52.7 million).

An interim dividend for 2023 of 10.0 pence per share will be paid on 20 October 2023 to shareholders on the register at the close of business on 22 September 2023 (the 'Record Date'). The ex-dividend date is 21 September 2023.

A liability in respect of the interim dividend has not been recognised in the balance sheet at 30 June 2023, 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 2023 was Stg87.64p (six months to 30 June 2022: Stg84.24p). The sterling/euro exchange rate at 30 June 2023 was Stg85.83p (30 June 2022: Stg85.82p and 31 December 2022: Stg88.69p).

8. Right-Of-Use Asset

	Right-of-use asset £'000
Recognised at 1 January 2023	**420,115**
Additions*	6,298
Disposals	(1,216)
Depreciation	(32,143)
Remeasurements*	20,121
Currency translation adjustment	(6,304)
As at 30 June 2023	**406,871**

**Right-of-use asset additions relate to new lease contracts entered into during the period and mainly arise due to leases entered into for replacement vehicle leases, new store locations and new lease contracts agreed for existing stores. Right-of-use asset remeasurements have mainly arisen due to the finalisation of rent reviews and the reassessment of extension options available to the Group on a number of property leases that will now be exercised.*

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 2023	**354,402**	**4,364**	**26,084**
Additions	23,868	-	-
Depreciation	(19,163)	-	-
Disposals	(385)	(556)	-
Transfer from investment properties	-	1,330	(1,330)
Arising on acquisition (Note 14)	1,450	-	-
Currency translation adjustment	(5,609)	(118)	(206)
As at 30 June 2023	**354,563**	**5,020**	**24,548**

10. Movement in Working Capital

Current	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total £'000
At 1 January 2023	**399,565**	**267,694**	**(420,653)**	**246,606**
Currency translation adjustment	**(8,838)**	**(5,690)**	**8,754**	**(5,774)**
Deferred acquisition consideration paid	**-**	**-**	**725**	**725**
Arising on acquisition (Note 14)	**625**	**784**	**-**	**1,409**
Working capital movement in 2023	**178**	**30,251**	**(66,407)**	**(35,978)**
At 30 June 2023	**391,530**	**293,039**	**(477,581)**	**206,988**

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

	30 June 2023 £'000	30 June 2022 £'000	31 Dec 2022 £'000
Interest-bearing loans and borrowings			
Bank loans (current)	**-**	125,461	-
Bank loans (non-current)	**64,858**	-	112,108
US senior notes (non-current)	**136,866**	136,786	141,394
Total interest-bearing loans and borrowings	**201,724**	262,247	253,502
Leases			
Included in non-current liabilities	**373,984**	390,598	389,198
Included in current liabilities	**60,644**	56,399	60,105
Total leases	**434,628**	446,997	449,303
Derivatives			
Included in current liabilities	**-**	-	29
Included in current assets	**(39)**	(10)	-
Total derivatives	**(39)**	(10)	29
Cash and cash equivalents	**(640,051)**	(782,720)	(711,721)
Net (cash)	**(3,738)**	(73,486)	(8,887)
Net (cash) before leases	**(438,366)**	(520,483)	(458,190)

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. The first one-year extension has been agreed and these facilities are now repayable in August 2028. 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.

11. Interest-Bearing Loans, Borrowings and Net (Cash)/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. Deferred consideration is classified as level 3.

	30 June 2023 £'000	31 Dec 2022 £'000
Assets/(liabilities) measured and recognised at fair value		
Designated as hedging instruments		
Other derivative instruments	**39**	(29)
Fair value measurement of liabilities carried at amortised cost		
US senior notes	**(123,848)**	(126,605)

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 financial information 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 2023.

Financial assets and liabilities carried at fair value
The Group's financial assets and liabilities which are carried at fair value are classified as Level 2 in the fair value hierarchy and deferred consideration is classified as Level 3. 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 other derivatives are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using forward currency rates and market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. The fair value of deferred consideration is calculated assuming a probability of payout, which will be based on achievement of EBITDA targets, and discounted to present value using market derived discount rates. The fair value assumes achievement of targets but is sensitive to change in the assessed probability of achieving targets.

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

	30 June 2023 £'000	30 June 2022 £'000
Net (decrease) in cash and cash equivalents	**(66,144)**	(65,975)
Net movement in derivative financial instruments	**68**	18
Movement in debt and lease financing	**52,247**	6,919
Change in net cash resulting from cash flows	**(13,829)**	(59,038)
Currency translation adjustment	**8,680**	(6,506)
Movement in net cash in the period	**(5,149)**	(65,544)
Net cash at 1 January	**8,887**	139,030
Net cash at end of the period	**3,738**	73,486

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 2023	At 31 Dec 2022	**At 30 June 2023**	At 31 Dec 2022
Rate of increase in salaries*	**N/A**	3.80%	**N/A**	N/A
Rate of increase of pensions in payment	**-**	-	**3.10%**	3.10%
Discount rate	**3.60%**	3.70%	**5.20%**	4.80%
Inflation rate increase	**2.50%**	2.60%	**2.70%/3.30%** **	2.60%/3.20% **

* Following the closure to accrual of the Irish schemes and the UK scheme, benefits in those schemes are no longer linked to final salary. Instead, accrued benefits up to the date of closure revalue in line with inflation, subject to certain caps.
** The inflation assumption shown for the UK is based on both 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 2023	Year to 31 Dec 2022	**Half year to 30 June 2023**	Year to 31 Dec 2022	**Half year to 30 June 2023**	Year to 31 Dec 2022
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
At 1 January	**192,298**	283,705	**(202,782)**	(295,176)	**(10,484)**	(11,471)
Interest income on plan assets	**3,967**	4,519	**-**	-	**3,967**	4,519
Contributions by employer	**2,103**	4,413	**-**	-	**2,103**	4,413
Contributions by members	**23**	458	**(23)**	(458)	**-**	-
Benefit payments	**(6,292)**	(8,812)	**6,292**	8,812	**-**	-
Current service cost	**-**	-	**(58)**	(1,962)	**(58)**	(1,962)
Curtailment gain – non-recurring	**-**	-	**406**	3,690	**406**	3,690
Other long-term benefit (expense)/credit	**-**	-	**(88)**	9	**(88)**	9
Interest cost on scheme liabilities	**-**	-	**(4,182)**	(4,627)	**(4,182)**	(4,627)
Remeasurements						
Actuarial (loss)/gains from:						
-experience variations	**-**	-	**(67)**	(2,369)	**(67)**	(2,369)
-financial assumptions	**-**	-	**3,447**	98,087	**3,447**	98,087
-demographic assumptions	**-**	-	**3,076**	(2,910)	**3,076**	(2,910)
Return on plan assets excluding interest income	**(49)**	(97,848)	**-**	-	**(49)**	(97,848)
Translation adjustment	**(3,393)**	5,863	**3,145**	(5,878)	**(248)**	(15)
At 30 June / 31 December	**188,657**	192,298	**(190,834)**	(202,782)	**(2,177)**	(10,484)
Related deferred tax asset (net)					**1,868**	3,201
Net pension liability					**(309)**	(7,283)

13. Retirement Benefits (continued)

At 30 June 2023, a curtailment gain of £0.4 million, which is included in 'operating costs' in the income statement, arose on closure to future accrual of a defined benefit pension scheme in Ireland (31 December 2022: a curtailment gain of £3.7 million arose on closure to future accrual of another defined benefit pension scheme in Ireland).

The net pension scheme deficit of £2.2 million (31 December 2022: deficit of £10.5 million) is shown in the Group balance sheet as (i) retirement benefit obligations (non-current liabilities) of £12.7 million (31 December 2022: £15.1 million) and (ii) retirement benefit assets (non-current assets) of £10.5 million (31 December 2022: £4.6 million).

At 30 June 2023, the retirement benefit asset of £10.5 million relates to three schemes in Ireland. 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 £12.7 million relates to one scheme in the UK (£11.9 million) and one scheme in the Netherlands (£0.8 million).

At 31 December 2022, the retirement benefit asset of £4.6 million related to three schemes in Ireland. The retirement benefit obligation of £15.1 million related to one scheme in the UK (£14.3 million) and one scheme in the Netherlands (£0.8 million).

14. Acquisitions

On 12 June 2023, the Group acquired the trade and certain assets of Clady Timber Limited, a distributor of timber and building materials operating from a single branch in Portglenone, County Antrim. This acquisition is incorporated in the UK Distribution segment and extends market coverage for MacBlair in Northern Ireland.

The provisional fair value of assets acquired in 2023 are set out below:

	Total
	£'000
Property, plant and equipment	**1,450**
Inventories	**625**
Trade and other receivables	**784**
Cash acquired	**-**
Net assets acquired	**2,859**
Goodwill	**391**
Consideration	**3,250**
Satisfied by:	
Cash paid	**3,250**
	3,250
Net cash outflow – arising on acquisitions	
Cash consideration	**3,250**
Less: cash and cash equivalents acquired	**-**
	3,250

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

14. Acquisitions (continued)

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 Regts, Woodfloor Warehouse and Sitetech acquisitions completed in the prior year.

Acquisitions contributed revenue of £0.2 million and operating profit of £Nil for the period from the date of acquisition to 30 June 2023. If this acquisition had occurred on 1 January 2023, it is estimated that it would have contributed revenue of £1.4 million and operating profit of £0.1 million in the period. The Group incurred acquisition costs of £0.2 million in 2023 (2022: £0.4 million) which are included in operating costs in the Group Income Statement.

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. An indicator of impairment was identified in the Finland Distribution CGU following the December 2022 review and an impairment test was therefore performed. As mentioned in Note 12 in the 2022 Annual Report and Accounts, the Finland Distribution CGU's recoverable amount has limited headroom over its' carrying amount. In view of the short period since it was acquired in July 2021, there has been limited opportunity to increase the recoverable amount. Therefore, it is more sensitive to possible changes in key assumptions.

The impairment review conducted by the Group at 30 June 2023 concluded that the recoverable amounts of all Cash Generating Units ("CGU's) exceeded their carrying amounts and that there was no impairment (2022: £Nil).

	Goodwill £'000
Net Book Value	
As at 1 January 2023	**635,751**
Arising on acquisition (Note 14)	**391**
Currency translation adjustment	**(10,386)**
As at 30 June 2023	**625,756**

16. Intangible Assets

	Computer Software £'000	**Trade Names £'000**	**Customer Relationships & Technology £'000**	**Total £'000**
Net Book Value				
As at 1 January 2023	**5,665**	**31,028**	**117,019**	**153,712**
Additions	**1,933**	**-**	**-**	**1,933**
Amortisation	**(507)**	**(1,929)**	**(7,946)**	**(10,382)**
Currency translation adjustment	**(115)**	**(730)**	**(2,856)**	**(3,701)**
As at 30 June 2023	**6,976**	**28,369**	**106,217**	**141,562**

The amortisation expense of £10.4 million (2022: £10.2 million) has been charged in 'operating costs' in the income statement. Amortisation of intangible assets arising on acquisitions in prior periods amounted to £9.9 million (H1 2022: £9.7 million).

17. Taxation

The income tax expense of £18.8 million (2022: £23.0 million) is equivalent to an effective tax rate of 20.1 per cent on profit (2022 Full Year: 17.1 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.

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 2023, there were unrecognised deferred tax assets in relation to capital losses of £0.7 million (31 December 2022: £0.7 million), trading losses of £1.0 million (31 December 2022: £1.1 million) and deductible temporary differences of £3.8 million (31 December 2022: £6.9 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 Annual Report and Accounts for the year ended 31 December 2022 that materially affected the financial position or the performance of the Group during the period to 30 June 2023.

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

LTIP awards were made over 807,889 Grafton Units on 31 March 2023. The fair value of the awards of £6.1 million, which are subject to vesting conditions, will be charged to the income statement over the vesting period of three years. The Annual Report and Accounts for the year ended 31 December 2022 discloses details of the LTIP scheme.

20. Share Buyback and Treasury Shares

	Purchase of Treasury Shares £'000	Transaction Costs £'000	Purchase of Treasury Shares * £'000	Cancellation of Treasury Shares £'000	Transfer from Treasury Shares ** £'000	Total Movement £'000
<u>Year ended 31 December 2022</u>						
Buyback Programme 1	43,748	194	43,942	(40,329)	-	3,613
LTIP Awards	7,563	16	7,579	(7,563)	-	16
At 30 June 2022	**51,311**	**210**	**51,521**	**(47,892)**	**-**	**3,629**
Buyback Programme 1	56,252	90	56,342	(59,671)	-	(3,329)
Buyback Programme 2	35,046	72	35,118	(34,130)	-	988
At 31 December 2022	**142,609**	**372**	**142,981**	**(141,693)**	**-**	**1,288**
<u>Period ended 30 June 2023</u>						
Buyback Programme 1	-	-	-	-	(284)	(284)
LTIP Awards	-	-	-	-	(16)	(16)
Buyback Programme 2	58,270	115	58,385	(59,186)	(187)	(988)
Buyback Programme 3	22,813	44	22,857	(20,316)	-	2,541
As at 30 June 2023	**81,083**	**159**	**81,242**	**(79,502)**	**(487)**	**1,253**

* Including transaction costs.

** At 30 June 2023, both share buyback programmes 1 and 2, and the LTIP purchase and cancellation, were fully completed and the related transactions costs have been transferred from treasury shares to retained earnings, totalling £0.5 million.

Share buyback programme 1
On 28 April 2022, the Group announced its intention to introduce a share buyback programme for a maximum aggregate consideration of up to £100 million. The Buyback commenced on 9 May 2022 and ended on 12 September 2022.

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. 460,000 shares purchased for £3.6 million were cancelled in early July 2022.

At 31 December 2022, the Group had purchased 12,282,711 shares in aggregate for cancellation at a total cost of £100.3 million, including transaction costs. All shares were cancelled by 31 December 2022.

LTIP purchase and cancellation
In addition to the above, on 3 May 2022 and 4 May 2022, the Group purchased and cancelled 796,902 Grafton Units 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.

Share buyback programme 2
Following completion of the first share buyback programme the Group announced on 10 November 2022 its intention to commence a second share buyback programme and to buy back ordinary shares (the "Shares") on the Group's behalf for a maximum aggregate consideration of up to £100 million. The Buyback commenced on 10 November 2022 and ended on 18 April 2023.

20. Share Buyback and Treasury Shares (continued)

At 31 December 2022, the Group had purchased 4,417,706 shares in aggregate for cancellation at a total cost of £35.1 million through the second buyback programme, including transaction costs. However, due to timing, only 4,302,597 were cancelled at 31 December 2022 and the remaining 115,109 shares purchased for £0.9 million were cancelled in early January 2023. In 2023, the Group purchased an additional 6,472,681 shares for cancellation at a total cost of £58.4 million, including transaction costs. The total aggregate consideration, including transaction costs, for the second buyback programme was £93.5 million.

Share buyback programme 3

The Group announced on 4 May 2023 its intention to commence a third share buyback programme and to buy back ordinary shares (the "Shares") on the Group's behalf for a maximum aggregate consideration of up to £50 million. The Buyback commenced on 12 May 2023. At 30 June 2023, the Group had purchased 2,767,587 shares in aggregate for cancellation at a total cost of £22.9 million, including transaction costs. However, due to timing, only 2,447,587 were cancelled at 30 June 2023 and the remaining 320,000 shares purchased for £2.5 million were cancelled in early July 2023. Details of shares bought back since 30 June 2023 are included in Note 22 below.

21. Issue of Shares

During the period 34,992 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, 3.2 million shares at a cost of £27.2 million between 1 July 2023 and 30 August 2023.

There have been no other material events subsequent to 30 June 2023 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 30 August 2023.

Supplementary Financial Information

Alternative Performance Measures

Certain financial information set out in this consolidated financial information is not defined under 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 2022 are available in the 2022 Annual Report and Accounts and the 2022 Half Year Report.

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 and customer relationships asset 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.

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/(cash) 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, acquisition related items, net finance expense, income tax expense and depreciation.
EBITDA Interest Cover	EBITDA divided by net bank/loan note interest.
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	Adjusted operating profit divided by average capital employed (where capital employed is the sum of total equity and net debt/(cash) 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 2023 £'m	**Six months to 30 June 2021 £'m**
Revenue	**1,189.3**	1,152.8
Operating profit	**94.3**	140.1
Property profit	**(1.1)**	(18.5)
Acquisition related items	**0.9**	1.3
Amortisation of intangible assets arising on acquisitions	**9.9**	9.7
Adjusted operating profit/EBITA before property profit	**103.9**	132.6
Adjusted operating profit/EBITA margin before property profit	**8.7%**	11.5%

Operating Profit Margin

	Six months to 30 June 2023 £'m	Six months to 30 June 2022 £'m
Revenue	**1,189.3**	1,152.8
Operating profit	**94.3**	140.1
Operating profit/EBITA margin	**7.9%**	12.2%

Adjusted Operating Profit/EBITA

	Six months to 30 June 2023 £'m	Six months to 30 June 2023 £'m
Revenue	**1,189.3**	1,152.8
Operating profit	**94.3**	140.1
Acquisition related items	**0.9**	1.3
Amortisation of intangible assets arising on acquisitions	**9.9**	9.7
Adjusted operating profit/EBITA	**105.1**	151.1
Adjusted operating profit/EBITA margin	**8.8%**	13.1%

Adjusted Profit before Tax

	Six months to 30 June 2023 £'m	Six months to 30 June 2022 £'m
Profit before tax	**93.6**	132.4
Amortisation of intangible assets arising on acquisitions	**9.9**	9.7
Acquisition related items	**0.9**	1.3
Adjusted profit before tax	**104.3**	143.4

Adjusted Profit after Tax

	Six months to 30 June 2023 £'m	Six months to 30 June 2022 £'m
Profit after tax	**74.8**	109.4
Acquisition related items	**0.9**	1.3
Tax on acquisition related items	**(0.1)**	(0.1)
Amortisation of intangible assets arising on acquisitions	**9.9**	9.7
Tax on amortisation of intangible assets arising on acquisitions	**(2.2)**	(2.2)
Adjusted profit after tax	**83.2**	118.2

Reconciliation of Profit to EBITDA

	Six months to 30 June 2023 £'m	Six months to 30 June 2022 £'m
Profit after tax	**74.8**	109.4
Net finance expense	**0.8**	7.7
Income tax expense	**18.8**	23.0
Depreciation	**51.3**	45.4
Acquisition related items	**0.9**	1.3
Intangible asset amortisation	**10.4**	10.2
EBITDA	**156.9**	197.0

Net (Cash) to EBITDA

	Six months to 30 June 2023 £'m	Six months to 30 June 2022 £'m
EBITDA (rolling 12 months)	**341.1**	371.4
Net (cash)	**(3.7)**	(73.5)
Net (cash) to EBITDA – times	**(0.01)**	(0.20)

EBITDA Interest Cover (including interest on lease liabilities)

	Six months to 30 June 2023 £'m	Six months to 30 June 2022 £'m
EBITDA	**156.9**	197.0
Net bank/loan note interest including interest on lease liabilities	**1.3**	7.4
EBITDA interest cover – times	**118.8**	26.8

Return on Capital Employed – Continuing Operations

	30 June 2023 £'m	30 June 2022 £'m
Operating profit (rolling 12 months)	**218.5**	257.1
Acquisition related items	**1.9**	5.2
Amortisation of intangible assets arising on acquisitions	**19.4**	18.7
Adjusted operating profit (rolling 12 months)	**239.8**	281.1
Total equity – current period end	**1,675.3**	1,755.7
Net (cash)	**(3.7)**	(73.5)
Capital employed – current period end	**1,671.6**	1,682.3
Total equity – prior period end	**1,755.7**	1,637.2
Net (cash)/debt	**(73.5)**	246.6
Deemed disposal adjustment	**-**	(581.7)
Capital employed – prior period end	**1,682.3**	1,302.0
Average capital employed	**1,676.9**	1,492.2
Return on capital employed	**14.3%**	18.8%

Capital Turn

	Six months to 30 June 2023 £'m	Six months to 30 June 2022 £'m
Revenue H2 prior period	**1,148.6**	1,082.1
Revenue H1 current period	**1,189.3**	1,152.8
Total revenue for previous 12 months	**2,338.0**	2,235.0
Average capital employed	**1,676.9**	1,492.2
Capital turn - times	**1.4**	1.5

Liquidity

	30 June 2023 £'m	30 June 2022 £'m
Cash and cash equivalents	**640.1**	782.7
Less: cash held against letter of credit*	**(4.0)**	(4.0)
Accessible cash	**636.1**	778.7
Undrawn revolving bank facilities	**268.2**	334.7
Liquidity	**904.3**	1,113.4

**At 30 June 2023, cash of £4.0 million (2022: £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.*

Net Cash – before Leases

	30 June 2023 £'m	30 June 2022 £'m
Net cash - after Leases	**3.7**	73.5
Lease Liability	**434.6**	447.0
Net cash – before Leases	**438.4**	520.5

Like-for-Like Revenue

	30 June 2023 £'m	30 June 2022 £'m
2022/2021 revenue	**1,152.8**	1,027.8
Organic growth	**(1.6)**	30.2
Organic growth – new branches	**5.6**	8.9
Total organic growth	**4.0**	39.1
Acquisitions	**6.1**	101.8
Foreign exchange	**26.4**	(15.8)
2023/2022 revenue	**1,189.3**	1,152.8
Like-for-like movement (organic growth, excluding new branches, as % of prior year revenue)	**(0.1%)**	2.9%

Responsibility Statement in Respect of the Six Months Ended 30 June 2023

The Directors, whose names and functions are listed on pages 98 and 99 in the Group's 2022 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 2023 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 2023, 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:

Eric Born	David Arnold
Chief Executive Officer	Chief Financial Officer

 # Independent review report to Grafton Group plc

Report on the condensed consolidated half year financial statements

Our conclusion

We have reviewed Grafton Group plc's condensed consolidated half year financial statements (the "interim financial statements") in the Half Year Report of Grafton Group plc for the six month period ended 30 June 2023 (the "period").

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 2023;
- 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
30 August 2023
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.