Brickability Group PLC
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17 July 2023

Brickability Group PLC
("Brickability" or "the Group")

Final results for the year ended 31 March 2023

Good performance across all divisions

Brickability Group PLC (AIM: BRCK), the leading construction materials distributor, is pleased to announce its audited final results for the twelve-month period ended 31 March 2023.

Financial Highlights

- Revenue increased by 30.9% to £681.1m (2022: £520.2m)
- Group like-for-like(1) revenue growth of 4.0% versus 2022 (15.4% excluding timber) and 31.9% versus 2021
- Gross profit increased by 30.0% to £112.9m (2022: £86.8m)
- Gross profit margin of 16.6% (2022: 16.7%), with the slight reduction anticipated due to the full-year inclusion of Taylor Maxwell
- Adjusted EBITDA(2) increased by 30.4% to £51.5m (2022: £39.5m)
- Adjusted Profit before tax(3) increased by 28.5% to £44.6m (2022: £34.7m)
- Statutory Profit before tax increased by 87.5% to £34.5m (2022: £18.4m)
- Statutory EPS increased by 110.5% to 9.26p (2022: 4.40p)
- Adjusted EPS increased by 18.6% to 11.93p (2022: 10.06p)
- Net debt as at 31 March £8.0m (2022: net cash £0.4m)
- Final dividend proposed of 2.15 pence per share giving a total dividend for the year of 3.16p, an increase of 5.3% (2022: 3.00p)

	2023 £m	2022 £m	% Change
Revenue	681.1	520.2	30.9%
Gross profit	112.9	86.8	30.0%
Adjusted EBITDA (1)	51.5	39.5	30.4%
Adjusted profit before tax (2)	44.6	34.7	28.5%
Profit before tax	34.5	18.4	87.5%
Adjusted EPS (3)	11.93p	10.06p	18.6%
EPS	9.26p	4.40p	110.5%
Net (debt)/cash (4)	(8.0)	0.4	-
Annual dividends paid and proposed per share	3.16p	3.00p	5.3%

Operational Summary

- Good performance reflecting the Group's strategic position within the industry, despite a challenging sector environment.
- Acquisitions of Modular Clay Products in May 2022, E.T. Clay and Heritage Clay Tile in September 2022, with all acquisitions integrated and contributing to the Group's results.
- Further expansion of the Distribution division, with property purchased to facilitate continued new branch openings within the U Plastics business and a warehouse for HBS NE (trading as UPOWA).

Post Period and Outlook

- Acquisition of Precision Façade Systems Ltd ("FSL") in June 2023 for £0.6m.
- Ongoing review and progression of acquisition opportunities.
- Announcement of CEO succession with Frank Hanna, currently joint CEO of Michelmersh Brick Holdings plc, to join the Group as CEO Designate. Alan Simpson to remain with the business.
- As previously announced, and whilst remaining conscious of the challenges in some of our segments in the short-term, the Group believes that the underlying long-term demand for UK housing remains robust as does the demand for quality materials for the construction sector generally. The Board remains confident that the Group is well placed to continue delivering on its strategic objectives and the underlying organic growth of

the business and, notwithstanding a number of industry participants publicly communicating their own expectations of volume reductions in the near term, trading in the current financial year to date has remained in line with Board expectations.

- Whilst mindful of the broader macroeconomic uncertainties the Board believes that its diversified multi-business strategy places it in a good position to meet stakeholder requirements moving forward for the long-term.

John Richards, Chairman of Brickability, said:

"It has been another strong twelve months for the Group. Our continued focus on the strategic expansion and diversification of the business has seen the Group achieve impressive growth in the year. Over the past year, the housebuilding market has been faced with new challenges arising from the macroeconomic and geopolitical environment. Considering the headwinds faced in the wider market environment, the Board is very pleased with the Group's performance. The results we achieved this year are thanks to the dedication and determination of our people, who look to consistently deliver excellent service while seizing opportunities as they arise."

(1) like-for-like revenue is a measure of growth in sales, adjusted for the impact of acquisitions.

(2) Earnings before interest, tax, depreciation, amortisation and other non-underlying items (See Financial Review and note 5).

(3) Statutory profit before tax excluding non-underlying items (see Financial Review and note 5).

(4) Adjusted profit after tax (statutory profit after tax before non-underlying items) divided by the weighted average number of shares in the year.

(5) Bank borrowings less cash (2022: Cash less bank borrowings).

Enquiries:

Brickability Group PLC John Richards, Chairman Alan Simpson, Chief Executive Officer Mike Gant, Chief Financial Officer	via Montfort Communications
Cenkos Securities plc (Nominated adviser and broker) Ben Jeynes, Max Gould (Corporate Finance) Julian Morse, Alex Pollen (Sales)	+44 (0) 207 397 8900
Montfort Communications (Financial PR) James Olley Ella Henderson	+44 (0) 203 514 0897 brickability@montfort.london

This announcement contains inside information.

About Brickability

Brickability is a leading construction materials distributor, serving customers across the UK and Europe for over 37 years through its national and local networks. The Group supplies over 500m bricks annually and has over 70 locations across the country with over 700 employees.

Chairman's Statement

Overview

It has been another strong twelve months for the Group. Our continued focus on the strategic expansion and diversification of the business has seen the Group achieve impressive growth in the year. Across our four business divisions, the Group has maintained strong momentum, delivering an excellent financial performance for the year ended 31 March 2023 with revenue of £681.1 million, up 30.9% from the previous year, and an adjusted EBITDA of £51.5 million, up 30.4%.

Over the past year, the housebuilding market has been faced with new challenges arising from the macroeconomic and geopolitical environment. Considering the headwinds faced in the wider market environment, the Board is very pleased with the Group's performance. The results we achieved this year are thanks to the dedication and determination of our people, who look to consistently deliver excellent service while seizing opportunities as they arise.

While major housebuilders reported some improvement in sales rates in the first calendar quarter of 2023, the market has experienced a slowdown in housebuilding, particularly in the first-time buyer sector. Despite these challenges, the fundamentals of the housebuilding market remain strong. The Board is confident in the Group's ability to continue delivering on its strategy and deliver attractive returns, but we remain cautious about the market outlook.

Acquisitions
This year, we continued to benefit from the strategic decision to diversify and expand the Group's product portfolio and end-use markets. We announced three acquisitions in the period, adding to the scale of our business and increasing the Group's client base.

In May 2022, we completed the acquisition of Modular Clay Products Ltd. This acquisition significantly increased the Group's presence in the specification sector, which we previously addressed through our Taylor Maxwell and Bespoke Brick Company businesses. It brought with it new access to a range of European manufacturers, further boosting our strong import capabilities.

We were also pleased to complete the acquisition of E.T. Clay Products Limited and Heritage Clay Tiles Limited in September 2022. These acquisitions represented another important step in the growth of our importing division, by expanding the supply base of the Group through new access to a range of overseas manufacturers. Post period in June 2023, we completed the acquisition of FSL for consideration of £0.6 million.

Environmental, Social and Governance
As the Group continues to grow, we remain committed to our responsibility as a business to address ESG priorities. In March, we published our 'Together for the Future' strategy – our roadmap to transition to a business that delivers consistent financial returns to our shareholders and maximises long-term value for our employees, suppliers and customers, while having a positive impact on the environment, people and communities.

A central goal of our ESG strategy is to reach net zero in our own Scope 1 and Scope 2 operations of our sales businesses by 2030. To minimise our environmental impact and cut carbon emissions, this year we introduced a new fleet of electric company cars and started the rollout of installing EV chargers at our offices and warehouses.

We recognise that in order to achieve meaningful change, we need to work in partnership with our employees, customers, partners, and suppliers. As noted later in the Annual Report and Accounts, as part of our ESG strategy, we set a goal to engage with the Supply Chain Sustainability School (SCSS) and obtain a Gold-level membership. The SCSS is an award-winning and industry-wide collaboration that encourages everyone in the supply chain to work together for a sustainable future for the built environment. I am delighted to say that we achieved our goal. Engaging with the SCSS has increased our team's knowledge and confidence on issues surrounding sustainability, particularly with our valued suppliers and customers.

Our charitable foundation goes from strength to strength in supporting causes in the communities of our places of operation. Since its launch last year, the Brickability Group Foundation Trust has not only supported incredible causes but has also inspired many of our staff to take action personally to raise money and volunteer in our local community. Under the Foundation's charter, the Group donates 0.5% of its Adjusted EBITDA in each financial year to the Foundation and matches funds raised through our employees' fundraising efforts. This year the Group will be donating £257k (2022: £200k) to the Foundation. The Foundation has donated £120k across various charities this year (2022: £55k).

The Group is committed to creating an inclusive and diverse culture in which everyone is supported to reach their full potential. This financial year we completed an in-depth Diversity, Equity and Inclusion (DEI) and gender pay gap analysis and began a review of all Group reward and recognition policies. In a sector that has historically been very heavily male-dominated, we recognise that there is still plenty of work to be done. Increasing female participation and representation at the senior levels of our business is a Group-wide priority.

Board and Governance
I would like to take a moment to recognise Giles Beale, who stepped down from the Board in March. The Board has been very fortunate to have had Giles' wise counsel, commitment and valuable contribution since the Group's IPO. On behalf of the Brickability Directors, I would like to thank Giles for his service and wish him all the best for the future.

This year we were delighted to welcome two new Independent Non-Executive Directors to the Board – Susan McErlain and Sharon Collins. Susan has replaced me on both the Audit & Risk and Remuneration committees and joined the Nominations Committee, while Sharon has taken up the role of Chair of the Remuneration Committee and has joined both the Nomination and Audit Committee following Giles' leaving. I speak on behalf of the entire Board when I say that we are very fortunate to have them on our team and we look forward to continuing to work with them both.

Following year-end, we announced that 36 years after first starting work with Brickability, Alan Simpson, Chief Executive Officer (CEO) and founder of many of the Group's businesses, will be stepping down from the role of CEO and as a Director of the Company. Alan has been instrumental in building Brickability into the successful business it is today, overseeing the Group's IPO in 2019 and multiple transformative acquisitions since. Alan remains a major shareholder of the Group and will continue to work with the Group in a non-board role post his stepping down. On behalf of the Board, I thank Alan for his invaluable years of service and congratulate him for his immense achievements.

The Board is pleased that Alan will be succeeded as CEO by Frank Hanna. Frank has more than 30 years' experience in the industry and I look forward to welcoming Frank to the Brickability family in due course. I have every confidence in his ability to lead the Group as it continues to grow.

People

To help people and communities thrive we prioritise health and safety. We appointed a new Group Health and Safety Manager this year and conducted an extensive audit around the business to ensure employee safety and wellbeing. We have also taken on additional senior staff in Sales, Finance, IT and HR to reflect our increased scale, both in terms of headcount and our portfolio businesses.

Shareholder returns and dividends
The Group paid an interim dividend of 1.01 pence per share on 23 February 2023, which reflected the performance of the business and the Board's confidence in the longer-term outlook.

The robust performance of the Group enables the Board to recommend the payment of a final dividend for the year ended 31 March 2023 of 2.15 pence per share. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 21 September 2023, with a record date of 25 August 2023 and an ex-dividend date of 24 August 2023.

John Richards
Chairman
14 July 2023

I am very pleased to record another set of strong results. I believe this success is down to a number of factors, namely the strategy of the Group as it continues to diversify through acquisition, the strength of Brickability's positioning in the market, and its ability to adapt and remain agile.

The results are especially pleasing considering the wider macroeconomic challenges seen in the marketplace during the period. All our divisions have once again performed well with both revenue and profit well ahead of the prior financial year, and ahead of management's expectations going into the financial year.

The Group continued to see strong demand for its goods and services across all divisions, however, the demand for bricks fell during the second half of our financial year as a result of the subdued housing market. Significant year-on-year price inflation mitigated the financial impact of reduced volumes.

The gross profit margin was 16.6% (2022: 16.7%), with this slight, and expected reduction when compared to the prior year, driven by the first full year trading contribution from the Taylor Maxwell Group (2022: 9 months), which operates on lower margins than the Group prior to the acquisition, and the fact that timber margins have fallen back from the exceptional highs of the previous year. The impact of these factors were partly mitigated by the acquisitions completed in this financial year, which operate on margins above the average of the Group.

The continued expansion of the Group has been supported by investment in recruitment at both Group and divisional levels of skilled and talented individuals across functions such as Sales, Finance, IT and HR. In addition, the Group has begun to optimise its systems through the rollout of standardised IT systems platforms. The Group is also building skills for the future through the launch of the Apprentice Scheme in the year, which this year saw 10 apprentices join various businesses in the Group.

At the beginning of the current financial year, the Group took the decision to re-align the reporting structure of some of our businesses and we have moved from three divisions to four, in order to support the continued growth of the Group and to further improve efficiencies. Detailed segmental analysis is per note 3 of the preliminary final results. The Group's four distinct business divisions are shown below:

Bricks and Building Materials - which incorporates the sale of superior quality building materials to all sectors of the construction industry including national house builders, developers, contractors, general builders and retail to members of the public;
Importing - which is primarily responsible for importing building products, the majority of which are on an exclusive basis to the UK market, to complement traditional and contemporary architecture;
Distribution - which focuses on the sale and distribution of a wide range of products, including windows, doors, radiators and associated parts and accessories; and
Contracting - which provides flooring and roofing installation services, primarily within the residential construction sector.

Full details of our divisions and each of our businesses can be found at https://brickabilitygroupplc.com/

Bricks and Building Materials Division 73% (2022: 78%) of Group Revenue
Revenue of £498.6 million (including internal revenues of £8.1 million (2022: £6.4 million)) for the year ended 31 March 2023 was up £94.0 million on the prior year (2022: £404.6 million), with like-for-like revenue growth of 1.4%. Excluding timber, like-for-like revenue growth was up 17.1%. Adjusted EBITDA at £30.1 million for the year ended 31 March 2023 was up £5.8 million on the prior year (2022: £24.3 million).

Throughout the year, the division managed the supply issues from both UK and European manufacturers, and the softening in demand in the second half of the year as a result of the uncertainty in the UK housing market. Like-for-like revenue growth is driven by a combination of price increases and product mix. In line with our expectations, timber volumes and pricing have fallen back following the exceptional highs of the first half of the last financial year.

Taylor Maxwell & Co continued to perform strongly and has added new national and regional house builders to its customer base. The opening of a new showroom in the Grassmarket area of Edinburgh and the refurbishment of the Manchester showroom in Albert Square further established the Group's presence in the specification sector. Cladding, in particular, saw significant year-on-year growth, most notably highlighted within SBS Cladding, underpinned by large scale projects with further growth anticipated in the next financial year. Vobster Cast Stone's (trading as Vobster Architectural) strong order pipeline led to good revenue growth throughout the year.

The acquisition of a new yard in Glasgow in the previous financial year has allowed for the expansion and growth of Bricklink though providing more flexibility for the local area, enabling it to build a strong builder's merchant customer base. The demand for social housing remains an important factor in the Group, with LBT Bricks & Facades continuing to see good growth in this area.

In June 2022, Architectural Facades entered a new, long-term strategic partnership with Thyssenkrupp Materials UK to develop a new balcony system to produce the next generation of balconies. This will improve lead times and reduce time spent on-site, whilst providing exceptional curb appeal and functionality. The patented design, which has passed the rigorous testing stage that lasted several months, was launched in the second half of the year and initial enquiries look very promising.

Importing Division 17% (2022: 14%) of Group Revenue
Revenue of £117.6 million (including internal revenues of £30.7 million (2022: £21.7 million)) for the year ended 31 March 2023 was up £45.3 million on the prior year (2022: £72.3 million), with like-for-like revenue growth of 12.1%. Adjusted EBITDA at £13.2 million for the year ended 31 March 2023 was up £4.9 million on the prior year (2022: £8.3 million).

The division was further strengthened through the acquisition of Modular Clay Products, which was acquired on 31 May 2022, and E.T. Clay and Heritage Clay Tiles, which were acquired on 30 September 2022. These businesses brought new customers to the Group, particularly in the merchant's channel, further diversifying the Group's customer and revenue base.

The Bespoke Brick Co. had a strong year with price and volume growth although some momentum to this growth slowed towards the end of the financial year. It has invested in a Sustainability School and Showroom, based in Derbyshire. The Showroom is due to open later in the year and will showcase all of the Group's sustainability focussed products.

McCann Logistics has continued to grow in revenue, following the increase in its trailer fleet and expansion of its operations to cover haulage from the Netherlands, Germany, France, Spain, Belgium, and Portugal. Crest, Brick Slate and Tile has continued to grow through its product mix of both brick and roof tiles.

After the end of the financial year in May 2023, The Bespoke Brick Company's 'Brick Geek' programme received RIBA accreditation. This is available to architects and specifiers and showcases the many benefits of using clay-facing bricks in all sectors of construction.

Distribution Division 9% (2022: 9%) of Group Revenue
Revenue of £63.0 million (including internal revenues of £0.4 million (2022: £0.2 million)) for the year ended 31 March 2023 was up £16.0 million on the prior year (2022: £47.0 million) with like-for-like revenue growth of 25.5%. Adjusted EBITDA at £8.9 million for the year ended 31 March 2023 was up £1.1 million on the prior year (2022: £7.8 million).

Revenue growth was seen across all of the businesses within the Distribution division, led by the first full year of trading within the Group for HBS NE Ltd (trading as UPOWA). UPOWA continues to win major national housebuilder contracts and is expected to continue to grow as the market in renewable forms of energy expands. The Group invested in a new warehouse for UPOWA, which was fully operational in the year, to support its growth ambition.

Towelrads also saw strong growth through both the towel radiator sector and through the new underfloor heating sector that was taken in-house during the year. This sector is performing strongly and continuing to win contracts in the market. Frazer Simpson more than doubled its revenue when compared to the prior year, supported by strong contract wins and an expansion of its window business.

The Group further invested in the U Plastics (trading as UP Building Products) business, acquiring new branches in Sutton Coldfield and Bury St Edmunds. FSN Doors has continued to grow in the mid-range bracket of the market, and Forum Tiles continues to develop its product offering and grow its customer base.

Contracting Division 6% (2022: 5%) of Group Revenue
Revenue of £41.3 million (including internal revenues of £0.2 million (2022: £0.3 million)) for the year ended 31 March 2023 was up £16.5 million on the prior year (2022: £24.8 million) with like-for-like revenue growth of 12.5%. Adjusted EBITDA at £5.6 million for the year ended 31 March 2023 was up £2.9 million on the prior year (2022: £2.7 million).

Beacon Roofing, which was acquired on 31 March 2022, has performed very well throughout the year and has contributed to the reported revenue growth in the year. Performance has been further supported by gaining new contracts following a competitor going into administration. Crest Roofing and Excel Roofing have continued to grow through the expansion of work with their customer base. Leadcraft has performed well with its customer base growing in the higher value large single-unit housing projects, and DSH Flooring continues to grow year on year through long-term contracts with housebuilders. Gross profit margins have started to improve, following the unprecedented price increases in the cost of sales of roofing materials experienced last year, through shorter fixed periods for contracts.

Continental Tile Joint Venture
In March 2022, the Group announced the formation of the Schermbecker Building Products GmbH joint venture to manufacture clay tiles with a leading German tile manufacturer and producer of roofing materials, operating from a factory in Schermbeck, Germany. Initial manufacture and start-up production of clay roof tiles by the joint venture was very good however due to the volatility of energy prices in Germany, production was curtailed. With volatility in energy prices having since reduced, the Group now expects to produce the clay roof tiles for the UK market from the second quarter of the current financial year.

Outlook
The Group's results highlight the strategic strengths of Brickability, especially when the backdrop of what has been a period of macroeconomic uncertainty is considered. Its growing and diversified business divisions continue to demonstrate their ability to deliver upon the Group's strategic objectives and we remain committed to continuing to grow in a sustainable manner. Recent uncertainty in the market has highlighted the strategic importance of having long-standing relationships with customers and suppliers, growing importing capabilities, and the ability to source and provide quality products to clients. Brickability continues to be able to successfully meet the demands and requirements of our customers.

Whilst the short-term outlook for the housing market sector remains uncertain, and we remain cautious, our priority remains unchanged as we aim to secure strong order intakes with clear and sustainable margins. The Board believes that the Group's diversified multi-business strategy positions it well to navigate what may be uncertain times ahead.

As previously announced, and whilst remaining conscious of the challenges in some of our segments in the short-term, the Group believes that the underlying long-term demand for UK housing remains robust as does the demand for quality materials for the construction sector generally. The Board remains confident that the Group is well placed to continue delivering on its strategic objectives and the underlying organic growth of the business and, notwithstanding a number of industry participants publicly communicating their own expectations of volume reductions in the near term, trading in the current financial year to date has remained in line with Board expectations.

Finally, as I prepare to hand over the role of CEO to Frank Hanna, I would like to reflect on my 36 years with the Group to date. Leading the Group has been and is a great honour, and I have enjoyed all the challenges and rewarding experiences that I have shared with my colleagues. The business continues to be well-placed in the current market, and I look forward to continuing with the Group in a non-board role. Frank is an exceptional operator, manager and leader and has excellent understanding and experience within the industry. Once on board, I have no doubt he will continue to grow the business in his capacity as Group CEO and I look forward to working with him in future years.

Alan Simpson
Chief Executive Officer
14 July 2023

Financial Review
Once again, the financial results for the year reflect a combination of good performance across the divisions, along with the contribution from acquisitions made in the year and the annualisation of those acquisitions completed in the prior year.

Revenue
Revenue totalled £681.1 million for the year ended 31 March 2023. This represented an increase of 30.9% compared to the previous year (2022: £520.2 million). Group like-for-like revenue growth was 4.0% versus 2022.

Division	2023 £m	2022 £m	% Change	% Change LFL
Bricks and Building Materials	498.6	404.6	23%	1%
Importing	117.6	72.3	63%	12%
Distribution	63.0	47.0	34%	26%
Contracting	41.3	24.8	67%	12%
Group eliminations	(39.4)	(28.5)	38%	-

Total	**681.1**	**520.2**	**31%**	**4%**

Gross Profit

Gross profit for the year increased to £112.9 million from £86.8 million. Gross profit margin has decreased marginally by 0.1% to 16.6% driven by the first full year trading contribution from the Taylor Maxwell Group (2022: 9 months), which operated on lower margins than the Group prior to the acquisition. In addition, timber margins have fallen back from the exceptional highs of the previous year and the impacts of these factors were partly mitigated by the acquisitions completed in this financial year which operate on gross profit margins above the average of the Group.

Statutory/Adjusted Profit and Adjusted EBITDA

Statutory profit before tax of £34.5 million (2022: £18.4 million) includes other items of £10.1 million (2022: £16.3 million) which are not considered to be part of the Group's underlying operations. These are analysed as follows:

	2023	**2022**
	£'000	**£'000**
Statutory profit before tax	**34,527**	**18,406**
Acquisition costs	281	1,139
Re-financing costs	-	97
Earn-out consideration classified as remuneration under IFRS 3	5,483	4,333
Share based payment expense	1,567	1,597
Amortisation of intangible assets	8,399	6,333
Impairment of goodwill	-	16
Unwinding of discount on contingent consideration	2,891	938
Share of post-tax profit of equity accounted associates	(123)	(55)
Fair value (gains)/losses on contingent consideration	(8,432)	1,916
Total other items before tax	**10,066**	**16,314**
Adjusted profit before tax	**44,593**	**34,720**
Share of post-tax losses of joint ventures*	-	149
Depreciation and amortisation	4,715	3,342
Finance income	(143)	(54)
Finance expenses	2,365	1,311
Adjusted EBITDA	**51,530**	**39,468**

* The Group's share of losses in its joint venture is included within Adjusted EBITDA in 2023 to reflect its increased contribution to the Group's results. The joint venture was in its initial start-up phase in 2022 and thus not included in order to present results of ongoing operations on a comparable basis. Further details regarding the above other items are disclosed in note 5 to the preliminary final results.

Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and other non-underlying items.

Adjusted EBITDA increased by 30.4% to £51.5 million (2022: £39.5 million) for the year ended 31 March 2023. Detailed segmental analysis is per note 3 of the preliminary final results. All our divisions saw like-for-like growth in the year, however, demand for bricks fell during the second half of our financial year as a result of the subdued housing market. Significant year-on-year price inflation mitigated the financial impact of reduced volumes. Earn-out consideration classified as remuneration relates to Modular Clay Products and Taylor Maxwell (2022: Taylor Maxwell), with both tracking in line with expectations. Fair value movements on contingent consideration result in a gain of £8,423k (2022: loss of £1,916k). This predominately relates to the movements in UPOWA where the combined impact of the application of Part L and Part S renewable energy legislation taking longer than expected by housebuilders, and the forecast slowdown in the housing market compared to prior year forecasts, is expected to delay the period over which UPOWA will benefit from the new legislation.

Taxation

The statutory charge for taxation was £6.8 million (2022: £6.1 million), an effective rate of taxation (Tax expense divided by Profit Before Tax) of 19.8% (2022: 33.2%). The effective rate for the year is marginally higher than the statutory rate of corporation tax of 19% mainly due to the effect of non-deductible expenses from a tax perspective. In 2022 the effective tax rate was higher than the main rate of tax largely due to the impact on deferred tax with the liability remeasured at 25% having originally being recognised at 19%.

Earnings Per Share
Basic EPS for the year was 9.26p (2022: 4.40p), an increase of 110.5%. The Group also reports an adjusted underlying EPS which adjusts for the impact of the other items analysed in the table above. Adjusted EPS for the year was 11.93p (2022: 10.06p) per share, an increase of 18.6%.

Dividends
As a result of the Group's trading performance and also in recognition of the strength of the balance sheet at the year-end, the Board is recommending a final dividend of 2.15 pence per share, bringing the full-year dividend to 3.16 pence per share.

Subject to approval by shareholders, the final dividend will be paid on 21 September 2023, with a record date of 25 August 2023 and an ex-dividend date of 24 August 2023.

Balance sheet review
Inventories at £33.2 million (2022: £28.1 million) increased primarily due to the impact of acquisitions, and the higher stock levels for UPOWA as it continues to grow. The impact of significant price inflation experienced during the year on the valuation of inventory was largely mitigated by the managed reduction of inventory levels. The decrease in both trade and other receivables and trade and other payables on the balance sheet were in line with expectations having taken into account the impact of acquisitions, with the net cashflow impact reflecting similar working capital movements to prior year.

Cash Flow and Net Debt
Operating cash flows before movements in working capital increased to £46.2 million from £35.2 million in 2022. Cash generated from operations increased to £44.9 million from £27.5 million.

At 31 March 2023, the Group had net debt (borrowings less cash) of £8.0 million which compares to net cash (cash less borrowings) of £0.4 million at the prior year-end. The main components of the cash outflows are: additional investment in property, plant and equipment of £7.2 million (2022: £6.3 million), tax paid of £11.1 million (2022: £7.3 million), net proceeds from the issue of new shares £0.1 million (2022: £52.7million), the initial payments for three new subsidiaries of £16.7 million (2022: £50.3 million), net cash acquired with subsidiary undertaking £4.7 million (2022: £3.4 million), and the payment of deferred consideration, in relation to prior year acquisitions, of £3.5 million (2022: £1.4 million). Dividends of £9.1 million (2022: £6.1 million) were also paid in the year. We continue to expect that the Brickability Group will remain a business that is cash generative.

Bank Facilities
The Group has revolving credit facilities with HSBC and Barclays of £60 million, which includes an ancillary facility carve out of a £5 million overdraft. The facilities agreement also provides for an accordion facility to increase the commitment under revolving facilities by up to a further £25 million. As at the year end, the Group had utilised £17.0 million of the facilities.

Subsequent Events
On 2 June 2023, the Group completed the acquisition of the entire share capital and 100% of the voting rights in FSL for consideration of £600,000. On completion FSL had net assets of £21,000. On 8 June 2023, the Group completed the sale of its shares in Lendwell Holdings Limited for consideration of £188,000.

Going Concern
The Directors are confident, having made appropriate enquiries, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Mike Gant
Chief Financial Officer
14 July 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2023

		2023			2022		
		Adjusted	Other (note 5)	Total	Adjusted	Other (note 5)	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue		681,087	-	681,087	520,169	-	520,169
Cost of sales		(568,220)	-	(568,220)	(433,366)	-	(433,366)
Gross profit		112,867	-	112,867	86,803	-	86,803
Other operating income		561	-	561	354	-	354
Administrative expenses		(64,281)	(15,730)	(80,011)	(50,581)	(13,515)	(64,096)
Comprising:							

Depreciation and amortisation		(4,715)	(8,399)	(13,114)	(3,342)	(6,349)	(9,691)	
Other administrative expenses		(59,566)	(7,331)	(66,897)	(47,239)	(7,166)	(54,405)	
Impairment losses on financial assets		(1,611)	-	(1,611)	(450)	-	(450)	
Finance income		143	-	143	54	-	54	
Finance expense		(2,365)	(2,891)	(5,256)	(1,311)	(938)	(2,249)	
Share of post-tax profit/(loss) of equity accounted associates		-	123	123	-	55	55	
Share of post-tax loss of equity accounted joint ventures		(721)	-	(721)	(149)	-	(149)	
Fair value gains/(losses)		-	8,432	8,432	-	(1,916)	(1,916)	
Profit/(loss) before tax		44,593	(10,066)	34,527	34,720	(16,314)	18,406	
Tax (expense)/credit		(8,924)	2,094	(6,830)	(6,494)	391	(6,103)	
Profit/(loss) for the year		35,669	(7,972)	27,697	28,226	(15,923)	12,303	
Other comprehensive income								
Items that will not be reclassified to profit or loss:								
Remeasurements of defined benefit pension schemes		-	43	43	-	(1,970)	(1,970)	
Deferred tax on remeasurement of defined benefit pension schemes		-	(11)	(11)	-	374	374	
Fair value gain on investments in equity instruments designated as FVTOCI		-	10	10	-	53	53	
Other comprehensive income/ (loss) for the year		-	42	42	-	(1,543)	(1,543)	
Total comprehensive income/(loss)		35,669	(7,930)	27,739	28,226	(17,466)	10,760	
Profit/(loss) for the year attributable to:								
Equity holders of the parent		35,710	(7,972)	27,738	28,310	(15,923)	12,387	
Non-controlling interests		(41)	-	(41)	(84)	-	(84)	
		35,669	(7,972)	27,697	28,226	(15,923)	12,303	
Total comprehensive income/(loss) attributable to:								
Equity holders of the parent		35,710	(7,930)	27,780	28,310	(17,466)	10,844	
Non-controlling interests		(41)	-	(41)	(84)	-	(84)	
		35,669	(7,930)	27,739	28,226	(17,466)	10,760	
Earnings per share								
Basic earnings per share	7			9.26			4.40	p
Diluted earnings per share	7			9.10			4.32	p
Adjusted basic earnings per share	7			11.93			10.06	p
Adjusted diluted earnings per share	7			11.71			9.86	p

All results relate to continuing operations.

Consolidated Balance Sheet
As at 31 March 2023

	Note	2023 £'000	(Restated)* 2022 £'000
Non-current assets			
Property, plant and equipment		24,783	19,057
Right of use assets		18,553	12,162
Intangible assets		152,424	150,951
Investments in equity accounted associates		324	261
Investments in equity accounted joint ventures		-	279
Investments in financial assets		188	178
Trade and other receivables		3,611	1,023
Total non-current assets		199,883	183,911
Current assets			
Inventories		33,159	28,120
Trade and other receivables		125,603	131,202
Employee benefit assets		646	781
Current income tax assets		1,677	101
Cash and cash equivalents		21,645	25,028
Total current assets		182,730	185,232
Total assets		382,613	369,143
Current liabilities			
Trade and other payables		(131,419)	(140,046)
Loans and borrowings		(12,624)	-
Lease liabilities		(3,225)	(2,216)
Total current liabilities		(147,268)	(142,262)
Non-current liabilities			
Trade and other payables		(9,592)	(17,910)
Loans and borrowings	9	(16,800)	(24,240)
Lease liabilities		(12,967)	(10,417)
Provisions		(2,364)	(1,728)
Deferred tax liabilities		(18,244)	(18,102)
Total non-current liabilities		(59,967)	(72,397)
Total liabilities		(207,235)	(214,659)
Net assets		175,378	154,484
Equity			
Called up share capital		3,003	2,985
Share premium account		102,847	102,146
Capital redemption reserve		2	2
Share-based payment reserve		3,509	1,930
Merger reserve		11,146	11,146
Retained earnings		55,002	36,365
Equity attributable to owners of the Company		175,509	154,574
Non-controlling interests		(131)	(90)
Total equity		175,378	154,484

*See note 8 for details of restatement.

Consolidated Statement of Changes in Equity
For the year ended 31 March 2023

	Share capital £'000	Share premium account £'000	Capital redemption £'000	Share-based payments £'000	Merger reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total £'000
At 1 April 2021	**2,305**	**49,999**	**2**	**266**	**1,245**	**31,623**	**85,440**	**(6)**	**85,434**
Profit or (loss) for the year	-	-	-	-	-	12,387	12,387	(84)	12,303
Total comprehensive income for the year	-	-	-	-	-	10,844	10,844	(84)	10,760
Dividends paid	-	-	-	-	-	(6,102)	(6,102)	-	(6,102)
Issue of paid shares	578	54,422	-	-	-	-	55,000	-	55,000
Issue of consideration shares	99	-	-	-	9,901	-	10,000	-	10,000
Issue of shares on exercise of share options	3	12	-	-	-	-	15	-	15
Equity settled share based payments	-	-	-	1,173	-	-	1,173	-	1,173
Deferred tax on share based payment transactions	-	-	-	491	-	-	491	-	491
Share issue costs	-	(2,287)	-	-	-	-	(2,287)	-	(2,287)
Total contributions by and distributions to owners	680	52,147	-	1,664	9,901	(6,102)	58,290	-	58,290
At 31 March 2022	**2,985**	**102,146**	**2**	**1,930**	**11,146**	**36,365**	**154,574**	**(90)**	**154,484**
Profit or (loss) for the year	-	-	-	-	-	27,738	27,738	(41)	27,697
Other comprehensive income for the year	-	-	-	-	-	42	42	-	42
Total comprehensive income for the year	-	-	-	-	-	27,780	27,780	(41)	27,739
Dividends paid	-	-	-	-	-	(9,143)	(9,143)	-	(9,143)
Issue of shares on exercise of share options	18	701	-	-	-	-	719	-	719
Equity settled share based payments	-	-	-	1,637	-	-	1,637	-	1,637
Deferred tax on share based payment transactions	-	-	-	(197)	-	-	(197)	-	(197)
Current tax on share based payment transactions	-	-	-	139	-	-	139	-	139

Total contributions by and distributions to owners	18	701	-	1,579	-	(9,143)	(6,845)	-	(6,845)
At 31 March 2023	**3,003**	**102,847**	**2**	**3,509**	**11,146**	**55,002**	**175,509**	**(131)**	**175,378**

Consolidated Statement of Cash Flows
For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Operating activities			
Profit for the year		27,697	12,303
Adjustments for:			
Depreciation of property, plant and equipment		1,566	1,143
Depreciation of right of use assets		3,101	2,136
Amortisation of intangible assets		8,447	6,396
Gain on disposal of property, plant and equipment and right of use assets		(314)	(75)
Foreign exchange losses/(gains)		29	(27)
Share-based payment expense		1,567	1,597
Other operating income		(365)	(27)
Share of post-tax profit in equity accounted associates		(123)	(55)
Share of post-tax loss in joint ventures		721	149
Impairment of goodwill		-	16
Fair value changes in contingent consideration		(8,176)	1,916
Gain on acquisition		(256)	-
Movements in provisions		(141)	12
Finance income		(143)	(54)
Finance expense		5,256	2,249
Acquisition costs	5	281	1,236
Income tax expense		6,830	6,103
Pension charge in excess of contributions paid		196	140
Operating cash flows before movements in working capital		46,173	35,158
Changes in working capital:			
Increase in inventories		(865)	(6,700)
Decrease/(Increase) in trade and other receivables		19,331	(22,194)
(Decrease)/Increase in trade and other payables		(19,765)	21,234
Cash generated from operations		44,874	27,498
Payment of acquisition expenses		(281)	(1,139)
Interest received		125	18
Income taxes paid		(11,074)	(7,256)
Net cash from operating activities		33,644	19,121
Investing activities			
Purchase of property, plant and equipment		(7,229)	(6,317)
Proceeds from sale of property, plant and equipment		441	187
Purchase of right of use assets		(2,525)	-
Purchase of intangible assets		(478)	(488)
Acquisition of subsidiaries	8	(16,674)	(50,292)

Net cash acquired with subsidiary undertakings	8	4,676	3,422
Acquisition of interests in joint ventures		(442)	(428)
Loan to joint venture		(2,960)	-
Proceeds from repayment of directors' loans		-	978
Dividends received from associates		60	15
Net cash used in investing activities		(25,131)	(52,923)
Financing activities			
Equity dividends paid	6	(9,143)	(6,102)
Proceeds from issue of ordinary shares net of share issue costs		719	52,728
Payment of financing costs		-	(97)
Proceeds from bank borrowings		115,400	52,100
Repayment of bank borrowings		(123,000)	(43,400)
Payment of lease liabilities		(2,791)	(2,103)
Payment of deferred and contingent consideration		(3,499)	(1,358)
Interest paid		(2,246)	(1,139)
Payment of transaction costs relating to loans and borrowings		-	(375)
Net cash flows (used in)/from financing activities		(24,560)	50,254
Net (decrease)/increase in cash and cash equivalents		(16,047)	16,452
Cash and cash equivalents at beginning of year		25,028	8,592
Effect of changes in foreign exchange rates		40	(16)
Cash and cash equivalents at end of year		9,021	25,028

Notes to the Preliminary Results
Year ended 31 March 2023

1. General information

This announcement was approved by the Board of Directors on 14 July 2023.

Brickability Group PLC is a company incorporated in England and Wales (registration number 11123804). The address of the registered office is South Road, Bridgend Industrial Estate, Bridgend, United Kingdom CF31 3XG.

The financial information set out above does not constitute the Group's statutory financial statements for the year ended 31 March 2023 or 2022 but is derived from these financial statements. Statutory financial statements for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered by 30 September 2023. The auditor reported on these statutory financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

The financial information has been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

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

The financial information is prepared on the historical cost basis, with the exception of certain financial assets and liabilities which are stated at fair value.

Going Concern

The key uncertainly faced by the Group is the demand for its products and how these are impacted by economic factors.

The expected budget forecast was reviewed with no concerns noted and sufficient headroom in place. Budget scenarios have been prepared to compare a number of outcomes where there is a significant and prolonged drop in demand in the industry.

For each scenario, cash flow and covenant compliance forecasts have been prepared. A significant drop in revenue of 50% with no adjustment to overheads would lead to a breach. However, if overheads were cut by 17%, then a breach could be avoided. The scenarios in which revenue could fall by this level so rapidly are considered remote.

Having taken into account the scenarios modelled, the Directors are satisfied that the Group has sufficient resources to continue to operate for a period of not less than 12 months from the date of this report and until at least 30 September 2024. Accordingly, the consolidated financial information has been prepared on a going concern basis.

New standards, interpretations and amendments not yet effective from 1 January 2022

The following standards and amendments became effective for the current financial year:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16));
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to the Conceptual Framework (Amendments to IFRS 3).

The amendments above did not have any impact on the amounts recognised in prior periods or the current year. They are also not expected to significantly affect future periods.

New standards, interpretations and amendments not yet effective

Certain new standards and amendments have been issued by the IASB and will be effective in future accounting periods. The standards and amendments that are not yet effective, are likely to impact the Group and have not been adopted early by the Group include:

Amendments effective from 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2));
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

Amendments effective from 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a sale and leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of liabilities as current or non-current);
- IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with covenants).

The amendments to IAS 12 will likely result in the Group recognising additional deferred tax assets and liabilities in respect of right of use assets accounted for under IFRS 16. The other amendments listed above are not expected to have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3. Segmental analysis

For management purposes, the Group is organised into segments based on its products and services. During the year, the Group changed its reportable segments due to increasing diversification following recent acquisitions. It now has four reportable divisions as follows:

- Bricks and Building Materials, which incorporates the sale of superior quality building materials to all sectors of the construction industry including national house builders, developers, contractors, general builders and retail to members of the public;
- Importing, which is primarily responsible for importing building products, the majority of which are on an exclusive basis to the UK market, to complement traditional and contemporary architecture;
- Distribution, which focuses on the sale and distribution of a wide range of products, including windows, doors, radiators and associated parts and accessories; and
- Contracting, which provides flooring and roofing installation services, primarily within the residential construction sector.

This is the first time results have been presented in these segments within the Group's Annual Report and Accounts and thus the results reported for the prior year have also been re-presented for comparison purposes.

The Group's segments are strategic business units that offer different products and services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The Group considers the CODM to be the senior management team, including the Board of Directors, who are responsible for allocating resources and assessing performance of the operating segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment performance is evaluated based on adjusted EBITDA, without allocation of depreciation and amortisation, finance expenses and income, impairment losses, fair value movements or the share of results of associates and joint ventures. This is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

The Group's revenue is primarily generated in the United Kingdom. Of the revenue generated in Europe, £229,000 (2022: £66,000) is included within revenue from the sale of goods. within the Bricks and Building Materials segment and £111,000 (2022: £nil) is included within revenue from the sale of goods within the Importing segment. The balance of £2,462,000 (2022: £2,742,000) is included within revenue from the rendering of services within the Importing segment. All of the revenue generated in Other geographic locations is included within revenue from the sale of goods within the Bricks and Building Materials segment.

Revenue from the sale of goods and rendering of services is analysed by segment below. Revenue from the rendering of services within the Importing segment relates to the provision of transportation and distribution services. Revenue from the rendering of services within the Distribution segment relates to solar panel installation services.

No individual customer accounts for more than 10% of the Group's total revenue.

	2023						2022					
	Bricks and Building Materials	**Importing**	**Distribution**	**Contracting**	**Unallocated & Group Eliminations**	**Consolidated**	**Bricks and Building Materials**	**Importing**	**Distribution**	**Contracting**	**Unallocated & Group Eliminations**	**Consolidated**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000			£'000	£'000
Revenue from sale of goods	**490,472**	**75,411**	**54,510**	**-**	**-**	**620,393**	398,198	40,451	44,020	-	-	482,669
Revenue from Rendering of Services	**-**	**11,472**	**8,085**	**41,137**	**-**	**60,694**	-	10,180	2,818	24,502	-	37,500
Total external revenue	**490,472**	**86,883**	**62,595**	**41,137**	**-**	**681,087**	398,198	50,631	46,838	24,502	-	520,169
Total internal revenue	**8,122**	**30,700**	**394**	**201**	**(39,417)**	**-**	6,384	21,649	188	286	(28,507)	-
Total revenue	**498,594**	**117,583**	**62,989**	**41,338**	**(39,417)**	**681,087**	404,582	72,280	47,026	24,788	(28,507)	520,169
Group adjusted EBITDA	**30,141**	**13,188**	**8,893**	**5,620**	**(6,312)**	**51,530**	24,317	8,273	7,849	2,680	(3,651)	39,468
Depreciation and amortisation					**(13,114)**	**(13,114)**					(9,691)	(9,691)
Acquisition and re-financing costs					**(281)**	**(281)**					(1,236)	(1,236)
Earn-out consideration classified as remuneration under IFRS 3					**(5,483)**	**(5,483)**					(4,333)	(4,333)
Share based payment expense					**(1,567)**	**(1,567)**					(1,597)	(1,597)
Finance income					**143**	**143**					54	54
Finance expense					**(5,256)**	**(5,256)**					(2,249)	(2,249)
Share of results of associates					**123**	**123**					55	55
Share of results of joint ventures					**-**	**-**					(149)	(149)
Fair value gains and losses					**8,432**	**8,432**					(1,916)	(1,916)
Group profit before tax	**30,141**	**13,188**	**8,893**	**5,620**	**(23,315)**	**34,527**	24,317	8,273	7,849	2,680	(24,713)	18,406

For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the total non-current and current assets attributable to each segment. All assets are allocated to reportable segments with the exception of those used primarily for corporate purposes (central), investments in associates, joint ventures and financial assets and deferred tax assets. Goodwill has been allocated to reportable segments. No other assets are used jointly by reportable segments. All liabilities are allocated to reportable segments with the exception of those used primarily for corporate purposes (central), bank borrowings and deferred tax liabilities.

Right of use assets, in respect of trailers, with a carrying value of £2,706,000 (2022: £3,207,000), are either held in the United Kingdom or Europe at the year-end, depending on the timing and location of goods being transported. All other non-current assets are solely held within the United Kingdom.

	2023						2022					
	Bricks and Building Materials £'000	**Importing £'000**	**Distribution**	**Contracting £'000**	**Central & Group Eliminations**	**Consolidated £'000**	**Bricks and Building Materials** £'000	**Importing** £'000	**Distribution**	**Contracting**	**Central & Group Eliminations** £'000	**Consolidated** £'000
Non-current segment assets	**79,152**	**33,147**	**49,880**	**29,520**	**7,672**	**199,371**	82,280	16,123	52,901	31,358	531	183,193
Current segment assets	**114,359**	**26,403**	**25,849**	**11,965**	**4,154**	**182,730**	131,498	17,258	25,258	10,143	1,075	185,232
Total segment assets	**193,511**	**59,550**	**75,729**	**41,485**	**11,826**	**382,101**	213,778	33,381	78,159	41,501	1,606	368,425
Unallocated assets:												
Investment in associates						**324**						261
Investment in joint ventures						**-**						279
Investments in financial assets						**188**						178
Group assets						**382,613**						369,143
Total segment liabilities	**(96,394)**	**(17,739)**	**(18,601)**	**(4,933)**	**(34,524)**	**(172,191)**	(99,360)	(15,433)	(4,357)	(4,913)	(48,254)	(172,317)
Loans and borrowings (excluding leases and overdrafts)						**(16,800)**						(24,240)
Deferred tax liabilities						**(18,244)**						(18,102)
Group liabilities						**(207,235)**						(214,659)
Non-current asset additions												
Property, plant and equipment	**485**	**2,352**	**2,443**	**430**	**1,520**	**7,230**	720	4,676	95	295	531	6,317
Right of use assets	**1,803**	**1,521**	**2,939**	**78**	**2,618**	**8,959**	438	2,768	126	-	-	3,332
Intangible assets	**-**	**-**	**478**	**-**	**-**	**478**	-	-	488	-	-	488
Total non-current asset additions	**2,288**	**3,873**	**5,860**	**508**	**4,138**	**16,667**	1,158	7,444	709	295	531	10,137

4. Profit before tax

Profit before tax is stated after charging/(crediting):	**2023**	2022
	£'000	£'000
Amortisation of intangible assets	**8,447**	6,396
Impairment of goodwill	**-**	16
Depreciation of property, plant and equipment	**1,566**	1,143
Depreciation of right of use assets	**3,101**	2,136
Gain on disposal of property, plant and equipment and right of use assets	**(314)**	(75)
Cost of inventories recognised as an expense	**555,592**	418,698
Customer rebates	**7,987**	6,153
Supplier rebates	**(8,799)**	(6,147)
Subcontractor costs	**15,984**	9,436
Impairment of trade receivables	**1,611**	450
Net foreign exchange gains	**87**	(32)

5. Other items

In order to assist with the understanding of the Group's performance, certain business combination related items that are significant in nature and items that management do not consider to be directly reflective of the Group's underlying performance in the period are presented separately, on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

This includes certain cash and non-cash items which tend to be charged or recognised throughout the year regardless of trading performance. For the purpose of assessing performance on a comparable basis year on year, management therefore considers both statutory and adjusted profit measures, with these adjusted measures presented separately in order to provide additional useful information about the Group's performance to users of the accounts.

Other items that are excluded from adjusted profit measures are as follows:

	2023	2022
	£'000	£'000
Amortisation of acquired intangible assets	**(8,399)**	(6,333)
Impairment of goodwill	**-**	(16)
Total depreciation and amortisation	**(8,399)**	(6,349)
Acquisition costs	**(281)**	(1,139)
Re-financing costs	**-**	(97)
Earn-out consideration classified as remuneration under IFRS 3	**(5,483)**	(4,333)
Share-based payment expense (including employer NI)	**(1,567)**	(1,597)
Total other administrative expenses	**(7,331)**	(7,166)
Unwinding of discount on contingent consideration	**(2,891)**	(938)
Total finance expense	**(2,891)**	(938)
Share of post-tax profit of equity accounted associates	**123**	55
Gain/(loss) on re-measurement of contingent consideration	**8,176**	(1,916)
Gain on acquisition	**256**	-
Total fair value gains/(losses)	**8,432**	(1,916)
Total other items before tax	**(10,066)**	(18,230)
Tax on other items	**2,094**	391
Total other items after tax	**(7,972)**	(17,839)

Other comprehensive income/(loss)		
Remeasurements of defined benefit pension schemes	**43**	(1,970)
Deferred tax on remeasurement of defined benefit pension schemes	**(11)**	374
Fair value gain on investments in equity instruments designated as FVTOCI	**10**	53
Total other comprehensive income/(loss)	**42**	(1,543)
Total other items in total comprehensive income	**(7,930)**	(19,382)

Impact of business combinations

Following a business combination, intangible assets in respect of brands, customer relationships and supplier relationships are recognised as part of the fair value assessment of net assets acquired. Amortisation on these acquired intangibles is excluded from adjusted profit as the recognition of these intangibles is not comparable with the recognition of other internally generated assets. Its exclusion enables performance to be assessed on a like for like basis regardless of whether growth is organic or through acquisition and whether acquired intangibles have been fully amortised.

Acquisition costs associated with business combinations can fluctuate from year to year depending on the size and number of acquisitions. Legal and professional fees for acquisitions are also generally considered to be greater than those incurred during the course of regular trading. These are therefore excluded from adjusted results for improved comparability.

Any gains recognised on acquisition, subsequent changes in the fair value of contingent consideration and the related finance expense in connection with discounting deferred and contingent consideration can also make a comparison of trading performance on a like for like basis more difficult. These gains/losses and expenses are therefore also excluded from adjusted results, with the inclusion within other items consistent with the presentation of other acquisition related costs.

Fair value gains/(losses) include a gain of £8,176,000 (2022: loss of £1,916,000) in respect of changes in contingent consideration expected to be payable.

Acquisition costs comprise of transaction costs of £92,000 (2022: £383,000), in relation to stamp duty, plus a further £189,000 (2022: £756,000) in respect of legal and professional fees. £259,000 (2022: £1,060,000) was directly associated with the acquisitions in the year, £13,000 was in connection with a prior year acquisition and the remainder related to aborted acquisitions.

To facilitate the acquisition of Taylor Maxwell Group (2017) Limited in the prior year, the Group re-financed and agreed an increase in its available banking facilities, The re-financing costs directly associated with this are therefore considered to be connected with the acquisition and outside the normal course of business.

The agreements to purchase Taylor Maxwell Group (2017) Limited and Modular Clay Products Ltd include earn-out consideration, payable if certain performance-based targets are met over the following three-years. The share purchase agreements also include a 'bad leaver' clause, under which the earn-out consideration payment to such a leaver is forfeited. The clauses were included with the intention of protecting the value of the business over the first few years following acquisition. However, as a result of the earn-out consideration effectively being contingent on the continued employment or 'good leaver' status of the individual, the amount payable has been treated as remuneration in accordance with current IFRS interpretation guidance of IFRS 3. As such, the amount payable is considered significant in nature, business combination related and not reflective of a typical remuneration cost that would usually be incurred within the underlying trade of the Group.

Share-based payments

The share-based payment expense represents the share-based payment charge for the year, including associated accrued employer taxes. The majority of share options issued are subject to performance criteria, including both market and non-market conditions. Changes in market conditions after the grant date are not reflected in the share-based payment expense recognised. The accounting charge is therefore not considered to be directly linked to the Group's trading operations in the year and thus separate disclosure is deemed appropriate to assist with the understanding of the Group's performance in the year.

Equity accounted associates

The Group is not directly involved in the day-to-day operations of its associate and thus considers it appropriate to separate its share of this entity's results from the Group's adjusted results.

Tax

The tax credit arising on the other items is presented on the same basis as the cost to which it relates.

Other comprehensive income

Other comprehensive income relates to the remeasurement of the defined pension scheme, the associated deferred tax movement and the fair value gain on investments in equity instruments designated as fair value through other comprehensive income.

The defined benefit pension scheme was acquired as part of the net assets of Taylor Maxwell Group (2017) Limited in the prior year. Shortly afterwards, the Group entered into a buy-in insurance policy and is in the process of completing a buy-out, whereby the defined benefit pension liability will be transferred to an insurer. As such, the scheme related remeasurement and deferred tax movements are not considered to be part of the Group's underlying operations and have been reported separately from the Group's adjusted results.

The fair value change in investments in equity instruments designated as fair value through other comprehensive income is also not reflective of the Group's underlying trading performance and thus is not included in the Group's adjusted comprehensive income.

6. Dividends

	2023	2022
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2022 of 2.0400p per share (2022: for the year ended 31 March 2021 of 1.0850p per share)	**6,111**	3,236
Interim dividend for the year ended 31 March 2023 of 1.0100p per share (2022: for the year ended 31 March 2022 of 0.9600p per share)	**3,032**	2,866
Total dividends paid in the year	**9,143**	6,102

The Directors recommend that a final dividend for 2023 of 2.15p (2022: 2.04p) per ordinary share be paid.

The final dividend will be paid, subject to shareholders' approval at the Annual General Meeting, to shareholders on the register at the close of business on 25 August 2023. This dividend has not been included as a liability in these financial statements.

7. Earnings per share

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

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

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

	2023			2022		
	Earnings £'000	**Weighted average number of shares**	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Basic earnings per share	**27,738**	**299,439,718**	**9.26**	12,387	281,474,903	4.40
Effect of dilutive securities						
Employee share options	-	**5,403,747**	-	-	5,512,650	-
Diluted earnings per share	**27,738**	**304,843,465**	**9.10**	12,387	231,088,804	4.18

Adjusted earnings per share and adjusted diluted earnings per share based on the adjusted profit attributable to the equity holders of the parent, as shown in the Adjusted column of the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Details of the Other items after tax, forming the difference between the statutory earnings above and adjusted earnings below, are outlined in note 5 of the preliminary final results.

	2023			2022		
	Earnings £'000	**Weighted average number of shares**	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Adjusted basic earnings per share	**35,710**	**299,439,718**	**11.93**	28,310	281,474,903	10.06
Effect of dilutive securities						
Employee share options	-	**5,403,747**	-	-	5,512,650	-
Adjusted diluted earnings per share	**35,710**	**304,843,465**	**11.71**	28,310	286,987,553	9.86

8 Business combinations

The Group acquired the entire share capital and 100% of the voting rights in the following companies during the year:

Company acquired	Acquisition date
Modular Clay Products Ltd	31 May 2022
E. T. Clay Products Limited	30 September 2022
Heritage Clay Tiles Limited	30 September 2022

The fair value of the assets acquired and liabilities assumed on acquisition are as follows:

	Modular Clay Products Ltd £'000	E. T. Clay Products Limited £'000	Heritage Clay Tiles Limited £'000
Property, plant and equipment	16	157	29
Right of use assets	28	792	305
Identifiable intangible assets	3,810	3,083	309
Inventory	164	2,838	1,172
Trade and other receivables	2,888	8,651	1,732
Cash and cash equivalents	4,205	627	(156)
Trade and other payables	(2,104)	(5,604)	(2,864)
Current income tax	(514)	(858)	-
Lease liabilities	(28)	(792)	(305)
Provisions	-	(27)	(5)
Deferred tax	(926)	(792)	(16)
Total identifiable net assets	7,539	8,075	201
Goodwill	-	1,630	610
Gain on acquisition	(256)	-	-
Total consideration	7,283	9,705	811
Satisfied by:			
Cash paid	7,283	8,662	729
Contingent consideration	-	1,043	82
Total consideration	7,283	9,705	811

Cash paid reflects an initial cash payment agreed in respect of the value attributed to the business, based on a multiple of Adjusted EBITDA, plus any further amounts paid in respect of excess working capital, including any surplus cash, based on agreed form completion accounts.

The Group acquired each of the above subsidiaries in order to expand its presence in the specification and further broaden the Group's access to overseas manufacturers, whilst enhancing the range of products that can be offered to its customers.

The fair value of identifiable intangible assets acquired through business combinations relate to brands and customer relationships.

The fair value of brands is based on a relief from royalty method, with a royalty rate of 0.75% to 1% applied based on comparable businesses in the market, reflecting the size of the entities acquired. The fair value of customer relationships is established using a multi-period excess earnings method, with discount rates of between 13% and 22% applied to the acquisitions in the year. Projected cashflows that underpin the valuations are based on management's best estimate of the expected levels of trade and profits following acquisition, taking into account actual results around the time of acquisition. Forecasts are prepared for a three-year period, with an inflationary 2% growth in revenue applied thereafter.

Any excess paid over the value of net assets acquired is included as goodwill. Goodwill principally comprises the value of expected synergies arising from the acquisitions and the value of the assembled workforce. None of the goodwill is expected to be deductible for tax purposes.

A gain has arisen on the acquisition of Modular Clay Products Ltd, which is recognised within the Fair Value Gains/(Losses) line in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (note 13). The Group does not consider the acquisition to be a bargain purchase commercially. Further amounts are expected to be payable to the seller depending on future performance. However, these amounts are recognised as remuneration for post business combination services, as outlined in the following Contingent Consideration section. Due to this component of consideration being accounted for as remuneration, the fair value of identifiable net assets acquired exceeds the consideration under IFRS 3. The gain has therefore arisen as a result of accounting treatments, with IFRS 3 requiring the gain to be credited to profit or loss on acquisition.

Included within the fair value of trade and other receivables above are the following gross contractual amounts due and amounts not expected to be collected in respect of trade receivables:

	Modular Clay Products Ltd £'000	E. T. Clay Products Limited £'000	Heritage Clay Tiles Limited £'000
Gross contractual trade receivables	2,363	5,482	1,021
Amounts not expected to be collected	(7)	(5)	-
Fair value of contractual receivables	2,356	5,477	1,021

Included in the consolidated financial statements are the following amounts of revenue and profit in respect of the subsidiaries acquired:

	Modular Clay Products Ltd £'000	E. T. Clay Products Limited £'000	Heritage Clay Tiles Limited £'000
Revenue	11,119	14,728	2,458
Net profit	1,637	618	122

Had the current year business combinations taken place at the beginning of the financial year, the Group's revenue for the year would have been £706,624,000 (2022: £617,122,000) and Group profit would have been £30,332,000 (2022: £15,507,000).

Acquisition related costs, included in administrative expenses, amounted to £259,000 in respect of the above acquisitions, as follows:

	Modular Clay Products Ltd £'000	E. T. Clay Products Limited £'000	Heritage Clay Tiles Limited £'000
Acquisition costs	100	133	26

Business combinations completed in prior periods

Whiffen Holdings Limited and Beacon Roofing Limited

The Group acquired 100% of the share capital and voting rights in Whiffen Holdings Limited and its subsidiary, Beacon Roofing Limited (together the 'Whiffen Holdings Group'), on 31 March 2022. As disclosed in the 2022 financial statements, due to the timing of the acquisition the value of the identifiable net assets was included on a provisional basis pending a detailed assessment of the fair value of the contingent consideration and all identifiable net assets.

Details of the revised fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value originally reported £'000	Adjustment £'000	Restated fair value £'000
Property plant and equipment	709	502	1,211
Identifiable intangible assets	-	2,255	2,255
Inventory	45	-	45
Trade and other receivables	2,476	-	2,476
Cash and cash equivalents	741	-	741
Trade and other payables	(1,206)	-	(1,206)
Current income tax liabilities	(365)	-	(365)
Provisions	(76)	-	(76)
Deferred tax	(73)	(675)	(748)
Total identifiable net assets	2,251	2,082	4,333
Goodwill	5,968	(1,889)	4,079
Total consideration	8,219	193	8,412
Satisfied by:			
Cash paid	5,371	-	5,371
Deferred cash consideration	1,676	-	1,676
Contingent consideration	1,172	193	1,365
Total consideration	8,219	193	8,412

Had the full fair value assessment been carried out prior to announcing the annual results to 31 March 2022, the financial statements would have differed as follows:

- The cost of property, plant and equipment would have been £502,000 higher, with a corresponding decrease in goodwill.
- Intangible assets of £2,255,000 and a related deferred tax liability of £675,000 would have also been recognised, with a corresponding net decrease in goodwill.

- The contingent consideration liability on acquisition would have been £193,000 higher, with a corresponding increase in goodwill.
- As the acquisition took place on the final day of the financial year, there is no impact on the profit or loss reported for the year ended 31 March 2022.

The March 2022 comparatives have been restated in these financial statements to reflect the above changes.

Under paragraph 10(f) of IAS 1 Presentation of financial statements, a prior period restatement would usually require the presentation of a third balance sheet at 1 April 2021. However, as the restatement of the provisional fair values would have no impact on the balance sheet at that date, it is not considered that this would provide additional useful information. As such, a third consolidated balance sheet has not been included within these financial statements due to prior period business combinations.

Contingent consideration

The Group has entered into contingent consideration arrangements during the purchase of several subsidiaries. Final amounts payable under these agreements are all subject to future performance and the acquired business achieving pre-determined adjusted EBITDA targets, over the three years following acquisition, with the exception of HBS NE Limited which is over five years.

The fair value of all contingent consideration is based on a discounting cash flow model, applying a discount rate of between 1.7% and 23.6% to the expected future cash flows.

Summarised below are the fair values of the contingent consideration at both acquisition and reporting date, the potential undiscounted amount payable and the discount rates applied within the discounting cash flow models, for each acquisition where contingent consideration arrangements remain in place.

Company acquired	Discount rate	Fair value at acquisition £'000	Fair value at reporting date 2023 £'000	Fair value at reporting date 2022 £'000	Undiscounted amount payable 2023 £'000	Undiscounted amount payable 2022 £'000
The Bespoke Brick Company Limited	4.9%	-	-	675	-	686
Brickmongers (Wessex) Ltd	4.8%	138	-	87	-	89
U Plastics Limited	3.5%	2,208	962	2,092	964	2,164
Bathroom Barn Limited	1.7%	231	108	166	110	170
McCann Logistics Ltd	1.7%	889	1,324	1,597	1,330	1,628
Taylor Maxwell Group (2017) Limited	4.1%	-	390	422	406	435
SBS Cladding Limited	4.1%	1,845	1,464	1,804	1,500	1,900
Leadcraft Limited	10.4%	722	964	795	1,128	1,028
HBS NE Limited	16.1% - 23.6%	10,069	3,901	10,770	6,998	22,188
Beacon Roofing Limited*	13.0%	1,365*	2,355	1,365*	2,802	1,885*
E. T. Clay Products Limited	16.0%	1,043	2,433	-	3,210	-
Heritage Clay Tiles Limited	20.0%	82	193	-	270	-

*2022 and acquisition values restated following completion of fair value assessment of total consideration payable and net assets acquired as noted above.

The potential undiscounted amount payable in respect of E. T. Clay Products Limited and Heritage Clay Tiles Limited ranges from £nil to £3,480,000. In respect of prior period acquisitions, the undiscounted amount payable for U Plastics Limited ranges from £572,000 to £1,200,000 (2022: £246,000 to £2,400,000) and the amount payable for SBS Cladding Limited ranges from £500,000 to £2,000,000 (2022: £nil to £2,000,0000). It is not possible to determine a range of outcomes for other acquisitions as the arrangements do not contain a maximum payable.

Changes in the range of outcomes are due to amounts paid or payable being determined during the year as milestones within the performance period are met.

The acquisition of Taylor Maxwell Group (2017) Limited is also subject to further payments depending on future performance, ranging from £nil to £13,000,000, over the three years following acquisition. Based on current interpretation guidance concerning contingent payments to employees under IFRS 3, the earn-out amounts payable are recognised in profit or loss over the earn-out period as remuneration costs. This is due to the inclusion of a 'bad leaver' clause in the share purchase agreement, under which the earn-out consideration payment is forfeited. The earn-out consideration is therefore deemed to effectively be contingent on the continued employment of the seller and the seller not being considered a 'bad leaver'. The anticipated total amount payable, however, is not expected to change due to other clauses and payment terms within the share purchase agreement. A charge of £4,333,000 has been recognised in the year in respect of this earn-out consideration, presented within other items (note 5).

Similarly, the acquisition of Modular Clay Products Ltd is also subject to further amounts payable depending on future performance over the three years following acquisition, which are recognised as remuneration due to a 'good leaver' clause within the share purchase agreement. It is not possible to determine a range for these future payments as the agreement does not contain a maximum payable. A charge of £1,150,000 has been recognised in the year in respect of this earn-out consideration, presented within other items (note 5).

Changes in amounts recognised in respect of contingent consideration can be reconciled as follows:

Company acquired	Fair value at 31 March 2022 £'000	Additions through business combinations £'000	Finance expense £'000	Fair value (gain)/loss £'000	Settlement £'000	Fair value at 31 March 2023 £'000
U Plastics Limited	2,092	-	47	(1,177)	-	962
McCann Logistics Ltd	1,597	-	26	(124)	(175)	1,324
SBS Cladding Limited	1,804	-	60	100	(500)	1,464
HBS NE Limited	10,770	-	2,352	(9,221)	-	3,901
Beacon Roofing Limited	1,365	-	178	812	-	2,355
E. T. Clay Products Limited	-	1,043	80	1,310	-	2,433
Other business combinations	2,146	82	111	124	(808)	1,655

During the year, a gain of £9,221,000 was recognised in respect of HBS NE Limited. Upon acquisition, significant growth was forecast with an anticipated increase in revenues and profits due to the introduction of Part L and Part S renewable energy legislation, which requires new homes within the UK to reduce their carbon footprint.

The application of this legislation by housebuilders has taken longer than initially anticipated. This, together with a forecast slow down of the housing market compared to prior years, is expected to delay the period over which HBS NE will benefit from the new legislation and achieve the forecast growth. As a result, an element of the projected future growth is now expected to fall outside of the performance period under which the contingent consideration payable is assessed.

In the case of U Plastics Limited, focus has continued to be on the acquisition and opening of additional branches. Profit levels achieved in the period immediately following acquisition have therefore not been as high as originally anticipated due to the timing of development and opening of these branches. As such, there has been a fair value gain of £1,177,000 recognised in the year.

Beacon Roofing Limited has performed well following acquisition, with results exceeding initial expectations. During the year, the company gained new business from a competitor that entered administration which has contributed to their strong performance. Consequently, the contingent consideration expected to be payable in relation to this acquisition is expected to increase, resulting in a fair value loss of £812,000.

The fair value loss for E. T. Clay Products Limited of £1,310,000 has arisen as a result of forecast results at the year end, from which the year-end expected contingent consideration payable has been derived, exceeding the initial expectations on acquisition. The company was acquired on 30 September 2022, when the economic environment was particularly volatile with high inflation and interest rates on the rise. In the second half of the financial year, whilst interest rates have continued to rise, inflation has started to fall and economic conditions stabilise, with the expectation that any recession or downturn in the UK would not be as severe as originally thought.

Other fair value gains and losses in the year also reflect changes in performance and/ or anticipated profits compared to those originally forecast at the end of the prior year or on acquisition.

9. Loans and borrowings

	2023	2022
	£'000	£'000
Current		
Overdrafts	**12,624**	-
	12,624	-
Non-current		
Bank loans	**16,800**	24,240
	16,800	24,240
Total loans and borrowings	**29,424**	24,240

The Directors consider that the carrying amount of loans and borrowings approximates to their fair value. Non-current bank loans comprise a principal loan value of £17,000,000 (2022: £24,600,000) less arrangement fees of £200,000 (2022: £360,000), which are amortised over the term of the loan.

The Group has a revolving credit facility of £60,000,000, including an ancillary carve out of a £5,000,000 overdraft, which runs to December 2024. The revolving facility bears interest at a variable rate based on the SONIA. At the reporting date, interest was charged at a rate of 1.9% above the adjusted SONIA interest rate benchmark.

During the year, the Group entered into a notional pool agreement, whereby certain cash balances within the Group are entitled to be offset, providing the overall overdrawn balance does not exceed the £5,000,000 facility limit. The Company's overdraft balance at the year-end is a result of the timing of cash transfers within the Group and funds being transferred from the Group's central facility.

The bank loans are secured by a fixed charge over the Group's properties and floating charges over the remaining assets of the Group, including all property, investments and assets of the Company's subsidiary undertakings. A guarantee has also been provided by certain trading subsidiaries.

10. Pensions

Defined contribution plans

The total expense recognised in profit or loss in relation to contributions payable under defined contribution pension plans is £1,200,000 (2022: £1,024,000).

At the reporting date, contributions of £192,000 (2022: £104,000) due in respect of the reporting period had not yet been paid over to the pension provider.

Defined benefit plans

When the Group acquired Taylor Maxwell Group (2017) Limited on 30 June 2021, the net assets acquired included the Taylor Maxwell Group Limited Pension and Assurance Scheme, which is funded by the payment of contributions to a separately administered trust fund and provides both defined benefit and defined contribution pension benefits to members. The defined benefit pension scheme is closed to future accrual. Pension benefits are related to the members' final salary at retirement (or earlier date of leaving or death) and their length of service.

The scheme is a registered scheme under UK legislation and is subject to scheme funding requirements. It was established under trust and is governed by the scheme's Third Definitive Trust Deed and Rules, dated 20 September 2016. The trustees are responsible for the operation and governance of the scheme, including making decisions regarding the scheme's funding and investment strategy, in conjunction with the Group.

During the year, the Group made contributions of £nil (2022 - £nil) to the scheme. Contributions in the next year are also expected to be £nil. The most recent actuarial valuation was conducted as at 31 March 2018. On 7 July 2021, an insurance policy was purchased via the scheme assets with the intention of meeting future benefits payable and reducing the risk of additional funding from the Group.

A full buy-out process commenced in order to completely transfer the risk associated with the scheme to an insurer. This process was ongoing throughout the year and is substantially complete at the time of announcing these results. The process is expected to be finalised and the pension scheme wound up within the financial year ending 31 March 2024, at which point the scheme liabilities and associated assets will be derecognised and the residual surplus repaid net of any final expenses, with are expected to be immaterial.

A full actuarial valuation has been carried out at 31 March 2023, based on scheme membership data as at 1 October 2022, by a qualified independent actuary. Scheme invested assets are stated at their current bid price at 31 March 2023.

The principal assumptions used for the purposes of the actuarial valuations, on acquisition and at the reporting date, were as follows:

	2023	2022
Discount rate	**4.80%**	2.60%
Inflation rate (CPI)	**3.00%**	3.60%
Pension increases (Post 1988 GMP)	**2.60%**	2.80%
Pension increases (Post 1997 pension)	**3.00%**	3.60%
Longevity at retirement age for current pensioners		
Male	**22.1 years**	22.0 years
Female	**24.4 years**	24.3 years
Longevity at retirement age for future pensioners		
Male	**23.4 years**	23.4 years
Female	**25.8 years**	25.8 years

Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:

	2023	2022
	£'000	£'000

Service cost	**196**	140
Net interest expense	**(18)**	(36)
Included in profit or loss	**178**	104

The service cost has been included in profit or loss within administrative expenses and the net interest expense within other interest receivable. The remeasurement of the net defined benefit asset is included in other comprehensive income.

Amounts recognised in other comprehensive income, in respect of the defined benefit plan, are as follows:

	2023	2022
	£'000	£'000
Re-measurement (gain)/loss arising from:		
Financial assumptions	**(1,974)**	(637)
Experience assumptions	**167**	62
Return on assets, excluding interest income	**1,764**	2,545
Included in other comprehensive income/(loss)	**(43)**	1,970

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation	**Fair value of scheme assets**	**Net defined scheme asset**
	£'000	**£'000**	**£'000**
At 1 April 2021	-	-	-
Acquired through business combinations	(10,210)	13,065	2,855
Interest cost	(127)	163	36
Net re-measurement gains - financial	637	-	637
Net re-measurement losses - experience	(62)	-	(62)
Return on assets, excluding interest income	-	(2,545)	(2,545)
Benefits paid	417	(417)	-
Scheme administrative cost	-	(140)	(140)
At 31 March 2022	(9,345)	10,126	781
Acquired through business combinations	-	-	-
Interest cost	(236)	254	18
Net re-measurement gains - financial	1,974	-	1,974
Net re-measurement losses - experience	(167)	-	(167)
Return on assets, excluding interest income	-	(1,764)	(1,764)
Benefits paid	522	(522)	-
Scheme administrative cost	-	(196)	(196)
At 31 March 2023	**(7,752)**	**7,898**	**646**

The weighted average duration of the scheme is 9.3 years (2022: 11.3 years).

Disaggregation of defined benefit scheme assets

The fair value of the scheme assets is analysed as follows:

	2023	2022
	£'000	£'000
Cash fund and net current assets	**852**	980
Insured annuities	**7,046**	9,146
Fair value of scheme assets	**7,898**	10,126

The scheme assets do not include any of the Group's own financial instruments or any property occupied by the Group.

Risks

The scheme exposes the Group to actuarial risk, such as market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The key risks are considered to be life expectancy and inflation risk. The scheme's obligation is to provide a pension for the life of the member, As the life expectancy increases, the value of the scheme's liabilities also increase. The benefit obligations are also linked to inflation. Higher inflation would therefore result in an increase in the scheme's liabilities.

However, following the purchase of a buy-in insurance policy, many of the risks associated with future pension obligations are transferred to the insurer under the policy. The scheme does not expose the Group to any unusual scheme specific or Group specific risks.

The value of the insured annuity policy is expected to equal the value of the liabilities, excluding any additional liability that may arise from amending benefits for the impact of the recent Lloyds Banking Group high court ruling on GMP equalisation. The insured annuity policy therefore provides a high level of protection against interest, inflation and mortality risks associated with the benefits. The cash holding is expected to be sufficient to meet any additional GMP equalisation liabilities and future expenses of running the scheme.

Sensitivity
A sensitivity analysis has been determined based on reasonably possible changes the discount rate, rate of inflation (CPI) and life expectancy, with all other variables held constant. Increases in pension payments are derived from the assumed inflation rate.

If the discount rate were to decrease by 0.25%, the defined benefit scheme obligation would increase by £168,000 (2022: £266,000). If the rate of inflation (CPI) were to increase by 0.25%, the defined benefit scheme obligation would increase by £75,000 (2022: £111,000). If the life expectancy were to increase by 1 year, the defined benefit scheme obligation would increase by £281,000 (2022: £437,000) at the reporting date.

11. Post balance sheet events

On 2 June 2023, the Group completed the acquisition of the entire share capital and 100% of the voting rights in Precision Façade Systems Ltd.

The acquisition was made in order to supplement and expand the Group's existing product range in the cladding market.

The book value of the separable assets acquired and liabilities assumed on acquisition are estimated as follows:

	£'000
Property plant and equipment	15
Inventory	5
Trade and other receivables	34
Cash and cash equivalents	7
Trade and other payables	(40)
Total identifiable net assets	21

Due to the timing of the acquisition, a detailed assessment of the fair value of the identifiable net assets, and value of any uncollectible contractual cash flows, has not been completed at the date of approving these financial statements.

The total consideration expected to be payable is:

	£'000
Cash	600
Total consideration	600

The above consideration is subject to post completion adjustments.

It is expected that goodwill will arise on the acquisition and this will primarily comprise the strategic value of the acquisition, including the potential for future growth within the framing market. This goodwill is not expected to be deductible for tax purposes.

Acquisition costs of £23,000, in relation to stamp duty and legal and professional fees, are estimated to be incurred in connection with this acquisition and will be recognised in profit or loss. Due to the timing of the acquisition, not all costs have been invoiced or finalised at the time of approving these financial statements.

On 8 June 2023, the Group completed the sale of its shares in Lendwell Holdings Limited for consideration of £188,000. There was a £nil gain or loss on the sale of this investment in equity instruments designated as FVTOCI.

12. Availability of annual report and accounts

The Annual Report and Accounts for the year ended 31 March 2023 will be posted to shareholders on or before 3 August 2023 and laid before the Group at the Annual General Meeting on 5 September 2023. Copies of the Annual Report and Accounts for the year ended 31 March 2022 will be available on request from the Company Secretary at Brickability Group PLC, South Road, Bridgend Industrial Estate, Bridgend CF31 3XG and from the Group's website www.brickabilitygroupplc.com.