7 September 2021

Michelmersh Brick Holdings Plc

("MBH", the "Company", or the "Group")

Half Year Results for the six months ended 30 June 2021

Strong performance surpassing H1 2019; interim dividend reintroduced

Michelmersh Brick Holdings Plc (AIM: MBH), the specialist brick manufacturer, is pleased to report its half year results for the six months ended 30 June 2021.

Financial Highlights:

	30 June 2021	30 June 2020	30 June 2019	Growth - HY21 on HY20	Growth – HY21 on HY19
Statutory results					
Revenue	**£29.9m**	£22.5m	£27.2m	*32.9%*	*9.9%*
Gross margin	**40.1%**	38.8%	39.0%	*1.3%*	*1.1%*
Operating profit	**£5.2m**	£2.3m	£4.3m	*126.1%*	*20.9%*
Profit before tax	**£5.0m**	£2.0m	£4.0m	*150.0%*	*25.0%*
Basic earnings per share	**4.12p**	1.74p	3.36p	*136.8%*	*22.6%*
Cash from operations	**£6.7m**	£2.9m	£6.1m	*131.0%*	*9.8%*
Net cash/(debt)	**£4.1m**	(£6.5m)	(£13.8m)	up £3.0m on 31 Dec 2020	
Adjusted results*					
Adjusted EBITDA[1]	**£7.6m**	£4.4m	£7.0m	*72.7%*	*8.6%*
Adjusted operating profit	**£5.7m**	£2.9m	£5.4m	*100.0%*	*7.4%*
Adjusted profit before tax	**£5.6m**	£2.6m	£5.1m	*115.4%*	*9.8%*
Adjusted earnings per share	**4.74p**	2.36p	4.55p	*100.8%*	*4.2%*

Strategic and Operational Highlights:

- Strong start to 2021, with performance in the first half ahead of 2019 pre-Covid-19 comparison across all financial metrics
- Operational leverage and focus on production efficiency supported margin growth ahead of 2019 levels
- Positive end market fundamentals expected to continue for new housing and key RMI[2] markets
- Strong operational cash generation facilitated capital investment focused on completion of the new road at the Telford quarry to access long term clay mineral reserves
- Strong and well-balanced opening order book for the second half with positive order intake momentum expected to continue
- Declaration of interim dividend demonstrates commitment to progressive dividend policy and positive outlook

Commenting on the results, Martin Warner, Chairman of Michelmersh Brick Holdings Plc, said:

"We have made a very strong start to 2021, with revenue and profit ahead of our 2019 pre-Covid-19 performance and significantly ahead of the disrupted 2020 half year.

"We have entered the second half with a strong and balanced order book and we are continuing to see positive order intake momentum from our customers against the wider backdrop of recovery in the construction sector and demand in our key markets. Alongside this positive outlook we remain watchful of some of the broader risks impacting our sector and the UK economy and we continue to see the potential for disruption to our labour and haulage availability and wider inflation risks. As a result, we expect our profit to weight moderately towards the first half.

"With our strong order book and with demand from our customers expected to continue, the Board expects to be modestly ahead of the current financial year expectations and remains confident in the strategic outlook of the business."

> [*] *The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items, costs associated with acquisitions and the amortisation of acquired intangibles. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. Adjusted performance results are reconciled with statutory results in the table below.*
>
> [1] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation*
>
> [2] *RMI is defined as Repairs, Maintenance and Improvements*

An analyst briefing will be held virtually at 9:30am today. To attend, please email michelmersh@yellowjerseypr.com.

Michelmersh Brick Holdings Plc Frank Hanna, Joint Chief Executive Officer Ryan Mahoney, Chief Financial Officer	01825 430 412
Canaccord Genuity Limited (NOMAD and Broker) Bobbie Hilliam Georgina McCooke	020 7523 8150
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The information contained within this announcement is deemed to constitute inside information as stipulated under the UK Market Abuse Regulations. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

About Michelmersh Brick Holdings PLC:

Michelmersh Brick Holdings PLC is a business with seven market leading brands: Blockleys, Carlton, Charnwood, Freshfield Lane, Michelmersh, Floren and Hathern Terra Cotta. These divisions operate within a fully integrated business combining the manufacture of clay bricks and pavers. The Group also includes a landfill operator, New Acres Limited, and seeks to develop future landfill and development opportunities on ancillary land assets.

Established in 1997, the Company has grown through acquisition and organic growth into a profitable and asset rich business, producing over 120 million clay bricks and pavers per annum. Michelmersh currently owns most of the UK's premium manufacturing brick brands and is a leading specification brick and clay paving manufacturer.

Michelmersh strives to be a well invested, long term, sustainable, environmentally responsible business. Opportunity, training and security for all employees, whilst meeting the needs of stakeholders are at the forefront of everything we do. We aim to lead the way in producing some of Britain's premium clay products and enhancing our environment by adding value to the architectural landscape for generations to come.

We are Michelmersh Brick Holdings PLC: we are "Britain's Brick Specialist".

Please visit the Group's websites at: www.mbhplc.co.uk and www.bimbricks.com

Joint Chief Executive Officers' Statement

We are delighted to present a very strong set of results for the six months to 30 June 2021 and to report on another period of progress against our strategic objectives. These results have benefitted from the continuing recovery of the construction sector, which started to improve in the third quarter of 2020, and the fundamentals in our end markets importantly remain well backed by Government policy.

The Group continues to focus on manufacturing and delivering the highest quality brick products to its customers, which underpins average selling prices at a premium to the wider market and ensures the ability to consistently sell all the product it makes, underlining the strong and sustainable profit margins.

The backdrop of the supportive trading environment and our financial performance and strong balance sheet have allowed us to deliver on our core business priorities and ensure that we maintain well invested and efficient manufacturing facilities. At the end of 2020, contractors began work on the new road at Telford which will complete this summer. This investment allows access to the remaining clay reserves and supports brick manufacturing at Blockleys for decades to come. Additionally, in January the option agreement for mineral in land adjacent to the Michelmersh brickworks was exercised securing minerals for at least 15 years of brickmaking on the site.

The business will continue to invest in projects that address our strategic objectives to expand the manufacturing capacity, support continuous improvements in production efficiency, de-risk processes and deliver long term sustainability through enhanced reporting and a deliverable sustainability roadmap.

The return to our progressive dividend policy, with the declaration of an interim dividend, underlines our confidence in the fundamental cash generation capability and positive outlook for the business. All of this leaves us well positioned to deliver further progress in the second half of our 2021 financial year and beyond.

Group Results

Financial Highlights

	Half year to 30 June 2021	Half year to 30 June 2020	Half year to 30 June 2019	Growth – HY21 on HY20	Growth – HY21 on HY19
Revenue	**£29.9m**	£22.5m	£27.2m	*32.9%*	*9.9%*
Gross margin	**40.1%**	38.8%	39.0%	*1.3%*	*1.1%*
Adjusted* EBITDA[1]	**£7.6m**	£4.4m	£7.0m	*72.7%*	*8.6%*
Adjusted* operating profit	**£5.7m**	£2.9m	£5.4m	*100.0%*	*7.4%*
Operating profit	**£5.2m**	£2.3m	£4.3m	*126.1%*	*20.9%*
Adjusted profit before tax	**£5.6m**	£2.6m	£5.1m	*115.4%*	*9.8%*
Profit before tax	**£5.0m**	£2.0m	£4.0m	*150.0%*	*25.0%*
Adjusted* basic earnings per share	**4.74p**	2.36p	4.55p	*100.8%*	*4.2%*
Basic earnings per share	**4.12p**	1.74p	3.36p	*136.8%*	*22.6%*

**The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items, costs associated with acquisitions and the amortisation of acquired intangibles. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. Adjusted performance results are reconciled with statutory results in the table below.*

[1] EBITDA is defined as earnings before interest, tax, depreciation and amortisation

As a result of the positive momentum in the business, we have delivered strong growth across all of our financial metrics compared to both the Covid-19-affected interim 2020 results and the like-for-like comparison of the 2019 half year results, which was an exceptional year for the business.

Revenue for the six months increased by 32.9% to £29.9 million (HY20: £22.5 million) over the equivalent period in 2020, which included the impact of the 4-week manufacturing shutdown, and by 9.9% (HY19: £27.2 million) against the comparable 2019 six-month performance period.

As a result of the strong revenue growth, operating profit of £5.2 million was up 126.1% and 20.9% on 2020 and 2019 respectively (HY20: £2.3 million, HY19: £4.3 million), and profit before tax of £5.0 million was up 150.0% and 25.0% (HY20: £2.0 million, HY19: £4.0 million). These results underline the Company's continuing success of improving efficiency and returns from its existing business, as well as the benefit of reduced finance costs from the voluntary repayment of £10 million of borrowings at the end of the 2020 financial year. The strong growth on the 2019 interim results on a reported basis also reflects the one-off impact of the inclusion of the Floren acquisition costs from the start of the 2019 financial year.

On a reported basis, the results include the impact of the amortisation of acquired intangibles, and on an adjusted basis to remove the impact of these items, adjusted EBITDA of £7.6 million (HY20: £4.4 million, HY19: £7.0 million) is ahead by 72.7% and 8.6% against 2020 and 2019 respectively, supporting a strong adjusted EBITDA margin of 25.4% in the first half. We expect the adjusted EBITDA margin percentage to reduce in the second half by up to 100 basis points reflecting natural seasonality in the business and the ongoing impact of Covid-19 restrictions on our labour and haulage availability.

After a tax charge of £1.2 million (HY20: £0.4 million), the Group recorded a profit for the period after tax of £3.9m (HY20: £1.6 million). The tax rate of 23% includes the impact from the adjustment of the Group's net deferred tax liabilities following the change announced in the 2021 Budget that will increase the standard rate of UK corporation tax from 19% to 25% which is effective from 1 April 2023.

Basic earnings per share increased by 136.8% and 22.6% to 4.12p (HY20: 1.74p, HY19: 3.36p).

The table below (Adjusted Performance measures) provides a clear reconciliation of the adjusted performance to the reported numbers.

Adjusted performance measures:

	Half year to 30 June 2021 £000	Half year to 30 June 2020 £000	Half year to 30 June 2019 £000	Growth – HY21 on HY20	Growth - HY21 on HY19	Year ended 31 December 2020 £000
Operating profit	**5,151**	2,338	4,325	126.1%	20.9%	7,584
Adjustments:						
Floren acquisition costs [a]	**-**	-	509			-
Amortisation of acquired intangibles	**584**	584	569			1,170
Adjusted operating profit	**5,735**	2,922	5,403	100.0%	7.4%	8,754
Depreciation	**1,908**	1,507	1,557			3,544
Adjusted EBITDA	**7,643**	4,429	6,960	72.7%	8.6%	12,298
Finance costs	**(131)**	(309)	(296)			(713)
Depreciation	**(1,908)**	(1,507)	(1,557)			(3,544)
Adjusted profit before taxation	**5,604**	2,613	5,107	115.4%	9.8%	8,041
Basic earnings per shares	**4.12p**	1.74 p	3.36 p	136.8%	22.6%	5.27 p
Adjusted basic earnings per share [b]	**4.74p**	2.36 p	4.55 p	100.8%	4.2%	6.28 p

[a] *Includes adjustments to cost of sales and exclusion of Floren acquisition related costs.*

[b] *Includes adjustments to exclude amortisation of acquired intangibles*

Net Cash and Working Capital

Cash generated from operations for the six months ended 30 June 2021 was £6.7 million, compared to £3.2 million for the same period in 2020, benefiting from the strong six months of trading conditions and continued focus on managing working capital efficiency. Operating cash conversion from adjusted EBITDA was 88.2% compared to 65.9% and 87.1% in 2020 and 2019 respectively, reflecting the underlying fundamental cash generating ability of the business.

	Half year to 30 June 2021	Half year to 30 June 2020	Half year to 30 June 2019
Net cash generated from operations	**£6.7m**	£2.9m	£6.1m
Tax paid	**(£1.1m)**	(£0.8m)	(£0.8m)

Interest paid	**(£0.1m)**	(£0.3m)	(£0.3m)
Purchase of property, plant and equipment	**(£2.0m)**	(£0.6m)	(£0.8m)
Proceeds from debt drawdowns	**-**	£3.0m	£5.3m
Debt repaid	**(£0.8m)**	(£0.9m)	(£0.9m)
Proceeds from share placement	**-**	-	£4.7m
Acquisition of Floren (net of cash)	**-**	-	(£6.8m)
Lease payments	**(£0.2m)**	(£0.3m)	(£0.5m)
Dividend paid	**-**	(£0.8m)	(£2.5m)
Net increase in cash and cash equivalents	**£2.5m**	£2.2m	£3.6m
Net cash/(debt) before lease liabilities	**£4.1m**	(£6.5m)	(£13.8m)

At the half year the Group had net cash of £4.1 million being cash of £14.8 million less bank debt of £10.7 million (30 June 2020: debt of (£6.5 million); 31 December 2020; £0.8 million).

Our operating cash generation, net cash position and strong balance sheet provide us with the capacity to continue to invest in the business to support both capital initiatives and our commitment to maintaining our progressive dividend policy. Historically, the second half of our financial year is a stronger cash generative period than the first half and, as a result, we expect to further rationalise our borrowings before the end of the current financial year.

Our long-term policy is to maintain a strong financial position and keep the ratio of net debt to adjusted EBITDA under two times.

Property, plant and equipment

Capital expenditure in the first half of the current financial year was principally focused on the completion of the new road at Telford. The works, which began at the end of 2020, will be completed this summer and this construction activity and investment is fundamental to the Group as the road diversion will facilitate the release of the remaining mineral reserves on the site to support the long-term operations at the Blockleys plant, as well as releasing land for alternative use. Additionally, at the start of the year we exercised an option agreement for mineral in land adjacent to the Michelmersh brickworks securing minerals for at least 15 years of brickmaking on the site.

Dividend

Following the disruption caused by Covid-19 and the resulting wider uncertain economic outlook, the Board took the decisions to cancel the final dividend from 2019 as well as to not declare an interim dividend for 2020.

The Board was pleased to announce the return to our progressive dividend policy with the proposal alongside our 2020 year end results of a single dividend in respect of 2020 of 2.5 pence per ordinary share to shareholders. The dividend was approved by shareholders at the AGM on 3 June 2021 and as a result the liability for the dividend payment and scrip alternative was accrued in the 30 June 2021 interim accounts with payment made after the half year end on 14 July 2021. The option to take the scrip alternative to a cash dividend, which was selected by a reasonable percentage of our share register, highlights the continuing appetite for the Company's shares.

Reflecting our continued commitment to our progressive dividend policy and our confident outlook for the business, the Board has declared an interim dividend of 1.15 pence per ordinary share (30 June 2020: £nil). The dividend will be paid on 13 January 2022 to members on the register on 3 December 2021. The Company will again offer shareholders a scrip alternative to a cash dividend with a scrip election date of 20 December 2021. With this interim declaration, the Board is returning to its policy of one third of the total annual dividend being paid at the interim stage and two thirds of the total annual dividend being paid at the full year.

The Board

At the AGM on 3 June 2021, and announced in our 2020 annual report and accounts, two long-standing and valued members of the Board retired from the Company, being Bob Carlton-Porter and Stephen Morgan. We would like to once again thank them for their support and contribution over a combined 28 years' service to the Company.

Alongside the retirements of Bob and Stephen, Ryan Mahoney was appointed to the Board as Chief Financial Officer. We are delighted to welcome Ryan to the Group, his significant financial and operational experience and expertise will help the business secure continued growth. Ryan joined us from Avon Protection, the FTSE 250 defence engineering and manufacturing group, where he had been Deputy Chief Financial Officer since April 2018. Prior to that, Ryan had been Group Financial Controller for Unite Students, the FTSE 250 property group, since November 2015, and before then held other senior finance roles within the business.

The Board has been through a period of significant transition with both Paula Hay-Plumb and Tony Morris joining the Board in 2020, and with Ryan's appointment in June of this financial year. We look forward to a period of stability in the Board membership as we look to continue to grow the business and deliver on the wider strategy.

Outlook

Following a very strong first half in 2021, and with a robust and balanced forward order book, Michelmersh can look forward to continued positive trading for the remainder of the current financial year.

The Group's performance in the first half of 2021 has continued into the first few months of the second half and, with the positive wider sentiment in our end markets, with both new UK housing and the RMI market, the Board expects to be modestly ahead of market expectations for the full year. We maintain our watchful approach due to the ongoing disruption caused by the Covid-19 pandemic with macro inflation risk prevalent in our supply chain as well as the direct impact on our labour and haulage availability as a result of government test and trace policy. The Directors are maintaining a cautious view on these background factors and the effect they may have on profitability over the second half and, as a result, we expect profits to be distributed more to the first half of trading.

The Group continues to operate on the basis of maintaining a strong, well-balanced forward order book, loyal customer and distributor relationships supported by the ongoing demand from the specification, housing, repair maintenance and improvement and commercial sectors. The underlying momentum in our business remains very positive and we are well placed to continue to deliver growth for the second half and beyond.

Frank Hanna and Peter Sharp
Joint Chief Executive Officers

Consolidated Income Statement

	6 months ended 30 June 2021 £'000	6 months ended 30 June 2020 £'000	12 months ended 31 December 2020 £'000
	Unaudited	Unaudited	Audited
Revenue	**29,935**	**22,459**	52,044
Cost of sales	**(17,902)**	**(13,738)**	(30,525)
Gross profit	**12,033**	**8,721**	21,519
Administration expenses	**(6,590)**	**(5,837)**	(12,840)
Amortisation of acquired intangibles	**(584)**	**(584)**	(1,170)
	(7,174)	**(6,421)**	(14,010)
Other income	**292**	**38**	75
Operating profit	**5,151**	**2,338**	7,584
Finance expense	**(131)**	**(309)**	(713)
Profit before taxation	**5,020**	**2,029**	6,871
Taxation	**(1,151)**	**(406)**	(1,938)
Profit for the period	**3,869**	**1,623**	4,933
Basic earnings per share	**4.12 p**	**1.74 p**	5.27 p
Diluted earnings per share	**3.87 p**	**1.68 p**	4.95 p

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Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2021 £'000	6 months ended 30 June 2020 £'000	12 months ended 31 December 2020 £'000
	Unaudited	Unaudited	Audited
Profit for the financial period	**3,869**	1,623	4,933
Other comprehensive income			
Items which may subsequently be reclassified to profit or loss			
Currency movements	(193)	743	66
Revaluation deficit of property, plant and equipment	-	-	(3,710)
Revaluation surplus of property, plant & equipment	-	-	1,571
Deferred tax on revalued assets	(2,053)	-	280
Other comprehensive income for the period net of tax	1,623	743	(1,793)
Total comprehensive income for the financial period	**1,623**	2,366	3,140

Consolidated Balance Sheet

	As at 30 June 2021 £'000 Unaudited	As at 30 June 2020 £'000 Unaudited	As at 31 December 2020 £'000 Audited
Assets			
Non-current assets			
Intangible assets	**20,815**	22,006	21,420
Property, plant and equipment	**61,321**	64,852	60,948
	82,136	86,858	82,368
Current assets			
Inventories	**9,243**	10,815	10,046
Trade and other receivables	**11,939**	10,680	11,189
Cash and cash equivalents	**14,758**	17,390	12,243
Total current assets	**35,940**	38,885	33,478
Total assets	**118,076**	125,743	115,846
Liabilities			
Current liabilities			
Trade and other payables	**12,966**	10,468	12,049
Interest bearing borrowings	**906**	4,846	986
Lease liabilities	**192**	658	530
Corporation tax payable	**14**	475	240
Total current liabilities	**14,078**	16,447	13,805
Non-current liabilities			
Interest bearing borrowings	**9,783**	19,070	10,487
Lease liabilities	**329**	399	240
Deferred tax liabilities	**13,972**	11,866	11,663
	24,084	31,335	22,390
Total liabilities	**38,162**	47,782	36,195
Net assets	**79,914**	77,961	79,651
Equity attributable to equity holders			
Share capital	**18,789**	18,744	18,789
Share premium account	**15,827**	15,742	15,827
Other reserves	**20,324**	23,710	21,581
Retained earnings	**24,974**	19,765	23,454
Total equity	**79,914**	77,961	79,651

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2020	18,498	15,545	23,192	18,868	**76,103**
Profit for the period	-	-	-	1,623	**1,623**
Currency difference	-	-	743	-	**743**
Total comprehensive income	-	-	743	1,623	**2,366**
Transactions with owners:					
Shares issued in the period	46	197	-	-	**243**
Share based payment	-	-	313	-	**313**
Release on maturity of options	200	-	(538)	338	**-**
Dividends paid	-	-	-	(1,064)	**(1,064)**
As at 30 June 2020	**18,744**	**15,742**	**23,710**	**19,765**	**77,961**
Profit for the period	-	-	-	3,310	**3,310**
Currency difference	-	-	(677)	-	**(677)**
Revaluation deficit	-	-	(3,710)	-	**(3,710)**
Revaluation surplus	-	-	1,571	-	**1,571**
Deferred tax on revaluation	-	-	280	-	**280**
Total comprehensive income	-		(2,536)	3,310	**774**
Transactions with owners:					
Shares issued in the period	(2)	(111)	-	-	**(113)**
Transfer between reserves	-	-	66	(66)	**-**
Share based payment	-	-	786	-	**786**
Release on maturity of options	-	-	(445)	445	**-**
Scrip dividend paid	47	196	-	-	**243**
As at 31 December 2020	**18,789**	**15,827**	**21,581**	**23,454**	**79,651**
Profit for the period	**-**	**-**	**-**	**3,869**	**3,869**
Currency difference	**-**	**-**	**(193)**	**-**	**(193)**
Deferred tax on revalued assets	**-**	**-**	**(2,053)**	**-**	**(2,053)**
Total comprehensive income	**-**		**(2,246)**	**3,869**	**1,623**
Transactions with owners:					
Shares issued in the period	**-**	**-**	**-**	**-**	**-**
Share based payment	**-**	**-**	**523**	**-**	**523**
Dividends payable	**-**	**-**	**-**	**(2,349)**	**(2,349)**
Scrip dividend payable	**-**	**-**	**466**	**-**	**466**
As at 30 June 2021	**18,789**	**15,827**	**20,324**	**24,974**	**79,914**

Consolidated Statement of Cash Flows

	6 months ended £'000 30 June 2021 Unaudited	6 months ended £'000 30 June 2020 Unaudited	12 months ended £'000 31 December 2020 Audited
Net cash generated by operations	**6,741**	2,946	12,883
Taxation paid	**(1,121)**	(766)	(2,501)
Net cash generated by operating activities	**5,620**	2,180	10,382
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,973)**	(632)	(1,241)
Net cash used in investing activities	**(1,973)**	(632)	(1,241)
Cash flows from financing activities			
Proceeds of loan drawdown	**-**	3,000	3,000
Interest paid	**(91)**	(311)	(713)
Repayment of interest bearing liabilities	**(784)**	(887)	(12,977)
Lease payments	**(257)**	(282)	(656)
Proceeds of share issue	**-**	3	129
Dividends paid	**-**	(821)	(821)
Net cash (used in)/generated by financing activities	**(1,132)**	702	(12,038)
Net increase / (decrease) in cash and cash equivalents	**2,515**	2,250	(2,897)
Cash and cash equivalents at beginning of period	**12,243**	15,140	15,140
Cash and cash equivalents at end of period	**14,758**	17,390	12,243
Cash and cash equivalents comprise:			
Cash at bank and in hand	**14,758**	17,390	12,243

NOTES TO THE GROUP INTERIM REPORT

1. GENERAL INFORMATION

Michelmersh Brick Holdings Plc ("the Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 3462378). The Company is domiciled in the United Kingdom and its registered address is Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH. The Company's Ordinary Shares are traded on AIM, part of the London Stock Exchange plc. Copies of the Interim Report and Annual Report and Accounts may be obtained from the address above, or at www.mbhplc.co.uk.

2. ACCOUNTING POLICIES

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the United Kingdom. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the United Kingdom. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the United Kingdom and applicable as at 31 December 2021. The group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim financial information.

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2020 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 30 June 2021 and 30 June 2020 is unaudited.

3. EARNINGS PER SHARE

The calculation of earnings per share is based on a profit of £3,869,000 (six months ended 30 June 2020 –£1,623,000; 12 months ended 31 December 2020–£4,933,000) and 93,943,381 (at 30 June 2020 93,550,650 and 31 December 2020, 93,680,537) being the weighted average number of ordinary shares in issue.

Diluted

At 30 June 2021 there were 5,999,547 (June 2020: 2,941,812, and at 31 December 2020 5,687,687) dilutive shares under option leading to 99,942,928 shares (30 June 2020: 96,492,261, and at 31 December 2020 99,368,224) being the weighted average number of ordinary shares for the purposes of diluted earnings per share. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.