24 September 2020

SIG plc
Results for the six months ended 30 June 2020
Successful recapitalisation provides foundation for new growth strategy

SIG plc ("SIG", "the Group" or "the Company") is a leading supplier of specialist building solutions to trade customers across Europe, with strong positions in its core markets as a market leading supplier of insulation and interiors solutions to the construction industry, and a specialist merchant of roofing materials for small to medium sized construction businesses. The Group today announces its half year results for the six months ended 30 June 2020 ("H1 2020" or "the period").

Strategic and operational highlights

- New leadership team appointed
- Successful restructuring of the Group's financing facilities and capital raise of £165m, concluded in July, including £83m equity investment by Clayton, Dubilier & Rice LLC
- Post capital raise, substantial liquidity headroom provides security against ongoing market uncertainty and confidence to invest in new growth strategy, with a net cash position at 31 August of £29m, pre IFRS 16
- Branch and customer-centric restructuring in the UK progressing to plan; Germany and Benelux also refocusing under new combined team
- The Group has been able to trade safely, working closely and flexibly with our employees, customers and suppliers to adapt to new Covid-19 norms

Financial results

- Like-for-like H1 sales down 23.9% on prior year, impacted by Covid-19
- Gross margin down 50bps due to lower volumes. Group underlying operating loss of £43.2m (H1 2019: £29.1m profit)
- Underlying LBT of £53.7m (H1 2019: £17.4m profit) and underlying loss per share of 9.1p (H1 2019: 2.1p earning per share)
- Statutory loss before tax from continuing operations of £125.4m (H1 2019: profit before tax of £2.2m) reflecting £71.7m of Other items, including £42.8m of impairment of goodwill in the UK businesses, mainly reflecting the impact of Covid-19
- Net debt, pre IFRS 16, down to £90.0m (H1 2019: £158.2m), helped by sale of Air Handling division in January

Current trading and outlook

- Market fundamentals remain sound and near-term order books give an element of encouragement, but there remains significant economic uncertainty
- Trading following initial estimates of immediate H1 Covid-19 impact was better than anticipated, and the Board now expects full year sales to be moderately higher than guided in May
- H2 expected to remain loss-making, but at a lower rate than H1
- Net cash outflow expected in H2 due to unwind of tax deferrals (government supported Covid-19 schemes) and cessation of some historical year-end and half-year working capital practices

Underlying operations[1]	H1 2020	H1 2019	Change
Revenue	**£817.7m**	£1,071.5m	*(23.7)%*
LFL[2] sales	**(23.9)%**	(3.8)%	*n/a*
Gross margin	**24.8%**	25.3%	*(50)bps*
Underlying[3] operating (loss)/profit	**(£43.2m)**	£29.1m	*(£72.3m)*
Underlying[3] (loss)/profit before tax	**(£53.7m)**	£17.4m	*(£71.1m)*
Underlying[3] (loss)/earnings per share	**(9.1p)**	2.1p	*(11.2p)*
Operating margin	**(5.3)%**	2.7%	*(800)bps*
Net debt	**£341.8m**	£449.0m	*23.9%*
Net debt (pre IFRS 16)	**£90.0m**	£158.2m	*43.1%*

Statutory results	H1 2020	H1 2019
Revenue[4]	**£840.1m**	**£1,113.3m**
Operating (loss)/profit[4]	**(£102.9m)**	**£14.2m**
(Loss)/profit before tax[4]	**(£125.4m)**	**£2.2m**
Basic (loss)/earnings per share[4]	**(9.1p)**	**0.2p**
Total (loss)/profit after tax[5]	**(£53.8m)**	**£1.3m**
Dividend per share	**-**	**1.25p**

1. Underlying operations excludes businesses divested or closed, or which the Board has resolved to divest or close by 23 September 2020.
2. Like-for-like (LFL) is defined as sales per working day in constant currency excluding acquisitions and disposals completed or agreed in the prior year, or before announcement of the Group's results for the relevant period. Sales are not adjusted for branch openings or closures. LFL sales differ from the previous trading statement primarily as a result of the reclassification of non-core businesses.
3. Underlying represents the results before Other items. Other items relate to the amortisation of acquired intangibles, impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating profits and losses attributable to businesses identified as non-core, net restructuring costs, investment in omnichannel retailing, other specific items, fair value gains and losses on derivative financial instruments, the taxation effect of Other items and the effect of changes in taxation rates. Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group.
4. Statutory results of Continuing operations only.
5. Statutory results including both Continuing and Discontinued operations.

Commenting, Steve Francis, Chief Executive Officer, said:

"I would like to thank all our people for their resilience and commitment in the face of the very challenging circumstances of recent months, the effects of which clearly impacted our first half results. Providing a safe environment and instilling an even greater focus on good health and safety behaviours have been a major focus of the new management team.

"In mid-summer, we concluded the successful restructure of our financing facilities and a £165m capital raise. These, along with our careful management of working capital and cash in recent months, have created a sound financial base on which we can rebuild the business.

"The new management team has started to execute its strategy and implement its organisational model, which focuses on our local branch teams, enabling growth and returning to active industry leadership. As previously stated, the essence of our new strategy is re-connection with our people – employees, customers, suppliers and the communities in which we do business. We are a local, sales and service-driven business. We firmly believe that our new strategy for growth will provide the basis, not only for the restoration of profit and strong cash conversion, but also serve as a foundation to play a leading role in our industry in the years to come.

"Long term fundamentals remain sound in the Group's markets across Europe. In the short term, significant economic uncertainty remains in all of our markets, although government stimulus for the construction sector, notably in the UK, is welcome.

"Trading was better than anticipated during the peak lockdown months of March to May, compared to our initial estimates of the possible Covid-19 impact, and the Board now expects full year sales to be moderately higher than guided in May. Group sales in July and August were encouraging although down year on year, and market share losses during 2019, particularly in the UK distribution business, will take time to recover. The second half of 2020 is expected to remain loss making, but at a lower rate than the first despite some increased pressure on gross margin in the UK.

"I am extremely encouraged by the energy and excitement with which our people have embraced the new strategy and by the initial progress made in a short space of time.

"The Group demonstrated agility and resilience in the first half of the year, dealing with an unprecedented external challenge, and significant internal change and activity. Coupled with a strengthened balance sheet, the foundations are now in place for the business to grow."

Investor and Analyst presentation (9am today)

A webcast of the Group's briefing for analysts and investors will take place today at 9am, a recording of which will also be available later in the day on the investor page of the company's website, www.sigplc.com.

Please click this URL to join. https://storm-virtual-uk.zoom.us/j/81232011672

Or join by phone:
United Kingdom: +44 203 481 5240 / +44 203 901 7895 / +44 131 460 1196 / +44 203 051 2874 / +44 203 481 5237
Webinar ID: 812 3201 1672
International numbers available: https://storm-virtual-uk.zoom.us/u/kbsO8Tkr7C

LEI: 213800VDC1BKJEZ8PV53

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OPERATIONAL REVIEW

The first half has been a transformational period for the Group. In order to return to profitable growth and win back market share, a new management team has been appointed to develop a new, customer-centric strategy that reprioritises sales and re-establishes SIG's traditional strengths of being an experienced, technically strong and service-focused local sales business. In July, the Group concluded the successful renegotiation of its debt arrangements and capital raise. These actions, along with careful management of working capital and cash in recent months, have created a sound financial base on which to rebuild the business.

Covid-19

We acted quickly to develop a coordinated and decisive response to Covid-19 to support our operating companies, to ensure the health and safety of our people, customers, suppliers and local communities within which we operate and to minimise the adverse impacts on our businesses. Collective actions across all central support and operations functions at branch, regional and Group management levels were implemented, under demanding circumstances, in accordance with local government guidelines.

In response to the challenges posed by the pandemic, we acted swiftly to reduce costs, optimise cash flow, protect the Group's liquidity and, where necessary, change our ways of operation and how we interacted with both suppliers and customers.

The furloughing of employees for a limited period, combined with other wage saving initiatives and, where available, accessing various government support schemes in all of its countries of operation, enabled the Group to support its cash position in the period. From 1 April to 30 June 2020, the Board of Directors and the Group Executive Leadership Team took pay reductions. Additionally, the majority of the UK and Ireland employees took lower pay during April, the period when those businesses were, effectively, closed.

The Board also took the decision not to declare a full year 2019 dividend.

The ability of the Group to respond effectively to the Covid-19 pandemic and to maintain its liquidity position during this unprecedented period of extreme uncertainty reflects the effectiveness of the mitigating actions initiated by the Board, and the agility and resilience of the organisation, and points towards the successful adoption of the new strategy as the Group emerges from this period of business disruption.

H1 Trading

Overall, the Group performed better than initial internal estimates made at the beginning of the pandemic. Nevertheless, trading in the first half was significantly impacted by Covid-19, particularly in March and April during the most severe lockdown period in the majority of markets. With the easing of lockdown restrictions in May and June, the Group saw a gradual improvement in trading performance, accompanied by a corresponding improvement in profitability.

<u>January to February</u>

The Group's underlying revenue for the two months ended 29 February 2020 was £296.0m, down by £36.9m from the prior year (two months ended 28 February 2019: £332.9m), a like-for-like decline of 11.1%. Trading in the UK and Germany saw a continuation of the challenging trends seen in the last quarter of 2019, whilst trading activity in the rest of Europe was relatively stable.

Due to reduced sales volumes in key markets, the gross profit margin fell compared to the prior year period (two months ended 28 February 2019).

March to April

As announced on 29 May 2020, the Group's underlying revenue for the two months ended 30 April 2020 was £235.0m, down by £138.8m from the prior year (two months ended 30 April 2019: £373.8m). Revenues in the period were significantly impacted by the Covid-19 outbreak, particularly in the UK, Ireland and France, with the Group's underlying like-for-like revenues down 37.7% over the two months.

On 30 March 2020, the Group announced that large parts of its UK market had seen sales fall away rapidly, in common with the broader construction industry. It was concluded that it was necessary and appropriate to temporarily close UK operations. Trading sites in Ireland were also temporarily closed due to restrictions implemented by the Irish Government. The UK and Ireland businesses remained open to service critical and emergency projects only, such as for the NHS, energy and food sectors.

Trading activity in France was affected by the short-term closure of all branches for three days in mid-March, which was followed by a staged reopening throughout April. Like-for-like revenues in France during this two-month period were down 39.0%.

The Group's operating companies in Germany, Poland and Benelux were also impacted by government measures, albeit to a lesser extent.

Similar to the first two months, the Group's gross profit margin in March and April was negatively impacted by the decline in overall sales, combined with a shift in mix away from the more profitable roofing merchanting businesses in the UK and France.

During this period, the Group took a number of decisive cost saving actions and also accessed government-supported job retention schemes, resulting in a reduction in its operating costs year on year.

May to June

The Group witnessed a gradual improvement in trading performance throughout May and June 2020, particularly in the UK and Ireland where branches continued to reopen during May as lockdown restrictions were eased. The Group's underlying like-for-like sales over May and June were down 21.7%, with May 35.7% down and June improving to just 8.0% down on 2019.

In the UK and Ireland, average daily sales began to recover in May, at which point all but two of the UK and Ireland sites had reopened. This positive revenue trend continued throughout June with combined like-for-like revenues in May and June down 40.9%.

France also demonstrated a strong recovery during May, despite the fact that parts of the French construction market were not fully open, reflecting the release of pent-up demand during the lockdown period, and signalling optimism for the early summer trading period when sales are seasonally strongest. Average daily sales continued to improve in June.

Sales in Germany, Poland and Benelux remained stable during May, with further improvement during June. On a combined basis, like-for-like sales were 10.0% behind prior year over the two-month period.

Profitability across the Group also improved materially during May and June, albeit the Group was still loss making overall. The improvements were driven by a combination of the improved trading performance, particularly in the UK and Ireland, the decisive cost actions by management, and continued governmental support.

Liquidity and balance sheet strengthening

The successful renegotiation of the Group's debt facilities in the summer resulted in a resetting of its covenant requirements, with consolidated net debt and liquidity covenants to be tested monthly through to February 2022. From March 2022, covenants over the Group's liquidity, leverage and interest cover will be tested on a quarterly basis. Consolidated net worth will also be tested, throughout the above periods.

The significant loss of revenues in 2020 impacted profitability, cash generation and therefore debt levels, though the immediate and comprehensive set of actions enacted across the business around cash conservation, coupled with the receipt of the sale proceeds of the Air Handling division, meant that the Group was able to preserve its liquidity throughout the period.

In the announcement of its full year 2019 results on 29 May 2020, the Group reported that it had cash resources of £155.3m as at 30 April, with a net debt position, pre IFRS 16, of £114.1m. As at 30 June, the cash position had improved to £197.3m with net debt, pre IFRS 16, of £90.0m. This improvement reflects improved levels of profitability, a continuation of cost control actions and utilisation of government support schemes, as well as an ongoing rigorous, though careful, management of working capital.

In mid-July, the Group completed a successful capital raise, as previously announced, raising gross proceeds of £165m (£153m net of related costs). In addition, approximately £13m costs were paid in relation to the debt refinancing.

As at 31 August, the Group had cash resources of £267.5m, with a net cash position, pre IFRS 16, of £29.2m. Approximately £13m of deferred payments relating to government support schemes will unwind over the coming months, the majority doing so in H2 2020. The settlement of these deferrals, the cessation of some historical year-end working capital practices, as well as a carefully managed increase in stock levels in parts of the business to improve the service to customers and to support the Group's sales growth, will result in working capital levels increasing over H2. This increase in working capital will be funded from the Group's available resources.

Strategy update: re-connect, re-energise and re-set

On 29 May, the Group launched its new strategy for growth. The restructuring of its debt facilities and the successful capital raise provide firm and stable foundations for this strategy to be delivered. Fundamental to the new strategy is the recognition that SIG is a sales-led organisation, where the ability to grow its customer base through the provision of high levels of customer service and disciplined pricing are critical. The establishment of strong customer relationships, by empowering and energising key account and branch teams, and promoting an entrepreneurial spirit throughout the company's extensive branch network, is key to this objective.

With a strong executive team in position, and the strengthening of the senior management teams across a number of areas of the business over the past few months, particularly in the UK and Germany, the Board is confident that the Group will deliver a significant improvement in its operational and financial performance over the medium term and achieve its vision of being the leading B2B distributor of specialist construction products in the markets in which it operates.

The implementation of the strategy is now underway. In the UK and Germany, where the Group's operational and financial performance has seen greater deterioration, the new strategy is initially focusing on repairing the operational foundations of these businesses so as to provide the appropriate platform from which market share can be recaptured and profitable growth restored. In France, Benelux, Poland and Ireland, where the Group's operational and financial performance has been more stable, the new strategy is empowering the Group's operating companies to move onto a growth footing.

The Group’s new strategy for growth is shaped around seven key pillars which have been developed over the past few months and can be summarised as follows:

- Sustainable behaviours: establishing a sustainable and wholly recognisable set of behaviours across the Group’s workforce so that our people feel safe, valued and proud to be SIG employees
- Branch focus: developing our branch-based employees to create an entrepreneurial and well-trained workforce
- Sales and customer focus: driving a sales-led culture by strengthening sales capacity and productivity, with the key focus being one of customer service
- Superior expertise: re-establishing specialist focus and expertise across all customer-facing functions of the organisation
- Closer to suppliers and markets: gaining market share through enhanced customer proximity and service, and re-partnering with suppliers
- High productivity: investing in consistent and highly productive support functions, with a strong governance framework and robust financial disciplines
- Expansive vision: recognising and building on the company’s core strengths as a platform for acquisitive growth

Through the implementation of these strategic pillars, supported by the strengthened balance sheet and strong leadership teams across the organisation, the Board is confident that SIG will return to sustainable and long term profitable growth, recognising that the primary short term focus for the Group is to recapture the market share that it has lost over recent years.

Market share recapture plan

The Group’s market share recapture plan, particularly for SIG’s UK businesses, Distribution and Exteriors, as well as for its Germany and Benelux businesses, is built upon five key enablers.

Merger of leadership of UK Distribution and Exteriors

The UK’s Distribution and Exteriors businesses have now been merged to create a single UK division, with a combined leadership team replicating the model already deployed in SIG France, which will leverage potential synergies in support functions whilst maintaining separate commercial organisations and footprints (primarily branches). The new regional structure of the combined business will focus on promoting local entrepreneurship, accountability and P&L account responsibility.

Combined Germany and Benelux businesses

A similar combined management approach to that now deployed in the UK and France is close to finalisation across the German and Benelux businesses. Due to their geographic positions, the cost synergies are expected to be less than those in the UK.

A clearer understanding of “core” business

In light of the new strategy for growth, the Group has now commenced a review to refine the definitions of its marketplace and thereby revise and expand the definition of “core” business. This is designed to facilitate the development of a more expansive growth strategy in each of the Group’s countries of operation. The Company expects this review to highlight opportunities, consistent with the Group’s USPs (Expertise, Proximity, Service), to widen its product offering and expand its geographic coverage.

Energise sales and market share recovery and growth efforts

The Group plans to improve proximity to its customers by identifying and filling gaps in its geographical coverage. Sales forces are being expanded and up-skilled by restoring their historic industry-leading, bench-strength of specialist local expertise in areas such as fire protection, energy efficiency and sustainable materials. Salesforce productivity will also be increased through enhanced sales management and training, supported by salesforce management tools, disciplines and aligned incentives, with customer reconnection a top priority.

Facilitate growth through better operations

A number of actions are underway in the Group's operations to increase efficiency and service levels to boost the sales effort, including:

- pricing tools and training for key account and branch managers, providing enhanced visibility and autonomy to set pricing quickly and competitively;
- improved product availability through the use of enhanced systems and more accurate operational key performance indicators, such as stock availability;
- enhanced on time and in full delivery; and
- additional training, which is being provided to the Group's workforce in order to promote operational excellence and customer service.

Portfolio management

As announced on 3 February 2020, the Company completed the sale of its Air Handling division to France Air Management SA for an enterprise value of €222.7m (c.£187.0m) on a cash free, debt free basis on 31 January 2020. The net proceeds received by SIG were €180.9m (c.£151.9m), exclusive of the repayment of debt owed to SIG by the Air Handling division of €40.9m (c.£34.3m). The results from this business have been excluded from the reported underlying results and are shown as a discontinued operation in order to provide a better understanding of the Group's underlying performance in the continuing businesses.

The Building Solutions business was classified as held for sale at 31 December 2019, as a sale to Kingspan had been agreed and was due to complete in first half of 2020 subject to approval from the UK Competition & Markets Authority (CMA). On 21 May 2020, the Group announced that the parties had agreed to terminate the sales agreement as terms could not be agreed for the extension of the agreement to enable the completion of the CMA phase 2 investigation. The business continues to be classified as non-core but does not meet the criteria to be presented as held for sale at 30 June 2020.

Dividend

The Board took the decision not to declare and pay a final dividend for the 2019 financial year, in the interest of preserving the Group's liquidity position. No interim dividend for the current year will be paid (2019: 1.25p) under the terms of the Group's amended debt arrangements and nor will a final dividend be declared.

People

The Board would like to thank all employees of SIG for their continued commitment and resilience in what has been a challenging six months, particularly in relation to the ongoing Covid-19 pandemic. The key priority for the Group continues to be ensuring that all necessary measures are taken in line with government safety guidelines to protect the health and safety of employees, suppliers, customers and other partners. The Board is pleased to report that of the c.2,000 Group employees who were put on furlough (principally in the UK, Ireland and France), the vast majority are now back at work.

Current trading and outlook

Long term fundamentals remain sound in the Group's markets across Europe. In the short term, significant economic uncertainty remains in all of our markets, although government stimulus for the construction sector, notably in the UK, is welcome.

Trading was better than anticipated during the peak lockdown months of March to May, compared to our initial estimates of the possible Covid-19 impact, and the Board now expects full year sales to be moderately higher than guided in May. Group sales in July and August were encouraging although down year on year, and market share losses during 2019, particularly in the UK distribution business, will take time to recover.

The second half of 2020 is expected to remain loss making, but at a lower rate than the first despite some increased pressure on gross margin in the UK.

As at 31 August, the Group had cash resources of £267.5m, with a net cash position, pre IFRS 16, of £29.2m. Approximately £13m of deferred payments relating to government support schemes will unwind over the coming months, the majority doing so in H2 2020, and in aggregate H2 is expected to generate a cash outflow, as previously outlined above.

The Group demonstrated agility and resilience in the first half of the year, dealing with an unprecedented external challenge, and significant internal change and activity. Coupled with a strengthened balance sheet, the foundations are now in place for the business to grow.

FINANCIAL REVIEW

Revenue and gross margin

The Group saw a 23.9% decline in its like-for-like (LFL) revenue over the period, including a favourable 0.1% currency movement and an adverse 0.3% impact from fewer working days. Group underlying revenue was down 23.7% to £817.7m (H1 2019: £1,071.5m), impacted by Covid-19.

Underlying results exclude the results from the businesses that are classified as non-core in order to provide a better understanding of the underlying performance of the Group. These businesses reported sales of £22.4m (H1 2019: £41.8m). On a statutory basis, Group revenue was £840.1m (H1 2019: £1,113.3m).

The Group's underlying gross margin decreased by 50bps to 24.8% (H1 2019: 25.3%) and underlying gross profit reduced by £68.2m to £203.0m (H1 2019: £271.2m), reflecting lower rebate receipts due to decreased revenue volumes. On a statutory basis, the Group's gross margin decreased by 40bps to 24.9% (H1 2019: 25.3%) and statutory gross profit fell from £282.1m to £209.5m.

Operating costs and profit

The Group's underlying operating costs were £246.2m (H1 2019: £242.1m). The increase is primarily due to the release of a number of one-off accruals and provisions in H1 2019, which reduced the comparator, some temporary costs related to the UK and broader Group reorganisations, additions to bad debt reserves in response to Covid-19 uncertainty, and cost inflation. These increases were partially offset by c.£10m benefit from furlough schemes and wage saving initiatives. The Group's underlying operating loss was £43.2m (H1 2019: £29.1m profit) and at a statutory level the Group's operating loss was £102.9m (H1 2019: £14.2m profit) after non-underlying items of £59.7m (H1 2019: £14.9m), including £42.8m impairment charges relating to impairment of goodwill in the UK businesses following the reassessment of trading expectations to reflect the impact of Covid-19, £6.9m costs associated with refinancing, and £4.1m costs relating to investment in omnichannel retailing.

The Group's underlying net finance costs decreased to £10.5m (H1 2019: £11.7m), resulting in underlying loss before tax of £53.7m (H1 2019: £17.4m profit). On a statutory basis, the Group saw a loss before tax of £125.4m (H1 2019: £2.2m profit) after non-underlying items of £71.7m (H1 2019: £15.2m), including a £11.3m loss on modification recognised in relation to the private placement notes.

The Group's underlying tax credit for the period was £0.1m (H1 2019: £4.7m charge), representing an underlying effective tax rate credit of 0.2% (H1 2019: 26.7%). After Other items, the total tax credit was £0.8m (H1 2019: £1.5m charge).

Segmental analysis

As a result of recent organisational changes, we have reassessed our operating segments to ensure they are appropriate. In 2019, the reportable operating segments were grouped on a line of business basis with subtotals for Specialist Distribution and Roofing Merchanting. There is no change to the reported operating segments from those reported in the 2019 Annual Report and Accounts, but the segments are now grouped on a geographical basis instead of on a line of business basis. This reflects the way in which information is reported and reviewed by the Chief Operating Decision Maker (CODM) following the change in management and strategy during 2020.

UK

	Underlying revenue H1 2020 (£m)	**Underlying revenue H1 2019 (£m)**	**LFL sales**	**Underlying operating (loss)/profit H1 2020 (£m)**	**Underlying operating profit H1 2019 (£m)**
UK Distribution	154.9	295.2	(47.5)%	(27.4)	6.8
UK Exteriors	104.1	143.5	(27.5)%	(8.9)	5.1
UK before non-core	**259.0**	**438.7**	**(41.0)%**	**(36.3)**	**11.9**
Non-core businesses	21.2	29.6	-	0.3	1.1
UK	**280.2**	**468.3**	**(41.0)%**	**(36.0)**	**13.0**

Underlying revenue in UK Distribution, a market leading specialist insulation and interiors distribution business, was down 47.5% to £154.9m (H1 2019: £295.2m). Underlying gross margin dropped to 22.9% (H1 2019: 24.9%). The lockdown during March and April severely impacted UK trading and as a result, combined with some continued underlying weakness in performance, underlying operating loss for the half year was £27.4m (H1 2019: £6.8m profit). On a statutory basis, after taking into account Other items, notably an impairment charge of £31.0m due primarily to the Covid-19 impact, UK Distribution reported an operating loss of £61.0m (H1 2019: £2.6m profit).

UK Exteriors, a market leading and national specialist roofing merchant, saw underlying revenue fall by 27.6% to £104.1m (H1 2019: £143.5m). Gross margin decreased 170bps to 27.2% (H1 2019: 28.9%). As a result of the trading impact of Covid-19, the business saw an underlying operating loss of £8.9m (H1 2019: £5.1m profit). On a statutory basis, after taking into account Other items, notably an impairment charge of £11.8m due primarily to the Covid-19 impact, UK Exteriors reported an operating loss of £23.4m (H1 2019: £2.0m profit).

France

	Underlying revenue H1 2020 (£m)	**Underlying revenue H1 2019 (£m)**	**LFL sales**	**Underlying operating profit/(loss) H1 2020 (£m)**	**Underlying Operating Profit/(Loss) H1 2019 (£m)**
France Distribution	73.8	93.0	(20.2)%	1.3	6.6
France Exteriors	154.4	172.4	(11.4)%	1.6	4.2
France before non-core	**228.2**	**265.4**	**(14.5)%**	**2.9**	**10.8**
Non-core businesses	1.2	0.9	-	(0.2)	(0.3)
France	**229.4**	**266.3**	**(14.5)%**	**2.7**	**10.5**

Trading activity suffered a temporary setback in France following the short term closure of all branches for three days in mid-March. The businesses then commenced a staged reopening through into May.

In France Distribution, trading as LiTT, a leading structural insulation and interior business, underlying revenue decreased by 20.6% to £73.8m (H1 2019: £93.0m), impacted by the aforementioned temporary lockdown. However, underlying gross margin increased 280bps to 26.4% (H1 2019: 23.6%), largely enabled by the introduction of a new pricing framework during the latter stages of 2019. The reduction in revenue, offset by improved margin, resulted in a £5.3m decrease in underlying operating profit to £1.3m (H1 2019: £6.6m). On a statutory basis, after taking into account Other items, France Distribution reported an operating profit of £1.3m (H1 2019: £6.6m).

Underlying revenue in France Exteriors, trading as Larivière, a market leading specialist roofing business, decreased by 10.4% to £154.4m (H1 2019: £172.4m), also impacted by the lockdown. Underlying gross margin remained relatively stable at 23.6% (H1 2019: 23.3%). This resulted in a £2.6m decrease in underlying operating profit to £1.6m (H1 2019: £4.2m). On a statutory basis, after taking into account Other items, France Exteriors reported an operating profit of £1.1m (H1 2019: £2.8m).

Germany and Benelux

	Underlying revenue H1 2020 (£m)	**Underlying revenue H1 2019 (£m)**	**LFL sales**	**Underlying operating (loss)/profit H1 2020 (£m)**	**Underlying operating profit H1 2019 (£m)**
Germany	177.1	191.5	(7.8)%	(1.3)	3.3
Benelux	47.7	53.7	(10.7)%	1.8	2.9
Germany and Benelux before non-core	**224.8**	**245.2**	**(8.5)%**	**0.5**	**6.2**
Non-core businesses	-	11.3	-	-	**0.6**
Germany and Benelux	**224.8**	**256.5**	**(8.5)%**	**0.5**	**6.8**

The Group's operating companies in Germany and Benelux were impacted by government measures due to Covid-19 but to a lesser extent than in the UK, Ireland and France, and trading continued from all sites throughout the period.

Underlying revenue in a specialist insulation and interiors distribution business in Germany, trading as WeGo/VTi, fell by 7.5% to £177.1m (H1 2019: £191.5m). In addition to Covid-19, trading in Germany saw a continuation of the challenging trends seen in the last quarter of 2019. However, underlying gross margin increased 60bps to 28.2% (H1 2019: 27.6%) assisted by further enhancements around pricing controls. As a result, underlying operating loss for the period was £1.3m (H1 2019: £3.3m profit). On a statutory basis, after taking into account Other items, Germany reported a loss of £1.1m (H1 2019: £1.9m loss).

Underlying revenue from the Group's distributor of insulation and interiors in the Benelux region fell by 11.3% to £47.7m (H1 2019: £53.7m). Underlying gross margin decreased slightly to 24.5% (H1 2019: 24.8%). As a result, operating profit decreased to £1.8m (H1 2019: £2.9m). On a statutory basis, after taking into account Other items, Benelux reported an operating profit of £1.4m (H1 2019: £2.7m).

Ireland

	Underlying revenue H1 2020 (£m)	**Underlying revenue H1 2019 (£m)**	**LFL sales**	**Underlying operating (loss)/profit H1 2020 (£m)**	**Underlying operating profit H1 2019 (£m)**
Ireland	33.4	47.5	(29.4)%	(1.4)	2.9

In Ireland, a specialist distributor of interiors, insulation and construction accessories, revenues in March to April were significantly impacted by the Covid-19 pandemic, with a gradual improvement in performance in May to June as branches began to reopen. Underlying revenue declined by 29.7% to £33.4m (H1 2019: £47.5m). Underlying gross margin dropped to 21.9% (H1 2019: 24.9%). Underlying operating loss was £1.4m (H1 2019: £2.9m profit) and on a statutory basis, after taking into account Other items, Ireland reported an operating loss of £1.4m (H1 2019: £2.1m profit).

Poland

	Underlying revenue H1 2020 (£m)	Underlying revenue H1 2019 (£m)	LFL sales	Underlying operating profit H1 2020 (£m)	Underlying operating profit H1 2019 (£m)
Poland	72.3	74.7	(6.0)%	0.6	1.3

In Poland, a market leading distributor of insulation and interiors, underlying revenue fell to £72.3m (H1 2019: £74.7m). Whilst also impacted by government measures, trading continued from all sites throughout the period. However, underlying gross margin increased slightly to 20.6% (H1 2019: 20.3%), reflecting a change in customer sales mix during the period, with greater volumes coming from its sole trader and small company customer base, where margins are usually higher. The business delivered an underlying and statutory operating profit of £0.6m (H1 2019: £1.3m).

Air Handling disposal complete

The Group completed the sale of its Air Handling division on 31 January 2020. The Air Handling division delivered revenue for the period of £25.4m (H1 2019: £159.3m) and underlying operating profit of £1.1m (H1 2019: £9.2m). The results from this business are shown as a discontinued operation.

Other items

Other items, being items excluded from underlying results, during the period amounted to £71.7m (H1 2019: £15.2m) on a pre-tax basis, and comprised:

- Amortisation of acquired intangibles of £2.8m (H1 2019: £3.1m);
- Impairment charges of £42.8m (H1 2019: £nil), relating to impairment of goodwill in the UK businesses following the reassessment of trading expectations to reflect the impact of Covid-19;
- Profits and losses on the sale or closure of non-core businesses and associated impairment charges of £1.4m profit (H1 2019: £0.9m loss), together with net operating profit from those businesses of £0.1m (H1 2010: £1.4m);
- Net restructuring costs of £3.5m comprising property closure costs of £0.7m (H1 2019: £0.5m), redundancy and staff related costs of £0.8m (H1 2019: £6.1m), impairment of non-current and current assets due to restructuring of £0.1m (H1 2019: £0.5m), restructuring consultancy costs of £1.7m (H1 2019: £5.1m) and £0.2m other (H1 2019: £nil), primarily incurred in connection with the fundamental restructuring of the target operating model of the major operating companies in the UK, Germany and France;
- Costs relating to investment in omnichannel retailing of £4.1m (H1 2019: £nil);
- Costs associated with refinancing £6.9m (H1 2019: £nil);
- Other specific items of £1.1m (H1 2019: £0.1m), including £1.7m of fees in relation to a PwC independent review offset by £0.6m gain in forward currency options;
- Non underlying finance costs £12.0m (H1 2019: £0.3m), including £11.3m loss on modification recognised in relation to the private placement notes.

Impact of non-core businesses

H1 2019 has been restated to reflect the business divestments classified as non-underlying subsequent to the 2019 interim announcement (Building Solutions and Maury) and the presentation of the Air Handling division as discontinued. Please refer to the table below.

	Underlying revenue (£m)	Underlying PBT (£m)
As reported at H1 2019 results	**1,260.1**	**27.3**
Air Handling	(159.3)	(8.6)
Building Solutions (National) Ltd	(28.4)	(1.6)
Maury	(0.9)	0.3
Restated at H1 2020 results	**1,071.5**	**17.4**

Responsibility Statement

We confirm to the best of our knowledge that:

(a) the condensed interim set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;

(b) the Interim Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Interim Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Steve Francis	**Ian Ashton**
Director	Director
24 September 2020	24 September 2020

Cautionary Statement

This Interim Report is prepared for and addressed only to the Company's Shareholders as a whole and to no other person. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this Interim Report is shown or into whose hands it may come and such responsibility or liability is expressly disclaimed.

This Interim Report contains forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building and construction sectors. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements in this Interim Report will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Group's control. Actual results could differ materially from the Group's current expectations.

It is believed that the expectations set out in these forward-looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially, including but not limited to, market conditions, competitors and margin management, commercial relationships, fluctuations in product pricing, changes in foreign exchange and interest rates, government legislation, availability of funding, working capital and cash management, IT infrastructure and cyber security and availability and quality of key resources.

The Company's Shareholders are cautioned not to place undue reliance on the forward-looking statements. This Interim Report has not been audited or otherwise independently verified. The information contained in this Interim Report has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this Interim Report during the financial year ahead.

Condensed Consolidated Income Statement
for the six months ended 30 June 2020 (unaudited)

		Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
		Underlying*	**Other items****	**Total**	Underlying* Restated^	Other items** Restated^	Total Restated^	Underlying*	Other items**	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	2	**817.7**	**22.4**	**840.1**	1,071.5	41.8	1,113.3	2,084.7	75.9	2,160.6
Cost of sales		**(614.7)**	**(15.9)**	**(630.6)**	(800.3)	(30.9)	(831.2)	(1,545.5)	(56.0)	(1,601.5)
Gross profit		**203.0**	**6.5**	**209.5**	271.2	10.9	282.1	539.2	19.9	559.1
Other operating expenses		**(246.2)**	**(66.2)**	**(312.4)**	(242.1)	(25.8)	(267.9)	(499.6)	(147.4)	(647.0)
Operating profit/(loss)	3	**(43.2)**	**(59.7)**	**(102.9)**	29.1	(14.9)	14.2	39.6	(127.5)	(87.9)
Finance income		**0.3**	**-**	**0.3**	0.2	-	0.2	0.5	-	0.5
Finance costs		**(10.8)**	**(12.0)**	**(22.8)**	(11.9)	(0.3)	(12.2)	(24.5)	(0.8)	(25.3)
Profit/(loss) before tax		**(53.7)**	**(71.7)**	**(125.4)**	17.4	(15.2)	2.2	15.6	(128.3)	(112.7)
Income tax (expense)/credit	5	**0.1**	**0.7**	**0.8**	(4.7)	3.2	(1.5)	(15.9)	4.5	(11.4)
Profit/(loss) after tax from continuing operations		**(53.6)**	**(71.0)**	**(124.6)**	12.7	(12.0)	0.7	(0.3)	(123.8)	(124.1)
Discontinued operations										
Profit/(loss) after tax from discontinued operations	8	**-**	**70.8**	**70.8**	-	0.6	0.6	-	(0.4)	(0.4)
Profit/(loss) after tax for the period		**(53.6)**	**(0.2)**	**(53.8)**	12.7	(11.4)	1.3	(0.3)	(124.2)	(124.5)
Attributable to:										
Equity holders of the Company		**(53.6)**	**(0.2)**	**(53.8)**	12.7	(11.4)	1.3	(0.3)	(124.2)	(124.5)
Earnings per share										
Basic and diluted earnings/(loss) per share	6			**(9.1)p**			0.2p			(21.0)p
Basic and diluted earnings/(loss) per share from continuing operations	6			**(21.1)p**			0.1p			(21.0)p

* Underlying represents the results before Other items.

** Other items relate to the amortisation of acquired intangibles, impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating profit/(losses) attributable to businesses identified as non-core, net restructuring costs, investment in omnichannel retailing, other specific items, fair value gains and losses on derivative financial instruments, non-underlying finance costs, the taxation effect of Other items and the effect of changes in taxation rates. Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group. Further details can be found in Note 4.

^ The results for the period to 30 June 2019 have been restated to present Air Handling as a discontinued operation. See Note 1 and Note 8 for further details.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2020 (unaudited)

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£m	£m	£m
Profit/(loss) after tax	**(53.8)**	1.3	(124.5)
Items that will not subsequently be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit pension liability (Note 13)	**(9.8)**	(3.8)	(1.8)
Current tax movement associated with remeasurement of defined benefit pension liability	**-**	-	0.4
Deferred tax movement associated with remeasurement of defined benefit pension liability	**-**	0.8	(6.6)
	(9.8)	(3.0)	(8.0)
Items that may subsequently be reclassified to the Consolidated Income Statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles	**4.4**	(0.4)	(7.4)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	**18.0**	(0.9)	(16.1)
Exchange and fair value movements associated with borrowings and derivative financial instruments	**(12.5)**	-	10.9
Tax credit on exchange and fair value movements arising on borrowings and derivative financial instruments	**2.4**	-	(2.1)
Exchange differences reclassified to the Consolidated Income Statement in respect of the disposal of foreign operations	**(5.9)**	-	(0.1)
Gains and losses on cash flow hedges	**2.0**	0.8	0.4
Transfer to profit and loss on cash flow hedges	**(1.6)**	(0.1)	0.9
	6.8	(0.6)	(13.5)
Other comprehensive (expense)/income	**(3.0)**	(3.6)	(21.5)
Total comprehensive (expense)/income	**(56.8)**	(2.3)	(146.0)
Attributable to:			
Equity holders of the Company	**(56.8)**	(2.3)	(146.0)
	(56.8)	(2.3)	(146.0)

Condensed Consolidated Balance Sheet
as at 30 June 2020 (unaudited)

	Note	**30 June 2020 £m**	30 June 2019 £m	31 December 2019 £m
Non-current assets				
Property, plant and equipment		**67.1**	81.1	58.6
Right-of-use assets		**257.6**	304.4	255.2
Goodwill		**131.3**	293.5	159.0
Intangible assets		**43.1**	46.7	42.3
Lease receivables		**4.0**	4.8	4.4
Deferred tax assets		**6.9**	15.5	4.4
Derivative financial instruments	11	**4.5**	2.6	1.7
Deferred consideration	11	**-**	0.3	-
		514.5	748.9	525.6
Current assets				
Inventories		**185.3**	219.7	156.5
Lease receivables		**0.8**	0.8	0.8
Trade and other receivables		**293.6**	464.8	294.7
Contract assets		**-**	3.1	-
Current tax assets		**-**	5.3	0.9
Derivative financial instruments	11	**0.7**	-	0.9
Deferred consideration	11	**-**	0.6	-
Cash at bank and on hand		**197.3**	153.1	110.0
Assets classified as held for sale	7	**-**	9.3	258.4
		677.7	856.7	822.2
Total assets		**1,192.2**	1,605.6	1,347.8
Current liabilities				
Trade and other payables		**341.8**	480.8	327.4
Contract liabilities		**-**	2.3	-
Lease liabilities		**54.6**	61.2	51.5
Bank overdrafts		**-**	5.6	-
Bank loans		**-**	94.7	99.6
Private placement notes		**48.3**	-	175.5
Other financial liabilities		**0.5**	1.2	1.5
Derivative financial instruments	11	**0.1**	0.1	0.2
Current tax liabilities		**3.2**	2.7	3.7
Provisions		**8.1**	7.0	6.7
Liabilities directly associated with assets classified as held for sale		**-**	2.2	115.7
		456.6	657.8	781.8
Non-current liabilities				
Lease liabilities		**224.5**	258.2	224.1
Bank loans		**67.2**	-	-
Private placement notes		**149.4**	185.0	-
Derivative financial instruments	11	**3.2**	4.2	1.9
Other financial liabilities		**1.3**	-	1.4
Deferred tax liabilities		**-**	1.4	-
Other payables		**3.1**	3.5	1.0
Retirement benefit obligations	13	**33.0**	30.7	24.8
Provisions		**16.5**	19.0	18.6
		498.2	502.0	271.8
Total liabilities		**954.8**	1,159.8	1,053.6
Net assets		**237.4**	445.8	294.2
Capital and reserves				
Called up share capital	12	**59.2**	59.2	59.2
Share premium account		**447.3**	447.3	447.3
Capital redemption reserve		**0.3**	0.3	0.3
Share option reserve		**1.8**	2.3	1.8
Hedging and translation reserve		**16.8**	20.4	10.2
Cost of hedging reserve		**0.5**	0.4	0.3
Retained losses		**(288.5)**	(84.1)	(224.9)
Attributable to equity holders of the Company		**237.4**	445.8	294.2
Total equity		**237.4**	445.8	294.2

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2020 (unaudited)

	Note	**Six months ended 30 June 2020 £m**	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Net cash flow from operating activities				
Cash generated from operating activities	9	**(28.5)**	86.4	166.0
Income tax paid		**(3.5)**	(5.9)	(10.8)
Net cash generated from operating activities		**(32.0)**	80.5	155.2
Cash flows from investing activities				
Finance income received		**0.3**	0.3	0.6
Purchase of property, plant and equipment and computer software		**(13.4)**	(13.1)	(34.5)
Proceeds from sale of property, plant and equipment		**4.6**	3.9	7.6
Net cash flow arising on the sale of businesses	7	**149.5**	0.6	8.4
Net cash (used in)/generated from investing activities		**141.0**	(8.3)	(17.9)
Cash flows from financing activities				
Finance costs paid		**(10.8)**	(5.8)	(25.1)
Repayment of lease liabilities		**(27.2)**	(34.8)	(59.9)
Acquisition of non-controlling interests		**-**	(0.9)	(0.9)
Repayment of loans/settlement of derivative financial instruments		**1.0**	(3.7)	-
Additional drawdown/(repayment) of revolving credit facility*		**(30.0)**	41.0	42.4
Costs paid in relation to equity raise	20	**(1.3)**	-	-
Dividends paid to equity holders of the Company	14	**-**	-	(22.2)
Net cash used in financing activities		**(68.3)**	(4.2)	(65.7)
Increase in cash and cash equivalents in the period	10	**40.7**	68.0	71.6
Cash and cash equivalents at beginning of the period		**145.1**	78.8	78.8
Effect of foreign exchange rate changes		**11.5**	0.7	(5.3)
Cash and cash equivalents at end of the period**		**197.3**	147.5	145.1

* As part of the changes to the debt facility agreements on 18 June 2020 (see Note 1), £70.0m drawn under the existing revolving credit facility was converted into a £70.0m term facility, with no additional repayment or drawdown made.

** Cash and cash equivalents comprise cash at bank and on hand of £197.3m (30 June 2019: £153.1m; 31 December 2019: £145.1m) less bank overdrafts of £nil (30 June 2019: £5.6m; 31 December 2019: £nil)

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

For the six months ended 30 June 2020	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserves £m	Cost of hedging reserve £m	Retained (losses) / profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2020	59.2	447.3	0.3	1.8	10.2	0.3	(224.9)	294.2	-	294.2
Profit/(loss) after tax	-	-	-	-	-	-	(53.8)	(53.8)	-	(53.8)
Other comprehensive income/(expense)	-	-	-	-	6.6	0.2	(9.8)	(3.0)	-	(3.0)
Total comprehensive income/(expense)	-	-	-	-	6.6	0.2	(63.6)	(56.8)	-	(56.8)
At 30 June 2020	59.2	447.3	0.3	1.8	16.8	0.5	(288.5)	237.4	-	237.4

For the six months ended 30 June 2019	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserves £m	Cost of hedging reserve £m	Retained (losses) / profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2019	59.2	447.3	0.3	1.7	21.7	1.0	(68.3)	462.9	-	462.9
Impact of adoption of IFRS 16	-	-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Adjusted balance at 1 January 2019	59.2	447.3	0.3	1.7	21.7	1.0	(68.9)	462.3	-	462.3
Profit after tax	-	-	-	-	-	-	1.3	1.3	-	1.3
Other comprehensive income/(expense)	-	-	-	-	(1.3)	(0.6)	(1.7)	(3.6)	-	(3.6)
Total comprehensive income/(expense)	-	-	-	-	(1.3)	(0.6)	(0.4)	(2.3)	-	(2.3)
Credit to share option reserve	-	-	-	0.6	-	-	-	0.6	-	0.6
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(14.8)	(14.8)	-	(14.8)
At 30 June 2019	59.2	447.3	0.3	2.3	20.4	0.4	(84.1)	445.8	-	445.8

For the year ended 31 December 2019	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserves £m	Cost of hedging reserve £m	Retained (losses) / profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2019	59.2	447.3	0.3	1.7	21.7	1.0	(68.3)	462.9	-	462.9
Impact of adoption of IFRS 16	-	-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Adjusted balance at 1 January 2019	59.2	447.3	0.3	1.7	21.7	1.0	(68.9)	462.3	-	462.3
Profit/(loss) after tax	-	-	-	-	-	-	(124.5)	(124.5)	-	(124.5)
Other comprehensive income/(expense)	-	-	-	-	(12.8)	(0.7)	(8.0)	(21.5)	-	(21.5)
Total comprehensive income/(expense)	-	-	-	-	(12.8)	(0.7)	(132.5)	(146.0)	-	(146.0)
Transfer of reserves	-	-	-	-	1.3	-	(1.3)	-	-	
Credit to share option reserve	-	-	-	0.1	-	-	-	0.1	-	0.1
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(22.2)	(22.2)	-	(22.2)
At 31 December 2019	59.2	447.3	0.3	1.8	10.2	0.3	(224.9)	294.2	-	294.2

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 "Share-based payment" less the value of any share options that have been exercised.

The hedging and translation reserve represent movements in the Condensed Consolidated Balance Sheet as a result of movements in exchange rates and movements in the fair value of cash flow hedges which are taken directly to reserves.

Notes to the Condensed Interim Financial Statements

1. Basis of preparation of Condensed Interim Financial Statements

The Condensed Interim Financial Statements were approved by the Board of Directors on 24 September 2020.

The Condensed Interim Financial Statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The interim results to 30 June 2020 and 30 June 2019 have been subject to an Interim Review in accordance with ISRE 2410 by the Company's Auditor. The financial information for the full preceding year is based on the audited statutory accounts for the financial year ended 31 December 2019 prepared in accordance with IFRS as adopted by the European Union. Those accounts have been delivered to the Registrar of Companies. The Auditor's Report was (i) unqualified, (ii) contained a number of material uncertainties in respect of going concern to which the auditor drew attention by way of emphasis without modifying their report and (iii) did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006 in relation to the financial statements.

The Group's Condensed Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and the accounting policies included in the Annual Report and Accounts for the year ended 31 December 2019, which have been applied consistently throughout the current and preceding periods. In 2019 the reportable operating segments were grouped on a line of business basis with subtotals for Specialist Distribution and Roofing Merchanting. There is no change to the reportable operating segments from those reported in the 2019 Annual Report and Accounts, but the segments are now grouped on a geographical basis instead of a line of business basis. This reflects the way in which information is reported and reviewed by the Chief Operating Decision Maker (CODM) following the change in management and strategy during 2020.

The areas of critical accounting judgements and key sources of estimation uncertainty set out on pages 154 to 155 of the 2019 Annual Report and Accounts are considered to continue and be consistently applied. The impact of Covid-19 on the key sources of estimation has been considered. The carrying value of non-current assets has been reviewed, which has resulted in an impairment of £42.8m being recognised at 30 June 2020 in relation to the UK Distribution and UK Exteriors CGUs. Provisions for expected credit losses in relation to trade receivables have been considered, but this has not resulted in any significant increase in the level of provision required.

The Air Handling business, which has been sold during the period, was classified as a discontinued operation in the 2019 Annual Report and Accounts and the results for the period to the date of disposal continue to be classified as discontinued in these interim financial statements, together with the gain on sale. The comparatives for the period to 30 June 2019 have been restated to present the results for Air Handling on a consistent basis. Other businesses identified as non-core in 2019 did not meet the disclosure criteria of being discontinued operations as they did not individually or in aggregate represent a separate major line of business or geographical area of operation. In order to give an indication of the underlying earnings of the Group, the results of these businesses have been included within Other items in the Condensed Consolidated Income Statement. The comparatives for the period ending 30 June 2019 have been re-analysed to present net operating profits of £1.6m attributable to businesses identified as non-core in the second half of 2019 within Other items.

Significant changes in the current reporting period

The Covid-19 pandemic has had a significant impact on the global and UK economies and on the Group's results for the period ended 30 June 2020, as explained in more detail below and in the operational and financial review. The Group has completed the sale of the Air Handling business during the period, with further details of the impact on the results for the period included in Note 8 to these interim financial statements. The Group has also amended the terms of its financing arrangements, as explained below and in Note 4.

As disclosed in the 2019 Annual Report and Accounts, the project to implement SAP 1Hana in Germany and France has been paused during the period in light of the Covid-19 situation and to allow new senior management to fully assess the overall IT strategy. A decision will be made over the coming months to determine the future direction and feasibility of the project. Costs of £13.6m are included in intangible assets at 30 June 2020.

Going Concern

The Group closely monitors its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

Following a challenging trading period in 2019 and a change in its Executive Directors in February 2020, the Group undertook an extensive review of its business and operating strategy together with potential growth opportunities. During these reviews, it became clear that revised lower forecasts for future earnings for 2020 to 2022 were likely to leave the Group with higher than anticipated leverage levels during this period. In turn, these highlighted that the Group's capital structure needed to be addressed and, as a result, the Group sought to raise new equity in order to support its ability to successfully deliver the Group's new strategy while at the same time managing liquidity.

In July 2020 the Group successfully raised £165m of equity through a firm placing and placing and open offer in order to reduce net debt and strengthen the Group's balance sheet. Alongside this, as announced on 19 June 2020, the Group also agreed amended debt facility agreements in respect of its Revolving Credit Facility (RCF) and private placement debt.

Following the conclusion of the refinancing in June, the Group is, or will be, now subject to covenant testing as follows:

- Leverage (net debt/EBITDA) and interest cover (EBITA/interest) will not be tested until March 2022, from which point they will be tested every quarter, the tests being applied to the prior 12 months.
- From 31 July 2020 until 28 February 2022 the Group must ensure that Consolidated Net Debt (CND) does not exceed £125m for each test date in 2020 and £225m for each test date thereafter. As at 30 June 2020, the CND was £82.2m. However, following completion of the equity raise, the Group is currently in a net cash position.
- Consolidated Net Worth (CNW) must at all times not be less than £250m. At 30 June 2020 the CNW, under frozen GAAP, as reported herein, was £257.2m. After the equity raise, completed on 10 July 2020 this rose by approximately £152m.
- The Company must ensure that Liquidity of the Group is not less than £40m from the date of signing the amendments (18 June 2020).

The forecasts which underpin our going concern assessment, and specifically our ability to meet the CND, CNW and liquidity tests above, look out to 30 September 2021. These forecasts reflect the more normal trading levels seen since the worst of the Covid-19 impact, as well as the expected positive impact of the strategic actions being undertaken to improve future performance, notably in the UK. Management have continued to manage liquidity, such that cashflow performance is better than initial expectations for the current period and continue to monitor the Group's forecast liquidity position to ensure it does not fall below minimum required levels. The forecasts indicate that the Group will be able to operate within the covenants for at least 12 months from the date of approval of this half-year report. This is also the case under a plausible downside scenario, which was prepared for the equity raise and assumed a decline in sales volumes across most of the Group's end use markets, and specifically assumed an impact from further potential Covid-19 related restrictions. It also assumed a slower turnaround in our UK business.

After careful consideration, the Directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis.

New standards, interpretations and amendments adopted by the Group

A number of amended standards became applicable for the current reporting period. These standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Six months ended 30 June 2020	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product													
Interiors	**154.9**	**-**	**154.9**	**73.8**	**-**	**73.8**	**177.1**	**47.7**	**224.8**	**19.8**	**69.2**	-	**542.5**
Exteriors	**-**	**104.1**	**104.1**	**-**	**154.4**	**154.4**	**-**	**-**	**-**	**13.6**	**-**	-	**272.1**
Heating, ventilation and air conditioning	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.1**	-	**3.1**
Inter-segment revenue^	**1.0**	**1.0**	**2.0**	**0.7**	**3.1**	**3.8**	**-**	**-**	**-**	**-**	**-**	**(5.8)**	**-**
Total underlying revenue	**155.9**	**105.1**	**261.0**	**74.5**	**157.5**	**232.0**	**177.1**	**47.7**	**224.8**	**33.4**	**72.3**	**(5.8)**	**817.7**
Revenue attributable to businesses identified as non-core	**-**	**21.2**	**21.2**	**-**	**1.2**	**1.2**	**-**	**-**	**-**	**-**	**-**	**-**	**22.4**
Total	**155.9**	**126.3**	**282.2**	**74.5**	**158.7**	**233.2**	**177.1**	**47.7**	**224.8**	**33.4**	**72.3**	**(5.8)**	**840.1**
Nature of revenue													
Goods for resale	**155.9**	**126.3**	**282.2**	**74.5**	**158.7**	**233.2**	**177.1**	**47.7**	**224.8**	**31.6**	**72.3**	**(5.8)**	**838.3**
Construction contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.8**	**-**	**-**	**1.8**
Total	**155.9**	**126.3**	**282.2**	**74.5**	**158.7**	**233.2**	**177.1**	**47.7**	**224.8**	**33.4**	**72.3**	**(5.8)**	**840.1**
Timing of revenue recognition													
Goods transferred at a point in time	**155.9**	**126.3**	**282.2**	**74.5**	**158.7**	**233.2**	**177.1**	**47.7**	**224.8**	**31.6**	**72.3**	**(5.8)**	**838.3**
Goods and services transferred over time	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.8**	**-**	**-**	**(1.8)**
Total	**155.9**	**126.3**	**282.2**	**74.5**	**158.7**	**233.2**	**177.1**	**47.7**	**224.8**	**33.4**	**72.3**	**(5.8)**	**840.1**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

2. Revenue from contracts with customers (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Six months ended 30 June 2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Group Total £m
Type of product													
Interiors	295.2	-	**295.2**	93.0	-	**93.0**	191.5	53.7	**245.2**	28.5	71.7	-	**733.6**
Exteriors	-	143.5	**143.5**	-	172.4	**172.4**	-	-	**-**	19.0	-	-	**334.9**
Heating, ventilation and air conditioning	-	-	**-**	-	-	**-**	-	-	**-**	-	3.0	-	**3.0**
Inter-segment revenue^	1.8	1.8	**3.6**	0.3	3.7	**4.0**	-	0.1	**0.1**	-	-	(7.7)	**-**
Total underlying revenue	297.0	145.3	**442.3**	93.3	176.1	**269.4**	191.5	53.8	**245.3**	47.5	74.7	(7.7)	**1,071.5**
Revenue attributable to businesses identified as non-core	1.2	28.4	**29.6**	-	0.9	**0.9**	11.3	-	**11.3**	-	-	-	**41.8**
Total	298.2	173.7	**471.9**	-	177.0	**270.3**	202.8	53.8	**256.6**	47.5	74.7	(7.7)	**1,113.3**
Nature of revenue													
Goods for resale	298.2	173.7	**471.9**	93.3	177.0	**270.3**	202.8	53.8	**256.6**	44.2	74.7	(7.7)	**1,110.0**
Construction contracts	-	-	**-**	-	-	**-**	-	-	**-**	3.3	-	-	**3.3**
Total	298.2	173.7	**471.9**	124.3	177.0	**270.3**	202.8	53.8	**256.6**	47.5	74.7	(7.7)	**1,113.3**
Timing of revenue recognition													
Goods transferred at a point in time	298.2	173.7	**471.9**	93.3	177.0	**270.3**	202.8	53.8	**256.6**	44.2	74.7	(7.7)	**1,110.0**
Goods and services transferred over time	-	-	**-**	-	-	**-**	-	-	**-**	3.3	-	-	**3.3**
Total	298.2	173.7	**471.9**	93.3	177.0	**270.3**	202.8	53.8	**256.6**	47.5	74.7	(7.7)	**1,113.3**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

2. Revenue from contracts with customers (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Year ended 31 December 2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Group Total £m
Type of product													
Interiors	515.4	-	**515.4**	184.5	-	**184.5**	381.5	103.0	**484.5**	56.4	149.6	-	**1,390.4**
Exteriors	-	288.2	**288.2**	-	342.2	**342.2**	-	-	**-**	38.5	-	-	**668.9**
Heating, ventilation and air conditioning	18.9	-	**18.9**	-	-	**-**	-	-	**-**	-	6.5	-	**25.4**
Inter-segment revenue^	11.9	9.1	**21.0**	0.1	0.2	**0.3**	1.0	0.1	**1.1**	-	-	(22.4)	**-**
Total underlying revenue	546.2	297.3	**843.5**	184.6	342.4	**527.0**	382.5	103.1	**485.6**	94.9	156.1	(22.4)	**2,084.7**
Revenue attributable to businesses identified as non-core	1.2	58.3	**59.5**	-	1.9	**1.9**	14.5	-	**14.5**	-	-	-	**75.9**
Total	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	94.9	156.1	(22.4)	**2,160.6**
Nature of revenue													
Goods for resale	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	88.7	156.1	(22.4)	**2,154.4**
Construction contracts	-	-	**-**	-	-	**-**	-	-	**-**	6.2	-	-	**6.2**
Total	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	94.9	156.1	(22.4)	**2,160.6**
Timing of revenue recognition													
Goods transferred at a point in time	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	88.7	156.1	(22.4)	**2,154.4**
Goods and services transferred over time	-	-	**-**	-	-	**-**	-	-	**-**	6.2	-	-	**6.2**
Total	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	94.9	156.1	(22.4)	**2,160.6**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

3. Segmental information

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable operating segments based on the way in which financial information is reviewed and business performance is assessed by the CODM. Reportable operating segments are grouped on a geographical basis as explained in Note 1.

Six months ended 30 June 2020	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue													
Underlying revenue	**154.9**	**104.1**	**259.0**	**73.8**	**154.4**	**228.2**	**177.1**	**47.7**	**224.8**	**33.4**	**72.3**	**-**	**817.7**
Revenue attributable to businesses identified as non-core	**-**	**21.2**	**21.2**	**-**	**1.2**	**1.2**	**-**	**-**	**-**	**-**	**-**	**-**	**22.4**
Inter-segment revenue^	**1.0**	**1.0**	**2.0**	**0.7**	**3.1**	**3.8**	**-**	**-**	**-**	**-**	**-**	**(5.8)**	**-**
Total revenue	**155.9**	**126.3**	**282.2**	**74.5**	**158.7**	**233.2**	**177.1**	**47.7**	**224.8**	**33.4**	**72.3**	**(5.8)**	**840.1**
Result													
Segment result before Other items	**(27.4)**	**(8.9)**	**(36.3)**	**1.3**	**1.6**	**2.9**	**(1.3)**	**1.8**	**0.5**	**(1.4)**	**0.6**	**-**	**(33.7)**
Amortisation of acquired intangibles	(0.4)	(2.2)	(2.6)	-	(0.2)	(0.2)	-	-	-	-	-	-	(2.8)
Impairment charges	(31.0)	(11.8)	(42.8)	-	-	-	-	-	-	-	-	-	(42.8)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net operating losses attributable to businesses identified as non-core (Note 7)	-	0.3	0.3	-	(0.2)	(0.2)	-	-	-	-	-	-	0.1
Net restructuring costs	(2.2)	(0.8)	(3.0)	-	(0.1)	(0.1)	-	(0.4)	(0.4)	-	-	-	(3.5)
Other specific items	**-**	**-**	**-**	**-**	**-**	**-**	0.2	-	0.2	-	-	-	0.2
Segment operating profit/(loss)	**(61.0)**	**(23.4)**	**(84.4)**	**1.3**	**1.1**	**2.4**	**(1.1)**	**1.4**	**0.3**	**(1.4)**	**0.6**	**-**	**(82.5)**
Parent Company costs													**(9.5)**
Parent Company other items													**(6.8)**
Investment in omnichannel retailing													**(4.1)**
Operating loss													**(102.9)**
Net finance costs before Other items													**(10.5)**
Non-underlying finance costs													**(12.0)**
Profit before tax													**(125.4)**
Income tax credit													**0.8**
Profit after tax from discontinued operations													**70.8**
Loss for the year													**(53.8)**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into geographical groupings as explained in Note 1.

Six months ended 30 June 2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue													
Underlying revenue	295.2	143.5	**438.7**	93.0	172.4	**265.4**	191.5	53.7	**245.2**	47.5	74.7	-	**1,071.5**
Revenue attributable to businesses identified as non-core	1.2	28.4	**29.6**	-	0.9	**0.9**	11.3	-	**11.3**	-	-	-	**41.8**
Inter-segment revenue^	1.8	1.8	**3.6**	0.3	3.7	**4.0**	-	0.1	**0.1**	-	-	(7.7)	**-**
Total revenue	298.2	173.7	**471.9**	93.3	177.0	**270.3**	202.8	53.8	**256.6**	47.5	74.7	(7.7)	**1,113.3**
Result													
Segment result before Other items	6.8	5.1	**11.9**	6.6	4.2	**10.8**	3.3	2.9	**6.2**	2.9	1.3	-	**33.1**
Amortisation of acquired intangibles	(0.4)	(2.2)	**(2.6)**	-	(0.4)	**(0.4)**	-	(0.1)	**(0.1)**	-	-	-	**(3.1)**
Impairment charges	-	-	**-**	-	-	**-**	-	-	**-**	-	-	-	**-**
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 7)	(0.6)	1.0	**0.4**	-	-	**-**	(0.8)	-	**(0.8)**	(0.5)	-	-	**(0.9)**
Net operating losses attributable to businesses identified as non-core (Note 7)	(0.8)	1.9	**1.1**	-	(0.3)	**(0.3)**	0.6	-	**0.6**	-	-	-	**1.4**
Net restructuring costs	(2.7)	(3.8)	**(6.5)**	-	(0.6)	**(0.6)**	(5.0)	(0.1)	**(5.1)**	-	-	-	**(12.2)**
Other specific items	0.3	-	**0.3**	-	(0.1)	**(0.1)**	-	-	**-**	(0.3)	-	-	**(0.1)**
Segment operating profit/(loss)	2.6	2.0	**4.6**	6.6	2.8	**9.4**	(1.9)	2.7	**0.8**	2.1	1.3	-	**18.2**
Parent Company costs													**(4.0)**
Operating profit													**14.2**
Net finance costs before Other items													**(11.7)**
Non-underlying finance costs													**(0.3)**
Profit before tax													**2.2**
Income tax expense													**(1.5)**
Profit after tax from discontinued operations													**0.6**
Profit for the year													**1.3**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into geographical groupings as explained in Note 1.

Year ended 31 December 2019	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Revenue													
Underlying revenue	534.3	288.2	**822.5**	184.5	342.2	**526.7**	381.5	103.0	**484.5**	94.9	156.1	-	**2,084.7**
Revenue attributable to businesses identified as non-core	1.2	58.3	**59.5**	-	1.9	**1.9**	14.5	-	**14.5**	-	-	-	**75.9**
Inter-segment revenue^	11.9	9.1	**21.0**	0.1	0.2	**0.3**	1.0	0.1	**1.1**	-	-	(22.4)	**-**
Total revenue	547.4	355.6	**903.0**	184.6	344.3	**528.9**	397.0	103.1	**500.1**	94.9	156.1	(22.4)	**2,160.6**
Result													
Segment result before Other items	7.9	8.9	**16.8**	11.2	8.6	**19.8**	4.4	5.2	**9.6**	6.8	4.3	-	**57.3**
Amortisation of acquired intangibles	(0.9)	(4.4)	**(5.3)**	-	(0.7)	**(0.7)**	-	(0.2)	**(0.2)**	-	-	-	**(6.2)**
Impairment charges	(58.2)	(0.5)	**(58.7)**	-	(32.2)	**(32.2)**	-	-	**-**	-	-	-	**(90.9)**
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 7)	(0.9)	(1.6)	**(2.5)**	-	(1.6)	**(1.6)**	6.0	-	**6.0**	(1.8)	-	-	**0.1**
Net operating losses attributable to businesses identified as non-core (Note 7)	(0.8)	2.9	**2.1**	-	(0.9)	**(0.9)**	0.8	-	**0.8**	-	-	-	**2.0**
Net restructuring costs	(10.2)	(8.0)	**(18.2)**	-	(2.1)	**(2.1)**	(6.6)	(0.2)	**(6.8)**	-	-	-	**(27.1)**
Other specific items	0.2	-	**0.2**	-	(0.2)	**(0.2)**	(0.1)	-	**(0.1)**	(0.3)	-	-	**(0.4)**
Segment operating profit/(loss)	(62.9)	(2.7)	**(65.6)**	11.2	(29.1)	**(17.9)**	4.5	4.8	**9.3**	4.7	4.3	-	**(65.2)**
Parent Company costs													**(17.7)**
Investment in omnichannel retailing													**(5.7)**
Gain in fair value of forward currency option													**0.7**
Operating loss													**(87.9)**
Net finance costs before Other items													**(24.0)**
Non-underlying finance costs													**(0.8)**
Loss before tax													**(112.7)**
Income tax expense													**(11.4)**
Loss from discontinued operations													**(0.4)**
Loss for the year													**(124.5)**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into geographical groupings as explained in Note 1.

Six months ended 30 June 2020	UK Distribution £m	UK Exteriors £m	Total UK £m	France Distribution £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Total Germany and Benelux £m	Ireland £m	Poland £m	Total £m
Balance sheet												
Assets												
Segment assets	**159.0**	**218.2**	**377.2**	**60.5**	**203.1**	**263.6**	**162.2**	**59.6**	**221.8**	**46.7**	**63.1**	**972.4**
Unallocated assets:												
Right-of-use assets												**2.7**
Property, plant and equipment												**0.4**
Derivative financial instruments												**5.2**
Cash and cash equivalents												**158.2**
Deferred tax assets												**6.9**
Other assets												**46.4**
Consolidated total assets												**1,192.2**
Liabilities												
Segment liabilities	**190.3**	**100.6**	**290.9**	**51.0**	**114.8**	**165.8**	**101.9**	**19.4**	**121.3**	**26.7**	**31.5**	**636.2**
Unallocated liabilities:												
Bank loans												**67.2**
Private placement notes												**197.7**
Derivative financial instruments												**3.3**
Other liabilities												**50.4**
Consolidated total liabilities												**954.8**
Other segment information												
Capital expenditure on:												
Property, plant and equipment	**1.4**	**2.4**	**3.8**	**0.1**	**1.1**	**1.2**	**0.5**	**0.2**	**0.7**	**0.3**	**0.2**	**6.2**
Computer software	**1.4**	**0.9**	**2.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.3**
Non-cash expenditure:												
Depreciation	**10.1**	**5.7**	**15.8**	**6.3**	**1.6**	**7.9**	**7.2**	**1.1**	**8.3**	**1.1**	**1.8**	**34.9**
Amortisation of acquired intangibles and computer software	**2.0**	**2.4**	**4.4**	**-**	**0.2**	**0.2**	**-**	**-**	**-**	**0.1**	**-**	**4.7**
Impairment of goodwill and intangibles (excluding computer software)	**31.0**	**11.8**	**42.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42.8**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into geographical groupings as explained in Note 1.

Six months ended 30 June 2019	**UK Distribution £m**	**UK Exteriors £m**	**Total UK £m**	**France Distribution £m**	**France Exteriors £m**	**Total France £m**	**Germany £m**	**Benelux £m**	**Total Germany and Benelux £m**	**Ireland £m**	**Poland £m**	**Total £m**
Balance sheet												
Assets												
Segment assets	373.6	249.6	**623.2**	47.8	294.4	**342.2**	175.8	65.3	**241.1**	58.2	70.8	**1,335.5**
Unallocated assets:												
Air Handling assets												**215.2**
Property, plant and equipment												**8.2**
Derivative financial instruments												**2.6**
Cash and cash equivalents												**12.9**
Deferred tax assets												**15.5**
Other assets												**15.7**
Consolidated total assets												**1,605.6**
Liabilities												
Segment liabilities	216.0	120.1	**336.1**	53.1	126.7	**179.8**	105.5	21.4	**126.9**	39.5	41.2	**723.5**
Unallocated liabilities:												
Air Handling liabilities												**101.8**
Private placement notes												**185.0**
Bank loans												**94.7**
Derivative financial instruments												**4.3**
Other liabilities												**50.5**
Consolidated total liabilities												**1,159.8**
Other segment information												
Capital expenditure on:												
Property, plant and equipment	1.8	1.2	**3.0**	0.5	1.5	**2.0**	0.5	0.3	**0.8**	0.8	1.7	**8.3**
Computer software	0.7	-	**0.7**	0.1	0.1	**0.2**	-	-	**-**	5.6	-	**6.5**
Non-cash expenditure:												
Depreciation	11.3	3.7	**15.0**	2.5	5.0	**7.5**	7.1	1.3	**8.4**	1.1	1.6	**33.6**
Amortisation of acquired intangibles and computer software	2.0	2.2	**4.2**	-	0.8	**0.8**	0.1	0.1	**0.2**	0.3	-	**5.5**
Impairment of goodwill and intangibles (excluding computer software)	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into geographical groupings as explained in Note 1.

Year ended 31 December 2019	**UK Distribution £m**	**UK Exteriors £m**	**Total UK £m**	**France Distribution £m**	**France Exteriors £m**	**Total France £m**	**Germany £m**	**Benelux £m**	**Total Germany and Benelux £m**	**Ireland £m**	**Poland £m**	**Total £m**
Balance sheet												
Assets												
Segment assets	268.3	204.1	**472.4**	57.5	211.1	**268.6**	154.0	51.6	**205.6**	56.0	66.5	**1,069.1**
Unallocated assets:												
Right-of-use assets												**2.9**
Property, plant and equipment												**0.4**
Derivative financial instruments												**2.6**
Cash and cash equivalents												**(3.6)**
Deferred tax assets												**4.4**
Assets held for sale (Note 7)												**258.4**
Other assets												**13.6**
Consolidated total assets												**1,347.8**
Liabilities												
Segment liabilities	196.9	83.5	**280.4**	54.8	97.4	**152.2**	96.4	16.4	**112.8**	36.1	35.7	**617.2**
Unallocated liabilities:												
Private placement notes												**175.5**
Bank loans												**99.6**
Derivative financial instruments												**2.1**
Liabilities held for sale (Note 7)												**115.7**
Other liabilities												**43.5**
Consolidated total liabilities												**1,053.6**
Other segment information												
Capital expenditure on:												
Property, plant and equipment	2.4	6.5	**8.9**	0.8	0.9	**1.7**	1.3	0.3	**1.6**	0.7	2.2	**15.1**
Computer software	5.1	1.2	**6.3**	-	-	**-**	0.1	-	**0.1**	0.4	-	**6.8**
Non-cash expenditure:												
Depreciation	19.1	10.6	**29.7**	5.2	10.0	**15.2**	13.8	2.4	**16.2**	2.8	3.5	**67.4**
Impairment of right-of-use assets	0.5	0.5	**1.0**	-	0.5	**0.5**	-	-	**-**	-	-	**1.5**
Impairment of property, plant and equipment and computer software	0.9	-	**0.9**	-	-	**-**	-	-	**-**	-	-	**0.9**
Amortisation of acquired intangibles and computer software	3.5	4.5	**8.0**	-	0.7	**0.7**	0.1	0.2	**0.3**	-	0.1	**9.1**
Impairment of goodwill and intangibles (excluding computer software)	57.4	-	**57.4**	-	33.3	**33.3**	-	-	**-**	-	-	**90.7**

^ Inter-segment revenue is charged at the prevailing market rates.

Notes to the Condensed Interim Financial Statements

4. Other items

Profit after tax includes the following Other items which have been disclosed in a separate column within the Condensed Consolidated Income Statement in order to provide a better indication of the underlying earnings of the Group:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Amortisation of acquired intangibles	**(2.8)**	(3.1)	(6.2)
Impairment charges	**(42.8)**	-	(90.9)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 7)	**1.4**	(0.9)	0.1
Net operating profit/(losses) attributable to businesses identified as non-core[1] (Note 7)	**0.1**	1.4	2.0
Net restructuring costs[2]	**(3.5)**	(12.2)	(27.1)
Investment in omnichannel retailing	**(4.1)**	-	(5.7)
Costs associated with refinancing[3]	**(6.9)**	-	-
Other specific items[4]	**(1.1)**	(0.1)	0.3
Impact on operating profit/(loss)	**(59.7)**	(14.9)	(127.5)
Non-underlying finance costs[5]	**(12.0)**	(0.3)	(0.8)
Impact on profit/(loss) before tax	**(71.7)**	(15.2)	(128.3)
Income tax credit on Other items	**0.7**	3.2	4.9
Other tax adjustments in respect of previous years	**-**	-	(0.4)
Impact on profit/(loss) after tax	**(71.0)**	(12.0)	(123.8)

[1] The comparatives for 30 June 2019 for net operating profit/(losses) attributable to businesses identified as non-core are updated to include any additional business classified as non-core in the second half of 2019.

[2] Net restructuring costs include property closure costs of £0.7m (30 June 2019: £0.5m; 31 December 2019: £6.0m), redundancy and related staff costs of £0.8m (30 June 2019: £6.1m; 31 December 2019: 9.5m), impairment of non-current and current assets due to restructuring of £0.1m (30 June 2019: £0.5m; 31 December 2019: £nil) and £1.7m (30 June 2019: £5.1m; 31 December 2019: £9.6m) in relation to restructuring consultancy costs, and other costs of £0.2m (30 June 2019: £nil; 31 December 2019: £2.0m) mainly incurred in connection with the fundamental restructuring of the target operating model of the major operating companies in the UK, Germany and France.

[3] Costs associated with refinancing includes legal and professional fees of £8.1m offset by £1.2m gain in relation to the partial derecognition of a cash flow hedging arrangement as a result of the change in debt facility agreements.

[4] Other specific items comprise the following:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
PwC investigation costs (see Note 18)	**(1.7)**	-	-
Gain in fair value of forward currency option not hedged	**0.6**	-	0.7
Costs in relation to the cyberattack in France	**-**	(0.2)	(0.6)
Other specific items	**-**	0.1	0.2
Total other specific items	**(1.1)**	(0.1)	0.3

[5] Non-underlying finance costs comprise £11.3m loss on modification recognised in relation to the private placement notes, £0.3m write-off of arrangement fees in relation to the previous RCF which has been extinguished and refinanced and £0.4m in relation to non-core businesses.

Notes to the Condensed Interim Financial Statements

5. Income tax

The income tax expense comprises:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Total income tax expense for the period	**0.8**	(1.5)	(11.4)

Tax for the six month period ended 30 June 2020 on underlying profits (before Other items) is credited at 0.2% (30 June 2019: 26.7%; 31 December 2019: 101.9%), representing the best estimate of the average annual effective tax rate expected for the full year being applied to the underlying pre-tax income of the six month period to 30 June 2020.

The effective tax rate at 31 December 2019 reflected deductible temporary differences that were not recognised for deferred tax purposes, principally in the UK. Consistent with 31 December 2019, the taxable losses generated by the UK business have not been recognised but the taxable profits from the European business operations, mainly in France and Germany, have been taxed at the statutory rate. It is not anticipated that the derecognised UK losses, nor losses generated in the current trading period, will be utilised in the foreseeable future.

On 25 April 2019, the European Commission (EC) concluded its investigation into the UK's controlled foreign company (CFC) tax rules. The EC concluded that the UK's CFC rules, which provide an exemption for 75% of the CFC charge where the CFC is carrying out financing activities, were in breach of EU State Aid. The UK Government disagrees with this conclusion and has applied to have this judgement annulled. In the meantime, the Group is continuing to review the specific facts and circumstances of its position in conjunction with professional advisors (having claimed the exemption in historic periods). Based on the initial assessment undertaken to date, a provision is not deemed to be required. However, should the UK Government be unsuccessful in appeal and all CFC profits deemed taxable in the UK, this would give rise to additional UK tax payable of up to a maximum of £5 million (before interest and penalties).

6. Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:

	Basic and diluted		
	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Profit/(loss) after tax attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations	**(124.6)**	0.7	(124.1)
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	**70.8**	0.6	(0.4)
Profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**(53.8)**	1.3	(124.5)

	Basic and diluted before Other items		
	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Profit/(loss) after tax from continuing operations	**(124.6)**	0.7	(124.1)
Add back:			
Other items (see Note 4)	**71.0**	12.0	123.8
Profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations before other items	**(53.6)**	12.7	(0.3)

	Weighted average number of shares		
	Six months ended 30 June 2020 Number	Unaudited six months ended 30 June 2019 Number	Year ended 31 December 2019 Number
For basic and diluted earnings per share	**591,556,982**	591,556,982	591,556,982

	Earnings/(loss) per share		
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Basic and diluted earnings/(loss) per share	**(9.1)p**	0.2p	(21.0)p
Basic and diluted earnings/(loss) per share from continuing operations	**(21.1)p**	0.1p	(21.0)p

	Earnings per share before Other items^		
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Basic and diluted earnings/(loss) per share from continuing operations before other items	**(9.1)p**	2.1p	(0.1)p

^ Earnings per share before Other items (also referred to as underlying earnings per share) has been disclosed in order to present the underlying performance of the Group.

Earnings per share from discontinued operations is included in Note 8.

7. Divestments and exit of non-core businesses

The Group has recognised a net gain of £1.4m (30 June 2019: charge of £0.9m, 31 December 2019: gain of £0.1m) in respect of profits and losses on agreed sale or closure of non-core businesses and associated impairment charges within Other items of the Consolidated Income Statement. This consists of £2.0m gain in relation to the disposal of the Middle East entity in the current year, offset by costs of £0.6m in relation to the disposal of Building Solutions which was due to complete in the first half of 2020 but was terminated in May 2020. These are explained further below.

The sale of the Air Handling business also completed in the period and the gain on sale is included with the results from discontinued operations (see Note 8).

Divested businesses

As disclosed in the 2019 Annual Report and Accounts, the Middle East business, which was in the process of being closed, was sold on 22 January 2020 for AED1. A gain on sale of £2.0m has been recognised, in relation to the reclassification to the Consolidated Income Statement of the cumulative exchange differences on the retranslation of the net assets of the business previously recognised in other comprehensive income in accordance with IAS 21 "The effects of foreign exchange rates".

Costs of £0.6m have also been recognised during the period in relation to the disposal of the Building Solutions business, which was classified as held for sale at 31 December 2019 as a sale had been agreed and was due to complete in first half of 2020 subject to approval from the UK Competition and Markets Authority (CMA). As disclosed in the 2019 Annual Report and Accounts, on 21 May 2020 it was announced that the parties had agreed to terminate the sales agreement as terms could not be agreed for an extension to enable completion of the CMA investigation and the disposal is no longer proceeding. The business continues to be classified as non-core but does not meet the criteria to be presented as held for sale at 30 June 2020.

Disposal groups held for sale

At 31 December 2019 the Air Handling and Building Solutions businesses were presented as held for sale, with assets and liabilities comprising the following:

	Air Handling £m	**Building Solutions £m**	**Other £m**	**Total £m**
Goodwill and intangible assets	33.2	12.5	-	45.7
Property, plant and equipment	15.1	6.2	1.9	23.2
Right-of-use assets	31.5	12.5	-	44.0
Inventories	33.9	3.8	-	37.7
Trade and other receivables	58.9	8.5	-	67.4
Contract assets	1.5	-	-	1.5
Deferred tax asset	1.3	1.7	-	3.0
Deferred consideration	0.8	-	-	0.8
Cash at bank and on hand	28.8	6.3	-	35.1
Assets held for sale	**205.0**	**51.5**	**1.9**	**258.4**
Trade and other payables	(46.0)	(15.3)	-	(61.3)
Contract liabilities	(1.5)	-	-	(1.5)
Lease liabilities	(31.9)	(13.4)	-	(45.3)
Deferred tax liability	(1.0)	-	-	(1.0)
Corporation tax liability	(1.2)	-	-	(1.2)
Retirement benefit obligations	(3.4)	-	-	(3.4)
Provisions	(1.5)	(0.5)	-	(2.0)
Liabilities directly associated with assets held for sale	(86.5)	(29.2)	-	(115.7)
Net assets directly associated with disposal groups	118.5	22.3	1.9	142.7

The sale of the Air Handling business completed on 31 January 2020. See Note 8 for further details. The Building Solutions business is no longer classified as held for sale. The other amount related to land in Germany, which was sold in April 2020.

There are no assets or disposal groups classified as held for sale at 30 June 2020. At 30 June 2019 WeGo Floortec GmbH was classified as held for sale with assets of 39.3m and liabilities of £2.2m.

Prior year divestments

On 13 August 2019 the Group completed the sale of WeGo Floortec GmbH, the German raised access flooring division, for proceeds of €13.5m plus settlement of intercompany balances. An overall gain on sale of £6.0m has been recognised within Other items, including the reclassification of the cumulative exchange differences on the retranslation of the net assets from equity to the consolidated income statement, in accordance with IAS 21 "The effects of changes in foreign exchange rates".

The Commercial Drainage business, part of the SIG Distribution segment, was also closed, which led to redundancy costs of £0.2m being included within Other items in the Consolidated Income Statement at 30 June 2019.

Contribution to revenue and operating loss

The results of the above businesses for the current and prior periods have been disclosed within Other items in the Consolidated Income Statement in order to provide an indication of the underlying earnings of the Group. The revenue and net operating profit/(loss) of the non-core businesses for the periods ended 30 June 2020, 31 December 2019 and 30 June 2019 are as follows:

	Six months ended 30 June 2020		Six months ended 30 June 2019		Year ended 31 December 2019	
	Revenue £m	**Net operating profit/(loss) £m**	Revenue £m	Net operating profit/(loss) £m	Revenue £m	Net operating profit/(loss) £m
Building Solutions	**21.2**	**0.3**	28.4	1.9	58.3	2.9
Maury	**1.2**	**(0.2)**	0.9	(0.3)	1.9	(0.9)
Commercial Drainage	**-**	**-**	1.2	(0.8)	1.2	(0.8)
WeGo Floortec	**-**	**-**	11.3	0.6	14.5	0.8
Total attributable to non-core businesses	**22.4**	**0.1**	41.8	1.4	75.9	2.0

Cash flows associated with divestments and exit of non-core businesses

The net cash inflow in the six-month period ended 30 June 2020 in respect of divestments and the exit of non-core businesses (including Air Handling) is as follows:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Cash consideration received for divestments	**191.9**	0.6	12.6
Cash at date of disposal	**(29.3)**	-	(0.5)
Disposal costs paid	**(13.1)**	-	(3.7)
Net cash inflow	**149.5**	0.6	8.4

The profits and losses arising on the agreed sale or closure of non-core businesses and associated impairment charges, along with their results for the current and prior periods have been disclosed within Other items in the Condensed Consolidated Income Statement in order to present the underlying earnings of the Group.

Notes to the Condensed Interim Financial Statements

8. Discontinued operations

(a) Description

On 7 October 2019, the Group announced that it had agreed a sale of the Air Handling business for consideration of €222.7m. The sale was approved by shareholders at a general meeting on 23 December 2019 and completed on 31 January 2020. At 31 December 2019, Air Handling was classified as a disposal group held for sale and as a discontinued operation as it represented a major line of business of the Group. With Air Handling being classified as a discontinued operation, the Air Handling segment is no longer presented in the segment note.

(b) Financial performance and cash flow information

Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 Restated £m	Year ended 31 December 2019 £m
Revenue	**25.4**	159.3	323.1
Cost of sales	**(15.0)**	(97.5)	(202.0)
Gross profit	**10.4**	61.8	121.1
Other operating expenses	**(9.3)**	(52.6)	(101.3)
Underlying operating profit	**1.1**	9.2	19.8
Other items	**-**	(0.1)	(0.7)
Operating profit	**1.1**	9.1	19.1
Finance income	**-**	0.1	0.1
Finance costs	**(0.1)**	(0.7)	(1.3)
Profit before tax from discontinued operations before group other items	**1.0**	8.5	17.9
Gain on sale of subsidiary after income tax (see below)	**74.8**	-	-
Costs incurred in connection with the agreed disposal of the Air Handling business	**(4.5)**	(4.5)	(12.2)
Amortisation of acquired intangibles	**-**	(1.0)	(1.9)
Profit before tax from discontinued operations	**71.3**	3.0	3.8
Income tax (expense)/credit	**(0.5)**	(2.4)	(4.2)
Profit after tax from discontinued operations	**70.8**	0.6	(0.4)

Amounts included in accumulated OCI are as follows:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Remeasurement of defined benefit pension liability	-	(0.5)	(0.5)
Deferred tax movement associated with remeasurement of defined benefit pension liability	-	0.1	0.1
Total	-	(0.4)	(0.4)

The net cash flows incurred by Air Handling are as follows:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Operating	1.1	7.7	26.5
Investing	150.3	(1.4)	(5.1)
Financing	(0.1)	(4.9)	(9.4)
Net cash (outflow)/inflow	151.3	1.4	12.0

Earnings per share:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Basic and diluted (loss)/earnings per share from discontinued operations	0.12p	0.00p	0.00p

Notes to the Condensed Interim Financial Statements

8. Discontinued operations

(c) Gain on sale

	Six months ended 30 June 2020 £m
Consideration received:	
Cash	**191.9**
Carrying amount of net assets sold	**(120.3)**
Gain on sale before income tax and reclassification of foreign currency translation reserve	**71.6**
Reclassification of foreign currency translation reserve	**3.7**
Income tax expense on gain	**(0.5)**
Gain on sale after income tax	**74.8**

9. Reconciliation of operating profit to cash generated from operating activities

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Profit before tax from continuing operations	**(125.4)**	2.2	(112.7)
Profit before tax from discontinued operations	**71.8**	3.0	3.8
Profit before tax	**(53.6)**	5.2	(108.9)
Depreciation	**36.1**	37.8	76.2
Net finance costs	**22.5**	12.6	26.3
Amortisation of computer software	**2.4**	2.1	4.5
Amortisation of acquired intangibles	**2.8**	4.1	8.1
Impairment of computer software	**-**	-	0.3
Impairment of property, plant and equipment	**-**	-	0.6
Impairment of goodwill	**42.8**	-	89.6
Impairment of right-of-use asset	**-**	-	1.0
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	**(72.2)**	1.0	(0.1)
Profit on sale of property, plant and equipment	**(0.5)**	(0.8)	(1.4)
Gain on termination of lease	**(0.3)**	-	-
Share-based payments	**-**	0.6	0.1
Gains on derivative financial instruments	**(1.8)**	-	-
Net foreign exchange differences	**(0.2)**	-	(1.3)
Decrease in provisions	**(1.1)**	(5.8)	(2.9)
Working capital movements	**(5.4)**	29.6	73.9
Cash generated from operating activities	**(28.5)**	86.4	166.0

10. Reconciliation of net cash flow to movements in net debt

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Increase/(decrease) in cash and cash equivalents in the period	**40.7**	68.0	71.6
Cash flow from (increase)/decrease in debt	**62.6**	(2.2)	(37.6)
Decrease in net debt resulting from cash flows	**103.3**	65.8	34.0
Debt relating to divested businesses	**30.4**	-	-
Non-cash items*	**(18.6)**	(25.9)	(6.4)
Exchange differences	**(1.5)**	0.9	6.8
Decrease in net debt in the period	**113.6**	40.8	34.4
Net debt at beginning of the period	**(455.4)**	(189.4)	(189.4)
Impact of adoption of IFRS 16	**-**	(300.4)	(300.4)
Net debt at end of the period	**(341.8)**	(449.0)	(455.4)

* Non-cash items include the fair value movement of debt recognised in the period which does not give rise to a cash inflow or outflow.

Net debt is defined as follows:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Non-current assets:			
Derivative financial instruments	**4.5**	2.6	1.7
Deferred consideration	**-**	0.3	-
Lease receivables	**4.0**	4.8	4.4
Current assets:			
Derivative financial instruments	**0.7**	-	0.9
Deferred consideration	**-**	0.6	-
Lease receivables	**0.8**	0.8	0.8
Other financial assets	**-**	-	-
Cash at bank and on hand	**197.3**	153.1	110.0
Less restricted cash in relation to asset backed funding arrangement	**-**	-	(8.1)
Financial assets held for sale	**-**	-	35.9
Current liabilities:			
Lease liabilities	**(54.6)**	(61.2)	(51.5)
Bank overdrafts	**-**	(5.6)	-
Bank loans	**-**	(94.7)	(99.6)
Private placement notes	**(48.3)**	-	(175.5)
Loan notes and deferred consideration	**-**	-	-
Other financial liabilities	**(0.5)**	(1.2)	(1.5)
Derivative financial instruments	**(0.1)**	(0.1)	(0.2)
Lease liabilities directly associated with liabilities classified as held for sale	**-**	(1.0)	(45.3)
Non-current liabilities:			
Lease liabilities	**(224.5)**	(258.2)	(224.1)
Bank loans	**(67.2)**	-	-
Private placement notes	**(149.4)**	(185.0)	-
Derivative financial instruments	**(3.2)**	(4.2)	(1.9)
Other financial liabilities	**(1.3)**	-	(1.4)
Net debt	**(341.8)**	(449.0)	(455.4)

11. Financial instruments fair value disclosures

At the balance sheet date, the Group held the following financial instruments at fair value:

	30 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Financial assets			
Deferred consideration	**-**	0.9	-
Derivative financial instruments	**5.2**	2.6	2.6
	5.2	3.5	2.6
Financial liabilities			
Derivative financial instruments	**3.3**	4.3	2.1
	5.1	5.5	5.0

The derivative financial instruments above all have fair values which are calculated by reference to observable inputs (i.e. classified as level 2 in the fair value hierarchy). The fair values of these derivative financial instruments, adjusted for credit risk, are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

The carrying value of financial assets and liabilities that are recorded at amortised cost in the accounts is approximately equal to their fair value.

12. Called up share capital

	30 June 2019 £m	30 June 2019 £m	31 December 2019 £m
Authorised:			
800,000,000 ordinary shares of 10p each (30 June 2019: 800,000,000; 31 December 2019: 800,000,000)	**80.0**	80.0	80.0
Allotted, called up and fully paid:			
591,556,982 ordinary shares of 10p each (30 June 2019: 591,556,982 ; 31 December 2019: 591,556,982)	**59.2**	59.2	59.2

The Company has not allotted any shares during the period (30 June 2019: nil; 31 December 2019: nil).

13. Retirement benefit schemes

Defined benefit schemes
The Group operates a number of pension schemes, four of which provide defined benefits based upon pensionable salary. One of these schemes has assets held in a separate trustee administered fund, and three are overseas book reserve schemes. The UK defined benefit pension scheme obligation is calculated on a year to date basis, using the latest triennial valuation as at 31 December 2016.

The IAS 19 valuation conducted as at 31 December 2019 has been updated to reflect current market conditions, and as a result an actuarial loss of £9.8m has been recognised within the Condensed Consolidated Statement of Comprehensive Income. The total net pension liability in relation to defined benefit schemes at 30 June 2020 is £33.0m (30June 2019: £30.7m; 31 December 2019: £24.8m).

14. Interim dividend

No interim dividend is declared for the period (30 June 2019: 1.25p per ordinary share). In accordance with IAS 10 “Events After the Balance Sheet Date”, dividends declared after the balance sheet date are not recognised as a liability in the Financial Statements.

There was no final dividend for the year ended 31 December 2019.

Notes to the Condensed Interim Financial Statements

15. Related party transactions

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

In the period to 30 June 2020, SIG incurred expenses of £0.4m (30 June 2019: £0.2m; 31 December 2019: £0.4m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

The Group has not identified any other material related party transactions in the six-month period to 30 June 2020.

16. Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the 2020 financial year remain consistent with those set out in the Strategic Report on pages 47 to 49 of the Group's 2019 Annual Report and Accounts. These risks and uncertainties include, but are not limited to:

(1) access to finance and liquidity;
(2) retention of talent;
(3) cyber security;
(4) delivering the customer experience;
(5) business growth;
(6) market downturn;
(7) system failure;
(8) supplier rebates;
(9) health and safety; and
(10) delivering business change.

The primary risk affecting the Group for the remaining six months of the year continues to be the level of market demand in the markets in which SIG operates and the continued impact of Covid-19. SIG's diverse market sectors are affected by macroeconomic factors which limit visibility and therefore render the short to medium-term outlook difficult to predict. As SIG continues with its strategic change programme there is an increase in focus on the risk of the availability and quality of key resources (personnel). SIG continues to ensure that the strategic and budget review process identifies and manages all key resource requirements, whilst senior management succession planning mitigates the risk of knowledge loss associated with restructuring.

The "Group outlook" section of the Trading Review details the current assessment of the markets in which the Group operates.

17. Seasonality

The Group's operations are not normally affected by significant seasonal variations between the first and second halves of the calendar year. In 2019, the period to 30 June accounted for 51% of the Group's underlying annual revenue (2018: 50%). In 2020 the first half performance was impacted by the Covid-19 pandemic and in particular the temporary closure of operations in the UK and Ireland. The business therefore expects a stronger second half trading performance, subject to the risk of a second wave of Covid-19, as detailed in the "Group outlook" section of the Trading Review.

18. Contingent liabilities

As at the balance sheet date, the Group had outstanding obligations under customer guarantees, claims, standby letters of credit and discounted bills of up to £13.4m (20 June 2019; £14.2m; 31 December 2019: £13.4m). Of this amount, £8.0m (30 June and 31 December 2019: £8.0m) relates to a standby letter of credit issued by HSBC Bank plc in respect of the Group's insurance arrangements.

As disclosed in the 2019 Annual Report and Accounts, Metechno Limited and SIG Building Systems Limited have taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Company has guaranteed the year end liabilities of the relevant subsidiaries until they are settled in full.

As part of the disposal of Building Plastics in 2017 a guarantee was provided to the landlord of the leasehold properties transferred with the business covering rentals over the remaining term of the leases in the event that the acquiring company enters into administration before the end of the lease term. The maximum liability that could arise from this would be approximately £2.1m. No provision has been made in these financial statements as it is not considered likely that any loss will be incurred in connection with this.

As disclosed in the 2019 Annual Report and Accounts, the Company referred itself to the FCA regarding the circumstances leading to the trading update issued on 9 January 2020. Since such self-referral the Company has provided to the FCA a copy of the report prepared by PricewaterhouseCoopers LLP. The FCA has wide-ranging powers to investigate potential breaches of market rules and regulations, including the power to require disclosure of documents and to compel witnesses to be interviewed. The FCA also has wide-ranging powers to impose sanctions in the event it finds an issuer has breached market rules or regulations, including censuring issuers and imposing financial sanctions. There is no certainty whether the FCA will open an investigation into the Company; how long any such investigation would take to conclude; the findings of the FCA and any remedy imposed by the FCA. At this point, the Company considers this to be a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and, accordingly, no provision has been recognised. The Company does not believe it is possible to make a reliable estimate of the potential financial effect in the event that the Company was determined to have any liability that may arise from this matter.

19. Non-statutory information

The Group uses a variety of alternative performance measures, which are non-IFRS, to assess the performance of its operations.

The Group considers these performance measures to provide useful historical financial information to help investors evaluate the underlying performance of the business.

These measures, as shown below, are used to improve the comparability of information between reporting periods and geographical units, to adjust for Other items or to adjust for businesses identified as non-core to provide information on the ongoing activities of the Group. This also reflects how the business is managed and measured on a day-to-day basis. Non-core businesses are those businesses that have been closed or disposed of or where the Board has resolved to close or dispose of the businesses by 30 June 2020.

These measures are used by management for performance analysis, planning, reporting and incentive setting purposes and remain consistent year-on-year.

Information regarding covenant calculations (Notes 19a and 19b) is provided to show the financial measures used to calculate financial covenants as defined by the banking agreements.

A number of these measures reconcile the reported numbers to what would have been reported prior to the adoption of IFRS 16, in order to allow comparison between periods and as covenant calculations are prepared on a frozen GAAP basis.

a) Covenant net debt

Maximum net debt is one of the primary covenants applicable to the Group's debt facilities. The monitoring of this covenant is therefore an important element of treasury risk management for the Group. For the purpose of covenant calculations, net debt is stated before the impact of IFRS 16.

	Note	**30 June 2020 £m**	30 June 2019 £m	31 December 2019 £m
Reported net debt	10	**341.8**	449.0	455.4
Lease liabilities recognised in accordance with IFRS 16		**(254.9)**	(296.4)	(296.0)
Lease receivables recognised in accordance with IFRS 16		**4.8**	5.6	5.2
Other financial liabilities recognised in accordance with IFRS 16		**(1.7)**	-	(1.8)
Net debt excluding impact of IFRS 16		**90.0**	158.2	162.8
Loss on debt modification recognised in accordance with IFRS 9		**(11.3)**	-	-
Net debt on frozen GAAP basis		**78.7**	158.2	162.8
Other covenant financial indebtedness		**5.4**	11.6	5.4
Foreign exchange adjustment*		**(1.9)**	(0.9)	0.3
Covenant net debt		**82.2**	168.9	168.5

b) Consolidated net worth

Consolidated net worth is one of the primary covenants applicable to the Group's debt facilities. The monitoring of this covenant is therefore an important element of treasury risk management for the Group.

	30 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Net assets	**237.4**	445.8	294.2
Lease liabilities recognised in accordance with IFRS 16	**254.9**	296.4	296.0
Right-of-use assets recognised in accordance with IFRS 16	**(236.7)**	(283.3)	(279.8)
Lease receivables recognised in accordance with IFRS 16	**(5.1)**	(5.6)	(5.2)
Other financial liabilities recognised in accordance with IFRS 16	**1.7**	-	1.8
Other net asset adjustments recognised in accordance with IFRS 16	**(6.3)**	(4.8)	(6.7)
Loss on debt modification recognised in accordance with IFRS 9	**11.3**	-	-
Covenant consolidated net worth	**257.2**	448.5	300.3

Notes to the Condensed Interim Financial Statements

19. Non-statutory information (continued)

c) Effective tax rates

The effective tax rate is a ratio of income tax expense to profit/(loss) before tax and is used to assess SIG's contribution to corporate taxation across the tax jurisdictions in which the Group operates.

	Note	**Six months ended 30 June 2020 £m**	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Profit/(loss) before tax		**(125.4)**	2.2	(112.7)
Other items	4	**71.7**	15.2	128.3
Underlying profit/(loss) before tax		**(53.7)**	17.4	15.6
Income tax credit/(expense)		**0.8**	(1.5)	(11.4)
Income tax (credit)/expense associated with Other items		**(0.7)**	(3.2)	(4.5)
Underlying tax credit/(charge)		**0.1**	(4.7)	(15.9)
Effective tax rate (income tax credit/expense to profit/loss before tax)		**0.6%**	65.9%	10.1%
Underlying effective tax rate (underlying tax credit/charge to underlying profit/loss before tax)		**0.2%**	26.7%	101.9%

Notes to the Condensed Interim Financial Statements

19. Non-statutory information (continued)

d) Like-for-like sales

Like-for-like sales is calculated on a constant currency basis and represents the growth in the Group's sales per day excluding any acquisitions or disposals completed or agreed in the current and prior year. Revenue is not adjusted for branch openings and closures. This measure shows how the Group has developed its revenue for comparable business relative to the prior period. As such it is a key measure of the growth of the Group during the year.

	UK Distribution £m	UK Exteriors £m	**Total UK £m**	France Distribution £m	France Exteriors £m	**Total France £m**	Germany £m	Benelux £m	**Total Germany and Benelux £m**	Ireland £m	Poland £m	**Total Group £m**
Statutory revenue for the period to 30 June 2020	154.9	125.3	**280.2**	73.8	155.6	**229.4**	177.1	47.7	**224.8**	33.4	72.3	**840.1**
Revenue attributable to non-core businesses	-	(21.2)	**(21.2)**	-	(1.2)	**(1.2)**	-	-	**-**	-	-	**(22.4)**
Underlying revenue for the period to 30 June 2020	154.9	104.1	**259.0**	73.8	154.4	**228.2**	177.1	47.7	**224.8**	33.4	72.3	**817.7**
Statutory revenue for the period to 30 June 2019	296.4	171.9	**468.3**	93.0	173.3	**266.3**	202.8	53.7	**256.5**	47.5	74.7	**1,113.3**
Revenue attributable to non-core businesses	(1.2)	(28.4)	**(29.6)**	-	(0.9)	**(0.9)**	(11.3)	-	**(11.3)**	-	-	**(41.8)**
Underlying revenue for the period to 30 June 2019	295.2	143.5	**438.7**	93.0	172.4	**265.4**	191.5	53.7	**245.2**	47.5	74.7	**1,071.5**
% change year on year:												
Underlying revenue	(47.5)%	(27.5)%	**(41.0)%**	(20.6)%	(10.4)%	**(14.0)%**	(7.5)%	(11.2)%	**(8.3)%**	(29.7)%	(3.2)%	**(23.7)%**
Impact of currency	-	-	**-**	0.4%	0.4%	**0.4%**	0.5%	0.5%	**0.4%**	0.3%	(2.8)%	**0.1%**
Impact of working days	-	-	**-**	-	(1.4)%	**(0.9)%**	(0.8)%	-	**(0.6)%**	-	-	**(0.3)%**
Like-for-like sales	(47.5)%	(27.5)%	**(41.0)%**	(20.2)%	(11.4)%	**(14.5)%**	(7.8)%	(10.7)%	**(8.5)%**	(29.4)%	(6.0)%	**(23.9)%**

e) Gross margin

Gross margin is the ratio of gross profit to revenue and is used to understand the value the Group creates from its trading activities.

	UK Distribution %	UK Exteriors %	**Total UK %**	France Distribution %	France Exteriors %	**Total France %**	Germany %	Benelux %	**Total Germany and Benelux %**	Ireland %	Poland %	**Total Group %**
Statutory gross margin for the period ended 30 June 2020	22.9%	26.9%	**24.5%**	26.4%	23.5%	**24.5%**	28.2%	24.5%	**27.4%**	21.9%	20.6%	**24.9%**
Impact of non-core businesses	-	28.9%	**28.9%**	-	33.3%	**33.3%**	-	-	**-**	**-**	**-**	**29.0%**
Underlying gross margin for the period ended 30 June 2020	22.9%	27.2%	**24.8%**	26.4%	23.6%	**24.5%**	28.2%	24.5%	**27.4%**	21.9%	20.6%	**24.8%**
Statutory gross margin for the period ended 30 June 2019	25.1%	29.0%	**26.3%**	23.6%	23.3%	**23.4%**	27.7%	24.8%	**27.1%**	24.9%	20.3%	**25.3%**
Impact of non-core businesses	(16.7)%	28.5%	**26.7%**	-	22.5%	**22.5%**	24.8%	-	**24.8%**	-	-	**26.1%**
Underlying gross margin for the period ended 30 June 2019	24.9%	28.9%	**26.4%**	23.6%	23.3%	**23.4%**	27.6%	24.8%	**27.0%**	24.9%	20.3%	**25.3%**

Notes to the Condensed Interim Financial Statements

19. Non-statutory information (continued)

f) Operating margin

Operating margin is the ratio of underlying operating profit to underlying revenue and is used to enhance understanding and comparability of the underlying financial performance of the Group by period and segment.

	UK Distribution £m	UK Exteriors £m	**Total UK £m**	France Distribution £m	France Exteriors £m	**Total France £m**	Germany £m	Benelux £m	**Total Germany and Benelux £m**	Ireland £m	Poland £m	Parent Company costs £m	**Total Group £m**
Unaudited six months ended 30 June 2020													
Underlying revenue (Note 3)	154.9	104.1	**259.0**	73.8	154.4	**228.2**	177.1	47.7	**224.8**	33.4	72.3	-	**817.7**
Underlying operating profit (Note 3)	(27.4)	(8.9)	**(36.3)**	1.3	1.6	**2.9**	(1.3)	1.8	**0.5**	(1.4)	0.6	(9.5)	**(43.2)**
Operating margin	(17.7)%	(8.5)%	**(14.0)%**	1.8%	1.0%	**1.3%**	(0.7)%	3.8%	**0.2%**	(4.2)%	0.8%	n/a	**(5.3)%**
Unaudited six months ended 30 June 2019													
Underlying revenue (Note 3)	295.2	143.5	**438.7**	93.0	172.4	**265.4**	191.5	53.7	**245.2**	47.5	74.7	-	**1,071.5**
Underlying operating profit (Note 3)	6.8	5.1	**11.9**	6.6	4.2	**10.8**	3.3	2.9	**6.2**	2.9	1.3	(4.0)	**29.1**
Operating margin	2.3%	3.6%	**2.7%**	7.1%	2.4%	**4.1%**	1.7%	5.4%	**2.5%**	6.1%	1.7%	n/a	**2.7%**

g) Other non-statutory measures

In addition to the alternative performance measures noted above, the Group also uses underlying EPS (as set out in Note 6) and underlying net finance costs (as set out on the Condensed Consolidated Income Statement).

20. Post balance sheet events

Equity raise

On 10 July 2020 the Group completed the equity raise announced on 19 June 2020 with 589,999,995 new ordinary shares issued for proceeds, before costs, of £165m. £48m of the proceeds has been used to repay private placement debt in line with the terms of the revised debt facilities signed on 18 June 2020.

INDEPENDENT REVIEW REPORT TO SIG PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements of SIG plc in the half-yearly financial report for the six months ended 30 June 2020 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes 1 to 20. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
24 September 2020