



Initial Public Offering on AIM



Nominated Adviser and broker

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities if you are resident in the UK or, if not, from another appropriately authorised independent adviser.

This document, which is an AIM admission document and has been prepared in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire issued, and to be issued, share capital of the Company. This document does not constitute an offer or any part of an offer of transferrable securities to the public within the meaning of section 102B of the FSMA. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and it has not been drawn up in accordance with the Prospectus Rules published by the FCA and it has not been approved by or filed with the FCA or any other competent authority.

The Company, whose registered office appears on page 9 of this document, and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 29 August 2019.

AIM is a market designed primarily for emerging or smaller companies to which a higher Investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make a decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those which apply to companies whose shares are listed on the Official List. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Ordinary Shares to be listed on any other recognised investment exchange. It should be remembered that the price of securities and the income from them (if any) can go down as well as up.

The whole text of this document should be read. Your attention is drawn in particular to the risk factors set out in Part III of this document.

Brickability Group plc

(a company incorporated in England and Wales under the Companies Act 2006 with registered number 11123804)

Placing and Subscription of 87,272,225 Ordinary Shares at 65 pence per share

Admission to trading on AIM

Nominated Adviser & Broker



Share capital immediately following Admission

	Issued and Fully Paid	
	Number	Amount
Ordinary Shares of 1 pence each	230,458,821	£2,304,588.21

The New Ordinary Shares will, on issue, rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission and will otherwise rank *pari passu* in all other respects with the Existing Ordinary Shares.

Cenkos, which is authorised and regulated in the UK by the FCA, is acting as nominated adviser and broker to the Company and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Cenkos has not authorised the contents of any part of this document for the purposes of the FSMA. The responsibilities of Cenkos as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Shareholder or any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by the FSMA or the regulatory regime established thereunder, Cenkos does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Cenkos accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "US Securities Act") nor under the applicable securities laws of any State thereof, or any province or territory of Canada, Australia, the Republic of South Africa, New Zealand or Japan nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not be offered or sold directly or indirectly in or into or from the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan or to any resident of the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The distribution of this document in other jurisdictions may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

IMPORTANT INFORMATION

General

The Company does not accept any responsibility for the appropriateness, accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing or the Company. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Placing occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Prospective investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Cenkos or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors" in Part III of this document. Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risk involved. Any decision to acquire Ordinary Shares should be based solely on this document.

Investors who subscribe for or purchase Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Cenkos or any person affiliated with Cenkos in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos.

None of the Company, the Directors, Cenkos or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Cenkos and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Cenkos and any of its affiliates acting as investors for their own accounts. Cenkos and any of its respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees.

Cenkos and any of its respective affiliates may provide such services to the Company and any of its affiliates in the future.

Notice to Prospective Investors in the United Kingdom

This document is being distributed in the United Kingdom where it is directed only at (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Promotion Order; (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the Financial Promotion Order; and (iii) persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances should persons of any other description rely on or act upon the contents of this document.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area (“**EEA**”) other than the United Kingdom (each, a “**Member State**”), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Member State or in accordance with the Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation:

- i. to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- ii. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such Member State; or
- iii. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided, that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “**qualified investor**” within the meaning of the Prospectus Regulation.

For the purposes of this provision, the expression “**an offer to the public**” in relation to any offer of Ordinary Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, and the expression “**Prospectus Regulation**” means Regulation 2017/1129/EU.

Restrictions on Sales in the United States

The Ordinary Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States. The Ordinary Shares are being sold outside of the United States in reliance on Regulation S under the US Securities Act (“**Regulation S**”).

Presentation of Financial Information

The reports on financial information included in Parts IV, V, VI, VII and VIII of this document have been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and includes the related consent to its inclusion in this document as required by the AIM Rules for Companies and solely for that purpose.

Unless otherwise indicated, financial information in this document, including the Group’s combined financial statements for the three financial periods ended 31 March 2017, 2018 and 2019, and the notes to that financial information prepared in accordance with the basis of preparation stated therein, prepared in accordance with IFRS.

Rounding

Certain figures and percentages in this document have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

Currencies

Unless otherwise indicated in this document, all references to "pounds Sterling" or "£" are to the lawful currency of the UK.

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds Sterling. For all members of the Company, the functional currency is pounds Sterling and the Company presents its financial statements in pounds Sterling.

Forward-Looking Statements

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Company's products and services). These statements include forward looking statements both with respect to the Company and the sectors and industries in which the Company operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in Part III of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this document. The Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Presentation of Market, Economic and Industry Data

This document contains information regarding the Group's business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third party data in this document from industry studies, forecasts, reports, surveys and other publications.

No Incorporation of Website Information

The contents of any website of the Company, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Information for Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that the Placing Shares are: (i) compatible with an end target market of (a) retail investors, (b) investors who meet the criteria of professional clients and (c) eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Cenkos will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	22 August 2019
Admission becomes effective and dealings in the Enlarged Share Capital commence on AIM	8.00 a.m. on 29 August 2019
Date for settlement within CREST of the Placing Shares	29 August 2019
Despatch of definitive share certificates for Placing Shares (where applicable)	by 12 September 2019

Note:

Each of the times and dates in the above timetable is subject to change at the absolute discretion of the Company and Cenkos.

PLACING STATISTICS

Placing Price per Placing Share	65 pence
Number of Existing Ordinary Shares	143,186,596
Number of new Ordinary Shares to be issued by the Company pursuant to the Placing	70,952,579
Number of new Ordinary Shares to be issued by the Company pursuant to the Management Subscription	16,319,646
Total number of New Ordinary Shares	87,272,225
Number of Ordinary Shares in issue on Admission	230,458,821
Percentage of Enlarged Share Capital ¹ represented by New Ordinary Shares	37.9%
Gross proceeds of the Placing and Management Subscription receivable by the Company ²	£56,726,946
Estimated net proceeds of the Placing and Management Subscription receivable by the Company ²	£53,724,970
Expected market capitalisation of the Group at the Placing Price immediately following Admission ³	£149,798,234
AIM TIDM	BRCK
ISIN	GB00BK63S759
SEDOL	BK63S75
LEI	213800SK28MWXB3K3P26
Free float	30.8%

¹ Enlarged Share Capital includes the new Ordinary Shares issued pursuant to the Management Subscription.

² The Placing Shares represent £46.1 million from new shareholders and the Subscription Shares represent £10.6 million in the form of the release of the Company of the obligation to repay certain Loan Notes.

³ The market capitalisation of the Group at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will at any given time equal or exceed the Placing Price.

DIRECTORS, SECRETARY AND ADVISERS

Directors	John Richards (<i>Non-Executive Chairman</i>) Alan Jonathan Simpson (<i>Chief Executive Officer</i>) Stuart John Overend (<i>Chief Financial Officer</i>) Clive Stanley Norman (<i>Non-Executive Director</i>) David Simpson (<i>Non-Executive Director</i>) Giles William Kirwan Beale (<i>Non-Executive Director</i>)
Company Secretary	Stuart Overend
Registered Office and Principal Place of Business	South Road Bridgend Industrial Estate Bridgend CF31 3XG
Company's website	www.brickabilitygroupplc.com
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Reporting Accountants	BDO LLP 55 Baker St London W1U 7EU
Solicitors to the Company	Addleshaw Goddard LLP Cornerstone 107 West Regent Street Glasgow G2 2BA
Solicitors to Cenkos	Osborne Clarke LLP One London Wall London EC2Y 5EB
Auditors	BDO LLP Bridgewater House Finzels Reach Counterslip Bristol BS1 6BX
Financial Public Relations Adviser	Montfort Communications 2 nd Floor, Berkeley Square House Berkeley Square Mayfair London W1J 6BD
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

A ordinary shares	the 358,848 A ordinary shares of £0.01 each in the capital of the Company prior to the Reorganisation which, pursuant to the Reorganisation and conditional on Admission, will be increased by a bonus issue of 9,449,664 A ordinary shares and then conversion of the B ordinary shares, C ordinary shares and D ordinary shares into A ordinary shares and then re-designated as Ordinary Shares of £0.01 each
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies published by the London Stock Exchange
“Articles”	the articles of association of the Company which were adopted by special resolution passed on 19 August 2019, conditional on Admission, a summary of which is set out in paragraph 5 of Part IX of this document
“B ordinary shares”	the 1,741,152 B ordinary shares of £0.01 each in the capital of the Company prior to the Reorganisation which, pursuant to the Reorganisation and conditional on Admission, will be increased by a bonus issue of 45,850,336 B ordinary shares which will be converted into A ordinary shares and re-designated as Ordinary Shares of £0.01 each
“Board”	the board of Directors of the Company for the time being
“Brick Calculator”	a computer programme which allows the user to quickly and accurately estimate the number of bricks needed for a project
“Bricks Division”	together, the various companies within the Group carrying on the distribution of bricks (and ancillary activities) including Brickability UK Holdings Limited, Crest Brick Slate & Tile Limited and their respective subsidiary companies and/or the businesses carried on by those entities (as the context requires)
“Brick Matching Service”	a service to identify the best possible match and sourcing of bricks for a project, particularly important in conservation and restoration projects due to planning restrictions
“Broker Consideration Shares”	the 3,211,079 Placing Shares to be allotted and issued to Cenkos pursuant to the Placing Agreement
“C ordinary shares”	the 43,785 C ordinary shares of £0.01 each in the capital of the Company prior to the Reorganisation which, pursuant to the Reorganisation and conditional on Admission, will be increased by a bonus issue of 1,153,005 C ordinary shares which will be converted into A ordinary shares and re-designated as Ordinary Shares of £0.01 each
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Companies Act”	the Companies Act 2006 (as amended)
“Company” or “Brickability”	Brickability Group plc, a company incorporated in England and Wales (registered number 11123804) and having its registered

“CHAS”	office at C/O Brickability Limited, South Road, Bridgend Industrial Estate, Bridgend, United Kingdom, CF31 3XG
“Concert Party”	those persons described in paragraph 16 of Part I of this document
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland is the operator (as defined in the Crest Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
“CSOP”	the Brickability 2019 Company Share Option Plan, details of which are summarised at paragraph 9.2 of Part IX of this document
“Deferred Shares”	the deferred shares of £0.01 each in the capital of the Company bought back by the Company on 2 August 2019
“D ordinary shares”	the 3,094,749 D ordinary shares of £0.01 each in the capital of the Company prior to the Reorganisation which, pursuant to the Reorganisation and conditional on Admission, will be increased by a bonus issue of 81,495,057 D ordinary shares which will be converted into A ordinary shares and re-designated as Ordinary Shares of £0.01 each
“Directors”	the directors of the Company as at the date of this document, whose names are set out on page 9 of this document
“Disclosure and Transparency Rules”	the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
“Enlarged Share Capital”	the Ordinary Shares in issue immediately following Admission and the Placing and includes the new Ordinary Shares issued pursuant to the Management Subscription
“Euro” or “€”	the lawful currency of the member state of the European Union that adopt the single currency
“Euroclear UK & Ireland”	Euroclear UK and Ireland Limited, the operator of CREST
“Executive Directors”	the executive directors of the Company as at the date of this document, namely Alan Simpson and Stuart Overend
“Existing Ordinary Shares”	143,186,596 Ordinary Shares, comprising all of the Ordinary Shares in issue as at Admission, including the Ordinary Shares arising as part of any conversion, capitalisation and re-designation as part of the Reorganisation, but shall not include the New Ordinary Shares
“Existing Shareholders”	the holders of the Existing Ordinary Shares immediately prior to Admission but after the Reorganisation
“FCA”	the UK Financial Conduct Authority
“FCA Handbook”	the FCA’s handbook of rules and guidance published by the FCA from time to time

“Financial Promotion Order”	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
“FSMA”	the Financial Services and Markets Act 2000, as amended
“FY17”	the financial year of the Company ended on 31 March 2017
“FY18”	the financial year of the Company ended on 31 March 2018
“FY19”	the financial year of the Company ended on 31 March 2019
“Group” or “Brickability Group”	the Company and its Subsidiaries
“Heating, Plumbing and Joinery Division”	together, the various companies within the Group carrying on the business of the supply of heating, plumbing, and joinery products (and ancillary services and activities) including Hamilton Heating Group Limited, Frazer Simpson Limited and FSN Doors Limited and their respective subsidiary companies and/or the businesses carried on by those entities (as the context requires)
“IFRS”	International Financial Reporting Standards, as issued by the International Standard Accounting Board as adopted by the European Commission for use in the European Union
“ISIN”	international security identification number
“Loan Notes”	the loan notes issued pursuant to the loan notes instruments details of which are set out in paragraph 12 of Part IX of this document, certain of which shall be exchanged for equivalent loan notes in the Company, details of which are set out in paragraph 12.33 of Part IX of this document
“Loan Note Exchange Agreements”	the loan note exchange agreements entered into by the Company, conditional on Admission, for the exchange of certain amounts of principal under the Series B Loan Notes, Series B1 Loan Notes, Series C1 Loan Notes, Series C2 Loan Notes and Loan Notes issued in connection with the acquisition of Brickmongers in connection with the Management Subscription, details of which are set out in paragraph 12.33 of Part IX of this document
“LTIP”	the Brickability Group plc Long Term Incentive Plan 2019, details of which are summarised at paragraph 9.3 of Part IX of this document
“Lock-in Agreements”	the lock-in agreements between the Company, Cenkos and each of the Locked-in Shareholders, details of which are set out in paragraph 11.2 of Part IX of this document
“Locked-in Shares”	means 155,290,737 Ordinary Shares held by the Existing Shareholders who have entered into a Lock-in Agreement, details of which are set out in paragraph 11.2 of Part IX of this document
“London Stock Exchange”	London Stock Exchange plc
“Management Subscription” or “Subscription Shares”	the proposed conditional subscription by certain holders of Loan Notes for an aggregate of 16,319,646 new Ordinary Shares at the Placing Price and release of the Company of the obligation to repay an amount of principal of the Loan Notes equivalent to the aggregate subscription price
“MAR”	the Market Abuse Regulation (Regulation 596/2014/EU)
“New Ordinary Shares”	87,272,225 new Ordinary Shares to be subscribed for and issued as part of the Placing and Management Subscription
“Nominated Adviser” or “Cenkos”	Cenkos Securities plc, the nominated adviser and broker to the Company

“Nominated Adviser and Broker Letter”	the engagement letter between the Company and Cenkos dated 21 August 2019 pursuant to which the Company has appointed Cenkos to act as nominated adviser, and corporate broker to the Company for the purposes of the AIM Rules for Companies and for the purpose of making the application for Admission
“Official List”	the Official List of the FCA
“Ordinary Shares”	ordinary shares of £0.01 pence each in the share capital of the Company
“Placee”	a subscriber or purchaser of Placing Shares
“Placing”	the conditional placing of the 70,952,579 of the new Ordinary Shares by Cenkos at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 22 August 2019 between the Company, Cenkos, the Directors and the Senior Managers (as defined therein) and others in relation to the Placing, details of which are set out in paragraph 11.1 of Part IX of this document
“Placing Price”	65 pence per Placing Share
“Placing Shares”	the 70,952,579 new Ordinary Shares to be issued pursuant to the Placing which, for the avoidance of doubt, includes the Broker Consideration Shares
“Pounds Sterling” “pence” or “£”	the lawful currency of the United Kingdom
“Prospectus Rules”	the prospectus regulation rules of the FCA made under Part VI of FSMA
“QCA”	the Quoted Companies Alliance
“QCA Code”	the Corporate Governance Code published by the QCA, from time to time
“Quantity Take-off Service”	a service providing material quantities, technical specifications and cost estimates on the basis of architects drawings for a project or bid
“Register”	the register of members of the Company
“Reorganisation”	the reorganisation of the share capital of the Company prior to and conditional on Admission, comprising (i) a bonus issue of 9,449,664 A ordinary shares, 45,850,336 B ordinary shares, 1,153,005 C ordinary shares and 81,495,057 D ordinary shares with such bonus issue being in respect of 79 new A ordinary, B ordinary, C ordinary and D ordinary shares for every 3 A ordinary, B ordinary, C ordinary and D ordinary shares held (ii) conversion of the issued and to be issued B ordinary shares, C ordinary shares and D ordinary shares as A ordinary shares and (iii) re-designation of each of the issued and to be issued A ordinary shares (including the B ordinary, C ordinary and D ordinary shares to be converted to A ordinary shares) as Ordinary Shares, details of which are summarised in paragraph 3.3(a) of Part IX of this document
“Relationship Agreement”	the conditional relationship agreement dated 22 August 2019 between the Company, Cenkos and the Concert Party, further details of which are set out in paragraph 11.3 of Part IX of this document

“Roofing Division”	means the various companies within the Group carrying on the supply and fitting of roofing (and ancillary activities) including P V H Holdings Limited and its subsidiaries (excluding Crest Brick Slate & Tile Limited) and/or the businesses carried on by those entities (as the context requires)
“Senior Managers”	the senior management team of the Group whose names and roles are set out in paragraph 10 of Part I of this document
“Share Option Schemes”	the CSOP and the LTIP
“Shareholders”	the holders of the Ordinary Shares from time to time
“SMAS”	Safety Management Advisory Services
“Subsidiary”	as defined in section 1159 of the Companies Act
“Takeover Code”	the City Code on Takeovers and Mergers published by the Takeover Panel from time to time
“Takeover Panel”	the Panel on Takeovers and Mergers
“TIDM”	tradable investment display mnemonic
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“USA” or “United States”	United States of America, its territories and possessions, any State of the United States and the District of Columbia
“US dollar” or “\$”	lawful currency of the United States
“VAT”	UK value added tax
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST

PART I

INFORMATION ON THE GROUP

1. Introduction

Brickability Group is a leading specialist provider of bricks and other construction materials. The Group principally sells to national housebuilders, developers, contractors, housing associations and general builders. In addition, the Group retails directly to the general public.

The Group operates through the following three divisions:

- i. **Bricks:** supplies facing bricks and paving goods in addition to related products including blocks, bricks and rainscreen cladding systems, natural stone walling and architectural masonry;
- ii. **Heating, Plumbing and Joinery:** supplies and fits windows and underfloor heating as well as towel rails, radiators and high end internal doors; and
- iii. **Roofing:** supplies and fits a comprehensive range of concrete and clay roofing tiles and ancillary roofing products.

Through its Bricks Division, the Group also provides use of a Brick Calculator, Brick Matching Service and Quantity Take-off Service. The core business of the Group was established in 1984 in South Wales, has grown through acquisitions and now has a nationwide presence, with 25 sites (comprising a combination of sales offices and yards) throughout the UK.

The Group's main clients are UK housebuilders which use the Brickability Group to provide procurement solutions and to source construction materials. The Group has long term relationships with a number of its key suppliers and clients. It provides a high level of service, sector expertise and access to a range of supplies and products to its customers. The Group also supplies a large number of small to medium size regional housebuilders as well as providing a brick expertise service to national builders' merchants.

Brickability Group is classified as a building material factor (as opposed to a builders' merchant). Factors are specialist distributors, acting as suppliers and technical advisers, and have a wider specialist range of, and better access to, manufacturers (UK and European), than traditional builders' merchants. The Directors believe that a significant proportion of UK brick sales are through factors.

The Directors believe that the reason factors are used by housebuilders, architects and specifiers is that factors have expert product knowledge and access to a regular supply of bricks and other products (including imported products). This regular supply from producers is in the opinion of the Directors due in part to the consistent demand provided to manufacturers which in turn has provided a level of off-take certainty. Factors typically have larger trained and specialist salesforces than manufacturers and housebuilders which have more limited salesforce personnel and buying staff, respectively. This provides a cost benefit for both suppliers and housebuilders and in the directors' experience has been a theme of the industry for many years.

The Group's strong financial performance since March 2017 is summarised below:

	FY17	FY18	FY19
Revenue	£120.7m	£139.5m	£163.3m
EBITDA	£12.4m	£13.9m	£17.7m
EBITDA Margin	10.3%	10.0%	10.8%

Source: Unaudited management accounts for FY17 and FY18 given varying subsidiary year ends. Audited accounts for FY19 (IFRS).

The Directors believe that the Group's key strengths are:

- specialist product knowledge
- reliable supply
- long term relationships with UK and EU supplier and customer bases

- specialist salesforce, network and services
- experienced management team with considerable sector buy and build expertise
- impressive financial performance and growth

The Company is seeking admission to trading on AIM in order to raise new equity to repay up to £30.3 million of the Loan Notes and associated interest, to repay £23.4 million of senior debt, and to provide flexibility to accelerate its growth organically and through acquisition. Admission to AIM will also help to raise the Company's profile and the Directors believe it will also assist in establishing the business as the pre-eminent supplier of construction materials to the UK housebuilding industry.

2. History and development

A summary timeline of the Group's major historical events is show below:

1984	Brickability business established by Peter Milton and Colin Lunnon operating in South Wales
1986	Opened a second site in Maidenhead
1995	Opened a third site in Hereford
1996	Alan Simpson becomes a director of Brick-ability
2004	Acquisition of 50% of Apex Brickcutters
2007	Acquisition of The Matching Brick Company and Charterhouse Construction Materials
2008	Acquisition of the trade and assets of Moore Scott & Co
2010	Acquisition of Plansure Building Products
2013	Acquisition of Brick Services
2013	Acquisition of Brick-Link
2016	In September 2016, supported by Promethean, Alan Simpson led a management buyout of the Brickability business from Peter Milton and introduced the strategy of expanding and diversifying revenue streams
2018	In March 2018, the Group acquired Crest Brick Slate & Tile and Crest Roofing, expanding the business into roofing
	In the same month, Brickability acquired Towelrads, Frazer Simpson and FSN Doors, expanding the business into specialist windows and doors, heating, plumbing and joinery
	In the same year the Group acquired CPG Services
2019	Acquisitions of Bespoke Brick, DSH Flooring, Brickwise, LBT Brick & Facades and Brickmongers

3. Business Description

The Group is a leading provider of bricks and other construction materials enabling procurement solutions to the UK construction industry.

From its initial foundation in the distribution of bricks, the Group has diversified its revenue streams and become a specialist distributor to the industry, acting as both supplier and technical advisers. It is profitable and cash generative and is able to provide solutions to its customers through its access to bricks and other high quality building material products.

Operations

The Group has 25 sites and sales offices throughout the UK, with this number and geographical reach anticipated to increase as the Company expands through strategic acquisition and organically. Group operations vary in size and have offerings depending on the site and which division of the Group the site services.

The Group as at 31 March 2019 employed approximately 225 people.

The Group operates through three divisions:

- Bricks;
- Heating, Plumbing and Joinery; and
- Roofing.

Bricks Division

The Bricks Division consists of the operating businesses of:

Brickability Brick Merchants	the original brick factoring business of the Group established in 1984 which includes two specialist brick and paving depots in Bridgend and Cardiff
Apex Brickcutters	a cut and bond brick specialist based in Surrey in which the Group owns a 50 per cent. shareholding
The Matching Brick Company	a brick specialist and stockist based in the South West. It has stocking yards located in Bristol, Swindon and Newport and provides a value-added brick expertise service to national and independent builders merchants
Brick-Link	a supplier of brick, cladding systems and walling stone in North of England and Scotland, servicing the specification, contractor and developer sectors
Brick Services	a national supplier of bricks and cladding systems based in Newcastle, servicing the specification, developer, builders' merchant and retail sectors
Plansure Building Products	a manufacturer of bespoke concrete products, brick arches and exclusive Flint Block walling system based in Salisbury
LBT Brick & Facades	previously named Lancashire Brick and Tile, a specialist cladding system provider established in 1990, focused on the architect lead and local authority market in the North of England
Crest Brick Slate & Tile	a brick specialist supplying European bricks based in Howden in Yorkshire
CPG Services	a building materials distributor in the North West
Brickmongers	a specialist external building materials supplier concentrating predominately on bricks, located in Hampshire
Bespoke Brick	a specialist supplier focussing on the architect lead bricks from Europe. Has a number of products of which it is the sole supplier of in the UK

The Bricks Division is the largest of the Group's three divisions by revenue and EBITDA. Revenue in FY19 was £123.4 million up from £102.0 million in FY18 (representing growth of 21 per cent.) with EBITDA of £10.7 million up from £7.7 million in FY18 (representing growth of 39 per cent.) and an EBITDA margin of 8.7 per cent.

	FY17	FY18	FY19
Revenue	£87.8m	£102.0m	£123.4m
EBITDA	£5.5m	£7.7m	£10.8m
EBITDA Margin	6.3%	7.5%	8.8%

Source: Unaudited management accounts for FY17 and FY18 given varying subsidiary year ends. Audited accounts for FY19 (IFRS).

Revenue is generated through the provision of facing bricks and related products to customers. The Group sources bricks for customers directly from primary manufacturers and suppliers, or through direct stock sales for supply to customers.

The Brick Division has a diverse customer base ranging from small building contractors through to large housebuilders. The top 10 customers in FY19 accounted for approximately 53 per cent. of revenue. Customers are commonly operating in any one or more of the social housing, private housing, and private rental sectors.

The Brick Division is the fastest growing of two leading national specialist suppliers of facing bricks and related products to the UK market, with a market share of c.12 per cent.

In the Company's experience, national housebuilders often place their orders directly with manufacturers due to operating scale and order size. Regional and local housebuilders and smaller operators, who often require smaller volumes, may choose to source their materials through distributors. This enables them to benefit from the buying power of distributors and obtain better pricing than ordering direct from the manufacturer.

The Directors believe that housebuilders will commonly order through distributors such as Brickability to gain access to brick allocation from UK and European manufacturers to help ensure they have sufficient bricks to satisfy yearly build programmes. Due to the limited buying staff within housebuilders and manufacturers having reduced the size of their sales forces, the Directors believe there is less opportunity for manufacturers to be able to sell, and housebuilders to understand, the full range of products available from manufacturers. In the opinion of the Directors this has provided an opportunity for distributors like Brickability Group to build up an understanding of the products available from manufacturers, both in the UK and in Europe and to discuss and negotiate a wider range of options for the type, volume, price and timing of bricks needed by customers. There is generally a cost advantage for the customer when sourcing product through a factor, as customers benefit from the factor's scale of orders. Such sales often do not require the Group to take physical possession of the bricks and, instead, they are sent directly to the building site of the customer.

Brickability's relationships with brick manufacturers enable the Group to have access to supply channels and historically this access has been available to the Group at times when there has been excess demand for bricks in the UK market. The Group has long standing relationships with seven suppliers in the UK and seven suppliers in Europe (across five countries) providing it with access to non-UK sources of supply, given the reported excess of demand over supply of bricks in the UK.

The Group has sought to strategically increase its geographic presence around the UK through opening new sites and by acquiring existing complementary businesses. Where this presence is a brick yard (such as Bridgend, Cardiff, Newport, Swindon, Newcastle & Bristol), it enables sales to both domestic and small business customers and offers greater flexibility for deliveries into city centre sites, which the Directors believe to be a differentiator to Brickability's competitors in the factoring market.

The Group has relationships with national and local housebuilders. The Directors believe the local network enables the specialist salespeople to use their in depth local knowledge to assist them to advise customers on product selection to meet local planning regulations. Large pallets of bricks can be broken down at the yards and sold in smaller quantities, often for a higher margin than when sold directly to property developers on a larger scale. Product sales at yards also enable the Group to provide display areas for building material products allowing customers to see examples of the Group's products. Paving and brick displays at brick yards are used to promote and secure retail sales.

Heating, Plumbing and Joinery Division

The Heating, Plumbing and Joinery Division consists of the operating businesses of:

Towelrads	a supplier of design-led towel rails and radiators to wholesalers, retailers, home builders and contractors
Frazer Simpson	a supplier of windows, brick and stone to small scale developments. A fitting service is also offered for windows
FSN Doors	a supplier of internal doors to consumers and developers
DSH Flooring	a supplier of a variety of flooring coverings including carpets and wooden flooring. A fitting service is also provided

The Heating, Plumbing and Joinery Division became part of the Group in March 2018 when the businesses of Towelrads, Frazer Simpson and FSN Doors were acquired by the Group. These

acquisitions were in pursuit of the Group's strategy to expand and diversify its revenue streams and to provide a wider offering of products to housebuilders. The business of DSH Flooring was added to the division in April 2019.

Towelrads is the largest individual operating business of the Heating, Plumbing and Joinery Division, with revenues and EBITDA in FY19 of £16.2 million and £4.7 million, respectively. This represents over 65 per cent. of the divisional revenues and over 90 per cent. of EBITDA. Towelrads has been growing at a revenue and EBITDA Compound Annual Growth Rate of 19 per cent. and 14 per cent., respectively, from 31 March 2016 to 31 March 2019.

Towelrads is a national supplier of design-led towel rails and radiators and supplier and fitter of underfloor heating. Towelrads supplies predominantly to the new build residential market through a 13 person direct marketing sales team, online, and through its showrooms.

Marketing is predominantly through the release of an annual catalogue showcasing the product range, which is used by the sales team who hold relationships with customers to promote products, and attendance at a limited number of trade shows each year. Towelrads has an extensive customer list and therefore limited reliance on any one customer. Towelrads' strategy is to continue to grow its customer base with a focus on securing contracts with major retailers and developers, while increasing product sales to existing customers. The majority of products are produced in Turkey to Towelrads' bespoke designs, in a facility owned by an unrelated third party.

Frazer Simpson supplies bespoke timber window frames. Windows are produced in Poland to development specific designs, bricks are sourced in the UK from manufacturers and stone, including aggregates, is sourced from a variety of suppliers. All items are shipped direct from supplier to customer and therefore Frazer Simpson holds minimal stock.

The activities have undergone refocus on its core business (timber windows) in the past year, due to unforeseen management changes, in addition, the majority of the brick and stone elements have been moved to the Bricks division to simplify reporting. These have both impacted profits for Frazer Simpson during this period however the Board believe Frazer Simpson is well placed for future growth.

FSN Doors makes a range of luxury internal and external bespoke doors to order by suppliers based in Spain. All items are shipped direct from supplier to customer, therefore FSN Doors holds minimal stock.

DSH Flooring supplies and fits a range of different flooring products. Products are sourced from a number of suppliers within the UK and Europe.

The Heating, Plumbing and Joinery Division offers supply and installation services, historically using subcontracted service providers. More recently, there has been a move towards employing in-house fitters which the Directors believe will ultimately result in higher margins for installation services.

In FY19, the Heating, Plumbing and Joinery division had revenues of £23.3 million up from £21.7 million in FY18 (representing growth of 8 per cent.) and EBITDA of £4.9 million up from £4.3 million in FY18 (representing growth of 14 per cent.), giving an EBITDA margin of 21.0 per cent.

	FY17	FY18	FY19
Revenue	£20.3m	£21.7m	£23.3m
EBITDA	£4.3m	£4.3m	£4.9m
EBITDA Margin	21.2%	19.8%	21.0%

Source: Unaudited management accounts for FY17 and FY18 given varying subsidiary year ends. Audited accounts for FY19 (IFRS).

Roofing Division

The Roofing Division consists of the operating businesses of:

- Crest Roofing;
- Crown Roofing; and
- Excel Roofing.

All three businesses operate similarly as supply and fit roofing contractors to national and regional house builders in central Southern England. Services provided include roof tiling, slating, lead work and single ply membrane and supply a range of concrete and clay roofing tiles, and other roofing products.

The Roofing Division offers supply and fit services using subcontract labour and does not employ its own staff for service delivery. The Roofing Division has a database of around 150 roofing subcontractors which it aims to fully utilise. It obtains all materials from third party suppliers. Customers are not generally involved in ordering roofing material, however, they do typically liaise directly with the roofing tile suppliers to agree specification. The roofing businesses will then order the materials, the supplier applies the end customers pricing agreement and the roofing businesses apply a margin which is included in the overall contract.

Customers are all UK based and principally comprise of new build housebuilders. Orders for supply of roofing products often provide repeat order book visibility.

The Roofing Division's geographical market predominantly covers central southern England. Its geographical reach, and ultimately its level of sales, is determined by the quantum and location of its subcontractors. The office of Crown Roofing is located in Bramley (near Basingstoke, Hampshire) and Excel is located near Eastleigh, Hampshire.

The Directors believe that there are opportunities to scale the Roofing Division organically and through acquisitions.

The roofing businesses are members of The National Federation of Roofing Contractors, SSIP (Safety Schemes in Procurement) with (CHAS and SMAS) accreditations.

In FY19, the Roofing Division had revenues of £16.5 million up from £15.9 million in FY18 (representing growth of 4 per cent.) and EBITDA of £3.9 million up from £3.1 million in FY18, giving an EBITDA margin of 23.5 per cent.

	FY17	FY18	FY19
Revenue	£12.6m	£15.9m	£16.5m
EBITDA	£2.6m	£3.1m	£3.9m
EBITDA Margin	20.6%	19.5%	23.6%

Source: Unaudited management accounts for FY17 and FY18 given varying subsidiary year ends. Audited accounts for FY19 (IFRS).

4. Key Strengths

The Directors believe that the Group's key strengths are as follows:

Specialist Product Knowledge

The Brickability business has specialist knowledge of construction material products and long terms relationships with suppliers and manufacturers across its divisions. The Group currently has approximately 130 sales people who have developed knowledge of the products which housebuilders require. The Directors believe this gives the Group an advantage, as housebuilders have in recent years reduced the number of procurement staff retained to reduce overhead costs, and manufacturers have similarly reduced the number of salesforce employed in an effort to protect margin.

Certainty of Supply

One of the Group's advantages is the supply afforded to customers of bricks and other products. Due to the amount of bricks the Group has purchased over the life of the business, relationships have been established with brick manufacturers which use the Group as one of their significant outlets for moving stock. Each year, the Group is given an indicative allocation of bricks produced by a manufacturer, meaning that Brickability does not have to hold significant stock on its balance sheet. The Directors believe this annual allocation and the security of supply it provides is one of the reasons housebuilders choose to partner with Brickability (as such supply assists housebuilders in their endeavours to complete projects on time and within budget).

Established with Scale

The Group believes it is able to assist customers by offering both a large variety of products through its various divisions, subsidiary companies and physical stocking depots in local locations. For example, a customer can see a sales person from Brickability and have products presented from several brick manufacturers including imports rather than having to see eight or nine separate salesmen. Furthermore, the same diversity can be demonstrated across the Heating, Plumbing and Joinery division.

5. Growth strategy

The Group intends to grow organically, geographically and through acquisition, as follows:

Organic growth

The Group intends to increase revenues and overall profitability through organic growth of its existing businesses. The Directors intend to achieve this by increasing national penetration of products, cross-selling across its business units and divisions and by designing, developing and introducing new products to market.

The Group is looking for new products and suppliers to service the demands of customers. The acquisitions of both Crest Brick Slate & Tile and Bespoke Brick have provided the Group with additional products which helped Crest to grow brick sales from £10.5 million in FY18 to £15.5 million in FY19. The housebuilding market in the UK is forecast to increase to 3.4 per cent. by 2020 which the Directors believe will also help organic growth through increased supplies to existing and new customers. The Group has delivered overall organic growth of 8 per cent., 16 per cent. and 16 per cent. in the three years ended 31 March 2019.

Geographic expansion

The Directors believe that there remain a number of geographic areas which are still under served by the Group, such as the south coast of England and northern England, and they believe those areas offer significant opportunity for future expansion. The Directors expect future geographic expansion to be initially focused on those areas where the Group currently has smaller market share. An improved national presence is expected to bolster the business's national reach and allow the servicing of national customers on a more economic basis.

The Group also plans to expand its existing supplier base in Europe with a view to both reducing reliance on existing suppliers and providing additional products for customers.

As the Group grows geographically, the Directors believe that the Group will benefit further from economies of scale which is expected to have a positive effect on the profitability of the Group.

Acquisitions

The brick and building material supply market is fragmented. The Directors are confident they will be able to identify new acquisition opportunities to acquire services and products complimentary to the Group's existing product and services offering across its national platform. Acquisitions are also likely to provide geographic expansion into areas of the UK where the Group has minimal or no footprint. A key component of the Group's acquisition model is to retain existing staff and incentivise management to seek to ensure that such staff and management are aligned with the Group's goals and strategy.

The Directors believe that they would be able to improve profitability of acquired businesses through the Group's supply chain, existing sales network and exposure to Brickability's product and market expertise.

The Group's acquisition strategy and timing will vary from region to region and will be impacted by a variety of factors including market conditions, target performance, Group performance and staffing levels.

6. The Market

Housebuilding Market

The UK housebuilding market has grown consistently in recent years, with housing starts having grown from c.115,000 in 2009 to c.192,000 in 2018, and estimated to reach c.197,000 in 2019.

Despite this growth, the housing marketing continues to be structurally undersupplied, with housing starts below household formations. The UK Government commissioned the Barker Review in 2003 which suggested the shortage of housing in the UK at that time was approximately 450,000 houses, with this number now thought to be in excess of one million homes. Many reports, including the UK Government's white paper "Fixing our broken housing market" in February 2017, reiterate the need for new homes in order to keep pace with population growth and tackle the years of housing undersupply.

The Department for Communities and Local Government (DCLG) projections suggest that the number of households in England is expected to grow from 22.7 million in 2014 to 28.0 million by 2039 and, given household formations are often used as proxy for future demand for housing, this indicates an average increase of 210,000 households per annum. Combining this growth with the existing shortage of housing, Heriot-Watt University has estimated that the country requires 340,000 new homes per year until 2031.

Government Initiatives

Political support for more housebuilding remains strong, with all major political parties maintaining policies strongly supportive of housebuilding. The housebuilding market has been supported by government schemes such as: (i) The Single Departmental Plan, which sets out how the UK government intends to achieve an increase in housing supply and to put the UK on track to deliver 300,000 net additional homes a year on average; (ii) The Affordable Homes Programme (administered by Homes England on behalf of the UK government) pursuant to which homes providers are required to bid for grant funding, and successful bidders enter into delivery agreements with Homes England; and (iii) The Help to Buy scheme, which assists first time and existing homeowners to buy newly-built homes, which was recently extended until 2023.

The UK Government is targeting 300,000 starts/completions per annum by 2025. This is aided by Government initiatives such as extra funding for housing associations and a relaxation of local authority borrowing rules both introduced in 2018.

Brick Market Segment

UK production of bricks, by primary manufacturers and suppliers, does not meet the UK demand for bricks at present. This is because the structural contraction of UK supply, following the recession in 2008, has not caught up with the growth in housing demand. This has led to an increase in the proportion of brick imports to bridge the demand gap, with imports at their highest level in the last 10 years.

The UK consumed 2.4 billion bricks in 2018, and this number is forecast to grow at an annual rate of 2 per cent. from 2018 to 2023. In 2018 c.17 per cent. of UK Brick consumption came from imports. Brick consumption growth has been led by strong housebuilding conditions and a preference for brick products in houses over other cladding materials, due to local authority planning support, mortgage lender preference for brick cladding and Government regulations stemming from the Grenfell Tower fire which has made traditional products more popular.

The largest producers of bricks within the UK are Ibstock plc (c.40 per cent. of UK production), Forterra plc (24 per cent.) and Wienerberger AG (20 per cent.), with other firms making up the remainder of local production.

It is estimated that 55 per cent. of brick consumption in the UK is by housebuilders, with the remainder used in the repair, maintenance and improvement (RMI) sector. The majority of RMI sourced brick is done through builders' merchants, while housebuilder brick consumption is estimated to be sourced 53 per cent. through factors with the remainder being sourced directly from manufacturers. Thus, 29 per cent. per cent. of UK brick consumption is estimated to be sourced through factors.

7. Competition

The major competitors to the Group are two large UK brick factors: Taylor Maxwell and EH Smith. Taylor Maxwell has a national UK coverage and has a strength in architectural specification whilst EH Smith has bases in Hertfordshire, the West Midlands and the East Midlands. The Directors believe that combined, Taylor Maxwell and EH Smith distribute approximately the same number of bricks per annum as Brickability.

The Group also faces ongoing competition from brick manufacturers as the Group's experience is that housebuilders occasionally acquire directly from brick manufacturers rather than from a factor.

Brickability also supplies a proportion of UK brick and other building products to the builders' merchants, with this market spread across a range of large and smaller players. It is not expected that this will change materially as the volumes required by smaller builders tend to be aligned to the renovation, maintenance and improvement market and are typically purchased through merchants.

8. Suppliers/Supply chain

The major UK brick manufacturers, namely; Ibstock, Forterra, Wienerberger and Michelmersh supply product to the Group along with other smaller producers across Europe. The Group currently sources its brick products from seven suppliers in the UK and a further seven across Europe.

The Towelrads business's principal manufacturer is based in Turkey with further supply coming from Italy.

The Group intends to increase diversity of suppliers to strengthen the product varieties available to customers and to ensure it continues to reduce any potential supply chain risks.

9. Current Trading

Current Trading and Prospects

Since the year ended 31 March 2019, the Group has had a positive first few months of the current financial year with revenues increasing compared to the same period in the previous year. This increase in revenues is in part due to the four strategic bolt-on acquisitions completed since the year end which continue to trade in-line with the Directors expectations.

Given the positive start to the current financial year and their assessment of the strength of the Group's growth strategy and business model, the Directors have confidence in the Group's prospects for the current financial year and beyond. The Board is focused on the Group's growth strategy to continue being one of the leading providers of brick and other construction materials to UK housebuilders.

Unaudited Pro Forma Statement of Net Assets of the Group

Part VIII of this document contains an unaudited *pro forma* statement of the net assets of the Group, which illustrates the effect on the net assets of the Group after giving effect to the Reorganisation and Admission to illustrate the effect of the receipt of the net proceeds of the Placing and the repayment of debt on the Group's net assets as if the Reorganisation, the Placing and the repayment of debt had been completed as of 31 March 2019.

10. Directors and Senior Managers

Executive Directors

Alan Jonathan Simpson – Chief Executive Officer (aged 52)

Alan Simpson joined Building Materials Distribution with Taylor Maxwell in 1983 and five years later moved to Brick-ability. He became sales director and a shareholder, graduating to the position of managing director. He founded Towelrads, Frazer Simpson and FSN Doors, all of which are now part of the Group.

Alan became a director in 1996 before stepping up to chief executive officer of the Group following the successful management buyout of Peter Milton, the founder of the Brickability business, in September 2016.

Stuart John Overend – Chief Financial Officer (aged 49)

Stuart Overend is a Chartered Accountant (KPMG) and qualified Corporate Treasurer with a mix of industrial and investment experience. His previous experience includes a high growth pan European Pharmaceutical business and running and operating a private equity fund.

Stuart joined the board of Brickability in May 2018 as Chief Financial Officer.

Non-Executive Directors

John Richards – Non-Executive Chairman (aged 63)

John Richards joined the building materials industry after serving a graduate traineeship with the Delta Engineering Group. He served at Ibstock Brick for 31 years as sales and marketing director, director and general manager and as managing director of several of the group's subsidiaries.

He now also serves as chairman of ADF, a leading supplier of trailers and logistics to the TV and film industry, chairman of JR and M Investments, a supplier of finance to contractors and is a director of Birmingham Moseley Rugby Club.

John joined the board of Brickability in March 2018 as non-executive Chairman.

Clive Stanley Norman – Non-Executive Director (aged 69)

Clive Norman has over 30 years' experience in the radiator import and service business throughout both Europe and the UK. As the vice-president of Delonghi Heating and CEO of Ferroli, a commercial producer of boilers, radiators, towelrails and air conditioning, he oversaw sales growth to substantial numbers.

Clive joined the board of Brickability in March 2018 as non-executive director.

David Simpson – Non-Executive Director (aged 64)

David Simpson, an accountant by profession, has significant experience in the housebuilding sector, having worked with luxury home developer, Millgate for over 17 years, including as managing director for nine years. He was appointed to the executive committee board of Countryside Properties plc from 2014 to 2018, following its merger with Millgate.

David joined the board of Brickability in August 2019 as a non-executive director.

Giles Beale – Non-Executive Director (aged 56)

Giles Beale, a solicitor by profession, has over 30 years' experience of working with listed and quoted companies and their corporate governance. As a corporate lawyer he also has significant experience of mergers and acquisitions and related matters both domestically and internationally. He is a director and trustee of the Kairos Community Trust and a Freeman of the City of London.

Giles joined the board of Brickability in August 2019 as a non-executive director.

Senior Management (Persons Discharging Managerial Responsibilities ("PDMRs"))

Simon Jess Mellor – Managing Director of Bricks Division (aged 56)

Simon Mellor has over 30 years' experience in the brick market. He first gained experience in brick manufacturing at Steetley Brick as a regional sales manager. He joined Brickability in 1995 as a Wales sales manager and was appointed managing director of The Matching Brick Company in 2007 and of Brickability Limited in 2009, overseeing a number of acquisitions and developing relationships with European suppliers.

Paul Michael Hamilton – Managing Director of Heating, Plumbing and Joinery Division (aged 33)

Paul Hamilton has over 15 years' experience in heating and building supplier market. He joined the Towelrads business in 2004 and became a shareholder and director in 2008. Paul has overseen the growth of the Towelrads business from sales of less than £1 million to over £15 million a year. He led a management buyout of the Towelrads business in 2016 and was a founder of DSH Flooring. Paul is currently managing director of Towelrads, DSH Flooring, Frazer Simpson and FSN Doors.

Simon Pearson – Managing Director of Roofing Division (aged 57)

Simon Pearson has over 35 years of construction and roofing sector experience, having first joining the industry in 1981 and setting up his first roofing business in 1984. He formed Crest Building Products in 1989 and Crest Roofing in 1993, which became part of the Group in 2018 and has been managing director of the Roofing Division since.

Arnold Bernard Gerardus Van Huet – Managing Director of Crest Group (aged 66)

Arnold Van Huet has over 35 years' experience in the brick and tile market across Europe, having been heavily involved in import and exports markets and the development of many brick and roofing products in Europe. He was the founder of the Crest group of companies over 30 years ago which

became part of the Group in 2018. He is Managing director of the Crest group of Companies within the Group. He has also held senior and board positions in Desimpel Brick plc, Hanson Brick and Enhobel plc.

Equity participation

As at the date of this document, the Directors are interested, in aggregate, in 55,170,584 of the Existing Ordinary Shares, representing 38.5 per cent. of the issued Existing Ordinary Share capital of the Company.

The following Directors and Senior Managers have subscribed for an aggregate of 14,973,493 Ordinary Shares as part of the Management Subscription at the Placing Price. The Subscription Shares will be paid up in cash by the release of the Company of the obligation to repay an amount of principal of the Loan Notes equivalent to the subscription price. Neither the Directors nor the Senior Managers will be selling any Existing Ordinary Shares on or prior to Admission.

Director/Senior Manager	Number of Subscription Shares	Value of Subscription Shares (£)
Alan Simpson	7,473,532	4,857,795.80
John Richards	769,231	500,000.15
Stuart Overend	38,422	24,974.30
Clive Norman	769,231	500,000.15
Paul Hamilton	3,846,154	2,500,000.10
Arnold Van Huet	1,846,154	1,200,000.10
Simon Mellor	230,769	149,999.85

Following Admission, the Directors will be interested, in aggregate, in 64,221,000 of the New Ordinary Shares, representing 27.9 per cent. of the Enlarged Share Capital of the Company.

Incentive arrangements

The Group's incentive arrangements are summarised in Part II of this document and further details are set out in paragraph 9 of Part IX of this document.

11. Reasons for Admission and use of proceeds

The Company is seeking to raise approximately £56.7 million before expenses in the Placing and Management Subscription (approximately £53.7 million net of expenses). Of the Placing proceeds raised for the Company, approximately £19.7 million will be used to repay the Group's outstanding Loan Notes and Loan Note Interest (the balance of £10.6 million of the Groups outstanding Loan Notes will be released to pay up the subscription price for the Subscription Shares pursuant to the Management Subscription) and a further £23.4 million will be deployed to pay down senior debt. This de-leveraging will significantly reduce the Group's annual interest charge and will create a stronger balance sheet from which to pursue growth. The Group intends to adopt a conservative approach to leverage and is targeting long-term core leverage ratio of approximately half the reported EBITDA.

12. Dividend Policy

The Directors recognise the strong cash profile of the Company following Admission and believe that Brickability will be well placed to pay a regular dividend to shareholders. At the same time, the Directors believe that there is significant opportunity to grow the business and win market share; establishing Brickability as a market leader in the UK.

It is the Board's intention to commence a progressive dividend policy following Admission and will target dividend cover of approximately three times earnings per Ordinary Share in the near future. The Board expects to keep this policy under review and it will be driven primarily by the level of cash retained within the business as well as investment opportunities available to the Company. It is

currently intended that a first dividend will be proposed before the end of 2019 in respect of the six month period to September 2019.

13. The Placing and Admission

On Admission the Company will have 230,458,821 Ordinary Shares in issue (including the new Ordinary Shares issued pursuant to the Management Subscription) and a market capitalisation at the Placing Price of approximately £150 million. The Placing comprises the issue of 70,952,579 new Ordinary Shares pursuant to the Placing and 16,319,646 new Ordinary Shares pursuant to the Management Subscription. Cenkos has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place the Placing Shares with institutional and other investors. The Placing will raise in total £46.1 million before expenses for the Company and the Management Subscription will represent £10.6 million in the form of the release on the Company of the obligation to repay certain Loan Notes.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 8.00 a.m. on 29 August 2019, or such later date as Cenkos and the Company may agree, being not later than 8.00 a.m. on 13 September 2019.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. Application has been made to the London Stock Exchange for the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. Admission is expected to become effective and dealings in the Ordinary Shares are expected to commence at 8.00 a.m. on 29 August 2019.

Further details of the Placing Agreement are set out in paragraph 11.1 of Part IX of this document.

14. Relationship Agreement

Immediately following Admission, the members of the Concert Party (the “**Shareholder Group**”) will be entitled to exercise or control the exercise of voting rights in respect of 48.8 per cent of the Enlarged Share Capital and will therefore have significant influence on the business of the Group and may cause or take actions that are not in, or which may conflict with, the best interests of other Shareholders. Accordingly, the Shareholder Group have entered into the Relationship Agreement with the Company and Cenkos which regulates the relationship between the Shareholder Group and the Company and ensures that the Company is capable of carrying on its business at arm’s length from the Shareholder Group. This Relationship Agreement will remain in place for so long as the Shareholder Group, together, hold more than 20 per cent. of the issued share capital of the Company for the time being.

15. Lock-Ins and Orderly Market Agreements

Each of the Directors, Senior Managers, Promethean and members of the Concert Party has undertaken not to sell, transfer or dispose of any Ordinary Shares held by them at Admission for a period of 12 months following Admission. These restrictions are subject to certain customary exceptions, including any sale or disposal with the prior consent of Cenkos.

In addition, each of the Directors, Senior Managers and Promethean have undertaken not to dispose of any Ordinary Shares during the period of 12 months from the first anniversary of Admission, other than through Cenkos.

At Admission, these restrictions will apply in respect of 155,290,737 Ordinary Shares representing 67.4 per cent. of the Enlarged Share Capital.

16. The Takeover Code

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate interest in shares of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Takeover Panel) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding together with its concert parties (if any) Ordinary Shares carrying at least 30 per cent., but not more than 50 per cent., of the voting rights in the Group if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

Any person who together with its concert parties, holds more than 50 per cent. of a company's voting rights, is not normally subject to such a requirement as a result of any acquisition by such person or its concert parties of any further shares carrying voting rights in the Company save that the Takeover Panel will regard as giving rise to an obligation to make an offer the acquisition by a single member of a concert party of shares sufficient to increase its individual holding to 30 per cent. or more of a company's voting rights or if it already holds more than 30 per cent. but less than 50 per cent. an acquisition which increases its holding of shares carrying voting rights in that company.

The Takeover Code defines persons "acting in concert" as comprising persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. "Control" means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control. A person and each of its affiliated persons will be deemed to be acting in concert with each other.

The Company's advisers have agreed with the Takeover Panel that there is a concert party (the **"Concert Party"**) comprising:

	Persons	Description
(a)	Alan Simpson	Alan is the major shareholder and CEO of the Group. Alan was part of the management buyout in 2016 ("MBO") and was a founder of Towelrads, FSN Doors and Frazer Simpson and was a shareholder in Hamilton Heating Group Limited before its sale to the Brickability in 2018.
(b)	Sarah Simpson	Sarah is the wife of Alan Simpson. Sarah has previously invested alongside other management in the Group.
(c)	Simon Mellor	Simon is Managing Director of Brickability UK Holdings Limited and its subsidiaries. Simon was part of the MBO team.
(d)	Calum Currie	Calum is an employee of Brickability and was part of the MBO team. Calum was a shareholder of Brick-Link which was acquired by Brickability in 2013. Calum has previously invested alongside other management in the Group.
(e)	Martin Prosser	Martin is an employee of Brickability and was part of the MBO team.
(f)	Christopher Gardner	Christopher is an employee of Brickability and was part of the MBO team.
(g)	Alan Virgo	Alan is Finance Director of Brickability UK Holdings Limited and its corresponding subsidiaries. Alan was part of the MBO team.
(h)	Christopher Millican	Christopher is an employee of Brickability and was part of the MBO team.
(i)	Clive Norman	Clive is a non-executive director and became a shareholder as part of the sale of Hamilton Heating Group Limited to Brickability. Clive has previously invested with Alan Simpson and Paul Hamilton. Clive has previously invested alongside other management in the Group.

Persons	Description
(j) Paul Hamilton	Paul joined Brickability in 2018 as part of the sale of Hamilton Heating Group Limited. Paul has previously invested with Alan Simpson and Clive Norman. Paul has previously invested alongside other management in the Group.
(k) John Richards	John joined the Group as Non-Executive Chairman in 2018 having previously worked at Ibstock Bricks. John has previously invested alongside other management in the Group.

Together the Concert Party will hold 48.8 per cent. of the Enlarged Share Capital immediately following Admission.

Since, on Admission, the Concert Party will together be interested in Ordinary Shares carrying not less than 30 per cent. but will not hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company, it will be unable to increase its aggregate holding of voting rights in the Company without making a general offer for the Company under Rule 9 or otherwise with the Takeover Panel's consent.

17. Admission, Dealings and CREST

Application has been made to the London Stock Exchange for all of the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares at 8.00 a.m. on 29 August 2019.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his or her direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a "system member" (as defined in the CREST Regulations) in relation to CREST. Dealings in advance of crediting of the relevant CREST account(s) shall be at the sole risk of the persons concerned.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London, EC4M 5SB.

18. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in paragraph 14 of Part IX of this document. These details are, however, only intended as a guide to the current taxation law position in the UK. **Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.**

19. Risk Factors

Prospective investors should consider carefully the risk factors described in the section headed "Risk Factors" and set out in Part III of this document in addition to the other information set out in this document and their own circumstances, before deciding to invest in Ordinary Shares.

20. Further Information

Your attention is drawn to Parts II to IX (inclusive) of this document, which provide additional information on the Company.

PART II

DIRECTORS AND CORPORATE GOVERNANCE

1. Directors

The Board comprises the following persons:

- John Richards, Non-Executive Chairman;
- Alan Simpson, Chief Executive Officer;
- Stuart Overend, Chief Financial Officer;
- Clive Norman, Non-Executive Director;
- David Simpson, Independent Non-Executive Director; and
- Giles Beale, Independent Non-Executive Director.

Senior Management (PDMRs)

The Board is supported by the following Senior Managers:

- Simon Mellor, Managing Director of Bricks Division;
- Paul Hamilton, Managing Director of Heating, Plumbing and Joinery Division;
- Simon Pearson, Managing Director of Roofing Division; and
- Arnold Van Huet, Managing Director of Crest Group.

2. Corporate Governance

The Board recognises the value and importance of high standards of corporate governance and intends to observe the requirements of the QCA Code.

The Board will continue to be responsible for the overall management of the Group including the formulation and approval of the Group's long term objectives and strategy, the approval of budgets, the oversight of Group operations, the maintenance of sound internal control and risk management systems and the implementation of the Group's strategy, policies and plans. Whilst the Board may delegate specific responsibilities, there will be a formal schedule of matters specifically reserved for decision by the Board. The Board will formally meet eight times per year to review performance.

At Admission, the Board is expected to comprise six directors, of whom two are executive and four are non-executive. The Board considers all of the non-executives to be independent for the purposes of the QCA Code save for John Richards and Clive Norman.

The Board has established an audit committee, remuneration committee, nomination committee and disclosure committee with formally delegated duties and responsibilities, as described below.

Audit committee

The audit committee will have responsibility for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems, monitoring the effectiveness of the internal audit function and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The audit committee comprises John Richards, Giles Beale and will be chaired by David Simpson. The audit committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee also meets regularly with the Group's external auditors.

Remuneration committee

The remuneration committee will have responsibility for determining and agreeing with the Board the framework for the remuneration of the chairman, the Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of non-executive Directors will be a

matter for the chairman and the executive members of the Board. No Director will be involved in any decision as to his or her own remuneration.

The remuneration committee comprises John Richards, David Simpson and will be chaired by Giles Beale. The remuneration committee will meet as and when necessary.

Nomination committee

The Nomination Committee will have responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. The Nomination Committee will also have responsibility for recommending new appointments to the Board and to the other Board committees. It will be responsible for identifying suitable candidates for board membership and monitor the performance and suitability of the current Board on an on-going basis.

The nomination committee comprises Giles Beale, Clive Norman and David Simpson and will be chaired by John Richards. The nomination committee will meet as and when necessary.

Disclosure committee

The disclosure committee will provide support to the Board in relation to compliance with MAR, the Disclosure and Transparency Rules and AIM Rules and the identification, control and disclosure of "inside information". The disclosure committee comprises Alan Simpson, Stuart Overend, Giles Beale and is chaired by John Richards. The disclosure committee will meet at such times and in such manner (including by telephone) as shall be necessary or appropriate.

Share dealing code

The Group has adopted a share dealing code which is compliant with Article 19 of MAR and Rule 21 of the AIM Rules for Companies. The share dealing code will apply to any person discharging management responsibility, including the Directors and senior management and any closely associated persons and applicable employees.

The share dealing code imposes restrictions beyond those that are imposed by law (including by FSMA, MAR and other relevant legislation) and its purpose is to ensure that persons discharging managerial responsibility and persons connected with them do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have. The share dealing code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

3. Share Incentive Arrangements

The Directors believe that the success of the Group will depend to a significant degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all employees are well motivated and identify closely with the success of the Group. Accordingly the Company has established the following employee incentive arrangements:

Long Term Incentive Plan

The LTIP is a plan under which selected employees and full time Directors may be granted rights to acquire Ordinary Shares in the form of (i) options with a nominal value (or nil) exercise price or (ii) conditional rights to acquire Ordinary Shares.

Details of the LTIP are set out at paragraph 9.3 of Part IX of this document.

Company Share Option Plan

The CSOP is a plan under which selected full time directors and selected employees may be granted rights to acquire Ordinary Shares in the form of (i) tax favoured Company share option plan options and (ii) non-tax favoured options with a market value exercise price.

Details of the CSOP are set out at paragraph 9.2 of Part IX of this document.

PART III

RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company, potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including (but not limited to) the risk factors described below, before making any investment decision with respect to the Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Group is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors which are most material, in the assessment of the Company, are set out first. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the Ordinary Shares may decline and an investor may lose all or part of their investment.

GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him or her in the light of his or her personal circumstances and the financial resources available to him or her. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Group will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to future performance.

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on demand for the Group's products. A more prolonged downturn may lead to an overall decline in sales. Economic uncertainty might have an adverse impact on the Group's operations and business results.

Risks Relating to the Business and Operations of the Group

Current operating results as an indication of future results

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. Factors that may affect the Company's operating results include the number of new homes built and an increased level of expenses as it continues to expand organically and through acquisition. It is possible that, in the future, the Company's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Company's shares may decline significantly.

Dependence on Key Executives and Personnel

The Company's future development and prospects are substantially dependent on the continuing services and performance of the Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified managers. The Directors cannot give assurances that they or members of the management team will remain with the Company, although

the Directors believe the Company's culture and remuneration packages are attractive. If members of the Group's Executive Directors and senior management depart, the Company may not be able to find effective replacements in a timely manner, or at all and its business may be disrupted or damaged. The loss of the services of any of the Directors, managers and other key employees could damage the Company's business.

Competition

The Company is not the only brick factor business in the UK market and therefore is influenced by the performance of its immediate competitors. Key competitors include Taylor Maxwell and EH Smith who distribute approximately 200 million and 100 million bricks per annum. There is potential market share could be taken away from the Company by its competitors and thus lead to reduction in earnings.

Additional Capital Requirements

The Company's capital requirements depend on numerous factors, including its ability to maintain and expand its customer base, payment terms with supplier and customers, and potential acquisitions. It is difficult for the Directors to predict accurately the timing and amount of the Company's capital requirements beyond the short term. If the plans or assumptions set out in the Company's business plan change or prove to be inaccurate, or if the Company makes any material acquisitions, this may necessitate further financing. Any additional equity financing may be dilutive to the Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its anticipated expansion. The Directors are of the opinion, having made due and careful enquiry, that the Group will have sufficient working capital available to it for its present requirements, that is for at least twelve months from Admission.

Loss of a Major Customer

The Group's customer base is relatively well diversified, with the top 10 customers of the Bricks Division in FY19 accounting for approximately 53 per cent. of revenue. Whilst the Group believes it has a very good working relationship with all its major customers, the loss of any such major customer would have a direct impact on the earnings potential of the business. Furthermore, it would be challenging to replace any such lost income with a single equivalent contract, as the relationship for a major contract usually takes time to establish and is typically developed over a number of years.

Loss of a Major Supplier

The brick supply market is concentrated on a small number of high volume suppliers and the Company therefore relies heavily on these suppliers in providing brick products to its clients. In FY19 the Company attained 51.6 per cent. of its brick product from two suppliers (Ibstock and Forterra), and if there were supply shortages from these two suppliers it would be challenging to make up purchases from other suppliers given the scale of existing purchases and the allocation basis purchases work on in the market. Whilst the Group also imports bricks from multiple suppliers in Europe, any such national shortages could still have a material short term impact to the business. The Towelrads business has contracts with manufacturers in Turkey and Italy. Should a major supplier in either of these countries cease to supply the Company, it could have a negative impact to the Company.

Inability to Find Appropriate Acquisition Targets

One of the Board's stated strategies is to expand through acquisition. This may typically create a footprint in a new location, provide access to customers and relationships that the Company may not currently have and accelerates the Group's ability to grow the business. However, sourcing acquisition targets which suit the Company's target markets, strategy, geographic focus, brand and ethics, presents a far greater challenge. Accordingly, the Company may find that its growth opportunities are limited by the quality and appropriateness of the acquisition targets in any given geography. Furthermore, once an appropriate acquisition candidate has been identified, there is a risk that the Company may enter into a competitive purchase process with other market participants, which would likely inflate the purchase price.

Failure to Integrate Future Acquisitions

Having identified and completed an acquisition, the Group will face the challenge of integrating a new company into the Group's operations. Integration of a company and its employees into a wider group's management structure, systems and controls, reporting framework, information technology systems, culture and strategy, to the extent necessary, can prove challenging and create internal friction or inefficiencies.

The process can also require significant attention from management that would otherwise be focussed on the ongoing development of its business. There can be no guarantee that the Group will be able to successfully integrate future acquisitions in an efficient manner. Any challenges that the Company encounter whilst attempting to integrate a new business into the Group may have a negative effect on the financial position of the Company and may lead to a write off of goodwill.

Housebuilding Market

The future performance and growth of the UK housebuilding market is influenced by many factors. As the Group's main operations are centred around the provision of materials involved in housebuilding, a contraction in the number of houses built within the UK could negatively affect the financial performance of the Group. The Brickability business has no control over the performance of the housebuilding market.

Government Regulation

There are currently a number of UK government schemes in place which increase the level of demand for housebuilding in the UK. Examples of such schemes include Build to Rent and various First Home Buyer schemes and tax advantages. There is no guarantee that these government programs and tax advantages will continue, and their removal could lead to a reduction in the demand for housebuilding in the UK, which may lead to a reduction in profitability for the Group.

Constitutional /Political Change

The Group faces potential risks associated with the proposed exit by the UK from its membership of the European Union, and the potential uncertainty resulting from that exit. The UK exiting the European Union could materially change both the fiscal and legal framework in which the Group operates, and it could have a material impact on the UK's economy and its future economic growth. Such changes could affect the importation and taxation of goods, including duties, tariffs and quotas. In addition, prolonged uncertainty regarding aspects of the UK economy due to the uncertainty around the proposed exit could damage customers' and investors' confidence. The proposed exit and these aspects could have a material adverse effect on the Group's business, results of operations, financial condition and growth prospects.

Foreign Exchange Movements

As the Group pays some of its European suppliers in Euros, adverse movements in the GBP/EUR exchange rate may impact the price paid to suppliers and therefore profitability. A large proportion of increase in prices paid to foreign suppliers may be eventually passed onto customers, however adverse movements in foreign exchange may lead to increased prices for customers and therefore lower demand.

Financial Controls and Internal Reporting Procedures

The Group has systems and controls in place to allow it to produce accurate and timely financial statements and to monitor and manage risks. If any of these systems or controls were to fail the Group may be unable to produce financial statements accurately or on a timely basis or expose the Group to risk. Any concerns investors may have over the potential lack of available and current financial information and the controls the Group has in place could adversely affect the Company's share price.

System Failure / Cyber Attacks

Phones systems and basic email functionality are integral to ensuring the smooth operation of sales functions and the Brickability business in general. The Group has protection and backup systems in place via contracted IT providers which manage and maintain IT systems, however should these protections fail or be breached in a cyber attack this could impact the day-to-day operations of the business, potentially impacting the Company's profitability and customer relationships.

Taxation and Legislative Changes

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and legislation, regulation, rules and practice may change, possibly with retrospective effect.

Any change in legislation, regulation, rules or practice may have an adverse effect on the returns available on an investment in the Company.

Breach of Bank Covenants

The Company uses a debt facility to fund a portion of its operations. As is standard protocol for banking facilities the lender has security over assets within the Group. The lender has certain market standard covenants in place which, if breached by the Group, may enable the lender to take execute their security and take possession of assets within the Group, which may negatively impact the Group's profitability.

Breach of Health and Safety Laws

The Group's facilities can place its employees and others in close proximity with large pieces of mechanised equipment, moving vehicles and heavy materials. As a result, the Group is subject to a variety of health and safety laws and regulations dealing with occupational health and safety. The Group has employees responsible for occupational health and safety, who support the Group in aspects of health and safety management and leadership. However, there can be no assurances that these measures will be successful in preventing accidents and injuries or violations of health and safety laws and regulations, some of which may be beyond the Group's control. Unsafe work sites also have the potential to increase employee turnover and raise the Group's operating costs.

The Group's safety record can impact the Group's reputation. Any failure to maintain safe work sites could expose the Group to significant financial losses as well as civil and criminal liabilities, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risk Relating to the Ordinary Shares

Prior to Admission, there has been no public market in the Ordinary Shares. Whilst the Company is applying for Admission, there can be no assurance that an active trading market for the Ordinary Shares will develop or, if developed, that it will be maintained.

The Ordinary Shares will be traded on AIM rather than the Official List. AIM is a market emerging or smaller companies and may not provide the liquidity normally associated with the Official List or other exchanges. It may be more difficult for an investor to realise his or her investment in an AIM-traded company than a company whose securities are listed on the Official List.

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a range of events and factors, such as change in investor sentiment regarding the Ordinary Shares or variations in interim or full year operating results, announcements of technological innovations or new products and services by the Company or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, the general market perception of construction supply companies, construction industry, market conditions in the sector, news reports relating to trends in the Company's markets, legislative changes in the Company's sector and other factors outside of the Company's control. Such events and factors may adversely affect the trading price of the Ordinary Shares, regardless of the performance of the Company.

Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up and investors may therefore not recover their original investment especially. The market price of the Ordinary Shares may not reflect the underlying value of the Group.

The future success of AIM and the liquidity in the market for ordinary shares cannot be guaranteed. In particular, the market for ordinary shares may be, or may become, relatively illiquid particularly given the Lock-in and Orderly Market Arrangements described in paragraph 11.2 of Part IX of this document and therefore the Ordinary Shares may be or may become difficult to sell.

An investment in shares traded on AIM carry a higher risk than those listed on the Official List.

The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Group and others of which are extraneous.

Valuation of Ordinary Shares

The Placing Price per Ordinary Share has been determined by the Group, and may not relate to the Group's net asset value, net worth or any established criteria or value. There can be no guarantee that the Ordinary Shares will be able to achieve higher valuations or, if they do so, that such higher valuations can be maintained.

Market Perception

Market perception of the Group may change, potentially affecting the value of investors' holdings and the ability of the Group to raise further funds by the issue of further Ordinary Shares or otherwise.

Substantial Sales of Ordinary Shares, Lock-in and Orderly Marketing Arrangements

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in and Orderly Marketing Arrangements, details of which are set out in paragraph 11.2 of Part IX of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Group may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

The Concert Party will retain a significant interest in, and could continue to be able to exert substantial influence over, the Group

Immediately following Admission, the Concert Party will continue to have an interest in approximately 48.8 per cent. of the Enlarged Share Capital. As a result, the Concert Party will possess sufficient voting power to have a significant influence over all matters requiring shareholder approval. The Concert Party will be subject to the terms of the Relationship Agreement (details of which are set out at paragraph 11.3 of Part IX of this document) whilst the Concert Party retain at least a 20 per cent. interest in the Company. The interests of the Concert Party may not always be aligned with those of other holders of Ordinary Shares.

Although applicable law and the terms of the Relationship Agreement contain provisions seeking to restrict the Concert Party members from voting on matters in their capacity as Shareholders where there are conflicts of interest, these and other measures may not be sufficient to protect the interests of other Shareholders.

Additional Capital and Dilution

It is possible that the Group will need or choose to raise extra capital in the future to finance the development of the Group's business, to take advantage of acquisition opportunities or respond to new competitive pressures. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

No Guarantee that the Ordinary Shares will continue to be Traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Dividends

There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors and will depend upon, among others, the Group's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws and generally accepted accounting practice.

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Group's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware, which may also have an adverse effect upon the Group.

PART IV

This Part IV contains in Section A, the accountant's report on the historical financial information of Brickability Group plc and in Section B, the historical financial information for FY18 and FY19 of Brickability Group plc

FINANCIAL INFORMATION RELATING TO BRICKABILITY GROUP PLC

Section A – Report on Historical Financial Information on Brickability Group plc



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Brickability Group plc
South Road
Bridgend Industrial Estate
Bridgend
CF31 3XG

22 August 2019

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Dear Sirs

Brickability Group plc (the “Company”) and its subsidiaries (together, the “Group”)

Introduction

We report on the financial information relating to the Group set out in Section B of Part IV. This financial information has been prepared for inclusion in the admission document dated 22 August 2019 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment

of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 March 2018 and 31 March 2019 and of its results, cash flows and changes in equity for the period ended 31 March 2018 and the year ended 31 March 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

BRICKABILITY GROUP PLC

CONSOLIDATED PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

		Period from 22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
	Note		
Revenue	1	11,693	163,294
Cost of sales		(9,057)	(130,371)
Gross profit		<u>2,636</u>	<u>32,923</u>
Other operating income	3	1	96
Administrative expenses		(2,503)	(18,949)
Profit from operations		<u>134</u>	<u>14,070</u>
Finance expense	9	(277)	(4,222)
Finance income	8	-	31
Share of post-tax profits of equity accounted associates		25	13
(Loss)/profit before tax		<u>(118)</u>	<u>9,892</u>
Tax expense	10	(176)	(2,396)
(Loss)/profit from continuing operations and total comprehensive income for the period		<u>(294)</u>	<u>7,496</u>
(Loss)/profit per share attributable to the ordinary equity holders of Brickability Group plc			
Basic and diluted (loss)/profit per share	11	<u>(517p)</u>	<u>3,151p</u>

BRICKABILITY GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2018 (restated) £'000	31 March 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	3,317	3,623
Right of use asset	30	1,371	1,595
Intangible assets	12	68,491	68,789
Investments in equity-accounted associates	14	633	1,239
Deferred tax assets	21	300	744
Trade and other receivables	17	145	155
		74,257	76,145
Current assets			
Inventories	16	5,031	5,422
Trade and other receivables	17	27,770	34,111
Cash and cash equivalents		5,346	17,001
		38,147	56,534
Total assets		112,404	132,679
Liabilities			
Non-current liabilities			
Trade and other payables	18	(1,683)	(3,958)
Loans and borrowings	19	(66,028)	(62,977)
Lease liability	30	(1,061)	(1,227)
Derivative financial liabilities		-	(106)
Provisions	20	(2,338)	(1,975)
Deferred tax liabilities	21	(4,714)	(4,490)
		(75,824)	(74,733)
Current liabilities			
Trade and other payables	18	(24,989)	(37,062)
Loans and borrowings	19	(3,158)	(3,085)
Lease liability	30	(308)	(378)
		(28,455)	(40,525)
Total liabilities		(104,279)	(115,258)
NET ASSETS		8,125	17,421
Issued capital and reserves attributable to owners of the parent			
Share capital	24	4	4
Share premium reserve	25	7,170	8,970
Retained earnings		(294)	7,202
Merger Reserve	25	1,245	1,245
TOTAL EQUITY		8,125	17,421

BRICKABILITY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share Premium £'000	Merger Reserve	Retained earnings (restated) £'000	Total equity (restated) £'000
Loss for the period to 31 March 2018	-	-		(294)	(294)
Arising on Group reorganisation			1,245		1,245
Issue of shares	4	7,170		-	7,174
Total contributions by and distributions to owners	4	7,170		-	7,174
At 31 March 2018	4	7,170	1,245	(294)	8,125
Profit for the year to 31 March 2019	-	-		7,496	7,496
Issue of share capital	-	1,800		-	1,800
Total contributions by and distributions to owners	-	1,800		-	1,800
At 31 March 2019	4	8,970	1,245	7,202	17,421

BRICKABILITY GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 £'000 (restated)	2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(loss)/profit for the financial year	(294)	7,496
<i>Adjustments for:</i>		
Depreciation of property, plant & equipment	13	961
Amortisation of intangible assets	203	2,694
Amounts written back to investments	4	49
Share of profit of associates	(25)	(13)
Other interest receivable and similar income	-	(31)
Interest payable and similar expenses	274	4,173
(Gains)/loss on disposal of property, plant & equipment	2	(47)
Tax on profit	176	2,396
<i>Changes in:</i>		
Inventories	(232)	(371)
Trade and other receivables	(130)	(5,041)
Trade and other payables	853	11,279
Cash generated from operations	844	23,545
Interest paid	(18)	(1,488)
Interest received	-	31
Dividends received	3	36
Tax paid	(250)	(3,210)
Net cash from operating activities	579	18,914
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(1,420)	(1,243)
Proceeds from sale of property, plant & equipment	1	71
Purchase of intangible assets	-	(4)
Acquisition of subsidiaries	(32,015)	(2,644)
Acquisition of interests in associates	-	(194)
Net cash acquired with subsidiary undertakings	14,809	(4)
Net cash used in investing activities	(18,625)	(4,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	370	1,500
Proceeds from borrowings	39,575	2,115
Payments of finance lease liabilities	(232)	(534)
Proceeds from loan notes issued	630	1,500
Repayment of loan notes	(2,353)	-
Repayment of bank borrowings and facilities	(12,286)	(3,158)
Repayment of deferred consideration and other loan	(2,312)	(4,664)
Net cash from financing activities	23,392	(3,241)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,346	11,655
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,346	17,001

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

General information

Brickability Group plc is a private company incorporated in England and Wales. Brickability Group plc is domiciled in England and its registered office is C/O Brickability Limited South Road, Bridgend Industrial Estate, Bridgend, CF31 3XG. The historical financial information consolidates that of Brickability Group plc and its wholly owned subsidiaries (together, "Brickability Group plc"). The principal activity of Brickability Group plc is that of:

Brickability Enterprises Limited

The Group sells quality building materials to all sectors of the construction industry including national house builders, developers, contractors, general builders and retail to the public. The group typically arranges the sale of products directly from suppliers to the customers via its salesforce and offices across the United Kingdom or from its stocking depots in Wales, the South West and North East of England.

P V H Holdings Limited

The group sells quality building and roofing supplies from its trading premises in Howden and also operates as roofing contractors throughout the South of England. The group has excellent links to the European market and imports supplies directly from Europe. The group mainly sells to the UK Market.

Hamilton Heating Group Limited

Towelrads is a leading supplier of high quality bathroom towel rails and designer radiators. FSN Doors is a supplier of high quality interior doors. Frazer Simpson is a supplier of high quality windows and doors.

1. ACCOUNTING POLICIES

Basis of preparation

The historical financial information presents the financial track record of Brickability Group plc for the year ended 31 March 2019 and the period of incorporation on 22 December 2017 to 31 March 2018. This financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The historical financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Brickability Group plc's statutory consolidated historical financial information for the year ended 31 March 2019 and period of incorporation 22 December 2017 to 31 March 2018 were prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

The historical financial statements for these periods have been delivered to the Registrar of Companies. The auditor's reports on these financial statements were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

In preparing the historical financial information of Brickability Group plc Group, Brickability Group plc has applied IFRS for the first time from 22 December 2017 (date of incorporation). The principles and requirements for first time adoption of IFRS are set out in IFRS 1. No balance sheet has been presented for the transition date (being the date of incorporation) as the company was incorporated with £1 of share capital. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. However, no transitional exemptions are applicable to Brickability Group plc and therefore none have been taken.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented.

As set out in Note 15, on 6 March 2018, the Group acquired the entire share capital and 100% of the voting rights of, Brickability Enterprises Investments Limited and its subsidiary undertakings, PVH Holdings Limited and its subsidiary undertakings, Hamilton Heating Group Limited and its subsidiary undertakings, FSN Doors Limited and Frazer Simpson Limited. In accordance with the guidance in IFRS 3, the Directors consider that Brickability Enterprises Investments Limited is the acquirer in this transaction by virtue of:

- Its size relative to that of the other companies acquired;

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

- The voting rights held in the Group by the former shareholders of Brickability Enterprises Holdings Limited relative to the voting rights held by other shareholders; and
- The composition of the Board of Directors of the Group being made up principally of directors of Brickability Enterprises Investments Limited.

Accordingly, the acquisitions of PVH Holdings Limited and its subsidiary undertakings, Hamilton Heating Group Limited and its subsidiary undertakings, FSN Doors Limited and Frazer Simpson Limited have been accounted for as business combinations in accordance with IFRS 3. The acquisition of Brickability Enterprises Investments Limited and its subsidiary undertakings is considered to be a group reorganisation and accordingly the assets and liabilities of Brickability Enterprises Investments Limited and its subsidiary undertakings have been recorded at the previous carrying amounts on 6 March 2018. The difference between the carrying value of the assets and liabilities and the value of the consideration transferred is recorded in a merger reserve. For the purposes of transition to IFRSs, the transition date of Brickability Enterprises Investments Limited and its subsidiary undertakings is deemed to be 6 March 2018.

Going concern

After making appropriate enquiries, the directors of the Company (the "Directors") have a reasonable expectation that Brickability Group plc has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this historical financial information. For these reasons, they continue to adopt the going concern basis in preparing Brickability Group plc historical financial information.

New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted in preparing the historical financial information of Brickability Group plc:

The IFRS's applied to the historical financial information are those expected to be applicable, in so far as this is currently known, to the first annual historical financial information of the Company post admission to the AIM market of London Stock Exchange plc which will be for the year ending 31 March 2020. This includes the impact of IFRS 16 which is effective for periods beginning on or after 1 January 2019. The impact of the adoption of IFRS is presented within Note 29.

The following new standards or annual improvements to existing IFRS standards which have not been applied in this historical financial information were in issue but not yet effective:

- IFRIC 23 "Uncertainty over income tax treatments", effective 1 January 2019; and
- Annual Improvements to IFRS Standards 2015-2017 Cycle, effective 1 January 2019. Management is in the process of assessing the potential impact of these standards, but the impact is not expected to be material for the Group.

The consolidated historical financial information is presented in sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of historical financial information in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the historical financial information and their effect are disclosed below.

Basis of measurement

The consolidated historical financial information has been prepared under the historical cost convention in accordance with international financial reporting standards as adopted by the European Union.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Consolidation

The historical financial information consolidates the information of Brickability Group plc and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the historical financial information.

Property, Plant & Equipment

The assessment of the useful economic lives and the method of depreciating property, plant & equipment requires judgement by the directors to ensure that assets match the future economic benefits embodied in them.

Provisions

Provisions are a key area of the historical financial information and are subject to both estimation and uncertainty. Provisions are recognised on product defect warranties when claims are made in relation to the products and services supplied. This requires judgement as to whether a claim would likely give rise to a provision based on the group's knowledge of its products, services and customers. The provision would then need estimating based on the groups assessment of the likely work and cost required to remedy the defect. This would be subjective and based on the group's knowledge of its products, services and past customer experience.

Associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate. Judgements are made as to whether the Group has significant influence (but not control, or joint control), being the power to participate in the financial and operating policy decisions of the associate or not.

Impairment of Goodwill

As set out in note 1 the carrying value of goodwill is reviewed for impairment at least annually and for other intangible assets when an indication of impairment is identified. In determining whether goodwill or intangible assets are impaired, an estimation of the value in use of the Group's CGU's is required. This calculation of value in use requires estimates to be made relating to the timing and amount of future cash flows expected and suitable discount rates based on Brickability Group plc's weighted average cost of capital, in addition to the estimation involved in preparing the projected cash flows applied to the model. These estimates have been used to conclude that no impairment is required to either goodwill or intangible assets but are judgemental in nature.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the control of the goods has transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from contracts for the provision of services (primarily the operations of P V H Holdings Limited as discussed in the segmental analysis) is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

- **Current tax**

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

- **Deferred taxation**

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and;
- investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

the same tax authority on either:

- the same taxable group company, or;
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit or loss account.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after the date of transition to IFRS, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of profit or loss and other comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated profit or loss and other comprehensive income on the acquisition date.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Group reorganisations

As set out in the basis of preparation, the Directors consider that the insertion of Brickability Group plc as the new parent of Brickability Enterprises Investments Limited is not a business combination, but is a group reorganisation. IFRSs do not set out how group reorganisations are accounted for. In accordance with IAS

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

8 the directors have considered the accounting for group reorganisations using merger accounting principles in FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under merger accounting assets and liabilities are not remeasured to fair value but are initially recorded at their previous carrying amounts. Accordingly the assets and liabilities of Brickability Enterprises Investments Limited and its subsidiary undertakings have been recorded at the previous carrying amounts on 6 March 2018. The difference between the carrying value of the assets and liabilities and the value of the consideration issued is recorded in a merger reserve. Comparatives have not been restated and the results of Brickability Enterprises Investments Limited and its subsidiary undertakings have been recorded in Brickability Group plc's consolidated profit or loss account from the date of acquisition.

Externally acquired intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Brands and customer relationships	-	between 10 - 12% straight line
Website costs	-	20% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Property, plant & equipment

Property, plant & equipment is initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any property, plant & equipment carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% to 25% on cost
Long leasehold property	-	Over the term of the lease
Plant and machinery	-	20% to 33% straight line and 25% reducing balance
Fixtures and fittings	-	10% to 25% straight line and 25% reducing balance
Motor vehicles	-	10% to 25% straight line and 25% reducing balance
Equipment	-	20% to 33% straight line and 25% reducing balance

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate. The carrying value of these investments are assessed annually for impairment, with impairment losses recognised directly in the consolidated profit or loss and other comprehensive income.

Impairment of property, plant & equipment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Financial Assets

Brickability Group plc's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial Liabilities

Brickability Group plc classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when Brickability Group plc becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost include:

- Trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of Brickability Group plc's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 29).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Leases (*continued*)

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. SEGMENTAL INFORMATION

Brickability Group plc generates all of its revenues within the UK. Brickability Group plc generates revenue from the following activities:

- Revenue from 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 the public;
- Revenue from the distribution of radiators and associated parts and accessories;
- Revenue from the supply of roofing construction services primarily within the residential construction sector;
-

Brickability Group plc therefore has three business segments, being Bricks, Heating plumbing and Joinery ("HPJ"); and roofing. 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. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The CODM reviews the key profit measure, 'EBITDA' as disaggregated in the table below. For details of the performance obligations relating to these revenue streams please refer to Note 1 – Accounting policies.

2019	Bricks £'000	HPJ £'000	Roofing £'000	Total £'000
Group's revenue per consolidated statement of comprehensive income	123,442	23,338	16,513	163,294
EBITDA	10,754	4,887	3,947	19,588
Centralised costs				(1,863)
Depreciation				(961)
Amortisation				(2,694)
Group profit from operations				14,070
2018	Bricks £'000	HPJ £'000	Roofing £'000	Total £'000
Group's revenue per consolidated statement of comprehensive income	7,645	1,827	2,221	11,693
EBITDA	865	(43)	(125)	697
Centralised costs				(120)
Depreciation				(240)
Amortisation				(203)
Group profit from operations				134

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. SEGMENTAL INFORMATION (continued)

	Bricks £'000	HPJ £'000	Roofing £'000	Total £'000
2019				
Non-current assets	24,262	28,596	21,149	74,007
Reportable segment assets	41,077	9,615	4,079	54,771
Investment in associates				1,239
Deferred tax assets				744
Head office				1,918
Total group assets				132,679
Reportable segment liabilities	(27,124)	(4,592)	(3,909)	(35,625)
Loans and borrowings (excluding leases and overdrafts)				(36,422)
Derivative financial liabilities				(106)
Deferred tax liabilities				(4,490)
Other unallocated and central liabilities				(38,615)
Total group liabilities				(115,258)
2018				
Non-current assets	21,970	30,203	21,005	73,178
Reportable segment assets	25,291	8,954	3,443	37,688
Investment in associates				633
Deferred tax assets				300
Head office property				605
Total group assets				112,404
Reportable segment liabilities	(14,909)	(4,027)	(5,067)	(24,003)
Loans and borrowings (excluding leases and overdrafts)				(37,975)
Deferred tax liabilities				(4,714)
Other unallocated and central liabilities				(37,587)
Total group liabilities				(104,279)

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3. OTHER OPERATING INCOME

	Period from 22 December 2017 to 31 March 2018 £'000	Year to 31 March 2019 £'000
Rental income	1	6
Other operating income	—	90
	<hr/>	<hr/>
	1	96
	<hr/>	<hr/>

4. EXPENSES BY NATURE

Operating profit or loss is stated after charging/crediting:

	Period from 22 December 2017 to 31 March 2018 £'000	Year to 31 March 2019 £'000
Amortisation of intangible assets	203	2,694
Depreciation of property, plant & equipment	38	570
(Gains)/loss on disposal of property, plant & equipment	2	(47)
Cost of inventories recognised as an expense	2,119	18,361
Impairment of trade receivables	—	542
Foreign exchange differences	30	—
	<hr/>	<hr/>

5. AUDITOR'S REMUNERATION

	Period from 22 December 2017 to 31 March 2018 £'000	Year to 31 March 2019 £'000
Fees payable for the audit of the statutory financial statements	46	132
	<hr/>	<hr/>
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	18	5
Taxation advisory	2	—
Other non-audit	10	—
	<hr/>	<hr/>

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

6. EMPLOYEE BENEFIT EXPENSES

The aggregate payroll costs incurred during the year, relating to the above, were:

	Period from 22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
Wages and salaries	811	9,279
Social security costs	87	970
Other pension costs	41	382
	939	10,631

The average number of persons employed by the group during the year, including the directors, amounted to:

	2018 No.	2019 No.
Production staff	10	12
Distribution staff	12	10
Administrative staff	23	48
Management staff	35	24
Number of sales staff	128	131
	208	225

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £297,553 (2018: £37,659).

7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	Period from 22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
Remuneration	74	1,268
Company contributions to defined contribution pension plans	4	85
	78	1,353

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

7. DIRECTORS' REMUNERATION *continued*

The number of directors who accrued benefits under company pension plans was as follows:

	2018 No.	2019 No.
Defined contribution plans	2	2
	<hr/> <hr/>	<hr/> <hr/>

Remuneration of the highest paid director in respect of qualifying services:

	Period from 22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
Aggregate remuneration	33	413
Company contributions to defined contribution pension plans	-	24
	<hr/>	<hr/>
	33	437
	<hr/> <hr/>	<hr/> <hr/>

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Period from 22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
Interest on cash and cash equivalents	-	31
	<hr/>	<hr/>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
Interest on banks loans and overdrafts	95	1,615
Interest on obligations under finance leases and hire purchase contracts	25	107
Loss on fair value adjustment of financial liabilities at fair value through profit or loss	-	106
Other interest payable and similar charges	154	2,345
	<hr/>	<hr/>
	274	4,173
	<hr/> <hr/>	<hr/> <hr/>

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. TAX ON PROFIT

Major components of tax expense

	Period from 22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
Current tax:		
UK current tax expense	208	3,150
Adjustments in respect of prior periods	-	(83)
Total current tax	<u>208</u>	<u>3,067</u>
Deferred tax:		
Origination and reversal of timing differences	(32)	(671)
Tax on profit	<u>176</u>	<u>2,396</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	Period from 22 December 2017 to 31 March 2018 (restated) £'000	Year to 31 March 2019 £'000
(Loss)/Profit on ordinary activities before taxation	<u>(118)</u>	<u>9,892</u>
Profit on ordinary activities by rate of tax	(22)	1,879
Adjustment to tax charge in respect of prior periods	-	(50)
Effect of expenses not deductible for tax purposes	198	467
Effect of capital allowances and depreciation	-	30
Effect of different UK tax rates on some earnings	-	61
Utilisation of tax losses	-	9
Tax on profit	<u>176</u>	<u>2,396</u>

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11 (LOSS)/PROFIT PER SHARE

The (loss)/profit per share has been calculated using the (loss/profit) for the year and the weighted average number of ordinary shares entitled to dividend rights which were outstanding during the year, as follows:

	22 December 2017 to 31 March 2018 <i>(restated)</i>	Year to 31 March 2018	Year to 31 March 2019
(Loss)/profit for the year attributable to equity holders of Brickability Group plc	(294)	7,496	
Weighted average number of ordinary shares	56,857	237,846	
(Loss/Profit) per share	<hr/> (517p)	<hr/> 3,151p	

There is no dilutive effect.

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. INTANGIBLE ASSETS

	Brands £'000	Customer Relationships and other intangibles £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2018 (as restated)	5,071	19,968	43,655	68,694
Additions	—	4	—	4
Acquisitions through business combinations	-	820	2,203	2,988
At 31 March 2019	5,071	20,792	45,858	71,721
Amortisation				
At 1 April 2018	41	162	--	203
Charge for the year	539	2,155	--	2,694
At 31 March 2019	580	2,317	--	2,897
Carrying amount				
At 31 March 2019	4,491	18,475	45,858	68,789
At 31 March 2018	5,030	19,841	43,655	68,491

The Group estimates the recoverable amount of a CGU using a value in use model by projecting pre-tax cash flows for the next five years together with a terminal value using a growth rate. The key assumptions underpinning the recoverable amounts of the CGUs tested for impairment are forecast revenue and EBITDA.

The forecast revenues in the model are based on the overall growth rates for the UK market, with adjustments made for incremental growth relating to management actions.

The five year plans used in the impairment models are based on management's past experience and future expectations of performance. The total recoverable amount in respect of goodwill and brand intangible, as assessed by management using the above assumptions, is greater than the carrying amount and therefore no impairment charge has been booked in each period. Management currently consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. PROPERTY, PLANT AND EQUIPMENT AND MOTOR VEHICLES

	Land and buildings £'000	Plant and machinery and motor vehicles £'000	Total £'000
Cost			
At 1 April 2018 (as restated)	2,602	754	3,356
Additions	423	561	984
Disposals	-	(127)	(127)
At 31 March 2019	3,025	1,188	4,213
Depreciation			
At 1 April 2018	8	31	39
Charge for the year	205	365	570
Disposals	-	(19)	(19)
At 31 March 2019	213	377	590
Carrying amount			
At 31 March 2019	2,812	811	3,623
At 31 March 2018	2,594	723	3,317

Included in the cost of land and buildings is freehold land of £347,560 which is not depreciated.

Motor vehicles with a carrying amount of £108,986 (2018 - £42,342) have been pledged to secure finance obligations of the group. The group are not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Property, plant & equipment with a carrying value of £2,622,947 (2018 - £2,593,845) are pledged as security for the group's bank loans.

14. INVESTMENTS IN EQUITY – ACCOUNTED ASSOCIATES

	Interests in associates £'000
Share of net assets/cost	
At 1 April 2018 as restated	614
Additions	678
At 31 March 2019	1,292
Impairment	
At 1 April 2018 as restated	(19)
Revaluations	71
At 31 March 2019	52
Carrying amount	
At 31 March 2019	1,240
At 31 March 2018	633

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Subsidiaries, associates and other investments

On 28 February 2019 a 25% shareholding in the ordinary share capital of Financewell Limited was acquired.

Investments in associates

The following entities have been included in the consolidated historical financial information using the equity method:

Name	Country of incorporation principal place of business	Proportion of ownership interest held as at 31 March 2019
(1) Apex Brickcutters Limited	England and Wales	Ordinary 50
(2) Financewell Limited	England and Wales	Ordinary 25

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. SUBSIDIARY UNDERTAKINGS

	Country of incorporation	Class of share	Percentage of shares held
Brickability Enterprises Holding Limited	England and Wales	Ordinary	100
Brickability Enterprises Investments Limited	England and Wales	Ordinary	100
Brick-ability Ltd	England and Wales	Ordinary	100
Brick Services Limited	England and Wales	Ordinary	100
The Matching Brick Company Limited	England and Wales	Ordinary	100
Brick-Link Limited	England and Wales	Ordinary	100
Plansure Building Products Limited	England and Wales	Ordinary	100
Brickability UK Holdings Limited	England and Wales	Ordinary	100
P V H Holdings Limited	England and Wales	Ordinary	100
Crest Slate Brick & Tile Limited	England and Wales	Ordinary	100
Crest Roofing Limited	England and Wales	Ordinary	100
Crown Roofing (Centres) Limited	England and Wales	Ordinary	100
Excel Roofing Services Limited	England and Wales	Ordinary	100
Hamilton Heating Group Limited	England and Wales	Ordinary	100
Towelrads.com Limited	England and Wales	Ordinary	100
Radiatorsonline.com Limited	England and Wales	Ordinary	100
Frazer Simpson Limited	England and Wales	Ordinary	100
FSN Doors Limited	England and Wales	Ordinary	100
CPG Building Supplies Limited	England and Wales	Ordinary	100

Assets and liabilities acquired at 16 November 2018

	Brickwise Limited £'000	CPG Building Supplies Limited £'000
Property, plant & equipment	-	233
Inventories	-	20
Trade receivables	625	685
Cash	-	(4)
Trade payables	-	(501)
	625	433
Satisfied by:		
Cash paid	625	2,036
Loan notes	-	600
	625	2,636
Goodwill	-	2,203

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

On 6 March 2018 the Group acquired the entire share capital and 100% of the voting rights of Brickability Enterprises Holding Limited, Brickability Enterprises Investments Limited and its subsidiary undertakings, P V H Holdings Limited and its subsidiary undertakings, Hamilton Heating Group Limited and its subsidiary undertakings, FSN Doors Limited and Frazer Simpson Limited. These acquisitions have been accounted for as a business combination. The fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	PVH Holdings Limited £'000	Frazer Simpson Limited £'000	FSN Doors Limited £'000	Hamilton Heating Group Limited £'000	Total £'000
Intangible Assets	14,361	1,342	1,218	8,118	25,039
Property, plant & equipment	306	173	277	1,150	1,906
Inventories	351	22	84	1,892	2,349
Trade and other receivables	5,223	2,840	772	3,581	12,416
Cash and cash equivalents	10,181	28	40	207	10,456
Trade and other payables	(9,140)	(2,530)	(900)	(9,363)	(21,934)
 Total identifiable assets	 21,282	 1,875	 1,491	 5,585	 30,232
Goodwill arising on acquisition	14,452	401	1,635	14,292	30,781
 Total purchase consideration	 35,734	 2,276	 3,126	 19,877	 61,013

The consolidated statement of comprehensive income for the financial period ended 31 March 2018 includes the following Revenue and profit before taxation in respect of the subsidiaries acquired on 6 March 2018.

	PVH Holdings Limited £'000	Frazer Simpson Limited £'000	FSN Doors Limited £'000	Hamilton Heating Group Limited £'000	Total £'000
Revenue	2,221	602	89	1,136	4,049
Profit before taxation	432	59	(4)	277	763

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. SUBSIDIARY UNDERTAKINGS *(continued)*

The consolidated statement of profit or loss and other comprehensive income for the financial period includes the following turnover and profit/(loss) before tax in respect of the subsidiaries acquired on 16 November 2018.

	Brickwise Limited	CPG Building Supplies Limited
	£'000	£'000
Turnover	-	1,579
Net profit	-	61

16. INVENTORIES

	2018	2019
	£'000	£'000
Goods for resale	5,031	5,422

Stock recognised as an expense during the period was £18,361,026 (2018: £2,118,731).

17. TRADE AND OTHER RECEIVABLES

	2018	2019
	£'000	£'000
Trade receivables	26,425	31,480
Less: provision for impairment of trade receivables	(457)	(710)
	25,968	30,770
Prepayments and accrued income	1,169	1,798
Directors loan account	-	21
Amounts recoverable on contract	-	35
Other receivables	633	1,487
	27,770	34,111

Brickability Group plc applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. There is no material impact on the transition to IFRS 9.

The trade receivables above include the following amounts falling due after more than one year:

	2018	2019
	£'000	£'000
Trade receivables	146	155

BRICKABILITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. TRADE AND OTHER PAYABLES

	2018 £'000	2019 £'000
Trade payables – current	12,776	24,490
Trade payables – non current	1,683	3,958
Accruals and deferred income	3,830	3,691
Corporation tax	1,798	1,687
Social security and other taxes	2,108	2,492
Other payables	4,432	4,703
	<hr/>	<hr/>
	26,627	41,020
	<hr/>	<hr/>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

19. LOANS AND BORROWINGS

The book value and fair value of loans and borrowings are as follows:

	Book and fair value 2018 £'000	Book value 2019 £'000	Fair value 2019 £'000
	2018 £'000	2019 £'000	2019 £'000
Non-current			
Bank loans – secured	34,817	33,369	33,475
Loan notes	31,197	29,575	29,575
Finance leases	1,075	1,260	1,260
	<hr/>	<hr/>	<hr/>
	67,089	64,204	64,310
Current			
Bank loans – secured	3,158	3,053	3,053
Finance leases	353	410	410
	<hr/>	<hr/>	<hr/>
	3,511	3,463	3,463
Total loans and borrowings			
	<hr/>	<hr/>	<hr/>
	70,600	67,667	67,773

Bank Borrowings

The bank loans and overdrafts are secured by a fixed charge over the Group's freehold property and floating charges over the remaining assets of the Group (note 13).

The bank loans are repayable within 5 years and are secured by fixed and floating charges over all property, investments and assets of the company's subsidiary undertakings. A guarantee has also been provided by all trading subsidiaries.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

19. LOANS AND BORROWINGS *(continued)*

Included within borrowings is an amount of £25,076,425 (2018 - £23,276,425) in respect of liabilities payable or repayable otherwise than by instalments which fall due for payment after more than five years from the reporting date. These liabilities are A series, B series and B1 series loan notes which accrue interest at 9.5% pa. Both interest and capital are repayable on the loan notes redemption date of 13 September 2026. The loan notes are secured by fixed and floating charges over the assets of the company.

The hire purchase liabilities are secured over the assets to which they relate.

20. PROVISIONS

	Defect Provisions	Dilapidations Provisions	Total
	£'000	£'000	£'000
At 1 April 2018	2,325	13	2,338
Additions	101	-	101
Unused amounts reversed	(464)	-	(464)
At 31 March 2019	1,962	13	1,975

Defect provisions

A provision has been recognised for expected defect claims on goods and services sold during the last 10 years.

Dilapidations

A provision has been recognised for expected repairs on the group's operating premises. Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

21. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	Group	
	2018	2019
	£'000	£'000
Included in non-current assets	300	744
Included in non-current liabilities	(4,714)	(4,490)
	<hr/>	<hr/>
	(4,414)	(3,746)
	<hr/>	<hr/>

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group	
	2018	2019
	£'000	£'000
Accelerated capital allowances	35	(662)
Other timing differences	4,379	4,408
	<hr/>	<hr/>
	4,414	3,746
	<hr/>	<hr/>

22. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

Financial assets that are measured at amortised cost

	Group	
	2018	2019
	(restated)	£'000
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	26,113	30,925

Financial liabilities measured at fair value through profit or loss

	Group	
	2018	2019
	(restated)	£'000
	£'000	£'000
Financial liabilities measured at fair value through profit or loss	—	106

Financial liabilities measured at amortised cost

	Group	
	2018	2019
	(restated)	£'000
	£'000	£'000
Financial liabilities measured at amortised cost	102,918	92,051

Financial risk management

Brickability Group plc's activities expose it to a variety of financial risks: market risk (including cash flow and interest rate risk), investment risk, liquidity risk, and credit risk. Risk management is carried out by the directors of Brickability Group plc. Brickability Group plc finances its operations through a mixture of debt finance, cash and liquid resources and various items such as trade debtors and trade payables which arise directly from Brickability Group plc's operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest bearing assets including cash and cash equivalents are considered to be short-term liquid assets. It is Brickability Group plc's policy to settle trade payables within the credit terms allowed and Brickability Group plc does therefore not incur interest on overdue balances. The Group purchases interest rate swaps to manage interest rate risk volatility and hedge against currency exposure on future firm commitments. The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

22. FINANCIAL INSTRUMENTS *continued*

Liquidity risk

Brickability Group plc seeks to maintain sufficient cash balances. Management reviews cash flow forecasts on a regular basis to determine whether Brickability Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

Capital risk management

The capital structure of the business consists of cash and cash equivalents, debt and equity. Equity comprises share capital, share premium retained earnings and the merger reserve which is equal to the amount shown as 'Equity' in the balance sheet. Debt comprises various items which are set out in further detail above and in note 19.

Brickability Group plc's current objectives when maintaining capital are to:

- Safeguard Brickability Group plc's ability as a going concern so that it can continue to pursue its growth plans.
- Provide a reasonable expectation of future returns to shareholders.
- Maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term.

Credit risk and impairment

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to Brickability Group plc. In order to minimise the risk, endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the carrying value of its financial receivables, trade and other receivables and cash and cash equivalents as disclosed in this historical financial information. Brickability Group plc does not consider that there is any concentration of risk within either trade or other receivables, the receivables' age analysis is also evaluated on a regular basis for potential doubtful debts, considering historic, current and forward-looking information.

Credit risk on cash and cash equivalents is considered to be very low as the counterparties are all substantial banks with high credit ratings.

Foreign currency risk

The Directors consider that there is limited risk to the Group with regards to foreign currency risk. Brickability Group plc is not exposed to foreign exchange risk as a result of sales and purchase transactions denominated in Sterling. All financial assets and liabilities are also held in sterling.

23. PRIOR PERIOD ERRORS

There has been a prior period adjustment to correct accounting errors included in provision for bad debts, sundry receivables, prepayments, trade payables and to adjust for the tax liability. As a result, receivables have decreased by £613,370, payables falling due within one year have decreased by £40,350 and the value of goodwill in the group has increased by £573,020.

There has been a prior period adjustment to correct the carrying value of property, plant & equipment acquired in the previous year. As a result, property, plant & equipment assets have decreased by £299,115 and goodwill acquired in the period has increased by the same amount.

Prior period figures have been restated to reclassify an amount of £105,240 from inventories to other receivables. This is due to deposits paid to suppliers being incorrectly classified as work in progress. There has been no impact on reserves.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

24. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2018	2019	
No.	£	No.	£
Ordinary A shares shares of £0.01 each	17,088	17,088	170.88
Ordinary B shares shares of £0.01 each	82,912	82,912	829.12
Ordinary C shares shares of £1 each	2,085	2,085	2,085.00
Ordinary D shares shares of £0.01 each	123,065	138,317	1,230.65
	<hr/>	<hr/>	<hr/>
	225,150	240,402	4,315.65
	<hr/>	<hr/>	<hr/>
			4,468.17

Any profits distributed shall be applied pari passu amongst the holders of the A, B, C and D ordinary shares. In the event of a liquidation the surplus assets shall be applied pari passu amongst the holders of the A, B, C and D ordinary shares. A and B ordinary shares are voting shares and each class shall confer 1 vote per share. C and D ordinary shares are non-voting shares. The A ordinary shares are not redeemable.

The number of shares outstanding at the year end date for all other classes of shares is consistent with the prior period.

25. RESERVES

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Retained Earnings - This reserve records retained earnings and accumulated losses.

Merger reserve – This reserve records the difference between the carrying value of the assets and liabilities and the value of the consideration transferred on the Group reorganisation as described in the basis of preparation.

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1st April 2019, Hamilton Heating Group Limited acquired the entire issued share capital of DSH Flooring Limited.

On 15th May 2019, Brickability UK Holdings Limited acquired the entire issued share capital of LBT Brick & Facades Limited.

On 17th May 2019, Brickability Enterprises Investments Limited acquired the entire issued share capital of The Brick Slip Business Limited & The Bespoke Brick Company Limited.

On 5th July 2019, Brickability UK Holdings Limited acquired the entire issued share capital of Brickmongers (Wessex) Ltd.

27. DIRECTORS' ADVANCES, CREDITS, GUARANTEES AND RELATED PARTY TRANSACTIONS

During the year the directors entered into the following advances and credits with the company and its subsidiary undertakings:

	31 March 2018 £'000	31 March 2019 £'000
Directors loan account	-	(21)

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27. DIRECTORS' ADVANCES, CREDITS, GUARANTEES AND RELATED PARTY TRANSACTIONS *continued*

In respect of directors' loan accounts being overdrawn during the year, the following transactions occurred between the directors and the company:

	31 March 2019
	£'000
Opening balance	-
Advances from the company	(221)
Amounts repaid	200
	<hr/>
	(21)

Included in other payables due after more than one year are loan notes and loan note interest payable amounting to £17,783,990 (2018 £15,314,382) payable to directors. During the year interest amounting to £1,432,161 (2018 - £76,945) was charged to the profit and loss account in respect of these loan notes.

Also included within other payables falling due within one year end after more than one year is an amount of £825,251 (2018 - £1,653,622) in respect of deferred consideration payable to the directors in respect of the acquisitions made by the group on 6 March 2018. During the year, the group was charged £136,809 (2018 - £6,190) by a director for consultancy services.

All directors who have the authority for planning, directing and controlling the activities of the group are considered to be key management personnel. Their remuneration is disclosed in note 7.

Included within trade receivables are the following amounts due from companies related by common directorship of A J Simpson and P Hamilton.

	31 March 2018 £'000	31 March 2019 £'000
DSH Flooring Limited	3	90
	<hr/>	<hr/>
	3	90

The group made the following sales to and purchases from these companies during the period.

	2018		2019	
	Sales £'000	Purchases £'000	Sales £'000	Purchases £'000
DSH Flooring Limited	6	11	3	-
Queensgate Bracknell Ltd	-	-	-	191

During the year, the group was charged £120,000 (2018 - £10,000) by an entity in which 3 of the members of that entity have some significant influence over the group. There was a £nil balance (2018 - £nil) due to this entity at the year end. Interest of £517,703 (2018 £36,877) was accrued during the year in respect of loan notes issued to this entity. At 31 March 2019 loan notes and loan note interest amounting to £6,767,159 (2018 £6,249,457) was payable to this entity. The loan notes are secured and interest is payable at 9.5% pa on redemption. The loan notes are redeemable on 13 September 2026.

Included within other payables falling due after more than one year are loan notes and loan note interest payable to directors of subsidiary undertakings and a close relative of a director. At 31 March 2019 £4,782,703 (2018 £3,395,504) was payable by the group. Interest of £324,644 (2018 £18,287) was accrued during the year in respect of these loan notes. The loan notes are a mixture of both secured and unsecured and interest is payable at 9.5% pa on redemption. The loan notes are redeemable on 13 September 2026.

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27. DIRECTORS' ADVANCES, CREDITS, GUARANTEES AND RELATED PARTY TRANSACTIONS *continued*

Also included within other payables falling due within one year and after more than one year is deferred consideration payable to a close relative of a director, a director of a subsidiary undertaking and his close relative amounting to £6,479,180 (2018 £9,514,440) in respect of acquisitions made by the group on 6 March 2018.

28. CHANGES IN ACCOUNTING POLICIES

Brickability Group plc's effective IFRS transition date for the purposes of this financial information was 22 December 2017 (date of incorporation). The effects of transition to IFRS on the balance sheets at 31 March 2018 and, 31 March 2019, and the profit or loss for the period ended 31 March 2018 and year ended 31 March 2019 are shown below.

The transition adjustments required on applying IFRS were:

1. Reverse amortisation of goodwill arising from the acquisition of Brickability Enterprises Limited, P V H Holdings Limited, Hamilton Heating Group Limited, CPG Building Supplies and Brickwise Limited and expense capitalised acquisition costs arising from the acquisition. These adjustments resulted in an increase to administrative expenses of £563k and a decrease to the carrying value of intangible assets of £563k in the period ended 31 March 2018. In the period ended 31 March 2019 these adjustments resulted in a decrease to administrative expenses of £988k and an increase to the carrying value of intangible assets of £988k. The overall effect of this adjustment on retained earnings over the periods included in the historical financial information is an increase in retained earnings of £425k.
2. As discussed in Note 1, the Group adopted IFRS 16 with effect of 22 December 2017, to recognise leases previously recognised as operating and finance leases as right-of-use assets. The impact of this adjustment has decreased administrative expenses by £26k, increased finance costs by £24k, increased loans and borrowings by £1,369k and increased property, plant & equipment by £1,371k in the period ended 31 March 2018 and has decreased administrative expenses by £89k, increased finance costs by £101k, increased loans and borrowings by £236k and increased property, plant & equipment by £224k in the year ended 31 March 2019. The overall effect of this adjustment on retained earnings over the periods included in the historical financial information is a decrease in retained earnings of £10k.

The following tables show the adjustments recognised for each line item of the historical financial information affected.

31 March 2018

	FRS 102 £'000	IFRS 16 £'000	IFRS 3 £'000	IFRS £'000
Administrative expenses	(1,966)	26	(563)	(2,503)
Profit/(loss) from operations	671	26	(563)	134
Finance expense	(253)	(24)	-	(229)
Profit/(loss) before tax	443	2	(563)	(118)

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

29. CHANGES IN ACCOUNTING POLICIES *continued*

	31 March 2018 FRS 102 (restated)	IFRS 16 £'000	IFRS 3 £'000	Re- classification adjustment £'000	Goodwill £'000	Group reorganisation £'000	31 March 2018 IFRS £'000
NON-CURRENT ASSETS							
Intangible assets	69,644		(563)		4,671	(5,261)	68,491
Property, plant & equipment	3,317						3,317
Right of use assets	-	1,371					1,371
Investments:							
Investments in associates	633						633
Deferred tax asset				300			300
Trade and other receivables				145			145
	73,594	1,371	(563)	445	4,671	(5,261)	74,257
CURRENT ASSETS							
Inventories	5,031						5,031
Trade and other receivables	28,215			(445)			27,770
Cash at bank and in hand	5,346						5,346
	38,592	-	-	(445)	-	-	38,147
Total Assets	112,186	1,371	(563)	-	4,671	(5,261)	112,404
NON-CURRENT LIABILITIES							
Trade and other payables	(1,683)	-	-	-			(1,683)
Loans and borrowings	(66,028)						(66,028)
Lease liabilities	-	(1,061)					(1,061)
Deferred tax liability	(59)				(4,655)		(4,714)
Provisions	(2,338)						(2,338)
	(70,108)	(1,061)			(4,655)		(75,824)
CURRENT LIABILITIES							
Trade and other payables	(24,944)						(24,944)
Loans and borrowings	(3,203)						(3,203)
Lease liabilities	-	(308)					(308)
	(28,147)	(308)					(28,455)
Total liabilities	(98,255)	(1,369)			(4,655)		(104,279)
NET ASSETS	13,931	2	(563)		16	(5,261)	8,125

BRICKABILITY GROUP PLC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

30. LEASES

All leases have been accounted for under IFRS 16 by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

The accounting policy is described in note 1. The movements in these assets and liabilities are shown below.

Right-of-use Assets	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 April 2018	1,199	172	1,371
Additions	474	141	615
Depreciation	(292)	(99)	(391)
At 31 March 2019	1,381	214	1,595
Incorporation	-	-	-
Additions	1,319	257	1,576
Depreciation	(119)	(85)	(204)
At 31 March 2018	1,199	172	1,371
 Lease liabilities			
	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 April 2018	1,200	169	1,369
Additions	474	142	616
Interest expense	83	17	100
Lease payments	(363)	(117)	(480)
At 31 March 2019	1,394	211	1,605
 Incorporation			
Additions	1,319	256	1,576
Interest expense	10	15	25
Lease payments	(129)	(102)	(231)
At 31 March 2018	1,200	169	1,369

PART V

This Part V contains in Section A, the accountant's report on the historical financial information of Brickability UK Holdings Limited and in Section B, the historical financial information for the years ended 31 March 2017 and 31 March 2018 of Brickability UK Holdings Limited

FINANCIAL INFORMATION RELATING TO BRICKABILITY UK HOLDINGS LIMITED

Section A – Report on Historical Financial Information on Brickability UK Holdings Limited



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Brickability Group plc
South Road
Bridgend Industrial Estate
Bridgend
CF31 3XG

22 August 2019

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Dear Sirs

**Brickability Group plc (the “Company”) and its subsidiaries (together, the “Group”)
Brickability UK Holdings Limited**

Introduction

We report on the financial information on Brickability UK Holdings Limited set out in Section B of Part V. This financial information has been prepared for inclusion in the admission document dated 22 August 2019 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence

relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Brickability UK Holdings Limited as at 31 March 2017 and 31 March 2018 and of its results, cash flows and changes in equity for the year ended 31 March 2017 and the year ended 31 March 2018 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Section B – Historical Financial Information on Brickability UK Holdings Limited

BRICKABILITY UK HOLDINGS LIMITED

CONSOLIDATED PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

	Note	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Revenue	2	79,778	90,336
Cost of sales		(68,718)	(77,488)
Gross profit		<u>11,060</u>	<u>12,848</u>
Other operating income	3	11	6
Administrative expenses	4	(6,742)	(8,050)
Profit from operations		<u>4,329</u>	<u>4,804</u>
Finance expense	9	(109)	(117)
Finance income	8	35	46
Other expenses		(45)	(45)
Income from interests in associates		36	39
Share of post-tax profits of equity accounted associates		4	42
Profit before tax		<u>4,250</u>	<u>4,769</u>
Tax expense	10	(929)	(889)
Profit from continuing operations and total comprehensive income for the period		<u>3,321</u>	<u>3,880</u>

BRICKABILITY UK HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2017	31 March 2018
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,509	1,530
Right of use assets	25	296	358
Intangible assets	11	3,921	3,809
Investments in equity-accounted associates	13	636	633
		6,362	6,330
Current assets			
Inventories	15	1,567	2,380
Trade and other receivables	16	18,643	17,145
Cash and cash equivalents		6,362	2,475
		26,572	22,000
Total assets		32,934	28,330
Liabilities			
Non-current liabilities			
Loans and borrowings	17	(124)	(14)
Lease liability	25	(189)	(235)
Deferred tax liability	19	(46)	(55)
		(359)	(304)
Current liabilities			
Trade and other payables	18	(17,412)	(16,758)
Lease liability	25	(106)	(121)
Loans and borrowings	18	(4,490)	-
		(22,008)	(16,879)
Total liabilities		(22,367)	(17,183)
NET ASSETS		10,567	11,147
Issued capital and reserves attributable to owners of the parent			
Share capital	21	260	260
Other reserve	22	(67)	(67)
Retained earnings		10,374	10,954
TOTAL EQUITY		10,567	11,147

BRICKABILITY UK HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Retained earnings	Equity attributable to the owners of the parents company	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	260	(67)	7,175	7,368	458	7,826
Profit for the year	-	-	3,321	3,321	-	3,321
Profit for the year to 31 March 2017	-	-	3,321	3,321	-	3,321
Acquisition of subsidiary with minority interest	-	-	-	-	(580)	(580)
Other movement	-	-	(122)	(122)	122	-
Total investments by and distributions to owners	-	-	(122)	(122)	(458)	(580)
At 31 March 2017	260	(67)	10,374	10,567	-	10,567
Profit for the year	-	-	3,880	3,880	-	3,880
Profit for the year to 31 March 2017	-	-	3,880	3,880	-	3,880
Dividends paid and payable	-	-	(3,300)	(3,300)	-	(3,300)
Total contributions by and distributions to owners	-	-	(3,300)	(3,330)	-	(3,300)
At 31 March 2018	260	(67)	10,954	11,147	-	11,147

BRICKABILITY UK HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	2017 £'000	2018 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	3,321	3,880
<i>Adjustments for:</i>		
Depreciation of property, plant & equipment	246	317
Amortisation of intangible assets	89	110
Amounts written back to investments	45	45
Government grant income	(5)	-
Income from interest in associates	(36)	(39)
Share of profit of associates	(4)	(42)
Other interest receivable and similar income	(35)	(46)
Interest payable and similar expenses	109	117
Tax on profit	929	889
<i>Changes in:</i>		
Inventories	(192)	(813)
Trade and other receivables	(1,743)	(1,653)
Trade and other payables	3,784	(750)
Cash generated from operations	6,508	2,015
Interest paid	(90)	(88)
Tax paid	(1,066)	(845)
Net cash from operating activities	5,352	1,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(1,085)	(381)
Dividends received	36	39
Acquisition of subsidiaries	(100)	(150)
Acquisition of minority interests	(580)	-
Net cash used in investing activities	(1,729)	(492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	394	210
Repayments of borrowings	(210)	(362)
Loans to group undertakings	(3,098)	(4,325)
Net cash from financing activities	(2,914)	(4,477)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	711	(3,887)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,651	6,362
	<hr/>	<hr/>
	6,362	2,475
	<hr/>	<hr/>

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

General information

Brickability UK Holdings Limited is a private company incorporated in England and Wales. Brickability UK Holdings Limited is domiciled in England and its registered office is Brickability South Road, Bridgend Industrial Estate, Bridgend, CF31 3XG. The historical financial information consolidates that of Brickability UK Holdings Limited and its wholly owned subsidiaries (together, "Brickability UK Holdings Limited"). The principal activity of Brickability UK Holdings Limited is the sale of quality building materials to all sectors of the construction industry including national house builders, developers, contractors, general builders and retail to the public. The group typically arranges the sale of products directly from suppliers to the customers via its salesforce and offices across the United Kingdom or from its stocking depots in Wales, the South West and North East of England.

1. ACCOUNTING POLICIES

Basis of preparation

The historical financial information presents the financial track record of Brickability UK Holdings Limited for the year ended 31 March 2017 and 31 March 2018. This financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The historical financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Brickability UK Holdings Limited's statutory consolidated historical financial information for the year ended 31 March 2018 and 31 March 2017 were prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

The historical financial information for these periods has been delivered to the Registrar of Companies. The auditor's reports on these financial statements were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

In preparing the historical financial information of Brickability UK Holdings Limited Group, Brickability UK Holdings Limited has applied IFRS for the first time for the year ended 31 March 2017. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process, and the following transitional exemptions applicable to Brickability UK Holdings Limited have been taken:

Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3 prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. Business combinations occurring prior to the transition date have not been restated.

Election to carry goodwill at deemed cost

IFRS 1 provides the option to measure certain intangible assets at a prior valuation at the opening balance sheet date. Goodwill on acquisitions prior to 1 April 2016 was frozen as at that date and is subject to annual Impairment review in accordance with IAS 36 'Impairment of assets'.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented.

Going concern

After making appropriate enquiries, the directors of the Company (the "Directors") have a reasonable expectation that Brickability UK Holdings Limited has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this historical financial

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

information. For these reasons, they continue to adopt the going concern basis in preparing Brickability UK Holdings Limited historical financial information.

New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted in preparing the historical financial information of Brickability UK Holdings Limited:

The IFRS's applied to the historical financial information are those expected to be applicable, in so far as this is currently known, to the first annual historical financial information of the Company post admission to the AIM market of London Stock Exchange plc which will be for the year ending 31 March 2020. This includes the impact of IFRS 16 which is effective for periods beginning on or after 1 January 2019. The impact of the adoption of IFRS is presented within Note 23.

The following new standards or annual improvements to existing IFRS standards which have not been applied in this historical financial information were in issue but not yet effective:

- IFRIC 23 "Uncertainty over income tax treatments", effective 1 January 2019; and
- Annual Improvements to IFRS Standards 2015-2017 Cycle, effective 1 January 2019. Management is in the process of assessing the potential impact of these standards, but the impact is not expected to be material for the Group.

The consolidated historical financial information has not been prepared in accordance with IAS 33 given the changes in the capital structure.

The consolidated historical financial information is presented in sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of historical financial information in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the historical financial information and their effect are disclosed below.

Basis of measurement

The consolidated historical financial information has been prepared under the historical cost convention in accordance with International financial reporting standards as adopted by the European Union.

Consolidation

The historical financial information consolidates the information of Brickability UK Holdings Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the historical financial information.

Property, plant & equipment

The assessment of the useful economic lives and the method of depreciating property, plant & equipment require judgement by the directors to ensure that assets match the future economic benefits embodied in them.

Leases

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the group as lessee.

Provisions

Provisions are a key area of the historical financial information and are subject to both estimation and uncertainty. Provisions are recognised on product defect warranties when claims are made in relation to the products and services supplied. This requires judgement as to whether a claim would likely give rise to a provision based on the group's knowledge of its products, services and customers. The provision would then need estimating based on the group's assessment of the likely work and cost required to remedy the defect. This would be subjective and based on the group's knowledge of its products, services and past customer experience.

Associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate.

Accounting policies (*continued*)

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the control of the goods has transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the rendering of services is measured by reference to the stage of completion of the service

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

- Current tax

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

- Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and;
- investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company, or;
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit or loss account.

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after the date of transition to IFRS, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Externally acquired intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Intangible assets excluding goodwill	-	5% to 8% straight line
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Property, plant & equipment

Property, plant & equipment is initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any property, plant & equipment carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% - 25% on cost
Plant and machinery	-	25% reducing balance
Fixtures and fittings	-	25% reducing balance
Motor vehicles	-	25% reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate. The carrying value of these investments are assessed annually for impairment, with impairment losses recognised directly in the consolidated profit or loss and other comprehensive income.

Impairment of property, plant & equipment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly.

Inventory

Inventory is measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial Assets

Brickability UK Holding Limited's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial Liabilities

Brickability UK Holding Limited classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when Brickability Group plc becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost include:

- Trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of Brickability UK Holding Limited's financial liabilities

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

measured at amortised cost represents a reasonable approximation of their fair values.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 29).

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. SEGMENTAL INFORMATION

Brickability UK Holdings Limited generates all of its revenues within the UK. Brickability UK Holdings Limited generates revenue from 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 the public.

Brickability UK Holdings Limited has one business segment, being Bricks. There are no strategic business units that offer different products and services.

3. OTHER OPERATING INCOME

	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Rental income	6	6
Government grant income	5	-
	11	6

4. EXPENSES BY NATURE

Operating profit is stated after charging/(crediting):

	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Amortisation of intangible assets	89	110
Depreciation of property, plant & equipment	246	317
Impairment of trade receivables	169	139
Foreign exchange differences	30	-

5. AUDITOR'S REMUNERATION

	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Fees payable for the audit of the statutory financial statements	55	51
	=====	=====
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	10	10
Other non-audit services	24	21
	=====	=====

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

6. EMPLOYEE BENEFIT EXPENSES

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Wages and salaries	3,595	3,921
Social security costs	354	370
Other pension costs	207	204
	<hr/>	<hr/>
	4,156	4,495
	<hr/>	<hr/>

The average number of persons employed by the group during the year, including the directors, amounted to:

	2017 No.	2018 No.
Production staff	10	10
Distribution staff	10	12
Administrative staff	20	23
Management staff	8	5
Number of sales staff	57	62
	<hr/>	<hr/>
	105	112
	<hr/>	<hr/>

7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Remuneration	519	313
Company contributions to defined contribution pension plans	87	52
	<hr/>	<hr/>
	606	365
	<hr/>	<hr/>

The number of directors who accrued benefits under company pension plans was as follows:

	2017 No.	2018 No.
Defined contribution plans	5	2
	<hr/>	<hr/>
	606	365
	<hr/>	<hr/>

Remuneration of the highest paid director in respect of qualifying services:

	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Aggregate remuneration	134	170
Company contributions to defined contribution pension plans	-	28
	<hr/>	<hr/>

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

	134	198
	_____	_____
8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		
	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Interest on loans and receivables	35	46
	_____	_____
9. INTEREST PAYABLE AND SIMILAR EXPENSES		
	Year to 31 March 2017 £'000	Year to 31 March 2018 £'000
Interest on banks loans and overdrafts	88	89
Dividends paid on shares classed as debt	8	14
Other interest payable and similar charges	13	14
	_____	_____
	109	117
	_____	_____

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

10. TAX ON PROFIT

Major components of tax expense

	Year to 31 March 2017	Year to 31 March 2018
	£'000	£'000
Current tax:		
UK current tax expense	914	925
Adjustments in respect of prior periods	(46)	
Total current tax	<u>914</u>	<u>879</u>
Deferred tax:		
Origination and reversal of timing differences	15	10
Tax on profit	<u>929</u>	<u>889</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year's ended 31 March 2017 and 31 March 2018 is higher than the standard rate of corporation tax in the UK of 19%.

	Year to 31 March 2017	Year to 31 March 2018
	£'000	£'000
Profit on ordinary activities before taxation	<u>4,250</u>	<u>4,769</u>
Profit on ordinary activities by rate of tax	799	828
Adjustment to tax charge in respect of prior periods	-	(52)
Effect of expenses not deductible for tax purposes	128	138
Effect of capital allowances and depreciation	7	12
Effect of different UK tax rates on some earnings	(5)	(2)
Utilisation of tax losses	-	(35)
Tax on profit	<u>929</u>	<u>889</u>

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11. INTANGIBLE ASSETS

	Other Intangibles £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 2017	3,809	276	4,085
At 31 March 2018	3,809	276	4,085
Amortisation			
At 1 April 2017	164	--	164
Charge for the year	112	--	112
At 31 March 2018	276	--	276
Carrying amount			
At 31 March 2018	3,533	276	3,809
At 31 March 2017	3,645	276	3,921

12. PROPERTY, PLANT AND EQUIPMENT AND MOTOR VEHICLES

	Land and buildings £'000	Plant and machinery and motor vehicles £'000	Total £'000
Cost			
At 1 April 2017	1,738	680	2,418
Additions	201	199	400
At 31 March 2018	1,939	879	2,818
Depreciation			
At 1 April 2017	228	385	613
Charge for the year	154	163	317
At 31 March 2018	382	548	930
Carrying amount			
At 31 March 2018	1,557	331	1,888
At 31 March 2017	1,510	295	1,805

Property, plant & equipment with a carrying value of £1,447,888 (2018 £1,302,422) are pledged as security for the group's bank loans.

BRICKABILITY UK HOLDINGS LIMITED
NOTES TO THE HISTORICAL FINANCIAL INFORMATION

13. INVESTMENTS IN EQUITY – ACCOUNTED ASSOCIATES

	Interests in associates £'000
Share of net assets/cost	
At 1 April 2016	1,054
Additions	-
At 31 March 2017	1,054
Impairment	
At 1 April 2016	(377)
Revaluations	(41)
At 31 March 2017	(418)
Carrying amount	
At 31 March 2017	636
Share of net assets/cost	
At 1 April 2017	1,054
Additions	-
At 31 March 2018	1,054
Impairment	
At 1 April 2017	(418)
Impairment	(3)
At 31 March 2018	(421)
Carrying amount	
At 31 March 2018	633
At 31 March 2017	636

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. SUBSIDIARY UNDERTAKINGS

Details of the investments in which the group has an interest of 20% or more are as follows:

	Country of incorporation	Class of share	Percentage of shares held
Brick-ability Ltd	England and Wales	Ordinary	100
Brick Services Limited	England and Wales	Ordinary	100
The Matching Brick Company Limited	England and Wales	Ordinary	100
Brick-Link Limited	England and Wales	Ordinary	100
Plansure Building Products Limited	England and Wales	Ordinary	100
Other significant holdings			
Apex Brickcutters Limited	England and Wales	Ordinary	50

15. INVENTORIES

	2017 £'000	2018 £'000
Raw materials and consumables	1,567	2,380

Inventory recognised in cost of sales during the year as an expense was £9,918,304 (2017: £9,128,845).

16. TRADE AND OTHER RECEIVABLES

	2017 £'000	2018 £'000
Trade receivables	14,676	16,393
Less: provision for impairment of trade receivables	(81)	(106)
	14,595	16,287
Amounts owed by group undertakings	3,278	128
Prepayments and accrued income	578	533
Directors loan account	4	—
Amounts recoverable on contract	21	33
Other receivables	167	164
	18,643	17,145

Brickability UK Holdings Limited applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. There is no material impact on the transition to IFRS 9.

Group cash flows and implicit support arrangements indicate that £401,709 (2017 - £100,991) of amounts due from group undertakings, whilst technically due on demand, will be repaid in more than one year.

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

17. LIABILITIES – due within one year

	2017 £'000	2018 £'000
Bank loans and overdrafts	84	-
Trade payables	14,129	8,738
Amounts owed to group undertakings	153	3,818
Accruals and deferred income	1,228	2,064
Corporation tax	480	514
Social security and other taxes	829	1,143
Shares classed as financial liabilities	264	264
Obligations under finance leases and hire purchase contracts	106	121
Directors loan accounts	4	-
Trade finance	4,406	-
Other payables	325	217
	<hr/>	<hr/>
	22,008	16,879
	<hr/>	<hr/>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

18. LIABILITIES – due later than one year

	2017 £'000	2018 £'000
Bank loans and overdrafts	125	-
Obligations under finance leases and hire purchase contracts	188	249
Deferred tax	46	55
	<hr/>	<hr/>
	359	304
	<hr/>	<hr/>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

The hire purchase agreements are secured upon the assets to which they relate.

Group cash flows indicate that £2,475,910 (2017 - £8,840,202) of amounts due from group undertakings, whilst technically due on demand, will be repaid in more than one year.

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

19. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2017 £'000	2018 £'000
Deferred tax liability	46	55
	<hr/> 46	<hr/> 55

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017 £'000	2018 £'000
Accelerated capital allowances	50	58
Other timing differences	(4)	(3)
	<hr/> 46	<hr/> 55

20. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £157,492 (2018: £128,772).

21. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

Financial assets measured at amortised cost

	2017 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost	15,918	16,853

Financial liabilities measured at amortised cost

	2017 £'000	2018 £'000
Financial liabilities measured at amortised cost	20,300	11,019

22. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2017	2018		
	No.	£	No.	£
Ordinary A shares shares of £1 each	100,193	100,193.00	100,193	100,193.00
Ordinary B shares shares of £1 each	100,193	100,193.00	100,193	100,193.00
Ordinary C shares shares of £1 each	59,860	59,860.00	59,860	59,860.00
	<hr/> 260,246	<hr/> 260,246.00	<hr/> 260,246	<hr/> 260,246.00
Amounts presented in liabilities:				
Preference shares of £1 each	264,250	264,250.00	264,250	264,250.00

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

The ordinary shares are non-redeemable and rank equally for voting purposes. On a show of hands each member shall have one vote and on a poll each member shall have one vote per share held. Subject to payment in full of the preferred dividend remaining profits can be distributed to the shareholders in accordance with the number of shares held. Each share ranks equally for any distribution made on a winding up order.

The preference shares are non-voting and non-redeemable and carry cumulative dividend rights equal to 3% of net profits in respect of each financial year. On winding up of the company the shareholders are not entitled to participate in a distribution of capital.

23. RESERVES

Called up share capital - This represents the nominal value of shares that have been issued.

Merger reserve - This reserve records the difference between the nominal value of shares and fair value of the assets acquired on reconstruction of the group.

Retained Earnings - This reserve records retained earnings and accumulated losses.

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 15th April 2019, Brickability UK Holdings Limited acquired the entire issued share capital of LBT Brick & Facades Limited. On 28 February 2019 it also acquired a 25% shareholding in the ordinary share capital of Financewell Limited.

25. RELATED PARTY TRANSACTIONS

Group

Included within trade receivables and trade payables are the following amounts due from/to Apex Brickcutters Limited. Brickability UK Holdings Limited owns 50% of the share capital of this company.

	2018	2018
	Receivables	Payables
	£	£
Apex Brickcutters Limited	5,785	40,800

The group made the following sales to and purchases from this company during the year.

	2018	2018
	Sales	Purchases
	£	£
Apex Brickcutters Limited	94,043	348,852

On 6 March 2018 Brickability Enterprises Investments Limited, an intermediate parent undertaking of Brickability Ltd acquired 100% of the share capital of the following companies. Prior to this date they were related to Brickability Ltd by the common directorship of Mr A J Simpson. During the year ended 31 March 2019 (2018 until 6 March 2018) the company made sales to and purchases from these companies:

	2018	2018
	Sales	Purchases
	£	£
Frazer Simpson Limited	32,629	37,325
FSN Doors Limited	1,610	—
Towelrads.com Limited	10,479	26,669

All transactions were entered into on an arms length basis.

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. CONTROLLING PARTY

During the year the company's parent undertaking was Brickability Enterprises Investments Limited and the ultimate parent undertaking was Brickability Group Limited. Both companies are registered in England and Wales. Copies of the group accounts can be obtained from Brickability Group Limited's registered office at South Road, Bridgend Industrial Estate, Bridgend, South Wales.

27. CHANGES IN ACCOUNTING POLICIES

Brickability UK Holdings Limited's effective IFRS transition date for the purposes of this financial information was 1 April 2016. The effects of transition to IFRS on the balance sheets at 31 March 2017 and 31 March 2018, and the profit or loss for the period ended 31 March 2017 and year ended 31 March 2018 are shown below.

The transition adjustments required on applying IFRS were:

1. Reverse amortisation of goodwill arising from the acquisition of Brickability Holdings Group, Milco Holdings Group and Bricklink (Holdings) Group. This adjustment resulted in a reduction to administrative expenses and an increase to the carrying value of intangible assets of £484,121. The overall effect of this adjustment on retained earnings over the periods included in the historical financial information is an increase in retained earnings of £484,121.
2. As discussed in Note 1, the Group adopted IFRS 16 with effect of 1 April 2016, to recognise leases previously recognised as operating and finance leases as right-of-use assets. The impact of this adjustment has decreased administrative expenses by £11,336 and increased finance costs by £10,760 in the period ended 31 March 2017, and has decreased administrative expenses by £14,782 and increased finance costs by £13,904 in the year ended 31 March 2018. The overall effect of this adjustment on retained earnings over the periods included in the historical financial information is an increase in retained earnings of £1,455.

The following tables show the adjustments recognised for each line item of the historical financial information affected.

	31 March 2017			
	FRS 102 £'000	IFRS 16 £'000	IFRS 3 £'000	IFRS £'000
Administrative expenses	(7,007)	11	254	(6,742)
Profit from operations	4,064	11	254	4,329
Finance expense	(98)	(11)	-	(109)
Profit before tax	3,996	-	254	4,250

	31 March 2018			
	FRS 102 £'000	IFRS 16 £'000	IFRS 3 £'000	IFRS £'000
Administrative expenses	(8,295)	15	230	(8,050)
Profit from operations	4,559	15	230	4,804
Finance expense	(103)	(14)	-	(117)
Profit before tax	4,538	1	230	4,769

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28. CHANGES IN ACCOUNTING POLICIES (*continued*)

	31 March 2017		31 March 2017	
	FRS102	IFRS 16	IFRS 3	IFRS
	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS				
Intangible assets		3,667		254
Property, plant & equipment		1,510	295	1,805
Investments:				
Investments in associates		636		636
	5,813	295	254	6,362
CURRENT ASSETS				
Inventories		1,567		1,567
Trade and other receivables		18,643		18,643
Cash at bank and in hand		6,362		6,362
	26,572	-	-	26,572
Total Assets		32,385	295	254
				32,934
CURRENT LIABILITIES				
Trade and other payables		(17,412)		(17,412)
Loans and borrowings		(4,490)	(106)	(4,596)
	(21,902)	(106)	-	(22,008)
NON-CURRENT LIABILITIES				
Loans and borrowings		(125)	(188)	(313)
Deferred tax liability		(46)		(46)
	(171)	(188)	-	(359)
Total Liabilities		(22,072)	(295)	-
				(22,367)
NET ASSETS		10,313	-	254
				10,567

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

	31 March 2018		31 March 2018	
	FRS102	IFRS 16	IFRS 3	IFRS
	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS				
Intangible assets		3,579	230	3,809
Property, plant & equipment		1,826	62	1,888
Investments:				
Investments in associates		633		633
	6,038	62	230	6,330
CURRENT ASSETS				
Inventories		2,380		2,380
Trade and other receivables		17,145		17,145
Cash at bank and in hand		2,475		2,475
	22,000	-	-	22,000
Total Assets		28,038	62	230
				28,330
CURRENT LIABILITIES				
Trade and other payables		(16,758)		(16,758)
Lease liability		(106)	(15)	(121)
	(16,864)	(15)	-	(16,879)
NON-CURRENT LIABILITIES				
Loans and borrowings		(14)		(14)
Lease liability		(188)	(47)	(235)
Deferred tax liability		(55)		(55)
	(257)	(47)	-	(304)
Total Liabilities		(17,121)	(62)	-
				(17,183)
NET ASSETS		10,917	-	230
				11,147

BRICKABILITY UK HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

29. LEASES

All leases have been accounted for under IFRS 16 by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

The accounting policy is described in note 1. The movements in these assets and liabilities are shown below.

Right-of-use Assets	Plant,		
	Land and buildings £'000	machinery and motor vehicles £'000	Total £'000
At 1 April 2016	-	-	-
Additions	216	178	394
Depreciation	(49)	(49)	(98)
At 31 March 2017	167	129	296
At 1 April 2017	167	129	296
Additions	171	38	209
Depreciation	(83)	(64)	(147)
At 31 March 2018	255	103	358
 Lease liabilities			
Plant,	Plant,		
	Land and buildings £'000	machinery and motor vehicles £'000	Total £'000
At 1 April 2016	-	-	-
Additions	216	178	394
Interest expense	2	9	11
Lease payments	(51)	(59)	(110)
At 31 March 2017	167	128	295
At 1 April 2017	167	128	295
Additions	171	38	209
Interest expense	3	11	14
Lease payments	(86)	(76)	(162)
At 31 March 2018	255	101	356

PART VI

This Part VI contains in Section A, the accountant's report on the historical financial information of PVH Holdings Limited and in Section B, the historical financial information for the years ended 31 May 2016 and 31 May 2017 and the period ended 31 March 2018 of PVH Holdings Limited

FINANCIAL INFORMATION RELATING TO PVH HOLDINGS LIMITED

Section A – Report on Historical Financial Information on PVH Holdings Limited



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Brickability Group plc
South Road
Bridgend Industrial Estate
Bridgend
CF31 3XG

22 August 2019

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Dear Sirs

**Brickability Group plc (the “Company”) and its subsidiaries (together, the “Group”)
P V H Holdings Limited**

Introduction

We report on the financial information on P V H Holdings Limited set out in Section B of Part VI. This financial information has been prepared for inclusion in the admission document dated 22 August 2019 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence

relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of P V H Holdings Limited as at 31 May 2016, 31 May 2017 and 31 March 2018 and of its results, cash flows and changes in equity for the years ended 31 May 2016 and 31 May 2017 and the period ended 31 March 2018 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

P V H HOLDINGS LIMITED

CONSOLIDATED PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

	Note	31 May 2016 £'000	31 May 2017 £'000	31 March 2018 £'000
Revenue	2	18,817	21,696	21,917
Cost of sales		(13,804)	(14,029)	(16,781)
Gross profit		<u>5,013</u>	<u>7,667</u>	<u>5,136</u>
Other operating income	3	69	46	41
Administrative expenses	4	(2,040)	(1,835)	(1,912)
Profit from operations		<u>3,042</u>	<u>5,878</u>	<u>3,265</u>
Finance expense	10	(3)	(5)	(5)
Finance income	8	22	19	11
Income from other fixed asset investments	9	13	15	4
(Loss)/gain on financial assets at fair value through the profit or loss		(39)	146	(13)
Profit before tax		<u>3,035</u>	<u>6,053</u>	<u>3,262</u>
Tax expense	11	(607)	(1,157)	(593)
Profit from continuing operations and total comprehensive income for the period attributable to:		<u>2,428</u>	<u>4,896</u>	<u>2,669</u>
The owners of the parent company		2,190	4,296	2,390
Non-controlling interest		238	600	279
Profit for the year/period		<u>2,428</u>	<u>4,896</u>	<u>2,669</u>

P V H HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 May 2016 £'000	31 May 2017 £'000	31 March 2018 £'000
Assets				
Non-current assets				
Property, plant and equipment	13	1,579	1,524	312
Right of use assets	27	145	126	403
Investments in associates		557	-	-
Deferred tax assets	21	-	-	4
		2,281	1,650	719
Current assets				
Inventories	15	208	394	349
Trade and other receivables	17	3,264	4,712	13,382
Investments	16	-	1,207	-
Cash and cash equivalents		6,225	7,115	1,485
		9,697	13,428	15,216
Total assets		11,978	15,078	15,935
Liabilities				
Non-current liabilities				
Trade and other payables	19	(28)	(22)	-
Lease liabilities	27	(126)	(112)	(352)
Deferred tax liability	21	(117)	(90)	(3)
Provisions	20	(3,638)	(2,361)	(2,338)
		(3,909)	(2,585)	(2,693)
Current liabilities				
Trade and other payables	18	(2,949)	(3,339)	(3,246)
Lease liabilities	27	(19)	(14)	(52)
		(2,968)	(3,353)	(3,298)
Total liabilities		(6,877)	(5,938)	(5,991)
NET ASSETS		5,101	9,140	9,944
Issued capital and reserves attributable to owners of the parent				
Share capital	23	8	8	8
Revaluation reserve		299	320	-
Other reserve		424	449	-
Minority interest		170	662	-
Retained earnings		4,200	7,701	9,936
TOTAL EQUITY		5,101	9,140	9,944

P V H HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Equity attributable to the owners of the parents company	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 June 2015	8	290	418	3,480	4,196	45	4,240
Profit for the year	-	-	-	2,190	2,190	238	2,428
Profit for the year to 31 May 2016							
Dividends paid and payable	-	-	-	2,190	2,190	238	2,428
Transfers	-	-	-	(1,455)	(1,455)	(112)	(1,567)
Other movements	-	9	6	(15)	(15)	-	(15)
				-	15	-	15
Total investments by and distributions to owners							
	-	9	6	(1,470)	(1,455)	(112)	(1,567)
At 31 May 2016	8	299	424	4,200	4,931	170	5,101
Profit/(loss) for the year	-	-	-	4,296	4,296	600	4,896
Profit for the year to 31 May 2017							
Dividends paid and payable	-	-	-	4,296	4,296	600	4,896
Acquisitions of non-controlling interests	-	-	-	(750)	(750)	(110)	(860)
Transfers	-	-	-	-	-	3	3
Other movements	-	21	24	(45)	(45)	-	(45)
				-	45	-	45
Total contributions by and distributions to owners							
	-	21	24	(795)	(750)	(107)	(857)
At 31 May 2017	8	320	448	7,701	8,477	663	9,140
Profit/(loss) for the period	-	-	-	2,669	2,390	279	2,669
Profit for the period to 31 March 2018							
Dividends paid and payable	-	-	-	2,669	2,390	279	2,669
Acquisitions of non-controlling interests	-	-	-	(232)	(232)	(116)	(348)
Transfers	-	-	-	-	-	(1,515)	(1,515)
Other movements	-	(320)	(448)	(690)	(1,459)	689	(770)
Total contributions by and distributions to owners							
	-	(320)	(448)	(155)	(923)	(942)	(1,865)
At 31 March 2018	8	-	-	10,215	9,944	-	9,944

P V H HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT

	2016 £'000	2017 £'000	2018 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		(restated)	
Profit for the financial year	2,428	4,896	2,669
<i>Adjustments for:</i>			
Depreciation of property, plant & equipment	149	144	117
(Gain)/loss on financial assets at fair value through the profit or loss	31	(154)	12
Income from other fixed asset investments	(13)	(15)	(4)
Other interest receivable and similar income	(22)	(19)	(11)
Other interest payable and similar expenses	3	5	5
Loss/(gains) on disposal of property, plant & equipment	(9)	4	(32)
Tax on profit	<u>607</u>	<u>1,157</u>	<u>593</u>
<i>Changes in:</i>			
Inventories	(52)	(186)	45
Trade and other receivables	1,288	(1,448)	(492)
Trade and other payables	(837)	(45)	129
Provisions and employee benefits	389	(1,277)	-
Cash generated from operations	3,962	3,063	3,031
Interest paid	(2)	(3)	(2)
Interest received	-	19	11
Tax paid	<u>(666)</u>	<u>(673)</u>	<u>(990)</u>
Net cash for operating activities	<u>3,294</u>	<u>2,405</u>	<u>2,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment	(350)	(83)	(387)
Proceeds from sale of property, plant & equipment	47	10	20
Purchase of other investment	(124)	(551)	-
Proceeds from sale of other investments	146	55	1,238
Dividends received	13	15	4
Interest received	22	-	(758)
Purchase of shares in subsidiary from non-controlling interest	-	3	-
Net cash used in investing activities	<u>(246)</u>	<u>(551)</u>	<u>117</u>
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Proceeds from borrowings	150	(63)	300
Payments of finance lease liabilities	(12)	(41)	(29)
Dividends paid	(1,455)	(751)	(232)
Dividends paid to non-controlling interest	(112)	(110)	(116)
Repayment of deferred consideration and other loan			<u>(7,720)</u>
Net cash from financing activities	<u>(1,429)</u>	<u>(964)</u>	<u>(7,797)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,619	890	(5,630)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>4,606</u>	<u>6,225</u>	<u>7,115</u>
	<u>6,225</u>	<u>7,115</u>	<u>1,485</u>

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

General information

P V H Holdings Limited is a private company incorporated in England and Wales. P V H Holdings Limited is domiciled in England and its registered office is Howdenshire Way, Knedlington Road, Howden, Goole, East Yorkshire, United Kingdom, DN14 7HZ. The historical financial information consolidates that of P V H Holdings Limited and its wholly owned subsidiaries (together, "P V H Holdings Limited). The group sells quality building and roofing supplies from its trading premises in Howden and also operates as roofing contractors throughout the South of England. The group has excellent links to the European market and imports supplies directly from Europe. The group mainly sells to the UK Market.

1. ACCOUNTING POLICIES

Basis of preparation

The historical financial information presents the financial track record of P V H Holdings Limited for the year ended 31 May 2016, 31 May 2017 and the period ended 31 March 2018. This financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The historical financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. P V H Holdings Limited's statutory consolidated historical financial information for the year ended 31 May 2016, 31 May 2017 and period ended 31 March 2018 were prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

The historical financial information for these periods has been delivered to the Registrar of Companies. The auditor's reports on these financial statements were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

In preparing the historical financial information of P V H Holdings Limited Group, P V H Holdings Limited has applied IFRS for the first time for the year ended 31 May 2016. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. However, no transitional exemptions are applicable to P V H Holdings Limited and therefore none have been taken.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented.

Going concern

After making appropriate enquiries, the directors of the Company (the "Directors") have a reasonable expectation that P V H Holdings Limited has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this historical financial information. For these reasons, they continue to adopt the going concern basis in preparing P V H Holdings Limited historical financial information.

New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted in preparing the historical financial information of P V H Holdings Limited:

The IFRS's applied to the historical financial information are those expected to be applicable, in so far as this is currently known, to the first annual historical financial information of the Company post admission to the AIM market of London Stock Exchange plc which will be for the year ending 31 March 2020. This includes the impact of IFRS 16 which is effective for periods beginning on or after 1 January 2019. The impact of the adoption of IFRS is presented within Note 26.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

The following new standards or annual improvements to existing IFRS standards which have not been applied in this historical financial information were in issue but not yet effective:

- IFRIC 23 "Uncertainty over income tax treatments", effective 1 January 2019; and
- Annual Improvements to IFRS Standards 2015-2017 Cycle, effective 1 January 2019. Management is in the process of assessing the potential impact of these standards, but the impact is not expected to be material for the Group.

The consolidated historical financial information has not been prepared in accordance with IAS 33 given the changes in the capital structure.

The consolidated historical financial information is presented in sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of historical financial information in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the historical financial information and their effect are disclosed below.

Basis of measurement

The consolidated historical financial information has been prepared under the historical cost convention in accordance with international financial reporting standards as adopted by the European Union.

Consolidation

The historical financial information consolidates the information of P V H Holdings Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects both current and future periods.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the historical financial information.

Property, plant & equipment

The assessment of the useful economic lives and the method of depreciating property, plant & equipment require judgement by the directors to ensure that assets match the future economic benefits embodied in them.

Provisions

Provisions are a key area of the historical financial information and are subject to both estimation and uncertainty. Provisions are recognised on product defect warranties when claims are made in relation to the products and services supplied. This requires judgement as to whether a claim would likely give rise to a provision based on the group's knowledge of its products, services and customers. The provision would then need estimating based on the groups assessment of the likely work and cost required to remedy the defect. This would be subjective and based on the group's knowledge of its products, services and past customer experience.

Investment property

A key accounting estimate and judgement relates to the carrying value of the investment property, which is stated at fair value. The group uses external professional valuations as the basis for determining the directors' estimation of the fair value of the investment properties. The valuation of the group's investment property is inherently subjective, as it is made on the basis of the valuation assumptions. Details of the valuation basis are set out in the investment property note.

Accounting policies (continued)

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the control of the goods has transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

- Current tax

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

- Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and;
- investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company, or;
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit or loss account.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Property, plant & equipment

Property, plant & equipment is initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any property, plant & equipment carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	5% - 10% straight line
Short leasehold property	-	Over the term of the lease
Plant and machinery	-	20% to 33% straight line
Fixtures and fittings	-	10% to 15% straight line
Motor vehicles	-	25% - 33% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Equity investments are recognised at fair value through other comprehensive income, see note 26 for further details.

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate. The carrying value of these investments are assessed annually for impairment, with impairment losses recognised directly in the consolidated profit or loss and other comprehensive income.

Impairment of property, plant & equipment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly.

Inventory

Inventory is measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial Assets

P V H Holdings Limited's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial Liabilities

P V H Holdings Limited classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when Brickability Group plc becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost include:

- Trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Unless otherwise indicated, the carrying values of P V H Holdings limited's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 29)

1. ACCOUNTING POLICIES (*continued*)

Leases (*continued*)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group.

2. SEGMENTAL INFORMATION

P V H Holdings Limited generates all of its revenues within the UK. P V H Holdings Limited generates revenue from the supply of roofing construction services primarily within the residential construction sector. P V H Holdings has three business segments, being Bricks, Roofing and Central costs. 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. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The CODM reviews the key profit measure, 'EBITDA' as disaggregated in the table below. For details of the performance obligations relating to these revenue streams please refer to Note 1 – Accounting policies.

2018	Bricks	Roofing	Central costs	Total
	£'000	£'000	£'000	£'000
Group's revenue per consolidated statement of comprehensive income	7,096	14,821	-	21,917
EBITDA	1,058	2,668	(376)	3,350
Centralised costs				29
Depreciation				(117)
Amortisation				-
Group profit from operations before tax				3,262
2017	Bricks	Roofing	Central costs	Total
	£'000	£'000	£'000	£'000
Group's revenue per consolidated statement of comprehensive income	8,126	13,570	-	21,696
EBITDA	1,171	4,909	(54)	6,026
Centralised costs				171
Depreciation				(144)
Amortisation				-
Group profit from operations before tax				6,053

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

2016	Bricks	Roofing	Central	Total
	£'000	£'000	£'000	£'000
Group's revenue per consolidated statement of comprehensive income	7,096	11,721	-	18,817
EBITDA	1,068	2,302	(187)	3,183
Centralised costs				1
Depreciation				(149)
Amortisation				-
Group profit from operations before tax				3,035

2018	Bricks £'000	Roofing £'000	Central £'000	Total £'000
Non-current assets	335	367	13	715
Reportable segment assets	3,441	11,532	247	15,216
Tax assets				4
Total group assets				15,935
Reportable segment liabilities	(2,173)	(3,651)	(164)	(5,988)
Deferred tax liabilities				(3)
Total group liabilities				(5,991)

2017	Bricks £'000	Roofing £'000	Central £'000	Total £'000
Non-current assets	60	394	1,196	1,650
Reportable segment assets	3,987	8,149	85	12,221
Listed investments				1,207
Total group assets				15,078
Reportable segment liabilities	(1,683)	(3,998)	(167)	(5,848)
Deferred tax liabilities				(90)
Total group liabilities				(5,938)

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

2016	Bricks £'000	Roofing £'000	Central £'000	Total £'000
Non-current assets	52	1,004	1,225	2,281
Reportable segment assets	3,124	6,528	45	9,697
Total group assets				11,978
Reportable segment liabilities	(1,429)	(5,124)	(207)	(6,760)
Deferred tax liabilities				(117)
Total group liabilities				(6,877)

3. OTHER OPERATING INCOME

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Period to 31 March 2018 £'000
Rental income	30	18	35
Management charges receivable	3	-	6
Other operating income	36	28	
	69	46	41

4. EXPENSES BY NATURE

Operating profit or loss is stated after charging/(crediting):

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Period to 31 March 2018 £'000
Depreciation of property, plant & equipment	149	144	117
Loss/(gains) on disposal of property, plant & equipment	(9)	4	(32)
Cost of inventory recognised as an expense	10,245	11,061	10,950
Impairment of trade receivables	(31)	44	-

5. AUDITOR'S REMUNERATION

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Period to 31 March 2018 £'000
Audit of the financial statements of the group and company	2	2	2
Audit of the financial statements of the company's subsidiaries	24	27	27
Fees payable to the company's auditor and its associates for other services:			4
Taxation compliance services	-	-	

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

6. EMPLOYEE BENEFIT EXPENSES

The aggregate payroll costs incurred during the year were:

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Period to 31 March 2018 £'000
Wages and salaries	836	861	845
Social security costs	99	103	73
Other pension costs	246	108	70
	1,181	1,072	988

The average number of persons employed by the group during the year, including the directors, amounted to:

	2016 No.	2018 No.	2018 No.
Administrative and management staff	13	18	15
Number of sales staff	13	15	14
	26	33	29

7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Year to 31 March 2018 £'000
Remuneration	30	27	28
Company contributions to defined contribution pension plans	172	82	2
	202	109	30

The number of directors who accrued benefits under company pension plans was as follows:

	2016 No.	2017 No.	2018 No.
Defined contribution plans	3	3	1

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Period to 31 March 2018 £'000
Interest on bank deposits	21	19	11
Other interest receivable and similar income	1	-	-

9. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Period to March 2018 £'000
Income from other fixed asset investments	13	15	4

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year to 31 May 2016 £'000	Year to 31 May 2017 £'000	Period to 31 March 2018 £'000
Interest on obligations under finance leases and hire purchase contracts	(3)	(5)	(5)
	<hr/>	<hr/>	<hr/>
	(3)	(5)	(5)
	<hr/>	<hr/>	<hr/>

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

11. TAX ON PROFIT

Major components of tax expense

	Year to 31 May 2016	Year to 31 May 2017	Period to 31 March 2018
	£'000	£'000	£'000
Current tax:			
UK current tax expense	603	1,185	684
Adjustments in respect of prior periods	5	(2)	-
Total current tax	608	1,183	684
	=====	=====	=====
Deferred tax:			
Origination and reversal of timing differences	(1)	(26)	(91)
	=====	=====	=====
Tax on profit	607	1,157	593
	=====	=====	=====

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year ended 2018 is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19%) (2016: 20%).

	Year to 31 May 2016	Year to 31 May 2017	Period to 31 March 2018
	£'000	£'000	£'000
Profit on ordinary activities before taxation	3,035	6,053	3,262
	=====	=====	=====
Profit on ordinary activities by rate of tax	607	1,200	620
Adjustment to tax charge in respect of prior periods	-	(33)	-
Effect of expenses not deductible for tax purposes	4	9	31
Effect of revenue exempt from tax	(3)		
Effect of different UK tax rates on some earnings	3	(6)	4
Dividend income	(3)	(3)	(2)
Other timing differences	(10)	(2)	
Gains not taxable	9		
Depreciation on non qualifying assets		3	
Indexation on chargeable gains		(11)	(60)
	=====	=====	=====
Tax on profit	607	1,157	593
	=====	=====	=====

12. DIVIDENDS

Dividends paid during the period (excluding those for which a liability existed at the end of the prior period):

	31 May 2016 £'000	31 May 2017 £'000	31 March 2018 £'000
Dividends on equity shares	1,455	860	348

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

13. PROPERTY, PLANT AND EQUIPMENT AND MOTOR VEHICLES

	Investment property £'000	Freehold property £'000	Plant and machinery and motor vehicles £'000	Total £'000
Cost				
At 1 June 2017	583	666	735	1,984
Additions	-	-	86	86
Disposals	(583)	(650)	(64)	(1,297)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	-	16	757	773
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 June 2017	-	53	407	460
Charge for the period	-	11	84	95
Disposals	-	(48)	(46)	(94)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	-	16	445	461
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount				
At 31 March 2018	-	-	312	312
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2017	583	613	328	1,524
	<hr/>	<hr/>	<hr/>	<hr/>

Motor vehicles with a carrying amount of £16,723 (2017 - £21,133) (2016 - £40,388) have been pledged to secure finance obligations of the group. The group are not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Property, plant & equipment held at valuation

In respect of property, plant & equipment held at valuation, aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

Group	Freehold property £	Investment property £	Total £
At 31 March 2018			
Aggregate cost	-	-	-
Aggregate depreciation	-	-	-
	<hr/>	<hr/>	<hr/>
Carrying value	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 May 2017			
Aggregate cost	295,450	214,290	509,740
Aggregate depreciation	(100,453)	-	(100,453)
	<hr/>	<hr/>	<hr/>
Carrying value	194,997	214,290	409,287
	<hr/>	<hr/>	<hr/>

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

14. SUBSIDIARY UNDERTAKINGS

Details of the investments in which the group has an interest of 20% or more are as follows:

	Country of incorporation	Class of share	Percentage of shares held	Percentage of shares held	Percentage of shares held
			2016	2017	2018
Crest Brick Slate & Tile Limited	England and Wales	Ordinary	100	100	100
Crest Roofing Limited	England and Wales	Ordinary	90	90	100
Crest Roofing (Centres) Limited	England and Wales	Ordinary	80	80	100
Excel Roofing Services Limited	England and Wales	Ordinary	85	85	100
Jawsco 1 Limited	England and Wales	Ordinary	100	100	-
Jawsco 2 Limited	England and Wales	Ordinary	100	100	-
Jawsco 3 Limited	England and Wales	Ordinary	82	82	-

15. INVENTORIES

	2016 £'000	2017 £'000	2018 £'000
Raw materials and consumables	208	394	349

16. INVESTMENTS

	2016 £'000	2017 £'000	2018 £'000
Other investments	-	1,207	-

Listed investments comprise an investment portfolio held with an independent investment management firm. They are revalued to market value as reported in the annual valuation report of the investment management firm. The historical cost of the investment is £1,014,342.

At 31 May 2017 the listed investments were reported as current assets as they were sold after the year end.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

17. TRADE AND OTHER RECEIVABLES

	2016 £'000	2017 £'000	2018 £'000
Trade receivables	3,100	4,418	5075
Amounts owed by group undertakings	-	-	8,178
Prepayments and accrued income	79	127	128
Amounts recoverable on contract	-	155	-
Other receivables	85	12	1
	3,264	4,712	13,382
	=====	=====	=====

The receivables above include the following amounts falling due after more than one year:

	2016 £'000	2017 £'000	2018 £'000
Trade receivables	-	106	146
	=====	=====	=====

P V H Holdings Limited applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. There is no material impact on the transition to IFRS 9.

18. TRADE AND OTHER PAYABLES – due within one year

	2016 £'000	2017 £'000	2018 £'000
Trade payables	1,666	1,710	1,807
Accruals and deferred income	420	236	216
Corporation tax	417	928	622
Social security and other taxes	359	363	525
Obligations under finance leases and hire purchase contracts	19	5	23
Other payables	68	97	53
	2,949	3,339	3,246
	=====	=====	=====

Hire purchase obligations are secured on the assets to which they relate.

P V H HOLDINGS LIMITED

NOTES TO THE FINANCIAL INFORMATION

19. TRADE AND OTHER PAYABLES – due later than one year

	2016 £'000	2017 £'000	2018 £'000
Obligations under finance leases and hire purchase contracts	28	22	-
	<hr/>	<hr/>	<hr/>
	28	22	-
	<hr/>	<hr/>	<hr/>

Hire purchase obligations are secured on the assets to which they relate.

20. PROVISIONS

	Defect provision £'000	Dilapidation provision £'000	Total £'000
At 1 June 2016	3,536	102	3,638
Additions	310	-	310
Charge against provision	(1,520)	(67)	(1,587)
At 31 May 2017	2,326	35	2,361
Additions	-	-	-
Charge against provision	-	(23)	(22)
At 31 March 2018	2,326	12	2,338

Defect provisions

A provision has been recognised for expected defect claims on goods and services sold in the last 10 years.

Dilapidation

A provision has been recognised for expected repairs on the group's operating premises.

P V H HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

21. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2016 £'000	2017 £'000	2018 £'000
Included in non-current liabilities	(117)	(90)	(3)
Included in non-current assets	-	-	4
	<hr/>	<hr/>	<hr/>
	(117)	(90)	1
	<hr/>	<hr/>	<hr/>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £'000	2017 £'000	2018 £'000
Accelerated capital allowances	16	9	2
Revaluation of property, plant & equipment	55	32	-
Fair value adjustment of investment property	46	25	-
Investments	-	27	-
Short term timing differences	-	(3)	(3)
	<hr/>	<hr/>	<hr/>
	117	90	(1)
	<hr/>	<hr/>	<hr/>

22. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	2016 £'000	2018 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost	3,100	4,585	5,076
Instruments measured at fair value through profit or loss	556	1,207	-

Financial liabilities measured at amortised cost

	2017 £'000	2018 £'000	2018 £'000
Financial liabilities measured at amortised cost	2,154	2,099	2,099

23. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2016		2017		2018	
	No.	£	No.	£	No.	£
Ordinary A shares shares of £1 each	3,600	3,600.00	3,600	3,600.00	3,600	3,600.00
Ordinary B shares shares of £1 each	3,600	3,600.00	3,600	3,600.00	3,600	3,600.00
Ordinary C shares shares of £1 each	800	800.00	800	800.00	800	800.00
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	8,000	8,000.00	8,000	8,000.00	8,000	8,000.00
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

P V H HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

24. RESERVES

Revaluation reserve - This reserve records the value of the asset revaluations in respect of freehold land and buildings.

Other reserve - This reserve records the fair value movement in respect of investment properties and listed investments.

Retained earnings - This reserve records retained earnings and accumulated losses.

25. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

Dividends amounting to £232,487 (2017 - £750,784) (2016 - £1,454,546) were paid in the year in respect of shares held by the company's directors.

During the period ended 31 March 2018, the company sold its investment property to Jaws Investments LLP for an amount of £1,215,000, an LLP that Mr A Van Huet and Mr S Pearson are members of.

26. CHANGES IN ACCOUNTING POLICIES

P V H Holdings Limited's effective IFRS transition date for the purposes of this financial information was 1 June 2015. The effects of transition to IFRS on the balance sheets at 31 May 2016, 31 May 2017 and 31 March 2018, and the profit or loss for the years ended 31 May 2016, 31 May 2017 and period ended 31 March 2018 are shown below.

The transition adjustments required on applying IFRS were:

1. As discussed in Note 1, the Group adopted IFRS 16 with effect of 1 June 2015, to recognise leases previously recognised as operating and finance leases as right-of-use assets. The impact of this adjustment has decreased administrative expenses by £662 and increased finance costs by £707 in the period ended 31 May 2016, has decreased administrative expenses by £2,647 and increased finance costs by £2,783 in the year ended 31 May 2017 and has decreased administrative expenses by £3,330 and increased finance costs by £3,527 in the period ended 31 March 2018. The overall effect of this adjustment on retained earnings over the periods included in the historical financial information is a decrease in retained earnings of £380.
2. IFRS 9 'Financial Instruments' - an election was made to recognise movement in the fair value of the external investments historically held at amortised cost in other comprehensive income. At the date of adoption, 1 June 2015, judgement was applied in determining that the difference between the historical amortised cost and the fair value was immaterial. The effect of adopting the remainder of this standard was not material and no further accounting policies have been amended following the adoption of the standard.

The following tables show the adjustments recognised for each line item of the historical financial information affected.

The following tables show the adjustments recognised for each line item of the historical financial information affected.

P V H HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

	31 May 2016		
	FRS 102	IFRS 16	IFRS
	£'000	£'000	£'000
Administrative expenses	(2,041)	1	(2,040)
Profit from operations	3,041	1	3,042
Finance expense	(2)	(1)	(3)
Profit before tax	3,035	-	3,035

26. CHANGES IN ACCOUNTING POLICIES (continued)

	31 May 2017		
	FRS 102	IFRS 16	IFRS
	£'000	£'000	£'000
Administrative expenses	(1,838)	3	(1,835)
Profit from operations	5,875	3	5,878
Finance expense	(2)	(3)	(5)
Profit before tax	6,053	-	6,053

	31 March 2018		
	FRS 102	IFRS 16	IFRS
	£'000	£'000	£'000
Administrative expenses	(1,915)	3	(1,912)
Profit from operations	3,262	3	3,265
Finance expense	(2)	(3)	(5)
Profit before tax	3,262	-	3,262

P V H HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. CHANGES IN ACCOUNTING POLICIES *(continued)*

	31 May 2016	31 May 2016	
	FRS 102	IFRS 16	IFRS
	£'000	£'000	£'000
NON-CURRENT ASSETS			
Property, plant & equipment	1,579	1,579	
Right of use assets	-	145	145
Investments:			
Investments in associates	557	557	
	<u>2,136</u>	<u>145</u>	<u>2,281</u>
CURRENT ASSETS			
Inventories	208	208	
Trade and other receivables	3,264	3,264	
Cash at bank and in hand	<u>6,225</u>	<u>6,225</u>	
	<u>9,697</u>	<u>-</u>	<u>9,697</u>
Total Assets	11,832	145	11,978
NON-CURRENT LIABILITIES			
Trade and other payables	(28)	(28)	
Lease liabilities	-	(126)	(126)
Deferred tax liability	(117)	(117)	
Provisions	<u>(3,638)</u>	<u>(3,638)</u>	
	<u>(3,783)</u>	<u>(126)</u>	<u>(3,909)</u>
CURRENT LIABILITIES			
Trade and other payables	(2,949)	(2,949)	
Lease liabilities	<u>-</u>	<u>(19)</u>	<u>(19)</u>
	<u>(2,949)</u>	<u>(19)</u>	<u>(2,968)</u>
Total liabilities	(6,731)	(126)	(6,877)
NET ASSETS	5,101	0	5,101

P V H HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. CHANGES IN ACCOUNTING POLICIES *(continued)*

	31 May 2017 FRS 102 including 2016 IFRS adjustments	31 May 2017 IFRS 16	31 May 2017 IFRS
	£'000	£'000	£'000
NON-CURRENT ASSETS			
Property, plant & equipment	1,524	1,524	1,524
Right of use assets	145	(19)	126
	<hr/>	<hr/>	<hr/>
	1,669	(19)	1,650
CURRENT ASSETS			
Inventories	394	394	394
Trade and other receivables	4,712	4,712	4,712
Cash at bank and in hand	7,115	7,115	7,115
Investments	1,207	1,207	1,207
	<hr/>	<hr/>	<hr/>
Total Assets	13,428	-	13,428
	<hr/>	<hr/>	<hr/>
	15,097	(19)	15,078
NON-CURRENT LIABILITIES			
Trade and other payables	(22)	(22)	(22)
Lease liabilities	(126)	14	(112)
Deferred tax liability	(90)	(90)	(90)
Provisions	(2,361)	(2,361)	(2,361)
	<hr/>	<hr/>	<hr/>
	(2,559)	14	(2,585)
CURRENT LIABILITIES			
Trade and other payables	(3,339)	(3,339)	(3,339)
Lease liabilities	(19)	5	(14)
	<hr/>	<hr/>	<hr/>
	(3,358)	5	(3,353)
Total Liabilities	(5,957)	19	(5,938)
	<hr/>	<hr/>	<hr/>
NET ASSETS	9,140	0	9,140

P V H HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. CHANGES IN ACCOUNTING POLICIES (continued)

	31 March 2018 FRS 102 including 2016 and 2017 IFRS adjustments	31 March 2018 IFRS 16	31 March 2018 IFRS
	£'000	£'000	£'000
NON-CURRENT ASSETS			
Property, plant & equipment	312	312	312
Right of use assets	125	278	403
Investments in associates	4	-	4
	<hr/>	<hr/>	<hr/>
	441	278	719
CURRENT ASSETS			
Inventories	349	349	349
Trade and other receivables	13,382	13,382	13,382
Cash at bank and in hand	1,485	1,485	1,485
	<hr/>	<hr/>	<hr/>
Total Assets	15,216	-	15,216
	<hr/>	<hr/>	<hr/>
	15,657	278	15,935
NON-CURRENT LIABILITIES			
Lease liabilities	(112)	(240)	(352)
Deferred tax liability	(3)	(3)	(3)
Provisions	(2,338)	(2,338)	(2,338)
	<hr/>	<hr/>	<hr/>
	(2,453)	(240)	(2,693)
CURRENT LIABILITIES			
Trade and other payables	(3,246)	(3,246)	(3,246)
Lease liabilities	(14)	(38)	(52)
	<hr/>	<hr/>	<hr/>
	(3,260)	(38)	(3,298)
Total liabilities	(5,713)	(278)	(5,991)
	<hr/>	<hr/>	<hr/>
NET ASSETS	9,944	0	9,944

P V H HOLDINGS LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27. LEASES

All leases have been accounted for under IFRS 16 by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

The accounting policy is described in note 1. The movements in these assets and liabilities are shown below.

Right-of-use Assets	Plant, machinery and motor vehicles		Total £'000
	Land and buildings £'000	motor vehicles £'000	
At 1 June 2015	-	-	-
Additions	150	-	150
Depreciation	(5)	-	(5)
At 31 May 2016	145	-	145
Additions	-	-	-
Depreciation	(19)	-	(19)
At 31 May 2017	126	-	126
Additions	286	14	300
Depreciation	(22)	-	(22)
At 31 March 2018	390	13	403
 Lease liabilities	Plant, machinery and motor vehicles		Total £'000
	Land and buildings £'000	motor vehicles £'000	
At 1 June 2015	-	-	-
Additions	150	-	150
Interest expense	1	-	
Lease payments	(6)	-	(5)
At 31 May 2016	145	-	145
Additions	-	-	-
Interest expense	3	-	
Lease payments	(22)	-	(19)
At 31 May 2017	126	-	126
Additions	286	13	300
Interest expense	3	-	
Lease payments	(25)	-	(22)
At 31 March 2018	491	13	404

PART VII

This Part VII contains in Section A, the accountant's report on the historical financial information of Hamilton Heating Group Limited and in Section B, the historical financial information for the years ended 31 December 2016 and 31 December 2017 and the fifteen months ended 31 March 2019 of Hamilton Heating Group Limited

FINANCIAL INFORMATION RELATING TO HAMILTON HEATING GROUP LIMITED

Section A – Report on Historical Financial Information on Hamilton Heating Group Limited



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Brickability Group plc
South Road
Bridgend Industrial Estate
Bridgend
CF31 3XG

22 August 2019

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Dear Sirs

**Brickability Group plc (the “Company”) and its subsidiaries (together, the “Group”)
Hamilton Heating Group Limited**

Introduction

We report on the financial information on Hamilton Heating Group Limited set out in Section B of Part VII. This financial information has been prepared for inclusion in the admission document dated 22 August 2019 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Hamilton Heating Group Limited as at 31 December 2016, 31 December 2017 and 31 March 2018 and of its results, cash flows and changes in equity for the years ended 31 December 2016 and 31 December 2017 and the fifteen months ended 31 March 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Section B – Historical Financial Information on Hamilton Heating Group Limited

HAMILTON HEATING GROUP LIMITED

PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

	Note	Year to 31 December 2016	Year to 31 December 2017 (restated)	Period from 1 January 2018 to 31 March 2019
		£'000	£'000	£'000
Revenue		11,213	13,523	19,609
Cost of sales		(5,675)	(6,969)	(10,383)
Gross profit		<u>5,538</u>	<u>6,554</u>	<u>9,226</u>
Administrative expenses		(2,193)	(2,527)	(3,959)
Other operating income/(expenditure)	3	21	14	(2)
Profit from operations		<u>3,366</u>	<u>4,041</u>	<u>5,265</u>
Finance expense	8	(12)	(13)	(64)
Finance income		2	-	-
Profit before tax		<u>3,356</u>	<u>4,028</u>	<u>5,201</u>
Tax expense	9	(586)	(775)	(1,097)
Profit from continuing operations and total comprehensive income for the period		<u>2,770</u>	<u>3,253</u>	<u>4,104</u>

HAMILTON HEATING GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2016 £'000	31 December 2017 (restated) £'000	31 March 2019 £'000
Assets				
Non-current assets				
Property, plant and equipment	10	829	862	1,854
		829	862	1,854
Current assets				
Inventories	12	1,430	1,711	1,774
Trade and other receivables	13	5,974	6,948	9,804
Cash and cash equivalents		107	137	492
Deferred tax asset		25	25	-
		7,536	8,821	12,070
Total assets		8,365	9,683	13,924
Liabilities				
Non-current liabilities				
Loans and borrowings	15	(538)	(490)	(413)
		(538)	(490)	(413)
Current liabilities				
Trade and other payables	14	(2,161)	(3,019)	(3,433)
Loans and borrowings	15	(469)	(374)	(158)
Deferred tax liability	16	-	-	(16)
		(2,630)	(3,393)	(3,607)
Total liabilities		(3,168)	(3,883)	(4,020)
NET ASSETS		5,197	5,800	9,904
Issued capital and reserves attributable to owners of the parent				
Share capital	18	-	-	-
Share premium reserve	19	127	127	127
Retained earnings		5,070	5,673	9,777
TOTAL EQUITY		5,197	5,800	9,904

HAMILTON HEATING GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share Premium £'000	Retained earnings (restated) £'000	Total equity (restated) £'000
At 1 January 2016	-	127	2,605	2,732
Profit for the year	-	-	2,770	2,770
Total comprehensive income for the year	-	-	2,770	2,770
Dividends paid and payable	-	-	(305)	(305)
Total contributions by and distributions to owners	-	-	(305)	(305)
At 31 December 2016	-	127	5,070	5,197
Profit for the year	-	-	3,253	3,253
Total comprehensive income for the year	-	-	3,253	3,253
Dividends paid and payable	-	-	(2,650)	(2,650)
Total contributions by and distributions to owners	-	-	(2,650)	(2,650)
At 31 December 2017 (restated)	-	127	5,673	5,800
Profit for the year	-	-	4,104	4,104
Total comprehensive income for the year	-	-	4,104	4,104
At March 2019	-	127	9,777	9,904

CASH FLOW STATEMENT

	2016 £'000	2017 £'000	2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year	2,770	3,253	4,104
<i>Adjustments for:</i>			
Depreciation of property, plant & equipment	56	54	376
Interest payable and similar expenses	12	13	64
Other interest receivable and similar income	(2)	-	-
Tax on profit	586	775	1,097
<i>Changes in:</i>			
Inventories	(308)	(599)	(64)
Trade and other receivables	(511)	(1,468)	2
Trade and other payables	(23)	609	(171)
Cash generated from operations	2,580	2,637	5,408
Interest paid	(12)	(10)	(21)
Interest received	2	-	-
Tax paid	(336)	(420)	(925)
Net cash for operating activities	2,234	2,207	4,462
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment	(38)	(103)	(840)
Proceeds from sale of property, plant & equipment	-	16	-
Net Cash used in investing activities	(38)	(87)	(840)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Proceeds from borrowings	650	52	690
Repayment of borrowings	(255)	(198)	(1,027)
Loans to group undertakings	(3,295)	(1,944)	(3,080)
Loans from group undertakings	-	-	150
Dividends paid	(150)	-	-
Net cash from financing activities	(3,050)	(2,090)	(3,267)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(854)	30	355
CASH AND CASH EQUIVALENTS AT END OF YEAR	961	107	137
	107	137	492

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

General information

Hamilton Heating Group Limited is a private company incorporated in England and Wales. Hamilton Heating Group Limited is domiciled in England and its registered office is Queensgate House, Cookham Road, Bracknell, England, RG12 1RB. The principal activity of Hamilton Heating Group Limited is the supply of high quality bathroom towel rails and designer radiators.

1. ACCOUNTING POLICIES

Basis of preparation

The historical financial information presents the financial track record of Hamilton Heating Group Limited for the year ended 31 March 2019, 31 December 2017 and 31 December 2016. This financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The historical financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Hamilton Heating Group Limited's statutory historical financial information for the period ended 31 March 2019, the year ended 31 December 2017 and the year ended 31 December 2016 were prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

The historical financial information for these periods has been delivered to the Registrar of Companies. The auditor's reports on these financial statements were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

In preparing the historical financial information of Hamilton Heating Group Limited Company, Hamilton Heating Group Limited has applied IFRS for the first time from 1 June 2016. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. However, no transitional exemptions are applicable to Hamilton Heating Group Limited and therefore none have been taken.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented.

Going concern

After making appropriate enquiries, the directors of the Company (the "Directors") have a reasonable expectation that Hamilton Heating Group Limited has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this historical financial information. For these reasons, they continue to adopt the going concern basis in preparing Hamilton Heating Group Limited historical financial information.

New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted in preparing the historical financial information of Hamilton Heating Group Limited:

The IFRS's applied to the historical financial information are those expected to be applicable, in so far as this is currently known, to the first annual historical financial information of the Company post admission to the AIM market of London Stock Exchange plc which will be for the year ending 31 March 2020. This includes the impact of IFRS 16 which is effective for periods beginning on or after 1 January 2019. The impact of the adoption of IFRS is presented within Note 26.

The following new standards or annual improvements to existing IFRS standards which have not been applied in this historical financial information were in issue but not yet effective:

- IFRIC 23 "Uncertainty over income tax treatments", effective 1 January 2019; and

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

- Annual Improvements to IFRS Standards 2015-2017 Cycle, effective 1 January 2019. Management is in the process of assessing the potential impact of these standards, but the impact is not expected to be material for the Company.

The historical financial information is presented in sterling, which is also the Company's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of historical financial information in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the historical financial information and their effect are disclosed below.

Basis of measurement

The consolidated historical financial information has been prepared under the historical cost convention in accordance with International financial reporting standards as adopted by the European Union.

Consolidation

The Hamilton Heating Group ("The Group") comprises Hamilton Heating Group Limited, RadiatorsOnline.com Limited and the Parent company, Hamilton Heating Group Limited. For the purpose of presentation of the historical financial information, only the historical financial information for Hamilton Heating Group Limited has been included in this document. The historical financial information does not consolidate the results of the other subsidiaries in the Group. The consolidated position of the Hamilton Heating Group ("The Group") is not materially different to the historical financial information of the subsidiary presented in this document.

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects both current and future periods.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the historical financial information.

Property, plant & equipment

The assessment of the useful economic lives and the method of depreciating property, plant & equipment require judgement by the directors to ensure that assets match the future economic benefits embodied in them.

Leases

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

Provisions

Provisions are a key area of the historical financial information and are subject to both estimation and uncertainty. Provisions are recognised on product defect warranties when claims are made in relation to the products and services supplied. This requires judgement as to whether a claim would likely give rise to a provision based on the company's knowledge of its products, services and customers. The provision would then need estimating based on the company's assessment of the likely work and cost required to remedy the defect. This would be subjective and based on the company's knowledge of its products, services and past customer experience.

Associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the company's share of the profit or loss, other comprehensive income and equity of the associate.

Accounting policies (*continued*)

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the control of the goods has transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES *(continued)*

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

- Current tax

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

- Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and;
- investments in subsidiaries and joint arrangements where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable company, or;
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit or loss account.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Property, plant & equipment

Property, plant & equipment is initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any property, plant & equipment carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Plant and machinery	-	25% straight line
Fixtures and fittings	-	25% straight line
Motor vehicles	-	33% straight line

Impairment of property, plant & equipment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable company of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or group of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial Assets

Hamilton Heating Group Limited's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial Liabilities

Towerlads.com Limited classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when Brickability Group plc becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost include:

- Trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of Hamilton Heating Group Limited's financial liabilities

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

measured at amortised cost represents a reasonable approximation of their fair values.

1. ACCOUNTING POLICIES (*continued*)

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 29).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES (*continued*)

Leases (*continued*)

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The company leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The company also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the company will consider whether the absence of a break clause would expose the company to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the company.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. SEGMENTAL INFORMATION

Hamilton Heating Group Limited generates all of its revenues within the UK. Hamilton Heating Group Limited generates revenue from the distribution of radiators and associated parts and accessories.

Hamilton Heating Group Limited has one business segment. There are no strategic business units that offer different products and services.

3. OTHER OPERATING INCOME

	Year to 31 December 2016 £'000	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Other operating income/(expenditure)	21	14	(2)
	21	14	(2)

4. EXPENSES BY NATURE

Operating profit is stated after charging/crediting:

	Year to 31 December 2016 £'000	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Depreciation of property, plant & equipment	56	54	376
Impairment of trade receivables	-	37	124
Foreign exchange differences	14	2	(1)

5. AUDITOR'S REMUNERATION

	Year to 31 December 2016 £'000	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Fees payable for the audit of the statutory financial statements	17	16	16

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

6. EMPLOYEE BENEFIT EXPENSES

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 31 December 2016 £'000	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Wages and salaries	1,152	1,409	2,026
Social security costs	121	152	215
Other pension costs	21	24	49
	1,294	1,585	2,290

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016 No.	2017 No.	2019 No.
Administrative staff	1	-	8
Management staff	3	3	3
Number of sales staff	32	36	33
	36	39	44

7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 31 December 2016 £'000	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Remuneration	373	379	536
Company contributions to defined contribution pension plans	17	4	28
	390	383	564

The number of directors who accrued benefits under company pension plans was as follows:

	2016 No.	2017 No.	2019 No.
Defined contribution plans	1	1	1

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

7. DIRECTORS' REMUNERATION (*continued*)

Remuneration of the highest paid director in respect of qualifying services:

	Year to 31 December 2016 £'000	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Aggregate remuneration	373	379	509
Company contributions to defined contribution pension plans	17	4	28
	390	383	537

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year to 31 December 2016 £'000	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Other interest payable and similar charges	12	13	64
	12	13	64

9. TAX ON PROFIT

Major components of tax expense

	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Current tax:		
UK current tax expense	775	1,057
Deferred tax:		
Origination and reversal of timing differences	-	40
Tax on profit	775	1,097

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

9. TAX ON PROFIT (*continued*)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19%).

	Year to 31 December 2017 (restated) £'000	Period to 31 March 2019 £'000
Profit on ordinary activities before taxation	4,028	5,201
	<hr/>	<hr/>
Profit on ordinary activities by rate of tax	775	989
Adjustment to tax charge in respect of prior periods	–	49
Effect of expenses not deductible for tax purposes	38	41
Effect of capital allowances and depreciation	(13)	17
Effect of different UK tax rates on some earnings	–	1
Utilisation of tax losses	(25)	–
	<hr/>	<hr/>
Tax on profit	775	1,097
	<hr/>	<hr/>

10. PROPERTY, PLANT AND EQUIPMENT AND MOTOR VEHICLES

	Land and buildings £'000	Plant and machinery and motor vehicles £'000	Total £'000
Cost			
At 1 January 2018 (as restated)	1,003	263	1,266
Additions	1,140	230	1,370
At 31 March 2019			
	2,143	493	2,636
Depreciation			
At 1 January 2018	272	133	405
Charge for the year	254	122	376
At 31 March 2019			
	526	255	781
Carrying amount			
At 31 March 2019	1,616	238	1,854
At 1 January 2018	731	131	862

Included in freehold property is land of £281,815 (2017 - £281,815) which is not depreciated.

Assets with a carrying value of £1,174,447 (2017 - £731,001) are pledged as security for a bank loan held by a group Company.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11. INVESTMENTS

	Shares in participating interests £
Cost	
At 1 January 2018 as restated	100
Disposals	(100)
At 31 March 2019	-
Impairment	-
At 1 January 2018 as restated and 31 March 2019	-
Carrying amount	-
At 31 March 2019	-
At 31 December 2017	100

12. INVENTORIES

	2016 £'000	2017 £'000	2019 £'000
Finished goods	1,430	1,711	1,774

13. TRADE AND OTHER RECEIVABLES

	2016 £'000	2017 £'000	2019 £'000
Trade receivables	2,477	3,144	3,777
Amounts owed by group undertakings	3,133	2,432	5,516
Amounts owed by undertakings in which the company has a participating interest	-	479	
Prepayments and accrued income	258	498	398
Other receivables	106	395	113
	5,974	6,948	9,804

Hamilton Heating Group Limited applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. There is no material impact on the transition to IFRS 9.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. TRADE AND OTHER PAYABLES – due within one year

	2016 £'000	2017 £'000	2019 £'000
Trade payables	1,201	1,774	1,390
Amounts owed to group undertakings	-	-	457
Accruals and deferred income	273	299	572
Corporation tax	223	472	604
Social security and other taxes	450	459	402
Other payables	14	15	8
	<hr/>	<hr/>	<hr/>
	2,161	3,019	3,433
	<hr/>	<hr/>	<hr/>

Included in payables falling due within one year is an amount of £Nil (2017 - £292,875) in relation to invoice financing. The balance is secured against the company's receivables.

Included in trade and other payables falling due within one year is an amount of £Nil (2017 - £59,746) in relation to a bank loan. The amount is secured over the company's freehold land and property and both fixed and floating charges over all other assets of the company.

15. LOANS AND BORROWINGS – due after more than one year

	2016 £'000	2017 £'000	2019 £'000
Loans and borrowings – due within one year	469	374	158
Loans and borrowings – due after more than one year	538	490	413
	<hr/>	<hr/>	<hr/>
	1,007	864	571
	<hr/>	<hr/>	<hr/>

Included within trade payables: amounts falling due after more than one year is an amount of £Nil (2017: £212,749) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Included in trade payables falling after more than one year is an amount of £Nil (2017 - £471,086) in relation to a bank loan. The amount is secured over the company's freehold land and property and both fixed and floating charges over all other assets of the company.

The bank loan is repayable by January 2026 at 2.5% over base rate.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Period from 1 January 2018 to 31 March 2019

16. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2016 £'000	2017 £'000	2019 £'000
Included in current assets	25	25	-
Included in current liabilities	-	-	(16)
	25	25	(16)

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £'000	2017 £'000	2019 £'000
Accelerated capital allowances	25	25	(16)
	25	25	(16)

The net deferred tax liability is expected to decrease in 2020 by £10,588. This primarily relates to the origination of new timing differences on property, plant & equipment and the reversal of other short term timing differences.

17. PRIOR PERIOD RESTATEMENT

There has been a prior year adjustment to reclassify goods in transit from inventory to other receivables. Inventory has decreased by £317,201 and receivables have increased by £317,201. There has been no impact on retained earnings.

18. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2016		2017		2019	
	No.	£	No.	£	No.	£
Ordinary A shares shares of £1 each	180	180	180	180	180	180
Ordinary B shares shares of £1 each	30	30	30	30	30	30
	210	210	210	210	210	210

19. RESERVES

Called up share capital - This represents the nominal value of the shares that have been issued.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Retained Earnings - This reserve records retained earnings and accumulated losses.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Period from 1 January 2018 to 31 March 2019

20. CONTINGENCIES

The company was party to cross guarantees over amounts owed to HSBC Bank plc by Hamilton Heating Group Limited, the parent company, and Queensgate Bracknell Limited, an associated undertaking. The amounts were secured by debentures incorporating fixed and floating charges on the assets of the company. The cross guarantees ended on 6 March 2018.

21. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

During the period the directors entered into the following advances and credits with the company:

	31 Mar 19		
	Balance brought forward	Advances/ (credits) to the directors	Balance outstanding
	£	£	£
Mr A J Simpson	(42)	42	—
Mr P M Hamilton	—	481	481
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(42)	523	481
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
	31 Dec 17		
	Balance brought forward	Advances/ (credits) to the directors	Balance outstanding
	£	£	£
Mr A J Simpson	(42)	—	(42)
Mr P M Hamilton	—	—	—
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(42)	—	(42)
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Included within other receivables / (other payables) is £481 (2017 – (£42)) due from/(to) a director.

The balances are interest free and repayable on demand.

22. RELATED PARTY TRANSACTIONS

Included within receivables are the following amounts due from companies related by common directorship of A J Simpson and P Hamilton.

	2019	2017
	£	£
DSH Flooring Limited	89,717	2,648
Queensgate Bracknell Ltd	—	478,797

The company made the following sales to and purchases from these companies during the period.

	2019	2017
	Sales	Sales
	£	£
DSH Flooring Limited	2,515	5,636
Queensgate Bracknell Ltd	—	10,900
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	190,719	—

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

22. RELATED PARTY TRANSACTIONS *(continued)*

Included within other receivables and other payables are amounts due from/to companies that were related to Hamilton Heating Group Limited by the common directorship of A J Simpson and P Hamilton until 6 March 2018. On this date Brickability Enterprise Investments Limited acquired 100% of the share capital of FSN Doors Limited, Frazer Simpson Limited and Hamilton Heating Group Limited, the company's parent undertaking. Brickability Enterprise Investments Limited is an intermediate parent undertaking of Brick-ability Limited.

	2019	2017
Receivables	Payables	Receivables
	£	£
Frazer Simpson Limited	-	30,569
FSN Doors Limited	-	16,701
Brick-ability Limited	-	3,331
		116

The company made sales to and purchases from these companies during the period until 6 March 2018 (2017 year ended 31 December 2017).

	2019	2017
Sales	Purchases	Sales
	£	£
Frazer Simpson Limited	541	54,310
FSN Doors Limited	1,462	-
Brick-ability Limited	3,292	24,254
	3,450	68,617
		12,625

All transactions were entered into on an arms length basis.

23. CONTROLLING PARTY

During the period the company's parent undertaking was Hamilton Heating Group Limited. On 6 March 2018 the ultimate parent undertaking became Brickability Group Limited. Both companies are registered in England and Wales. Copies of the group accounts can be obtained from Brickability Group Limited's registered office at South Road, Bridgend Industrial Estate, Bridgend, South Wales.

24. CHANGES IN ACCOUNTING POLICIES

Hamilton Heating Group Limited's effective IFRS transition date for the purposes of this financial information was 1 January 2017. The effects of transition to IFRS on the balance sheets at 31 December 2016, 31 December 2017 and 31 March 2019, and the profit or loss for the period ended 31 December 2016, 31 December 2017 and 31 March 2019 are shown below.

The transition adjustments required on applying IFRS were:

1. The Company adopted IFRS 16 with effect of 1 January 2017, to recognise leases previously recognised as operating and finance leases as right-of-use assets. The impact of this adjustment has decreased administrative expenses by £1,903, increased finance costs by £2,015, increased loans and borrowings by £40,185 and increased property, plant & equipment by £40,073 in the period ended 31 December 2017 and has decreased administrative expenses by £39,514, increased finance costs by £42,868, increased loans and borrowings by £530,082 and increased property, plant & equipment by £526,727 in the year ended 31 March 2019. The overall effect of this adjustment on retained earnings over the periods included in the historical financial information is a decrease in retained earnings of £3,467.

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

The following tables show the adjustments recognised for each line item of the historical financial information affected.

	31 December 2017		
	FRS 102 £'000	IFRS 16 £'000	IFRS £'000
Administrative expenses	(2,529)	2	(2,527)
Profit from operations	4,039	2	4,041
Finance expense	(11)	(2)	(13)
Profit before tax	4,028	0	4,028

	31 March 2019		
	FRS 102 £'000	IFRS 16 £'000	IFRS £'000
Administrative expenses	(3,999)	40	(3,959)
Profit from operations	5,225	40	5,265
Finance expense	(21)	(43)	(64)
Profit before tax	5,204	(3)	5,201

24. CHANGES IN ACCOUNTING POLICIES (continued)

	31 December 2017	31 December 2017	
	FRS 102 £'000	IFRS 16 £'000	IFRS £'000
NON-CURRENT ASSETS			
Property, plant & equipment	822	40	862
	822	40	862
CURRENT ASSETS			
Inventories	1,711		1,711
Trade and other receivables	6,948		6,948
Cash at bank and in hand	137		137
Deferred tax asset	25		25
	8,821	-	8,821

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

Total Assets	9,643	40	9,683
NON-CURRENT LIABILITIES			
Loans and borrowings	(472)	(18)	(490)
	(472)	(18)	(490)
CURRENT LIABILITIES			
Trade and other payables	(3,019)		(3,019)
Loans and borrowings	(352)	(22)	(374)
	(3,371)	(22)	(3,393)
Total liabilities	(3,843)	(40)	(3,883)
NET ASSETS	<u>5,800</u>	-	<u>5,800</u>

24. CHANGES IN ACCOUNTING POLICIES (continued)

	31 March 2019 FRS 102 including 2017 IFRS adjustments £'000	31 March 2019 IFRS 16 £'000	31 March 2019 IFRS £'000
NON-CURRENT ASSETS			
Property, plant & equipment	1,327	527	1,854
	1,327	527	1,854
CURRENT ASSETS			
Inventories	1,774		1,774
Trade and other receivables	9,803		9,803
Cash at bank and in hand	492		492
	12,070	-	12,070
Total Assets	13,397	527	13,924
NON-CURRENT LIABILITIES			
Loans and borrowings	(19)	(394)	(413)
	(19)	(394)	(413)
CURRENT LIABILITIES			
Trade and other payables	(3,433)	-	(3,433)
Loans and borrowings	(22)	(136)	(158)
Deferred tax	(16)	-	(16)
	(3,471)	(136)	(3,607)
Total liabilities	(3,490)	(530)	(4,020)
NET ASSETS	<u>9,907</u>	(3)	<u>9,904</u>

25. LEASES

HAMILTON HEATING GROUP LIMITED

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

All leases have been accounted for under IFRS 16 by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

The accounting policy is described in note 1. The movements in these assets and liabilities are shown below.

Right-of-use Assets	Plant, machinery and motor vehicles			Total £'000
	Land and buildings £'000	motor vehicles £'000		
At 1 January 2017	-	-		-
Additions	-	52	52	
Depreciation	-	(12)	(12)	
At 31 December 2017	-	40	40	

At 1 January 2018	-	40	40
Additions	564	126	690
Depreciation	(122)	(33)	(156)
At 31 March 2019	442	133	575

Lease liabilities	Plant, machinery and motor vehicles			Total £'000
	Land and buildings £'000	motor vehicles £'000		
At 1 January 2017	-	-		-
Additions	-	52	52	
Interest expense	-	2	2	
Lease payments	-	(14)	(14)	
At 31 December 2017	-	40	40	

At 1 January 2018	-	40	40
Additions	564	126	690
Interest expense	37	6	43
Lease payments	(156)	(47)	(203)
At 31 March 2019	445	125	570

PART VIII

UNAUDITED *PRO FORMA* STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited *pro forma* statement of net assets of the Group (the “*pro forma* financial information”) has been prepared to illustrate the effect on the consolidated net assets of the Group as if the placing and repayment of debt and loan notes had taken place on 31 March 2019.

The *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results.

The *pro forma* financial information is based on the consolidated net assets of the Group as at 31 March 2019, set out in the financial information on the Group for the year ended 31 March 2019 set out in Section B of Part IV of this document and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

	The Group as at 31 March 2019 (note 1) £m	Net placing proceeds (note 2) £	Repayment of debt (note 3)	Repayment and release of loan notes (note 4)	Pro forma net assets of the Group £
Assets					
Non-current assets					
Property, plant and equipment	3,623	—	—	—	3,623
Right of use assets	1,595	—	—	—	1,595
Intangible assets	68,789	—	—	—	68,789
Investments in equity-accounted associates	1,239	—	—	—	1,239
Trade and other receivables	155	—	—	—	155
Deferred tax assets	744	—	—	—	744
	76,145	—	—	—	76,145
Current assets					
Inventories	5,422	—	—	—	5,422
Trade and other receivables	34,111	—	—	—	34,111
Cash and cash equivalents	17,001	43,117	(23,438)	(19,680)	17,000
	56,534	43,117	(23,438)	(19,680)	56,533
Total assets	132,679	43,117	(23,438)	(19,680)	132,678
Liabilities					
Non-current liabilities					
Loans and borrowings	(62,977)	—	20,353	30,288	(12,336)
Derivative financial liabilities	(106)	—	—	—	(106)
Trade and other payables	(3,958)	—	—	—	(3,958)
Lease liability	(1,227)	—	—	—	(1,227)
Provisions	(1,975)	—	—	—	(1,975)
Deferred tax liabilities	(4,490)	—	—	—	(4,490)
	(74,733)	—	20,353	30,288	(24,092)
Current liabilities					
Trade and other payables	(37,062)	—	—	—	(37,062)
Loans and borrowings	(3,085)	—	3,085	—	—
Lease liability	(378)	—	—	—	(378)
	(40,525)	—	3,085	—	(37,440)
Total liabilities	(115,258)	—	23,438	30,288	(61,532)
Net assets	17,421	43,117	—	10,608	71,146

Notes:

1. The net assets of the Group at 31 March 2019 have been extracted without material adjustment from the financial information on the Group for the year ended 31 March 2019 set out in Section B of Part IV of this document.
2. Adjustments:
 2. The placing is estimated to raise net proceeds of £43.1 million (£46.1 million gross proceeds less estimated expenses of £3 million).
 3. This adjustment reflects the repayment of bank debt. Bank debt has increased by £6.7m since 31 March 2019 to fund three acquisitions since 31 March 2019.
 4. This adjustment reflects the repayment of loan notes plus accrued interest of £19.7m plus £10.6m of loan notes in respect of which the Company has been released from its obligation to repay.
 5. No account has been taken in the above table of the three acquisitions completed since 31 March 2019.
 6. No account has been taken of the financial performance of the Group since 31 March 2019, nor of any other event save as disclosed above.

PART IX

ADDITIONAL INFORMATION

1 Responsibility

The Company, whose registered office appears on page 9 of this document and the Directors, whose names, business address and functions are also set out on page 9 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation and General

- 2.1 The Company was incorporated and registered in England and Wales on 22 December 2017 under the name Brickability Enterprises Services Limited and with registered number 11123804 under the Companies Act as a private company limited by shares. The Company changed its name to Brickability Group Limited on 2 May 2019. On 20 August 2019, the Company re-registered as a public limited company.
- 2.2 The Company is a public limited company and accordingly the liability of its members is limited.
- 2.3 The principal legislation under which the Company was formed and operates is the Companies Act.
- 2.4 The Company's registered office and principal place of business is at C/O Brickability Limited South Road, Bridgend Industrial Estate, Bridgend, United Kingdom, CF31 3XG, telephone number 01656 645222.
- 2.5 The Company's auditors are Kilsby & Williams LLP, a firm of chartered accountants registered with the Institute of Chartered Accountants in Scotland and in England and Wales.
- 2.6 The business of the Company and its principal activity is to operate as a specialist provider of brick and other building materials to house builders. The Group's activities and operations are carried out through three divisions headed by Brickability Enterprises Investments Limited, a wholly owned subsidiary, and each of Brickability UK Holdings Limited, PVH Holdings Limited and Hamilton Heating Group Limited, also wholly owned subsidiaries.
- 2.7 The Company is the holding company of the Group and, at the date of this document, it has the following subsidiaries:

Name	Registered Number	Principal Activity	Status	Country of Incorporation	Percentage of issued share capital or interest held and proportion of voting power
Brickability Enterprises Investments Limited	10332505	Supply of bricks, blocks, architectural masonry, nature stone walling and landscaping products, paving and cladding systems	Active	England and Wales	100%
Brickability Enterprises Holding Limited	10332050	Business support service activities	Active	England and Wales	100%
The Bespoke Brick Company Limited	08723889	Wholesale of wood, construction materials and sanitary equipment	Active	England and Wales	100%
Hamilton Heating Group Limited	09921801	Wholesale of hardware, plumbing and heating equipment and supplies	Active	England and Wales	100%
Frazer Simpson Limited	06838234	Non-specialised wholesale trade	Active	England and Wales	100%

Name	Registered Number	Principal Activity	Status	Country of Incorporation	Percentage of issued share capital or interest held and proportion of voting power
FSN Doors Limited	07304174	Agents involved in the sale of furniture, household goods, hardware and ironmongery	Active	England and Wales	100%
CPG Building Supplies Limited	02937329	Wholesale of wood, construction materials and sanitary equipment	Active	England and Wales	100%
Brickwise Ltd	09676448	Wholesale of wood, construction materials and sanitary equipment	Active	England and Wales	100%
The Brick Slip Business Limited	09707800	General construction & civil engineering	Active	England and Wales	100%
P V H Holdings Limited	02484708	Supplier of services and products primarily to the residential construction sector	Active	England and Wales	100%
Towelrads.com Limited	04906064	Wholesale of hardware, plumbing and heating equipment and supplies	Active	England and Wales	100%
Radiatorsonline.com Ltd	10757797	Wholesale of hardware, plumbing and heating equipment and supplies	Active	England and Wales	100%
DSH Flooring Limited	08209834	Floor and wall covering	Active	England and Wales	100%
Brickability UK Holdings Limited	07805178	Activities of head offices	Active	England and Wales	100%
Crest Roofing Limited	02487387	Roofing activities	Active	England and Wales	100%
Crest Brick Slate & Tile Limited	03633185	The sale of timber and building materials	Active	England and Wales	100%
Brick-Link Limited	02245364	The sale of timber and building materials	Active	England and Wales	100%
Plansure Building Products Limited	06016447	Manufacture of concrete for construction purposes	Active	England and Wales	100%
Brick-Ability Ltd	01972562	Development of building projects	Active	England and Wales	100%
Apex Brickcutters Limited	04938832	Manufacture of bricks, tiles and construction products	Active	England and Wales	50%
Brick Services Limited	03719911	The sale of timber and building materials	Active	England and Wales	100%
Crown Roofing (Centres) Limited	02828966	Roofing activities	Active	England and Wales	100%
Excel Roofing Services Limited	03595977	Roofing activities	Active	England and Wales	100%
The Matching Brick Company Limited	02530773	Construction of domestic buildings	Active	England and Wales	100%
LBT Brick & Facades Limited	02545642	Non-specialised wholesale trade	Active	England and Wales	100%
Brickmongers (Wessex) Limited	06944174	Specialist building materials supplier	Active	England and Wales	100%

2.8 Brickability UK Holdings Limited is the holder of 50 per cent. of the issued shares in the capital of Apex Brickcutters Limited (registered number 04938832) and having its registered office at Aruna House, 2 Kings Road, Hawksmere, Surrey GU27 2QA. The Group is not involved in the day to day operations of Apex Brickcutters Limited but acquires products from it on a commercial basis.

2.9 Brickability Enterprises Investments Limited is the holder of 25 per cent. of the issued share capital of Financewell Limited (registered number 11721660 and having its registered office at Stag House, Old London Road, Hertford SG13 7LA.

3 Share capital

3.1 The history of the Company's share capital from the date of incorporation to the date of this document is as follows:

- (a) On incorporation, the issued share capital of the Company was £1, which comprised of 1 ordinary share of £1 in the capital of the Company ("Subscription Share").
- (b) By resolution dated 6 March 2018, the Company (i) sub-divided the Subscription Share into 100 ordinary shares of £0.01 each in the capital of the Company, and (ii) re-designated each of the 100 ordinary shares of £0.01 each in the capital of the Company as 100 B ordinary shares of £0.01 each in the capital of the Company.
- (c) On 6 March 2018, the Company issued (i) 17,088 A ordinary shares of £0.01 each fully paid in the capital of the Company, (ii) 81,912 B ordinary shares of £0.01 each fully paid in the capital of the Company, (iii) 2,085 C ordinary shares of £1 each fully paid in the capital of the Company, and (iv) 123,065 D ordinary shares of £0.01 each fully paid in the capital of the Company.
- (d) On 16 November 2018, the Company issued 15,252 D ordinary shares of £0.01 each fully paid in the capital of the Company.
- (e) On 17 May 2019, the Company issued 3,704 D ordinary shares of £0.01 each fully paid in the capital of the Company.
- (f) On 5 July 2019, the Company issued 1,057 D ordinary shares of £0.01 each fully paid in the capital of the Company.
- (g) On 2 August 2019, the Company issued 4,291 D ordinary shares of £0.01 each fully paid in the capital of the Company.
- (h) On 2 August 2019 the Company sub-divided 2,085 C ordinary shares of £1 each in the capital of the Company into 208,500 C ordinary shares of £0.01 each.
- (i) On 2 August 2019 the Company re-designated 206,415 C ordinary shares of £0.01 each as deferred shares of £0.01 each.
- (j) On 2 August 2019 a bonus issue of, in aggregate, 341,760 A ordinary shares of £0.01 each were allotted and issued to the holders of A ordinary shares at the rate of 20 new A ordinary shares of £0.01 each for every 1 A ordinary share of £0.01 each held.
- (k) On 2 August 2019 a bonus issue of, in aggregate, 1,658,240 B ordinary shares of £0.01 each were allotted and issued to the holders of B ordinary shares at the rate of 20 new B ordinary shares of £0.01 each for every 1 B ordinary share of £0.01 each held.
- (l) On 2 August 2019 a bonus issue of, in aggregate, 41,700 C ordinary shares of £0.01 each were allotted and issued to the holders of C ordinary shares at the rate of 20 new C ordinary shares of £0.01 each for every 1 C ordinary share of £0.01 each held.
- (m) On 2 August 2019 a bonus issue of, in aggregate, 2,947,380 D ordinary shares of £0.01 each were allotted and issued to the holders of D ordinary shares at the rate of 20 new D ordinary shares of £0.01 each for every 1 D ordinary share of £0.01 held.
- (n) On 2 August 2019 the Company purchased the deferred shares of £0.01 each arising on the re-designation and sub-division referred to at paragraphs 3.1(h) and (i) above for an aggregate consideration of £7.
- (o) On 19 August 2019, conditional *inter alia* on Admission, a bonus issue of 9,449,664 A Ordinary Shares of £0.01 each, 45,850,336 B Ordinary Shares of £0.01 each, 1,153,005 C Ordinary Shares of £0.01 each and 81,495,057 D Ordinary Shares of £0.01 each were allotted and issued to the holders of A Ordinary Shares of £0.01 each, B Ordinary Shares of £0.01, C Ordinary Shares of £0.01 each and D Ordinary Shares of £0.01 in the ratio of 79 new shares for every 3 shares held.
- (p) On 19 August 2019, conditional, *inter alia*, on Admission each of the issued and to be issued B ordinary shares of £0.01 each, C ordinary shares of £0.01 each and D ordinary shares of £0.01 each were converted into A ordinary shares of £0.01 each.

(q) On 19 August 2019, conditional *inter alia* on Admission, the Company re-designated each of the issued and to be issued A ordinary shares of £0.01 each (including the B ordinary shares of £0.01 each, C ordinary shares of £0.01 each and D ordinary shares of £0.01 each to be converted into A ordinary shares of £0.01 each by resolutions referred to in paragraph 3.1(p) above), as Ordinary Shares of £0.01 each.

(r) On 21 August 2019, conditional, *inter alia*, on Admission applications to subscribe for, in aggregate, 16,319,646 Ordinary Shares of £0.01 each in respect of the Management Subscription were received.

3.2 By:

- (a) special resolution passed on 6 March 2018, the one issued ordinary share of £1.00 in the capital of the Company was sub divided into 100 Ordinary Shares of £0.01 each;
- (b) special resolution passed on 6 March 2018, each of the 100 Ordinary Shares of £0.01 each in the capital of the Company were converted into and re-designated as B Ordinary Shares of £0.01 each;
- (c) special resolution passed on 6 March 2018 in accordance with section 551 of the Companies Act, the directors were authorised to allot A Ordinary Shares of £0.01 each in the capital of the Company up to an aggregate nominal amount of £180, such authority to expire unless sooner renewed, varied or revoked on 6 March 2023;
- (d) special resolution passed on 6 March 2018 in accordance with section 551 of the Companies Act, the directors were authorised to allot B Ordinary Shares of £0.01 each in the capital of the Company up to an aggregate nominal amount of £1,000, such authority to expire unless sooner renewed, varied or revoked on 6 March 2023;
- (e) special resolution passed on 6 March 2018 in accordance with section 551 of the Companies Act, the directors were authorised to allot C Ordinary Shares of £1 each in the capital of the Company up to an aggregate nominal amount of £2,500, such authority to expire unless sooner renewed, varied or revoked on 6 March 2023;
- (f) special resolution passed on 6 March 2018 in accordance with section 551 of the Companies Act, the directors were authorised to allot D Ordinary Shares of £0.01 each in the capital of the Company up to an aggregate nominal amount of £1,500, such authority to expire unless sooner renewed, varied or revoked on 6 March 2023;
- (g) special resolution passed on 6 March 2018 in accordance with section 570 of the Companies Act, the directors were authorised to allot equity securities, such authority to expire on 6 March 2023, as if section 561(1) of the Companies Act did not apply to any such allotment;
- (h) ordinary resolution passed on 16 November 2018 in accordance with section 551 of the Companies Act, the directors were authorised to allot and grant rights to subscribe for up to 17,171 D ordinary shares of £0.01 each, such authority to expire unless sooner renewed, varied or revoked on 16 November 2023.
- (i) special resolution passed on 16 November 2018, the pre-emption rights of the Shareholders pursuant to article 4.3 of the Articles, were dis-applied in relation to the allotment referred to a paragraph 3.2(h) above;
- (j) ordinary resolution passed on 2 August 2019 in accordance with section 551 of the Companies Act, the directors were authorised to allot and grant rights to subscribe for (i) 4,291 D Ordinary Shares of £0.01 each, (ii) 341,760 A Ordinary Shares of £0.01 each, 1,658,240 B Ordinary Shares of £0.01 each, 41,700 C Ordinary Shares of £0.01 each and 2,947,380 D Ordinary Shares of £0.01 each in connection with a bonus issue of shares and (iii) 8,957 A Ordinary Shares of £0.01 each in connection with any share option scheme or arrangement, such authority to expire unless sooner revoked on 31 December 2019;
- (k) special resolution passed on 2 August 2019, the pre-emption rights of Shareholders pursuant to article 4.3 of the Articles were dis-applied in relation to the issue of D ordinary shares referred to at paragraph 3.1 (g) above and the bonus issue of shares referred to at paragraphs 3.1 (j), (k), (l) and (m) above;

- (l) ordinary resolution passed on 2 August 2019 to approve certain loans to directors, referred to at paragraph 7.2 and 12.31 and 12.32 of Part IX of this document;
- (m) ordinary resolution passed on 15 August 2019 in accordance with section 551 of the Companies Act, the directors were authorised to allot and grant rights to subscribe for 400,000 A Ordinary Shares of £0.01 each in connection with any share option scheme or arrangements, including options granted over A Ordinary Shares of £0.01 each on 2 August 2019 in excess of the authority contained in resolution passed on 2 August 2019;
- (n) special resolution passed on 15 August 2019 the pre-emption rights of Shareholders pursuant to 4.3 of the Articles were disapplied in relation to the grant of options referred to at paragraph 3.2(m) above;
- (o) special resolution passed on 15 August 2019 to approve reduction of the share premium account of the Company;
- (p) ordinary resolution passed on 19 August 2019, conditional, *inter alia*, on Admission, in accordance with section 551 of the Companies Act, the directors were authorised to allot and grant rights to subscribe for 9,449,664 A ordinary shares of £0.01 each, 45,850,336 B ordinary shares of £0.01 each, 1,153,005 C ordinary shares of £0.01 each and 81,495,057 D ordinary shares of £0.01 each in connection with a bonus issue on the A ordinary, B ordinary, C ordinary and D ordinary shares of £0.01 each referred to at paragraph 3.1 (o) above, such authority to expire unless sooner revoked on 30 September 2019;
- (q) special resolution passed on 19 August 2019, conditional, *inter alia*, on Admission, the pre-emption rights of Shareholders pursuant to article 4.3 of the Articles were disapplied in relation to the bonus issue of shares referred to at paragraph 3.1(o) above;
- (r) ordinary resolution passed on 19 August 2019, conditional on Admission, each of the B ordinary shares of £0.01 each were converted into A ordinary shares of £0.01 each, each of the C ordinary shares of £0.01 each were converted into A ordinary shares of £0.01 each and each of the D ordinary shares of £0.01 each were converted into A ordinary shares of £0.01 each, (including the B ordinary shares, C ordinary shares and D ordinary shares to be issued pursuant to the bonus issue of shares referred to in paragraph 3.2(p) above);
- (s) ordinary resolution passed on 19 August 2019, conditional, *inter alia*, on Admission each of the A ordinary shares of £0.01 each, including the B ordinary shares, C ordinary shares and D ordinary shares of £0.01 each to be converted pursuant to resolution referred to in paragraph 3.2(r) above, were redesignated as Ordinary Shares of £0.01 each;
- (t) ordinary resolution passed on 19 August 2019, conditional *inter alia* on Admission, the Directors were generally and unconditionally authorised for the purposes of section 551 of the Companies Act to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares in the capital of the Company ("Relevant Securities") up to an aggregate nominal amount of £1,839,473, such authority to expire, unless sooner renewed, varied or revoked by ordinary resolution of the Company on 31 December 2020 or, if earlier, conclusion of the annual general meeting of the Company in 2020 save that the Company may before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuant of such offer or agreement as if the authority had not expired.
- (u) special resolution passed on 19 August 2019, conditional *inter alia* on Admission, the Directors were empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authority referred to in paragraph 3.2(t) above as if Section 561(1) of the Companies Act did not apply to any such allotment, such power being limited to:
 - (i) the allotment and issue of up to 90,000,000 new Ordinary Shares in connection with the Placing and Management Subscription;

- (ii) the allotment and issue of up to 17,127,676 new Ordinary Shares in connection with any employee share option scheme or arrangement (which together with options and awards previously granted is equal to approximately 10% of the Enlarged Share Capital);
- (iii) the allotment of equity securities in connection with a rights issue or similar offer in favour of holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal, regulatory or practical difficulties under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or otherwise; and
- (iv) otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above, the allotment of equity securities up to an aggregate nominal amount of £115,230 (equal to approximately 5% of the Enlarged Share Capital),

such power to expire, unless sooner renewed, varied or revoked by ordinary resolution of the Company on 31 December 2020 or, if earlier, on conclusion of the annual general meeting of the Company in 2020 (save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities and grant rights in pursuant of that offer or agreement as if the authority had not expired).

3.3 Reorganisation and Management Subscription

- (a) a reorganisation of the share capital of the Company will be effected prior to and conditional on Admission. This will comprise, (i) a bonus issue of 9,449,664 A ordinary shares, 45,850,336 B ordinary shares, 1,153,005 C ordinary shares and 81,495,057 D ordinary shares by capitalising the relevant amount standing to the credit of the share premium account of the Company at the rate of 79 new A ordinary shares, B ordinary shares, C ordinary shares and D ordinary shares for every 3 A ordinary shares, B ordinary shares, C ordinary shares and D ordinary shares held, conditional on Admission, (ii) converting each of the existing B ordinary shares, C ordinary shares and D ordinary shares (including those to be issued by the bonus issue), as A ordinary shares, and (iii) the re-designation of each of the issued and to be issued A ordinary shares (including the B ordinary shares, C ordinary shares and D ordinary shares to be converted into A ordinary shares) as Ordinary Shares, conditional on Admission.
- (b) certain of the Directors, persons connected with the Directors and Senior Managers propose to subscribe for new Ordinary Shares, conditional on Admission. An aggregate of 16,319,646 new Ordinary Shares will be subscribed for in respect of the Management Subscription. The Management Subscription is separate to the Placing. Each of the individuals subscribing for new Ordinary Shares as part of the Management Subscription are holders of Loan Notes. In connection with the Management Subscription, each of the Loan Notes referred to in paragraph 12.33 of Part IX of this document will be exchanged for equivalent Loan Notes issued by the Company pursuant to the Loan Note Exchange Agreements which are conditional on Admission. The new Ordinary Shares to be issued in connection with the Management Subscription will be paid up in cash by each subscriber releasing the Company from the obligation to repay an amount of principal of the relevant Loan Notes equivalent to the relevant subscription price, conditional on Admission. The new Ordinary Shares to be issued pursuant to the Management Subscription are being subscribed for at the Placing Price. The balance of the principal of the Loan Notes, together with accrued interest, will be repaid out of the proceeds of the Placing. Details of the Management Subscription are as follows:

Subscriber	No. of new Ordinary Shares subscribed for	Principal of Loan Note Released
Alan Jonathan Simpson	7,473,532	£4,857,795.80
Simon Jesse Mellor	230,769	£149,999.85
Martin Thomas Prosser	230,769	£149,999.85
Christopher Lee Gardner	230,769	£149,999.85
Alan William Virgo	115,385	£75,000.25
Calum David Richard Currie	230,769	£149,999.85
Paul Michael Hamilton	3,846,154	£2,500,000.10
Clive Stanley Norman	769,231	£500,000.15
Arnold Bernard Geradus Van Huet	1,846,154	£1,200,000.10
John Richards	769,231	£500,000.15
Stuart John Overend	38,422	£24,974.30

3.4 The issued share capital of the Company as it is expected to be immediately prior to Admission and as it will be immediately following the Placing and Admission, including a comparison of the participation in the voting rights of Existing Shareholders before and after the Placing, is set out below:

	Immediately prior to Admission*			Immediately following Admission		
	No. of shares immediately prior to Admission	No. of shares		immediately following Admission***	Aggregate Nominal Value £	Percentage of share capital
		Aggregate Nominal Value £	Percentage of share capital			
Ordinary Shares	—	—	—	230,458,821	2,304,588.21	100%
A ordinary shares**	358,848	3,588.48	6.9%	—	—	—
B ordinary shares**	1,741,152	17,411.52	33.2%	—	—	—
C ordinary shares	43,785	437.85	0.8%	—	—	—
D ordinary shares	3,094,749	30,947.49	59.1%	—	—	—

* Prior to Reorganisation and Management Subscription

** Only A ordinary shares and B ordinary shares have voting rights but A ordinary shares, B ordinary shares, C ordinary shares and D ordinary shares participate, *pari passu*, in dividends and returns of capital.

*** Assumes issue of new Ordinary Shares in the Placing and new Ordinary Shares pursuant to the Management Subscription.

3.5 The Ordinary Shares shall have the rights and be subject to the restrictions referred to in paragraph 5 of Part IX of this document.

3.6 The new Ordinary Shares will be issued in reliance on the authority and power referred to in paragraphs 3.2(t) and (u) above and will rank *pari passu* in all respects with all other Ordinary Shares in issue on Admission.

3.7 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.8 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to CRESTCo for the Ordinary Shares to be enabled for dealing through CREST as a participating security. None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission other than pursuant to the Placing. The new Ordinary Shares to be issued pursuant to the Placing are being issued at a price of 65 pence per share, representing a premium of 64 pence over the nominal value of £0.01 each. The expected issue date is 29 August 2019.

3.9 There are no shares held by or on behalf of the Company in itself and no shares in the Company held by any other member of the Group.

3.10 The Company does not have in issue any securities not representing share capital.

- 3.11 Save as disclosed in paragraphs 3.3, 3.15 and 11.1 of this Part IX, no person has any acquisition right over, and the Company has no obligation over, its unissued share capital and the Company has not given any undertaking to increase its capital.
- 3.12 The currency of the Placing is in Pounds Sterling.
- 3.13 The proposed issue of New Ordinary Shares pursuant to the Placing and Management Subscription will be carried out by virtue of the authorities contained in paragraphs 3.2(t) and 3.2(u) above and in accordance with the expected timetable of events set out on page 7.
- 3.14 The provisions of section 561 of the Companies Act (to the extent not dis-applied pursuant to section 570 of the Companies Act) confer on Shareholders rights of pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are or are to be paid in cash, and apply to the unissued share capital of the Company to the extent not dis-applied as described in this paragraph 3. Subject to certain limited exceptions, and save pursuant to any disapplication which is for the time being in effect, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to the holders of existing Ordinary Shares on a *pro rata* basis.
- 3.15 The Company has granted, and currently has outstanding, options over an aggregate of 132,909 A Ordinary Shares on the terms of the CSOP (prior to the bonus issue, conversion and redesignation of shares pursuant to the Reorganisation) referred to in paragraph 3.3(a) and awards have been granted over 2,097,088 Ordinary Shares under the LTIP conditional on Admission. The details of the Share Option Schemes are set out in paragraph 9 of this Part IX. The Company has also granted options over 6,888 A Ordinary Shares under a separate unapproved share option agreement (prior to the bonus issue, conversion and redesignation of shares pursuant to the Reorganisation referred to in paragraph 3.3(a)).
- 3.16 The net asset value of an existing Ordinary Share following the Reorganisation but prior to the issue of the New Ordinary Shares, based on the net assets of the Company as at 31 March 2019, is 12.2 pence ("Net Asset Value Per Share").
- 3.17 The Placing Price of 65 pence per Ordinary Share represents a premium of 52.8 pence over the Net Asset Value Per Share.

4 Takeover Code, Mandatory Bids, Squeeze Out and Sell Out and Notification of Major Interests in Ordinary Shares

Other than as provided by the Takeover Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules that apply to the Ordinary Shares of the Company.

Mandatory Bid

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate interest in shares of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert party (if any) would be required (except with the consent of the Takeover Panel) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert party (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert party (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding together with its concert parties (if any) Ordinary Shares carrying at least 30 per cent., but not more than 50 per cent., of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert party (if any).

Squeeze Out

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or contract to acquire, not less than 90 per cent. in value of the ordinary shares which are the subject of such offer and not less than 90 per cent. of the voting rights carried by those shares, the offeror could then compulsorily acquire the

remaining shares. The offeror would do so by sending a notice to outstanding shareholders before the end of the 3 month period beginning on the day after the last day on which the offer can be accepted. The notice must be made in the prescribed manner. Six weeks later, the offeror would send a copy of the notice to the Company together with an instrument of transfer executed in respect of the outstanding ordinary shares on behalf of the holder in favour of the offeror and pay the consideration for those ordinary shares. The Company would hold the consideration on trust for outstanding shareholders. The consideration offered to those shareholders whose ordinary shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the original offer unless a member can show the offer value is unfair.

Sell-out Rules

The Companies Act gives minority shareholders a right to be bought out in certain circumstances by a person who has made a takeover offer. If a takeover offer related to all the shares in the Company and at any time before the end of the period within which the offeror could be accepted, the offeror holds, or has agreed to acquire, not less than 90 per cent. in value of the ordinary shares and not less than 90 per cent. of the voting rights in the Company, any holder of ordinary shares to which the offer relates who has not accepted the offer can, by a written communication to the offeror, require it to acquire that holder's ordinary shares.

The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out but that period cannot end less than three months after the end of the acceptance period or, if later, three months after the date specified in the notice given by the offeror. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those ordinary shares on the terms of the offer or on such other terms as may be agreed.

Notification of Major Interests in Ordinary Shares

Chapter 5 of the Disclosure and Transparency Rules makes provisions regarding notification of certain shareholdings and holdings of financial instruments.

Where a person holds voting rights in the Company as a Shareholder through direct or indirect holdings of financial instruments, then that person has an obligation to make a notification to the FCA and the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below three per cent. or any whole percentage point above three per cent.

The requirement to notify also applies where a person is an indirect Shareholder and can acquire, dispose of or exercise voting rights in certain cases.

Shareholders are encouraged to consider their notification and disclosure obligations carefully as a failure to make any required notification to the Company may result in disenfranchisement pursuant to the Articles.

5 Articles of Association

- 5.1 Section 31 of the Companies Act provides that the objects of a company are unrestricted unless any restrictions are set out in its articles of association. The Articles contain no restriction on the objects of the Company.
- 5.2 By resolution passed on 19 August 2019, new articles of association of the Company were adopted, such adoption to be conditional on Admission (the "**Articles**"). The Articles contain, (*inter alia*), provisions to the following effect:

(a) Board of Directors

Unless otherwise determined by the Board, the number of directors of the Company shall be not less than two.

The directors may be paid all travelling, hotel and other expenses as they may incur in connection with their attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any director, employee or former employee who has held but no longer holds any office or employment with the Company or with any body corporate which is or has been a subsidiary undertaking or a predecessor in business of the Company or of any subsidiary undertaking, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit. The power conferred by the Companies Act to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries, in connection with the cessation or the transfer to any person of the whole or party of the undertaking of the Company or any subsidiary shall be exercised by the Board.

All directors must retire at the first annual general meeting. At every subsequent annual general meeting directors appointed since the last AGM or who were not appointed at one of the two preceding AGM's will retire and may offer themselves for reappointment. Any director may be removed from office by ordinary resolution of the Company of which special notice has been given in accordance with section 312 of the Companies Act. The directors are not subject to a mandatory retirement age.

(b) Voting

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote, and on a poll every member shall have one vote for every share of which he is the holder. Votes may be given personally or by proxy.

(c) Dividends

Subject to the Companies Act and as set out in the Articles, the Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. No dividend may be paid otherwise than in accordance with the Companies Act. The Board may at any time declare and pay such interim dividends as appears to be justified by the position of the Company.

Except as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the nominal amount of the shares on which the dividend is paid but no amount paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal amount of the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

(d) Calls

Subject to the terms of allotment, the directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares including any premium and each member shall (subject to being given at least 14 clear days' notice specifying where and when payment is to be made) pay to the Company the specified amount called on his shares. If any sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid. Interest shall be paid at a rate fixed by the terms of allotment of the share or in the notice of the call; or if no rate is fixed, at the appropriate rate per annum from the day appointed for the payment thereof to the time of the actual payment. Directors may at their discretion waive payment of any such interest in whole or in part.

(e) Forfeiture

If a member fails to pay any call or instalment of a call on the day appointed for payment of such call or instalment, the directors may serve a notice on him requiring payment of so much of the amount unpaid together with any interest which may have accrued and any expenses which have been incurred by the Company due to the default. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board determine and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the directors think fit.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding such forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment, but his liability shall cease if and when the Company receives payment in full of the unpaid amount.

A statutory declaration in writing that the declarant is a director or the secretary of the Company, and that the particular share of the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the forfeited share.

(f) Share transfers

The Board may issue shares as certificated or uncertificated shares, subject to any restrictions on transfers described below.

A share held in certificated form may be transferred by an instrument of transfer in any usual form or in any other form which the Board may approve, which shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system. The transferor shall be deemed to remain the holder of the share until the transferee is entered on the register as its holder.

Every member (other than a person who is not entitled to a certificate under the Companies Act) is entitled, on becoming a holder of any shares in certificated form and without payment, to a certificate for all shares of each class held by him in certificated form. If a share certificate is worn out, defaced, lost, destroyed or stolen it may be renewed without fee but on such terms as to evidence and indemnity as the Board requires. In the case of loss, theft, or destruction, the person to whom the new certificate is issued may be required to pay any exceptional out of pocket expenses incidental to the investigation of evidence of loss, theft or destruction and the preparation of an appropriate form of indemnity. Every share certificate is sent at the risk of the person entitled thereto.

The Board may, in the case of shares held in certificated form, in its absolute discretion refuse to register the transfer of a share which is not fully paid provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may also refuse to register a transfer of any shares held in certificated form unless the instrument of transfer is:

- (i) duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty, lodged at the transfer office or at such other place as the Board may appoint and (save in the case of a transfer by a person to whom no certificate was issued in respect of the shares in question) accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do;
- (ii) in respect of only one class of shares; and

(iii) in favour of not more than four transferees.

If the Board refuses to register a transfer of shares held in certificated form, it shall (except in the case of suspected fraud) as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal together with its reasons for the refusal.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share or for making any entry in the Register affecting the title to any share.

The Company shall be entitled to retain any instrument of transfer which is registered, but (except in the case of suspected fraud) any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

For all purposes of the Articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the Board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders or if the shares are transmitted by operation of law, the persons entitled by transmission, shall be the only persons recognised by the Company as having any title to his interest; but nothing contained in the Articles shall release the estate of a deceased member from any liability in respect of any share which had been held (whether solely or jointly) by him.

(g) Variation of class rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of the shares in issue may from time to time be varied or abrogated, whether or not the Company is being wound up, in such manner (if any) as may be provided by such rights either with the consent in writing of the holders of at least 75% of the nominal amount of the shares of that class or with the sanction of a special resolution passed at a separate meeting of holders of the issued shares of the class held in accordance with the Articles (but not otherwise).

The special rights conferred on the holders of any shares or class of shares shall, unless otherwise provided by the Articles or the terms of issue of the shares concerned, not be deemed to be varied by a reduction of capital paid up on those shares or by the variation by the creation or issue of further shares ranking *pari passu* with them or in priority to them.

(h) General meetings

An annual general meeting shall be held at such time and place as the Board may determine. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the Companies Act, shall forthwith convene a general meeting. If there are not sufficient directors capable of acting to call a general meeting, any director may call a general meeting. If there is no director able to act, any two members may call a general meeting for the purpose of appointing directors.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. A quorum is two members present in person or by proxy and entitled to vote upon the business to be transacted at the meeting.

An annual general meeting shall be called by at least 21 days' clear notice in writing. A meeting of the Company other than an annual general meeting shall be called by at least 14 days' clear notice save for adjourned meetings. The notice shall specify the place, the day and the time of the meeting and the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice for the passing of a special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution. Every member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

The accidental omission to give notice of a meeting, or to send an instrument of proxy or invitation to appoint a proxy as provided by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or instrument of proxy or invitation to appoint a proxy by such a person, shall not invalidate the proceedings at that meeting.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

(i) Disclosure of interests

The Company may give notice to any member or any person appearing to be interested in any shares in accordance with section 793 of the Companies Act (including particulars of the interest (present or past) and the identity of the persons interested in the shares in question).

If the Company has served a disclosure notice on a member or any other person appearing to be interested in shares referred to in the disclosure notice, and the Company has not received the information required in the disclosure notice within 14 days after service of the disclosure notice, the directors may determine that the member holding the specified shares shall be subject to restrictions in respect of those shares (including restrictions as to voting, right to transfer the shares and right to receive dividends).

(j) Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the applicable sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the applicable sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

(k) Borrowing powers

Subject to the provisions of the Act and to the provisions set out in the Articles, the Board may exercise all the powers of the Company to borrow money to guarantee, to indemnify and to mortgage or charge its undertaking, property assets (present or future) and uncalled capital, or any part or parts thereof, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

The aggregate principal amount at any one time outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (exclusive of intra-group borrowings and after deducting cash deposited) shall not at any time without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 2 times the aggregate of:

- (i) the amount paid up (or credited as or deemed to be paid up) on the issued share capital of the Company; and
- (ii) the amount outstanding to the credit of the capital and revenue reserves of the Company and its subsidiaries, whether or not distributable (including any share premium account, capital redemption reserve fund or revaluation reserve and credit or debit balance on any other reserve) after adding thereto or deducting therefrom any balance standing to the credit or debit of the income statement of the Company and its subsidiaries,

all as shown in the relevant balance sheet of the Company and its subsidiaries but after any adjustments, exclusions and deductions as set out in the Articles.

- (iii) the amount outstanding to the credit of the capital and revenue reserves of the Company and its subsidiaries, whether or not distributable (including any share premium account, capital redemption reserve fund or revaluation reserve and credit or debit balance on any other reserve) after adding thereto or deducting therefrom any balance standing to the credit or debit of the income statement of the Company and its subsidiaries,

all as shown in the relevant balance sheet of the Company and its subsidiaries but after any adjustments, exclusions and deductions as set out in the Articles.

(I) Untraceable shareholders

The Company shall be entitled to sell at the best price reasonably obtainable any member's shares or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if:

- for a period of twelve years, no cash dividend payable in respect of the shares has been claimed, no cheque or warrant sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled to the shares at his address on the register or (if different) the last known address given by the member or the person so entitled to which cheques and warrants are to be sent has been paid, each attempt to make a payment in respect of the shares by means of bank transfer or other method for the payment of dividends or other moneys in respect of shares has failed and no communication has been received by the Company from the member or the person so entitled (in his capacity as member or person entitled);
- in such period of twelve years at least three dividends (whether interim or final) have become payable on the shares;
- the Company has at the expiration of the said period of 12 years by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in the Articles is located given notice of its intention to sell such shares; and

during the period of three months following the publication of the said advertisements the Company has received no communication in respect of such share from such member or person entitled.

If at any time during or after the said period of 12 years further shares have been issued in right of those held at the commencement of that period or of any issued in right during that period and, since the date of issue, the requirements of the Articles have been satisfied in respect of such further shares, the Company may also sell the further shares.

To give effect to such a sale the Board may authorise any person to execute an instrument of transfer or otherwise effect the transfer of the shares to be sold. If the shares concerned are in uncertificated form, in accordance with the CREST Regulations, the Company may issue a written notification to the operator requiring conversion of the shares into certificated form. The purchaser shall not be bound to see to the application of the purchase moneys and the title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale. The net proceeds of sale shall belong to the Company which shall be obliged to account to the former member or other person previously entitled to the shares for an amount equal to the net proceeds, which shall be a debt of the Company, and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount. No trust shall be created and no interest shall be payable in respect of the debt, and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments for the benefit of the Company as the Board may from time to time determine.

6 Directors

6.1 The Directors of the Company and their respective functions are set out in Part I of this document.

The Directors currently hold and have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document in addition to their directorships of the Company:

Director	Current directorships and interests in partnerships	Previous directorships and interests in partnerships held in the last five years
John Richards	Brickability Group Limited Brickability Enterprises Investments Limited J R & M Investments Limited Birmingham Moseley Rugby Limited	Ibstock Brick Limited Kevington Building Products Limited Manchester Brick and Precast Ltd Ibstock Bricks (1996) Limited
Alan Jonathan Simpson	Brick Services Limited Brickability Enterprises Holding Limited Brickability Enterprises Investments Limited Brickability Group Limited Brickability Holdings Limited Brick-ability Ltd. Brickability UK Holdings Limited Bricklink (Holdings) Limited Brick-link Limited Brickwise Ltd Brooklands House Property Ltd Brox Road Developments Limited Cook and Simpson Developments Limited CPG Building Supplies Limited Crest Brick Slate & Tile Limited Crest Roofing Limited Crown Roofing (Centres) Limited DSH Flooring Limited Excel Roofing Services Limited F – S Windows Limited Frazer Simpson Limited FSN Doors Limited Hamilton Heating Group Limited HS Heating Supplies Limited LBT Brick & Facades Limited Mcmichael & Simpson Limited Milco Holdings Limited Milton & Simpson Property Partnership Limited Mrajs limited P V H Holdings Limited Plansure Building Products Limited Queensgate Bracknell Ltd Queensgate Kitchen Company Ltd Radiatorsonline.com Ltd Sinclair Simpson Ltd The Bespoke Brick Company Limited The Brick Slip Business Limited The Matching Brick Company Limited The Matching Holding Company Limited	

Director	Current directorships and interests in partnerships	Previous directorships and interests in partnerships held in the last five years
	Towelrads.com Limited Venture projects Limited Brickmongers (Wessex) Limited HNS Property Limited Heatsource Group Limited MRPRM Limited Lusso Cavendish Road LLP	
Stuart John Overend	Brick Services Limited Brickability Enterprises Holding Limited Brickability Enterprises Investments Limited Brickability Group Limited Brick-ability Ltd. Brickability UK Holdings Limited Brick-link Limited Carmunnock Properties Limited CPG Building Supplies Limited Crest Brick Slate & Tile Limited Crest Roofing Limited Crown Roofing Limited European Medicines Limited Excel roofing Services Limited Financewell Limited Frazer Simpson Limited FSN Doors Limited Galen Properties Ltd Great Bear Investments Limited Great Bear Properties Limited Hamilton Heating Group Limited Harrison Advisers Limited Harrison Capital Consultancy Limited Healthcare Pharma Holdings Limited Healthcare Pharma Limited LBT Brick & Facades Limited Medartuum AB Munro Healthcare Group Limited Munro Healthcare Pharma Limited P V H Holdings Limited P2 Healthcare Limited P2-Molteni Pharma Limited Plansure Building Products Limited Radiatorsonline.com Ltd The Bespoke Brick Company Limited The Brick Slip Business Limited The Great Bear Group Limited The Matching Brick Company Limited Towelrads.com Limited Brick Services Limited Oak Hotels LLP	Boho Hotels Limited Europa Medicines Limited Glenalmond Asset Management Limited The International Centre for Financial Regulation Pym Investments Limited Structured House (Barrack st) Limited Structured House (Derrys Cross) Limited Structured House (Edinburgh West) Limited Structured House (Kelvin) Limited Structured House (Merchant Point) Limited Structured House (Scotway) Limited Structured House (Union Street) Limited Structured House Advisors Limited Structured House (Beith St Residential) Limited Structured House Group Limited Structured House Limited Spectre House Limited Vita Student (Beith Street) Limited

Director	Current directorships and interests in partnerships	Previous directorships and interests in partnerships held in the last five years
Clive Stanley Norman	Brickability Group Limited Brickability Enterprises Investments Limited Norman James Limited The Glass Heating Company Limited Queensgate Kitchen Company Ltd Architectural Glass Building Products Limited Clive S Norman and Associates Limited	HNS Property Limited Seves Glass Blocks & Tiles UK Limited FSN Doors Limited Towelrads.com Limited Hamilton Heating Group Limited Queensgate Bracknell Ltd
David Simpson	Pegasus Life Limited Apricot Properties Ltd Magnolia Grove Investments Limited David Simpson Consultancy Limited Osborne Furniture Southern Limited	Sundridge Park Management Company Limited Millgate Homes Limited Millgate Homes UK Limited Millgate Developments Limited Copthorn Holdings Limited
Giles William Kirwan Beale	Kairos Community Trust	Holman Fenwick Willan LLP Reed Smith LLP

6.2 (a) Alan Simpson was appointed as a director of Woods Yard Limited on 25 September 2003. An extraordinary resolution to wind up the business was passed on 24 December 2009 and with a voluntary liquidator appointed on 24 December 2009 to oversee the creditors' voluntary winding up process. Woods Yard Limited was subsequently dissolved on 7 May 2013.

(b) Stuart Overend was appointed a director of The International Centre for Financial Regulation on 16 March 2009. Joint Administrators were appointed to this company on 28 November 2012 following the discovery of potential fraudulent transactions involving one of the other directors of the company. A creditors voluntary liquidation commenced on 28 November 2012. The International Centre for Financial Regulation was dissolved on 5 February 2015.

6.3 Save as set out in paragraph 6.2 above, at the date of this document, none of the Directors:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has been the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director;
- (c) been a director of any company which, while he was a director, or within twelve months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors;
- (d) has been a partner in any partnership which while he was a partner, or within twelve months after he ceased to be a partner, went into any compulsory liquidation, administration or partnership voluntary arrangement or had a receiver appointed to any partnership asset;
- (e) has owned, or been a partner in a partnership which owned that asset or while he was a partner or within twelve months after he ceased to be a partner in the partnership which owned that asset, entering into receivership; or

- (f) has been the subject of any public criticisms and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- (g) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

7 Directors and other Interests

7.1 The interests (within the meaning of sections 820-825 of the Companies Act) of each Director (including the interests of persons connected with them (within the meaning of Section 252 of the Companies Act) which would, if the connected person were a Director be required to be disclosed and the existence of which is known to, or could with reasonable diligence be ascertained by that Director), in the issued share capital of the Company, (all of which save where stated otherwise in the notes below, are beneficial interests) as is expected to be immediately prior to Admission and as will be immediately following Admission, are as follows:

Director	Immediately* prior to Admission		Immediately following Admission	
	Aggregate number of A Ordinary, B Ordinary, C Ordinary, D Ordinary Shares and	Percentage of existing issued A Ordinary, B Ordinary, C Ordinary and D Ordinary and	No. of Ordinary Shares	Percentage of Enlarged Share Capital
John Richards	188,433	3.6%	5,919,733	2.6%
Alan Jonathan Simpson	1,065,420	20.3%	36,595,012	15.9%
Sarah Simpson	507,018	9.7%	13,858,492	6.0%
Clive Stanley Norman	175,560	3.4%	5,567,871	2.4%
Stuart John Overend	82,005	1.6%	2,279,892	1.0%
David Simpson	—	—	—	—
Giles William Kirwan Beale	—	—	—	—

(*includes bonus issue of shares and subscription for shares on 2 August 2019 but excludes (i) bonus issue of shares, conditional on Admission and (ii) Management Subscription conditional on Admission)

7.2 On 2 August 2019 Stuart Overend subscribed for 3,678 D Ordinary Shares of £0.01 and John Richards subscribed for 613 D Ordinary Shares of £0.01 each. Brickability Enterprises Investments Limited provided loans to each of Mr Overend and Mr Richards for the purposes of paying up the subscription price for such shares, as summarised in paragraphs 12.31 and 12.32 of Part IX of this document.

7.3 As part of the Re-organisation and as set out in the table in paragraph 7.4 below:

- (a) certain of the bonus issue of 9,449,664 A Ordinary Shares of £0.01 each, 45,850,336 B Ordinary Shares of £0.01 each, 1,153,005 C Ordinary Shares of £0.01 each and 81,495,057 D Ordinary Shares of £0.01 each referred to in paragraph 3.3(a) of Part IX of this document have been issued to certain of the directors, conditional on Admission, in respect of the A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and D Ordinary Shares held prior to Admission at the rate of 79 new shares for every 3 shares held;
- (b) each of the B Ordinary Shares, C Ordinary Shares and D Ordinary Shares (including those to be issued as part of the bonus issue) were converted into A Ordinary Shares, conditional on Admission; and
- (c) each of the A ordinary shares (including the B ordinary, C ordinary and D ordinary shares to be converted into A ordinary shares), were redesignated as Ordinary Shares, conditional on Admission.

7.4 The following directors and persons connected with the directors have subscribed for an aggregate of 9,050,416 Ordinary Shares as part of the Management Subscription, conditional on Admission, to be paid up by releasing the Company from the liability to repay certain of the Loan Notes in an amount equivalent to the relevant subscription price:

Director	No. of bonus A Ordinary, B Ordinary, C Ordinary and D Ordinary Shares of £0.01 each issued as part of the Reorganisation	No. of new Ordinary Shares issued as part of the Management Subscription	No. of Ordinary Shares immediately following Admission
John Richards	4,962,069	769,231	5,919,733
Alan Jonathan Simpson	28,056,060	7,473,532	36,595,012
Sarah Simpson	13,351,474	—	13,858,492
Clive Stanley Norman	4,623,080	769,231	5,567,871
Stuart John Overend	2,159,465	38,422	2,279,892
David Simpson	—	—	—
Giles William Kirwan Beale	—	—	—

7.5 The following options over Ordinary Shares have been granted to certain of the Directors under the CSOP, such options being exercisable at the price and on the dates or occurrence of events shown below:

Director	No. of A Ordinary Shares*	Date of Grant	Exercise price for Ordinary Shares
Stuart John Overend	2,751	2 August	£10.85

* prior to bonus issue of shares, conversion and re-designation, conditional on Admission and adjustment to options under the scheme rules.

7.6 The following awards have been granted to certain of the Directors under the LTIP conditional on Admission:

Director	No. of Ordinary Shares
Stuart John Overend	528,846

Awards have been granted under the LTIP over an additional 1,568,242 Ordinary Shares to other employees conditional on Admission and it is expected that an award over a further 86,538 Ordinary Shares will be granted after Admission to other employees.

7.7 On 7 September 2016, Alan Simpson became a Limited Partner of Promethean UK Opportunities Fund II, LP as a result of a personal investment at an arm's length basis in accordance with standard personal wealth management practice. There are no other close commercial or other connections between Promethean and Alan Simpson.

7.8 Hamilton Heating Group Limited leases its offices at Bracknell from Queensgate Bracknell Ltd which is owned and controlled on a 50:50 basis by Alan Simpson and Paul Hamilton, being Shareholders of the Company, as disclosed in paragraph 7.1 of this Part IX Hamilton Heating Group Limited incurred rent of approximately £90,000 under the lease for the financial year ended 31 March 2019.

7.9 Crest Brick Slate & Tile Limited leases its offices at Howden from Jaws Investments LLP a limited liability partnership owned and controlled on a 50:50 basis by Simon David Pearson (former director and Shareholder of the Company) and Arnold Bernard Gerardus Van Huet

(former director and Shareholder of the Company). The lease start date was 6 March 2018 and the annual rental is £33,750. Jaws Investments LLP acquired the property from PVH Holdings Limited during the period ended 31 March 2018.

7.10 Save as disclosed in paragraphs 7.1, 7.2, 7.3, 7.4, 7.5, 7.6 and 7.14 of this Part IX:

- none of the Directors has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor has any director any interest in a related financial product referenced to the Ordinary Shares nor does any person connected with the Directors (within the meaning of Section 252 of the Companies Act) have any such interest whether beneficial or non-beneficial; and
- as at the date of this document, no Director has any option over or warrants to subscribe for any shares in the Company.

7.11 Save for the service agreements and letters of appointment referred in paragraph 8 of this Part IX, the Placing Agreement and Lock-in Arrangements referred to in paragraphs 11.1 and 11.2 of this Part IX, the bonus issues referred to in paragraph 7.3 of this Part IX, the proposed Management Subscription referred to in paragraph 7.4 of this Part IX, the grant of options under the CSOP referred to in paragraph 7.5 of this Part IX and the grant of awards under the LTIP referred to in paragraph 7.6 of this Part IX there are no agreements, arrangements or understanding (including compensation agreements) between any of the Directors or Shareholders connected with or dependent upon Admission.

7.12 The interests of the Concert Party (all of which, unless otherwise stated, are beneficial) in the issued share capital at the date of this document and as they are expected to be immediately following Admission or/will be as follows immediately following Admission:

Member of Concert Party	Immediately prior to Admission*			Immediately following Admission	
	No. of Existing Ordinary Shares	Percentage of issued Existing Ordinary Shares	No. of Ordinary Shares subject to CSOP / LTIP	No. of Ordinary Shares	Percentage of Enlarged Share Capital
Alan Simpson	1,065,420	20.3%	—	36,595,012	15.9%
Sarah Simpson	507,018	9.7%	—	13,858,492	6.0%
Simon Mellor	168,735	3.2%	—	4,842,859	2.1%
Calum Currie	121,548	2.3%	—	3,553,081	1.5%
Martin Prosser	112,497	2.1%	—	3,305,687	1.4%
Christopher Gardner	112,497	2.1%	—	3,305,687	1.4%
Alan Virgo	112,497	2.1%	—	3,190,303	1.4%
Christopher Millican	56,259	1.1%	—	1,537,746	0.7%
Clive Norman	175,560	3.4%	—	5,567,871	2.4%
Paul Hamilton	986,076	18.8%	—	30,798,898	13.4%
John Richards	188,433	3.6%	—	5,919,733	2.6%

* includes bonus issue of shares and subscription for shares on 2 August 2019 but excludes (i) bonus issue of shares, conditional on Admission and (ii) Management Subscription conditional upon Admission.

7.13 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

7.14 The interest of the Directors (and persons connected with the Directors) in the Loan Notes is as follows:

Director	Immediately prior to Admission*		
	B Loan Notes (£)	B1 Loan Notes (£)	C1 Loan Notes (£)
John Richards		629,833	249,982
Alan Jonathan Simpson	2,980,783	3,413,192	
Sarah Simpson		1,407,258	415,067
Clive Stanley Norman		629,833	249,982
Stuart John Overend		24,974	
David Simpson	—	—	—
Giles Beale	—	—	—

* Prior to any conversion as part of the Management Subscription

8 Directors' service contracts and remuneration

The services of the Directors are provided to the Group under the following agreements:

8.1 Executive Directors

- (a) Alan Jonathan Simpson is employed as Chief Executive Officer pursuant to the terms of a service agreement with the Company dated 21 August 2019. Mr Simpson's continuous employment commenced on 4 January 1988. The agreement is terminable by either party on not less than 6 months' written notice. Mr A Simpson is paid a basic annual salary of £400,000 and is entitled to receive a bonus of up to 50 per cent of his basic salary in the event that he/the Company achieve certain performance objectives. Mr A Simpson also receives a car allowance and private medical insurance. Mr A Simpson is subject to certain non-competition and non-solicitation covenants for a period of 12 months following termination of his employment. No benefits are provided on termination of employment. The agreement is governed by English Law.
- (b) Stuart John Overend is employed as Chief Financial Officer pursuant to the terms of a service agreement with the Company dated 21 August 2019. Mr Overend's continuous employment commenced on 1 April 2019. The agreement is terminable by either party on not less than 6 months' written notice. Mr Overend is paid a basic annual salary of £275,000 and is entitled to receive a bonus of up to 50 per cent of his basic salary in the event that he/the Company achieve certain performance objectives. In addition, he is entitled to further grants under the LTIP and receives a contribution of 10 per cent of his basic salary to a personal pension plan. Mr Overend is subject to certain non-competition and non-solicitation covenants for a period of 12 months following termination of his employment. No benefits are provided on termination of employment. The agreement is governed by English Law.

8.2 Non-Executive Directors

- (a) John Richards is appointed as Non-Executive Chairman and has entered into a non-executive director letter of appointment with the Company dated 21 August 2019. The appointment letter shall continue until terminated by either party on the giving of 3 months' written notice. The fees payable to Mr Richards under the appointment letter (being £75,000 per annum) are payable monthly in arrears. The appointment letter provides for early termination, *inter alia*, in the event of a material breach by Mr Richards of his obligations. The Company has not granted any benefits on termination of appointment.
- (b) Clive Stanley Norman is appointed as a non-executive director and has entered into a non-executive director letter of appointment with the Company dated 21 August 2019. The appointment letter shall continue until terminated by either party on the giving of 3 months' written notice. The fees payable to Mr Norman under the appointment letter (being £50,000 per annum) are payable monthly in arrears. The appointment letter

provides for early termination, *inter alia*, in the event of a material breach by Mr Norman of his obligations. The Company has not granted any benefits on termination of appointment.

- (c) David Simpson is appointed as a non-executive director. The services of David Simpson are provided through a consultancy arrangement. A consultancy agreement dated 21 August 2019 was entered into among the Company, David Simpson Consultancy Limited and David Simpson. The consultancy agreement shall continue until terminated by any party on the giving of 3 months' written notice. The fees payable to David Simpson Consultancy Limited (being £55,000 per annum) are payable monthly in arrears on delivery of an appropriate invoice. The consultancy agreement provides for early termination, *inter alia*, in the event of a material breach by David Simpson Consultancy Limited or Mr Simpson of their respective obligations. The Company has not granted any benefits on termination of the agreement.
- (d) Giles William Kirwan Beale is appointed as a non-executive director and has entered into a non-executive director letter of appointment with the Company dated 21 August 2019. The appointment letter shall continue until terminated by either party on the giving of 3 months' written notice. The fees payable to Mr Beale under the appointment letter (being £55,000 per annum) are payable monthly in arrears. The appointment letter provides for early termination, *inter alia*, in the event of a material breach by Mr Beale of his obligations. The Company has not granted any benefits on termination of appointment.

Estimate of remuneration

- 8.3 The aggregate remuneration paid and benefits in kind granted to the Directors by the Company or any other Group member in respect of the financial period ended 31 March 2019 was £418,000. The aggregate remuneration payable and benefits in kind to be granted to the Directors by the Company or any other Group member in respect of the financial year ending 31 March 2020 under the arrangements in force as at the date of this document is estimated to be approximately £1,286,000 (assuming bonuses are payable in full).
- 8.4 In addition to the interests of the Directors set out in paragraphs 7.1 and 7.3 above as at 20 August 2019 (being the latest practicable date prior to the publication of this document) in so far as is known to the Company, the following persons will as at the date of this document and immediately following Admission be directly or indirectly interested (within the meaning of Part VI of the Companies Act) to 3 per cent. or more of the issued share capital of the Company;

Shareholder	Immediately prior to Admission*		Immediately following Admission	
	No. of A, B, C, D Ordinary or Ordinary Shares	Percentage of issued A, B, C, D Ordinary and Ordinary Shares	No. of Ordinary Shares	Percentage of Enlarged Share Capital
Promethean UK Opportunities Fund II LP acting by its general partner, 19 Street (GP) Limited	1,060,500	20.2%	28,987,000	12.6%
Alan Jonathan Simpson	1,065,420	20.3%	28,056,060	12.2%
Sarah Simpson	507,018	9.7%	13,351,474	5.8%
Paul Michael Hamilton	998,076	18.8%	26,952,744	11.7%
Arnold Bernard Gerardus Van Huet	354,963	6.8%	9,702,322	4.2%
Liontrust Asset Management plc	—	—	20,769,000	9.0%
Blackrock Investment Management (UK) Limited	—	—	10,583,000	4.6%
Soros FM UK Management LLP	—	—	9,230,000	4.0%

(*assumes issue of bonus shares referred to in paragraph 7.3 of this Part IX and Management Subscription referred to in paragraph 7.4 of this Part IX)

- 8.5 Save as disclosed in this document, there are no persons, so far as the Directors are aware, who will immediately following Admission be interested, directly or indirectly, in three per cent or more of the issued share capital, nor, so far as the Company is aware, are there any persons who at the date of Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 8.6 So far as the Directors are aware there are no arrangements the operation of which may at a later date result in a change of control of the Company.
- 8.7 Save as disclosed in the document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial period or which were effected during any earlier financial period and remains in any respect outstanding or unperformed.
- 8.8 Save as disclosed in the document, there are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any Director.
- 8.9 Neither the Directors nor any substantial shareholders have different voting rights to other holders of the share capital of the Company.

9 Share Option Schemes

- 9.1 On 2 August 2019, the Company adopted the CSOP and on 21 August 2019 the Company adopted the LTIP.
- 9.2 The following is a summary of the rules of the CSOP:

(a) General

The CSOP provides for the grant, to selected employees and full-time directors of the Group, of rights to acquire Ordinary Shares in the Company in the form of: (i) tax-favoured Company share option plan options ("CSOP Options") and; (ii) non-tax favoured options with a market value exercise price. Options are non-transferable and are not pensionable. The operation of the CSOP will be overseen by the Remuneration Committee.

(b) Eligibility

All employees and full-time directors of the Group are eligible to participate at the discretion of the Remuneration Committee, in accordance with the legislation governing CSOPs.

(c) Grant of options

Options may be granted by the Remuneration Committee normally during a period of 42 days starting on the announcement to the London Stock Exchange of the Company's interim or final results. In circumstances deemed exceptional by the Remuneration Committee, options may be granted outside the normal period. Options may not be granted more than ten years after the date of adoption of the CSOP. No consideration is payable for the grant of an option. Options granted under the CSOP are personal to a participant and, except on his death, may not be transferred, assigned or charged.

When granting CSOP Options the Remuneration Committee may specify objective performance targets to be satisfied before those options can be exercised. No performance conditions will apply to the first grant of CSOP Options.

(d) Exercise price

The price at which participants in the CSOP may acquire Ordinary Shares shall not be less than the greater of the nominal value of an Ordinary Share and its market value on the date of grant. The market value is set in accordance with the basis agreed with HMRC Shares and Assets Valuation and will normally be taken as the price for an

Ordinary Share at close of business on the Business Day ending immediately prior to the date of the grant. It is intended the initial grants will be at the value agreed with HMRC Shares and Assets Valuation of £10.85 per share.

(e) Individual limits

No CSOP Option may be granted to a participant which would result in the aggregate exercise price of Ordinary Shares comprised in options (which remain unexercised, and have not lapsed or been cancelled or surrendered) granted to the participant under the CSOP and any other equivalent Schedule 4 company share option plan of the Company or any associated company exceeding £30,000.

In addition, the aggregate market value of Ordinary Shares (as at the date of grant) over which Options may be granted under the CSOP to a participant in any year, and/or under any other option with a market value exercise price granted by the Group (including any EMI Option and/or Market Value Option (see the LTIP below in paragraph 9.2)), shall not normally exceed 200 per cent. of his basic salary. An option may be granted in excess of this limit, but only if the Remuneration Committee considers that exceptional circumstances exist to justify the grant.

(f) Exercise, lapse and exchange of options

Options may normally be exercised in whole or in part during the period between the third and tenth anniversaries of their grant provided any performance conditions specified at the date of grant have been achieved. Options may be satisfied by the issue of Ordinary Shares or the transfer of existing Ordinary Shares. No CSOP Option may be exercised in breach of the AIM Rules for Companies.

Options will normally lapse on cessation of employment. However, exercise is permitted for a limited period following cessation of employment for specified reasons such as redundancy, retirement, ill health, in the event of death or at the discretion of the Remuneration Committee. The proportion of Ordinary Shares over which a CSOP Option may be exercised will, in the case of an Option which is subject to a performance condition, be determined on a pro-rata basis having regard to the time elapsed between the date of grant and the date of cessation of employment and, the extent to which the performance condition has been, or is deemed by the Remuneration Committee, to be achieved at the relevant time.

In the event of an amalgamation, takeover or winding up of the Company, options may be exercised within certain time limits. There are also provisions for the exchange of Options in specified circumstances. CSOP Options will immediately lapse on the tenth anniversary of the date of grant and in the event of the participant's bankruptcy. The proportion of Ordinary Shares over which a CSOP Option may be exercised will on such event, in the case of an Option which is subject to a performance condition, be determined on a pro-rata basis having regard to the extent to which the performance condition has been, or is deemed by the Remuneration Committee, to be achieved at the relevant time.

(g) Limits on the issue of shares

The maximum number of Ordinary Shares in respect of which options may be granted under the Share Option Schemes and any other share incentive arrangement operated by the Company shall not exceed 10 per cent. of the Company's issued share capital in any ten year period.

CSOP Options or other rights to acquire Ordinary Shares which lapse or have been released, and CSOP Options which are satisfied with Ordinary Shares purchased on the market by the trustees of any employee trust the Group might establish, do not count towards this limit.

(h) Adjustments

The number of shares comprised in a CSOP Option and/or exercise price may be adjusted if any capitalisation issue, offer by way of rights or any sub-division, reduction or consolidation of the Company's share capital occurs, provided the legislative requirements are met.

(i) Rights attaching to shares

All Ordinary Shares allotted under the CSOP will rank *pari passu* with all other Ordinary Shares for the time being in issue, save as regards any rights arising by reference to a record date prior to the date of allotment. Application will be made for permission for any such Ordinary Shares to be admitted to trading on AIM.

(j) Amendments

The Remuneration Committee may amend the rules of the CSOP. However, no alteration shall alter adversely the rights attaching to any CSOP Options granted prior to such alteration except with the consent in writing of the participant holding such CSOP Option.

(k) Income tax and national insurance

The participant indemnifies the Company for any income tax liability and primary class I (employee) national insurance liability which arises on the grant to him or exercise by him of an option. The Remuneration Committee shall determine whether any employers' national insurance contributions arising in connection with the exercise of CSOP Options shall be transferred to the participant.

9.3 The following is a summary of the rules of the LTIP:

(a) General

The LTIP provides for the grant, to selected employees and full-time directors of any company within the Group, of rights to acquire Ordinary Shares in the form of (i) options with a nominal value (or nil) exercise price ("Options"); or (ii) conditional rights to acquire Ordinary Shares ("Conditional Awards"), (together the "Awards"). Awards are non-transferable (except on death) and are not pensionable. The operation of the LTIP will be overseen by the Remuneration Committee.

(b) Eligibility

The Remuneration Committee will determine who may participate in the LTIP ("Participants") and this will extend to any employee (including an executive director) of the Company or any other company in the Group.

(c) Grant of Awards

Awards may be granted over newly issued Ordinary Shares, treasury shares or Ordinary Shares purchased in the market. No payment will be required from Participants for the grant of Awards.

Options will normally lapse on the day immediately before the tenth anniversary of the date of grant if they remain unexercised at that date.

Awards under the LTIP may only be granted within the period of 42 days following the adoption of the LTIP by the Board, the announcement of the Company's results for any period, the lifting of any restrictions preventing the grant of Awards or any day on which the Remuneration Committee determines that exceptional circumstances exist.

(d) Individual limits

Awards may not be granted to a Participant under the LTIP over Ordinary Shares with a market value in excess of 200 per cent. of salary in any financial year of the Company.

(e) Performance conditions

The vesting of Awards may be subject to the satisfaction of a performance condition ("Performance Condition"), which will usually be measured over a three year period ("Performance Period") determined by the Remuneration Committee at the time of grant.

It is intended that the following Performance Condition will apply to the initial Awards granted on or shortly following Admission:

EBITDA Target

(i) vesting of 50 per cent. of the Ordinary Shares comprised in the Award (the “**EBITDA Shares**”), will be based on the compound annual growth in adjusted EBITDA over the Performance Period, as follows (“**EBITDA Target**”):

Compound annual growth in adjusted EBITDA over the Performance Period	Vesting of EBITDA Shares
10% or above	100%
Below 6%	Nil

For compound annual growth in adjusted EBITDA between 6 per cent. and 10 per cent., the vesting of the EBITDA Shares will be determined on a *pro rata* straight-line basis.

TSR Target

(ii) vesting of the remaining 50 per cent. of the Ordinary Shares comprised in the Award (the “**TSR Shares**”), will be based on compound annual growth in total shareholder return (“**TSR**”) over the Performance Period, as follows (“**TSR Target**”).

Compound annual growth in TSR over the Performance Period	Proportion of TSR Shares which may be transferred
10% or above	100%
Below 6%	Nil

For compound annual TSR growth between 6 per cent. and 10 per cent., the vesting of the TSR Shares will be determined on a *pro rata* straight-line basis.

The Remuneration Committee may, in appropriate circumstances, vary a Performance Condition, but only if it considers it to be necessary to ensure a fairer measure of performance than the original Performance Condition (as judged at the time of variation), and the amended condition is not materially easier to satisfy than the original Performance Condition was when first set.

(f) **Vesting of Awards and Leavers**

An Award will normally vest three years from the date of grant of the Award (following the Remuneration Committee determining the extent of which any Performance Condition has been satisfied) unless it lapses earlier as set out below.

Cessation of employment before vesting in Good Leaver Circumstances:

Where the Participant ceases to be employed by any member of the Group before the vesting of an Award by reason of ill health, injury, disability, redundancy, a sale of the entity that employs the Participant out of the Group or for any other reason at the Remuneration Committee’s discretion (“**Good Leaver Circumstances**”), a Participant’s unvested Award will normally continue and the Award will vest on the normal vesting date (unless the Remuneration Committee determines that vesting will be at an earlier time).

The Remuneration Committee will decide the extent to which an unvested Award will vest in Good Leaver Circumstances, taking account of: (i) the period of time that has elapsed since date of grant until the date of cessation of employment (unless the Remuneration Committee decide otherwise); and (ii) the extent to which any Performance Condition is satisfied at the end of any Performance Period or, as appropriate, at the date on which the Participant ceases to be employed.

Cessation of employment by Good Leavers after vesting

If the Participant ceases to be employed by any member of the Group in Good Leaver Circumstances after the vesting of an Option, the Participant may exercise the Option (to the extent vested) for a period of six months from the date of cessation of employment. At the end of the six month period, the Award will lapse.

Death of the Participant

In the case of the death of a Participant prior to the normal vesting date, the Award will normally vest as soon as practicable following the date of death unless the Remuneration Committee determines otherwise. The Remuneration Committee will decide the extent to which an unvested Award will vest on death, taking account of: (i) the period of time that has elapsed since the date of grant until the date of death (unless the Remuneration Committee decide otherwise); and (ii) if the Remuneration Committee so determines, the extent to which any performance condition is satisfied at the date of death.

Options will normally be exercisable during a period of twelve months from the date of death. At the end of such twelve month period, the Award shall lapse.

Participants who are Bad Leavers

Awards will lapse immediately where the Participant ceases to be employed by any member of the Group in circumstances other than death or Good Leaver Circumstances.

(g) Corporate events

In the event of a change of control of the Company, unvested Awards will vest to the extent determined by the Remuneration Committee, taking into account (i) the period of time which has elapsed between the date of grant and the relevant event, unless the Remuneration Committee determines otherwise, and (ii) the extent to which any Performance Condition has been satisfied.

Alternatively, the Remuneration Committee may permit or require Awards to be exchanged for equivalent awards which relate to shares in a different company.

(h) Limits on the issue of Ordinary Shares

The number of Ordinary Shares which can be issued under the LTIP together with all of the Company's employees' share schemes will be restricted to 10 per cent. of the Company's issued share capital in any ten year period beginning with the date on which the Ordinary Shares were first admitted to trading on AIM.

Ordinary Shares subject to awards which are released or lapsed without being exercised are excluded for the purposes of this limit.

(i) Malus and clawback

The Remuneration Committee may take such steps as it considers appropriate to reduce the number of Ordinary Shares subject to an Award (to nil if appropriate) and/or impose further conditions (including repayment to the Company the value of Ordinary Shares acquired by a Participant) on the Award in certain circumstances. Such circumstances include, but are not limited to:

- a material misstatement of the Company's audited financial results;
- a serious failure of risk management by the Company, any group member or a relevant business unit; or
- reputational damage to the Company, any group member or a relevant business unit as a result of the Participant's misconduct or otherwise.

(j) Dividend equivalents

The Remuneration Committee may determine that on the vesting or exercise of an Award a Participant shall receive an amount in cash and/or Ordinary Shares equivalent to the value of some or all of the dividends that would have been paid on the vested shares between the date of grant of the Award and the date of vesting.

(k) Rights attaching to Ordinary Shares

All Ordinary Shares issued or transferred under the LTIP will rank *pari passu* with all other Ordinary Shares of the Company for the time being in issue (save as regards any rights attaching to such Ordinary Shares by reference to a record date prior to the date of issue or transfer to the Participant).

(l) Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital of the Company, the Board may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an Award and/or the price payable on the exercise of options (where an Award takes the form of a share option).

(m) Amendments to the LTIP

The Remuneration Committee may alter the rules of the LTIP or the terms of any Award in any respect provided that no amendment may adversely affect the rights of the Participants without approval by a majority of those Participants.

(n) Termination

The LTIP will terminate on the tenth anniversary of its adoption, or such earlier time as the Board may determine but the rights of existing participants will not be affected by such termination. In the event of termination, no further Awards will be granted.

The above summaries do not form part of the rules of any of the Share Option Schemes and should not be taken as affecting the interpretation of their detailed terms and conditions.

9.4 Awards under the CSOP and LTIP have been granted to certain directors and employees. The awards granted as at Admission are set out in paragraphs 7.4 and 7.5 of Part IX of this document.

10 Employees

10.1 As at 31 March 2019 the Group employed a total of 225 members of staff. As at 31 March 2018 the Group employed a total of 208 members of staff.

10.2 The breakdown of persons employed by main category of activity was as follows:

Category	Period to 31 March 2017	Period to 31 March 2018	Period to 31 March 2019
Production staff	10	10	12
Distribution staff	10	12	10
Administrative staff	20	23	48
Management staff	8	35	24
Sales staff	57	128	131
Total	105	208	225

10.3 The Group employed nil temporary staff in the financial period ended 31 March 2019.

11 Placing arrangements

Placing Agreement

11.1 A placing agreement dated 22 August 2019 was entered into amongst (1) the Company (2) Stuart Overend, Alan Jonathan Simpson Clive Stanley Norman, Giles Beale, David Simpson and John Richards (as Directors), (3) Simon Mellor, Paul Hamilton, Arnold Van Huet and Simon Pearson (as Senior Managers) and (4) Cenkos pursuant to which Cenkos has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 29 August 2019 (or such later date as the Company and Cenkos may agree in writing, being not later than 8.00 a.m. on 13 September 2019). The Placing Agreement contains customary warranties from the Company and the Directors, in favour of Cenkos in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Group and its business. It also contains certain warranties from the Senior

Managers in relation to matters relating to the division of the business of which they are managing director. In addition, the Company has agreed to indemnify Cenkos in respect of certain liabilities it may incur in respect of the Placing. Cenkos has the right to terminate the Placing Agreement in certain circumstances prior to Admission. The Company has agreed to pay Cenkos a fee of £2,087,201.35 to be satisfied by the Company by the issue of the Broker Consideration Shares.

Lock-in Agreements

11.2 Lock-in and Orderly Market Agreements were entered into on 22 August 2019 by Cenkos and the Company with each of Alan Simpson, John Richards, Stuart Overend, Clive Norman, Paul Hamilton, Simon Mellor, Arnold Van Huet, Sarah Simpson, Calum Currie, Martin Prosser, Christopher Gardner, Alan Virgo, Christopher Millican and Promethean UK Opportunities Fund II LP acting by its general partner 19 Street (GP) Limited (the “**Locked-in Shareholders**”) (“**Lock-In Agreement**”), pursuant to which each of the Locked-In Shareholders has undertaken to the Company and Cenkos, (subject to certain limited exceptions), not to dispose of the Ordinary Shares held by each of them following Admission, at any time prior to the first anniversary of Admission. Each of the Locked-In Shareholders has also undertaken to the Company and Cenkos not to dispose of their Ordinary Shares in the period between the first anniversary and the second anniversary of Admission other than through Cenkos.

Relationship Agreement

11.3 A relationship agreement dated 22 August 2019 was entered into amongst (1) the Company, (2) Cenkos, (3) Alan Jonathan Simpson, (4) Sarah Simpson, (5) Paul Hamilton and (6) Simon Mellor (7) Calum Currie (8) Martin Prosser (9) Christopher Gardner (10) Alan Virgo (11) Christopher Millican (12) Clive Norman and (13) John Richards (the “**Shareholder Group**”) to regulate the relationship between the Shareholder Group and the Company and ensure that the Company is capable of carrying on its business independently of the Shareholder Group. The Relationship Agreement will take effect conditional on Admission and will remain in place for so long as the Shareholder Group, together, hold more than 20 per cent. of the issued share capital of the Company. The Relationship Agreement provides that each member of the Shareholder Group shall, among other things, as far as each is able to do as a Shareholder:

- procure that the Group is managed for the benefit of the Shareholders as a whole and independently of the Shareholder Group;
- procure that all arrangements between any members of the Group and any member of the Shareholder Group be at arm's length and on a commercial basis;
- not take any action that could reasonably be expected to have the effect of preventing the Company from complying with its obligations under the AIM Rules for Companies;
- not to exercise voting rights to vote against any ordinary course resolutions proposed at any annual general meeting or, save with the prior approval of a majority of the independent directors, exercise any voting rights to oppose any duly authorised recommendation of the Board relating to the ordinary course of business of the Company, requisition any general meeting or remove any director;
- procure that the Remuneration Committee, Audit Committee, Nomination Committee and Disclosure Committee be comprised of at least 3 members, a majority of whom (other than the Disclosure Committee) shall be independent;
- procure that the Company will be managed in accordance with the QCA Code.

Nominated Adviser and Broker Letter

11.4 A nominated adviser and broker engagement letter dated 22 August 2019 was entered into between (1) the Company and (2) Cenkos pursuant to which the Company appointed Cenkos to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Cenkos an annual retainer for its services as nominated adviser and broker along with certain out of pocket expenses. The engagement letter will terminate any time after the first anniversary of the date of signing

provided not less than three months' prior written notice is given by either the Company or Cenkos. Cenkos may terminate the engagement letter at any time with notice if the Company commits a material breach of the engagement letter or the AIM Rules for Companies.

12 Material Contracts

In addition to the Placing Agreement, details of which are set out in paragraph 11.1 of Part IX of this document, Lock-in Agreements details of which are set out in paragraph 11.2 of Part IX of this document, the Relationship Agreement, details of which are set out in paragraph 11.3 of Part IX of this document and the Nominated Adviser and Broker Letter, details of which are set out in paragraph 11.4 of Part IX of this document, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or by its subsidiaries during the two years immediately preceding the date of this document and are, or may be, material:

- 12.1 (a) On 6 March 2018, Brickability Enterprises Investments Limited entered into a Senior Term and Revolving Credit Facilities Agreement with, *inter alia*, Lloyds Bank plc and AIB Group (UK) plc (Lloyds) in respect of a term loan facility of £20 million and a revolving credit facility of £20 million to be made available to the Group (Existing Facility). Interest is payable at an aggregate of the margin (being between 2.25 and 3 per cent. per annum in respect of any term loan and any revolving facility loan) and the LIBOR rate (or, in relation to any loan in euro, EURIBOR). The final repayment date is 6 March 2023. All amounts become immediately repayable and undrawn amounts cease to be available for draw down in the event of a flotation or sale of shares or the Company.
- (b) On 6 March 2018 an Intercreditor Agreement was entered into among, *inter alia*, the Company, Brickability Enterprise Investments Limited, Lloyds, the holders of the Loan Notes and persons entitled to receive certain deferred consideration in respect of certain acquisitions by the Group. The intercreditor agreement regulates certain payment of the Group and ranking of the securities of secured creditors, including Lloyds and the holders of the Loan Notes.
- (c) On 18 May 2018 Brickability Enterprises Investments Limited entered into an agreement with Lloyds in respect of a hedging arrangement and interest rate swap in respect of part of the Existing Facilities.
- (d) On 16 May 2019 an Amendment and Restatement Agreement was entered into between Brickability Enterprise Investments Limited and Lloyds. This amendment and restatement agreement made certain adjustments to the Existing Facility as a result of further acquisitions by the Group and amended the Intercreditor Agreement in connection with deferred consideration payable in respect of such acquisitions.
- (e) On 22 August 2019 an Amendment and Restatement Agreement was entered into, conditional on Admission, to revise certain of the terms of the Existing Facility in order to maintain the amount of the revolving facility at its existing level (£20 million) and to replace the term facility (which will be repaid from the proceeds of the Placing) with an accordion option of up to £20 million. The margin has been amended to 2.75 per cent. ratcheting down to 2.25 per cent as leverage decreases). The final repayment date of the facilities will be the fifth anniversary of the date on which the amended facilities agreement becomes effective in accordance with the terms of the Amendment and Restatement Agreement.

A consent has been obtained from Lloyds waiving the requirement to repay the Existing Facility and allowing undrawn amounts to continue to be available in the event of a flotation.

- 12.2 On 6 March 2018, an investment agreement was entered into amongst (1) Promethean UK Opportunities Fund II LP acting by its general partner 19 Street (GP) Limited, (2) Alan Simpson, Simon Mellor, Martin Prosser, Christopher Gardner, Alan Virgo, Calum Currie, Christopher Millican, Clive Norman, Paul Hamilton, Sarah Simpson, Arnold Van Huet and John Richards (as Managers), (3) Brickability UK Holdings Limited, (4) Brickability Enterprise Investments Limited, (5) the Company, and (6) Promethean Investments (the **"2018 Investment Agreement"**). The 2018 Investment Agreement terminated and replaced a

previous investment agreement, save for provisions relating to (amongst others) confidentiality and manager's undertakings. The 2018 Investment Agreement was entered into for the purpose of regulating the relationship between each of its parties in relation to the Company.

- 12.3 Loan note instrument dated 13 September 2016 and amended and restated on 6 March 2018 and issued by Brickability Enterprises Investments Limited relating to the issue of £5,449,500 Series A secured redeemable loan notes 2026. Under the terms of the loan note instrument, the outstanding Series A Loan Notes attract interest at rate of 9.5 per cent. and are redeemable in 2026.
- 12.4 Loan note instrument dated 13 September 2016 and amended and restated on 6 March 2018 issued by Brickability Enterprises Investments Limited relating to the issue of £8,000,000 Series B secured subordinated redeemable loan notes 2026. Under the terms of the loan note instrument, the outstanding Series B Loan Notes attract interest at rate of 9.5 per cent. and are redeemable in 2026.
- 12.5 Loan note instrument dated 6 March 2018 issued by Brickability Enterprises Investments Limited relating to the issue of £15,000,000 Series B1 secured subordinated redeemable loan notes 2026. Under the terms of the loan note instrument, the outstanding Series B1 Loan Notes attract interest at rate of 9.5 per cent. and are redeemable in 2026.
- 12.6 Loan note instrument dated 6 March 2018 and issued by Brickability Enterprises Investments Limited relating to the issue of £6,900,000 Series C1 Rollover Consideration 9.5% unsecured redeemable loan notes (the "**2018 Rollover Loan Notes**"). Under the terms of the loan note instrument, the outstanding 2018 Rollover Loan Notes attract interest at a rate of 9.5% and are redeemable in 2026.
- 12.7 On 6 March 2018 the Company entered into a loan note and share exchange agreement pursuant to which a put and call option was put in place in relation to the transfer of 2018 Rollover Loan Notes to the Company and the issue by the Company of B ordinary Shares of £0.01, C ordinary shares of £1, and D ordinary shares of £0.01 each.
- 12.8 On 6 March 2018 a deed of variation was entered into between Peter Milton, Brickability UK Holdings Limited, and Brickability Enterprises Investments Limited which varied the terms of an option agreement (the "**Option Agreement**") dated 5 May 2016 as previously amended by a deed of variation dated 13 September 2016. The deed varied the payment terms of the Option Agreement and provided that the final payment of £1,000,000 payable pursuant to the option agreement was payable no later than 13 September 2026.
- 12.9 On 6 March 2018 Frazer Simpson Limited, Towelrads.com, FSN Doors Limited, Alan Simpson, and Paul Hamilton entered into a share purchase agreement in relation to the sale of Queensgate Bracknell Ltd. The consideration was payable in full in cash at completion and title and capacity warranties were granted and certain loan obligations of the target company were settled.
- 12.10 On 6 March 2018, a share purchase agreement was entered into amongst (1) Brickability Enterprises Investments Limited and (2) Paul Hamilton, Alan Simpson and Clive Norman for the acquisition of the entire issued share capital and certain loan notes in Hamilton Heating Group Limited. The consideration was paid in cash at completion and the issue of loan notes. The consideration was subject to a completion accounts adjustment for cash and debt and working capital. Customary warranties and a tax covenant were granted.
- 12.11 On 6 March 2018, a share purchase agreement was entered into between (1) Brickability Enterprises Investments Limited and (2) Sarah Simpson for the acquisition of the entire issued share capital of Frazer Simpson Limited. The consideration comprised the issue of loan notes and was subject to a completion accounts adjustment in relation to the cash, debt and working capital position of the target. Customary warranties and a tax covenant were granted.
- 12.12 On 6 March 2018, a share purchase agreement was entered into amongst (1) Brickability Enterprises Investments Limited and (2) Paul Hamilton, Alan Simpson and Clive Norman in connection with the acquisition of the entire issued share capital of FSN Doors Limited. The

consideration was paid in cash at completion and by the issue of loan notes. The consideration was subject to a completion accounts adjustment in relation to the cash, debt and working capital position. Customary warranties and a tax covenant were granted.

12.13 On 6 March 2018, a share purchase agreement was entered into amongst (1) Brickability Enterprises Investments Limited, (2) Arnold van Huet, (3) Simon Pearson, (4) Willemine Duifhuis and (5) Joanne Pearson in relation to the acquisition of the entire issued share capital of P V H Holdings Limited. The consideration was a combination of cash paid at completion, issue of loan notes.

Certain deferred consideration is payable in cash in 3 instalments following the issue of annual accounts following completion, and further deferred consideration will be paid on the basis of achieving certain financial targets. The agreement contained customary warranties and indemnities.

12.14 On 6 March 2018 a share for share exchange agreement was entered into between (1) the Company and (2) Alan Simpson and others. The share exchange pursuant to this agreement resulted in the Company being inserted as the ultimate parent company of the Group. As a result, Brickability Enterprises Holding Limited became a wholly owned subsidiary of the Company.

12.15 On 6 March 2018, a share purchase agreement was entered into between (1) P V H Limited and (2) Clive Peter Evans in relation to the acquisition of the entire issued share capital of Crest Roofing Limited. The consideration was paid in cash at completion with further cash consideration being payable on the third anniversary of completion. Short commercial warranties were granted.

12.16 On 6 March 2018, a share purchase agreement was entered into between (1) P V H Holdings Limited and (2) Paul Anthony Lawson in relation to the acquisition of the entire issued share capital of Crest Brick Slate & Tile Limited. The consideration was paid in cash at completion with further cash consideration being paid on the third anniversary of completion. Short form commercial warranties were granted.

12.17 On 6 March 2018, a share purchase agreement was entered into between (1) Crest Roofing Limited and (2) Michael Patrick Joseph White in relation to the acquisition of the entire issued share capital of Crown Roofing (Centres) Ltd. The majority of the consideration was paid in cash at completion with additional cash consideration being paid on the third anniversary of completion. Short commercial warranties were granted.

12.18 On 6 March 2018, a share purchase agreement was entered into between (1) Crest Roofing Limited and (2) Alan David Cornell in relation to the acquisition of the issued share capital of Excel Roofing Services Limited. The majority of the consideration was paid in cash at completion with additional cash consideration being paid on the third anniversary of completion. Short commercial warranties were granted.

12.19 On 16 November 2018, a share purchase agreement was entered into among (1) Christopher Stuart Davies and Dawn Davies and (2) Brickability Enterprises Investments Limited in relation to the acquisition of CPG Building Supplies Limited and Brickwise Limited. The consideration was a combination of cash paid at completion and the issue of Loan Notes. The Loan Notes are subject to reduction in the event that certain financial targets are not met in the 3 years after completion. Customary warranties and a tax covenant were granted and restriction covenants entered into.

12.20 Loan note instrument dated 16 November 2018 and issued by Brickability Enterprises Investments Limited relating to the issue of £1,500,000 Series C1 9.5% unsecured redeemable loan notes 2026 (the **“Series C1 Loan Notes”**). Under the terms of the loan note instrument, the outstanding Series C1 Loan Notes attract interest at a rate of 9.5% and are redeemable in 2026.

12.21 Loan note instrument dated 16 November 2018 and issued by Brickability Enterprises Investments Limited relating to the issue of £600,000 Series C2 9.5% unsecured redeemable loan notes 2026 (the **“Series C2 Loan Notes”**). Under the terms of the loan note instrument, the outstanding Series C2 Loan Notes attract interest at a rate of 9.5% and are redeemable in 2026.

12.22 On 16 November 2018 the Company entered into a put and call option agreement with Christopher Paul Davies pursuant to which a put and call option was put in place in relation to the transfer of Series C2 Loan Notes to the Company and the issue by the Company of D ordinary shares of £0.01. The put and call options under this agreement were exercised and 1,645 D ordinary shares of £0.01 were issued to Christopher Paul Davies.

12.23 On 1 April 2019, a share purchase agreement was entered into between (1) Alan Simpson, Paul Hamilton, Matthew Davies, Robert Walker and James Robbie and, (2) Hamilton Heating Group Limited in relation to the acquisition of DSH Flooring Limited. The consideration was paid in cash at completion. Certain warranties and a tax covenant were granted.

12.24 On 15 May 2019, a share purchase agreement was entered into among (1) LBT Holdings Limited (2) Martyn Renold Wells, (3) Karen Louise Wells and (4) Brickability UK Holdings Limited in relation to the acquisition of the entire issued share capital of LBT Brick & Facades Limited. The consideration was payable in cash at completion and was subject to a completion accounts net asset and profit adjustment. Customary warranties and a tax covenant were granted and restriction covenants were entered into.

12.25 On 17 May 2019, a share purchase agreement was entered into between (1) Andrew John Wilson and (2) Brickability Enterprises Investments Limited in relation to the acquisitions of the entire issued share capital of The Bespoke Brick Company Limited and The Brick Slip Business Limited. The consideration comprised a combination of initial cash consideration paid at completion plus further cash consideration paid on a deferred basis over 3 years, the issue of equity and the issue of loan notes. The consideration is subject to a completion accounts net asset adjustment. Additional consideration is payable on achievement of certain financial targets. Customary warranties and indemnities, including a tax covenant, were granted and restrictive covenants were entered into. The share purchase agreement also contained obligations to enter into a swap agreement containing put and call options. A swap agreement was entered into between the Company and Andrew John Wilson on 17 May 2019 in relation to, *inter alia*, the issue of shares to Andrew John Wilson and conversion of loan notes. The put and call option under the swap agreement was exercised and 3,704 D ordinary shares of £0.01 each were issued by the Company to Mr Wilson.

12.26 Loan note instrument dated 17 May 2019 and issued by Brickability Enterprises Investments Limited relating to the issue of £960,000 Series D1 9.5% unsecured redeemable loan notes 2026 (the **“Series D1 Loan Notes”**). Under the terms of the loan note instrument, the outstanding Series D1 Loan Notes attract interest at a rate of 9.5% and are redeemable in 2026.

12.27 On 5 July 2019, a share purchase agreement was entered into between (1) Richard David Manthorpe and (2) Brickability UK Holdings Limited in relation to the acquisition of the entire issued share capital of Brickmongers (Wessex) Limited. The consideration comprised a combination of initial cash consideration paid at completion, the issue of loan notes, the issue of equity and additional consideration payable on achievement of certain financial targets. The consideration is subject to a completion accounts net asset adjustment. Customary warranties and indemnities including a tax covenant were granted and restrictive covenants were entered into. The share purchase agreement also contained obligations to enter into swap agreements containing put and call options. Swap agreements were entered into on 5 July 2019 between (i) Brickability Enterprise Investments Limited and Richard David Manthorpe and (ii) the Company and Richard David Manthorpe in relation to, *inter alia*, the issue of shares to Richard David Manthorpe and conversion of loan notes. The put and call options under the swap agreements were exercised and 1,057 D ordinary shares of £0.01 each were issued by the Company to Mr Manthorpe.

12.28 Loan note instrument dated 5 July 2019 and issued by Brickability UK Holdings Limited relating to the issue of £554,000 rollover 9.5% unsecured redeemable loan notes 2026 (the **“Rollover Loan Notes”**). Under the terms of the loan note instrument, the outstanding Rollover Loan Notes attract interest at a rate of 9.5% and are redeemable in 2026.

12.29 Loan note instrument dated 5 July 2019 and issued by Brickability Enterprises Investments Limited relating to the issue of £554,000 Series D2 9.5% unsecured redeemable loan notes 2026 (the “**Series D2 Loan Notes**”). Under the terms of the loan note instrument, the outstanding Series D2 Loan Notes attract interest at a rate of 9.5% and are redeemable in 2026.

12.30 On 21 August 2019, a Deed of Termination was entered into terminating the Investment Agreement referred to in paragraph 12.2 above, conditional on Admission.

12.31 On 2 August 2019 a loan agreement was entered into between Brickability Enterprises Investments Limited and Stuart Overend. A loan has been provided by Brickability Enterprises Investments Limited to Mr Overend in the aggregate amount of £838,584 for the purpose of paying up the subscription price for 3,678 D ordinary shares of £0.01 each in the capital of the Company at a subscription price of £228 per share. The loan is unsecured and interest free and in repayable on the sale of any of the shares held by Mr Overend in the Company.

12.32 On 2 August 2019 a loan agreement was entered into between Brickability Enterprises Investments Limited and John Richards. A loan has been provided by Brickability Enterprises Investments Limited to Mr Richards in the aggregate amount of £139,764 for the purpose of paying up the subscription price for 613 D ordinary shares of £0.01 each in the capital of the Company at a subscription price of £228 per share. The loan is unsecured and interest free and in repayable on the sale of any of the shares held by Mr Richards in the Company.

12.33 On 21 August 2019 Loan Note Exchange Agreement was entered into (i) between the Company and holders of the Loan Notes in respect of the exchange of certain of the Series B Loan Notes referred to in paragraph 12.4 above for equivalent Series B Loan Notes issued by the Company; in respect of the exchange of certain of the Series B1 Loan Notes referred to in paragraph 12.5 above for equivalent Series B1 Loan Notes issued by the Company; in respect of the exchange of certain of the Series C1 Loan Notes referred to in paragraph 12.6 above for equivalent Series C1 Loan Notes issued by the Company; in respect of the exchange of certain of the Series C2 Loan Notes referred to in paragraph 12.21 above for equivalent Series C2 Loan Notes issued by the Company; in respect of the exchange of certain of the Series D2 Loan Notes issued in connection with the acquisition of Brickmongers referred to in paragraph 12.27 above for equivalent Loan Notes issued by the Company and new loan note instruments in respect of substantially each such exchanged Loan Notes were entered into by the Company with such exchange being conditional on Admission. The Company is being released from the obligation to repay an aggregate of £10,607,770 of principal of Loan Notes in connection with the Management Subscription, conditional on Admission.

12.34 On 28 February 2019 Brickability Enterprise Investments Limited entered into an investment agreement with, *inter alia*, Financewell Limited to acquire an interest in 25 per cent. of the share capital of Financewell Limited. The subscription price for the shares is being paid up in 7 monthly instalments which commenced in February 2019 and will complete in August 2019 and are being funded out of the working capital of the Group.

13 Property

The following are the premises owned or occupied by the Group:

Address	Tenure	Nature of Premises
39 Longshot Lane Bracknell Berks RG12 1RL	Leasehold	Warehouse
Queensgate House Cookham Road Bracknell Berks RG12 1RB	Leasehold	Showroom and office (Headquarters of Heating, Plumbing and Joinery division)
Unit 4 Maidenhead Trade Park Maidenhead Berks SL6 2GQ	Freehold	Warehouse
Unit 5 Maidenhead Trade Park Maidenhead Berks SL6 2GQ	Freehold	Warehouse
Unit 1 Amber Business Village Amber Close Tamworth B77 4RP	Freehold	Office
48 Mill Green Road Mitcham CR4 4HY	Freehold	Office
London south east side of Portsmouth Road Send Guildford	Leasehold	Year and warehouse
Broadgate House North Broadgate Lane Horsforth Leeds LS18 4AB	Leasehold	Office
South side of South Road Waterton Cross Bridgend and The Bungalow Cowbridge Road Bridgend	Leasehold	Office and yard (Headquarters of Brick division)
Land at Brindley Road Cardiff	Leasehold	Office and yard
Wellington House Wellington Road Dunston Gateshead NE11 9LJ	Freehold	Office and yard

Address	Tenure	Nature of Premises
Suite F1 Phoenix House Phoenix Crescent Strathclyde Business Park Glasgow	Serviced Office	Serviced Office
Lockes Yard Hartcliffe Way Bedminster Bristol	Leasehold	Yard
Fishponds Yard Knapps Lane Fishponds Trading Estate Bristol	Leasehold	Yard
Marshgate Yard Shrivenham Road Margate Swindon	Leasehold	Yard
Newport Yard Unit E Usk Way Industrial Estate Newport NP20 2DS	Leasehold	Yard
Units A, B, C Porton Business Centre Porton Salisbury	Leasehold	Factory, yard and office
Part of 67 Manchester Road Bolton	Leasehold	Office
Land and Buildings on east side of Mudcar Lane Bury	Leasehold	Office and yard
Unit 6 Brooklands Farm Botley Road Bishops Waltham	Verbal Agreement	Yard and office
Land at north side of Howdenshire Way Howden	Leasehold	Yard
Unit 3 Ash Farm Business Centre Ash lane Basingstoke	Leasehold	Yard and head office (Headquarters of Roofing division)
Unit A Burnt Common Warehouse Surrey GU23 7LN	Leasehold	Warehouse
Frith Farm Frith Lane Wickham PO01 5AW	Leasehold	Warehouse and yard

14 Taxation

14.1 The following statements are intended only as a general guide for certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK tax legislation and, what is understood to be, HMRC practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time, possibly with retroactive effect.

14.2 The Company is at the date of this document resident for tax purposes in the United Kingdom and the following is based on that status.

14.3 This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares. It addresses certain limited aspects of the UK taxation position applicable to Shareholders who are resident and, in the case of individuals, domiciled for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents) and who are absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. This summary does not address the position of certain classes of Shareholders who (together with associates) have a 10 per cent. or greater interest in the Company, or, such as dealers in securities, market makers, brokers, intermediaries, collective investment schemes, pension funds, charities or UK insurance companies or whose shares are held under a self-invested personal pension or an individual savings account or are "employment related securities" as defined in section 421B of the Income Tax (Earnings and Pensions) Act 2003. Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

14.4 *Dividends*

The United Kingdom taxation implications relevant to the receipt of dividends on the Ordinary Shares are as follows:

The Company is not required to withhold tax when paying a dividend. Liability on tax on dividends will depend upon the individual circumstances of the Shareholder.

(a) *UK resident individual Shareholders*

Under current UK tax rules, specific rates of tax apply to dividend income. UK resident individuals are entitled to a nil rate of income tax on the first £2,000 of dividend income in the tax year 2019/2020 (the dividend allowance). Any dividend income received by a UK resident individual Shareholder in respect of the Ordinary Shares in excess of the nil rate band will be subject to income tax at a rate of 7.5 per cent. to the extent that it is within the basic rate band, 32.5 per cent., to the extent that it is within the higher rate band and 38.1 per cent. to the extent that it is within the additional rate band.

For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band (in the absence of the nil rate band exemption) would otherwise have fallen within the basic or higher rate bands will use up those bands respectively and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

(b) *UK resident corporate Shareholders*

Dividends paid on the Ordinary Shares to UK resident corporate shareholders may fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company at 19 per cent. (17 per cent. from 1 April 2020).

Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers to determine whether dividends received will be subject to UK corporation tax.

(c) *Other Shareholders*

The annual tax free dividend allowance of £2,000 available to individuals will not be available to UK resident trustees of a discretionary trust. UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 7.5 per cent. of total trust income if below £1,000, or otherwise at 38.1 per cent., which mirrors the dividend additional rate.

No tax credit will be attached to any dividend paid by the Company. A Shareholder resident outside the United Kingdom may also be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the United Kingdom for tax purposes should consult its, his or her own tax adviser concerning its, his or her tax position on dividends received from the Company.

14.5 *Disposal of Ordinary Shares acquired under the Placing*

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

For such individual Shareholders, any chargeable gain on their disposal of Ordinary Shares will be subject to capital gains tax at 10 per cent. to the extent it is within the basic rate band and 20 per cent to the extent it is within the higher or additional rate bands. No indexation allowance will be available to such Shareholders but they may be entitled to an annual exemption from capital gains to the extent this has not been used against other gains, and any other tax reliefs available such as existing capital losses.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount will be charged at a flat rate of 20 per cent.

For such corporate Shareholders, any chargeable gain will be subject to corporation tax. No indexation allowance will be available to reduce any chargeable gain arising on disposal of the Ordinary Shares.

Corporation tax is charged on chargeable gains at the rate applicable to that company at the date of disposal. Such tax would be applied at one of the relevant corporation tax rates already stated above depending on the timing of the disposal.

Shareholders who are not resident in the United Kingdom will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Ordinary Shares unless they are carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who acquires shares whilst resident for tax purposes in the United Kingdom but subsequently ceases to be so resident or is subsequently treated as resident outside the United Kingdom for the purposes of a double tax treaty for a period of five years or less and who disposes of all or part of his or her Ordinary Shares during that period may be liable to capital gains tax on his or her return to the United Kingdom, subject to any available exemptions or reliefs.

14.6 **Tax reliefs**

Entrepreneurs' relief may be available to reduce the capital gain liable to tax on a disposal of Ordinary Shares by a Shareholder who is an officer or employee of the Company and who meets certain other conditions, including holding at least 5 per cent. of the ordinary share capital, voting power and economic interest in the Company. A holding in the Ordinary Shares of the Company may qualify for other reliefs. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time.

Stamp duty and Stamp Duty Reserve Tax

- 14.7 No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Placing Shares.
- 14.8 Neither UK stamp duty nor SDRT should arise on transfers of Ordinary Shares on AIM (including instruments transferring Shares and agreements to transfer Ordinary Shares) based on the following assumptions:
 - (a) the Shares are admitted to trading on AIM, but are not listed on any market (with the term "listed" being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
 - (b) AIM continues to be accepted as a "recognised growth market" (as construed in accordance with section 99A of the Finance Act 1986). In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances, at the rate of 0.5 per cent. of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5).

Inheritance Tax

- 14.9 Individual and trustee Shareholders domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("IHT") on the value of any Ordinary Shares held by them. Under current law, the primary occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder (which will also be brought into account when calculating the IHT on the death of the Shareholder), and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.
- 14.10 However, a relief from IHT known as business property relief ("BPR") may apply to ordinary shares in trading companies subject to conditions being met, including over the holding period of qualifying business assets. Shares may qualify for BPR notwithstanding that they will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes which means that there will be no IHT to pay.
- 14.11 Shareholders should consult an appropriate professional adviser if they intend to make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements. They should also seek professional advice in a situation where there is a potential for a double charge to UK IHT and an equivalent tax in another country.

14.12 **AIM**

Companies whose shares trade on AIM are deemed unlisted for the purposes of certain areas of UK taxation. Following Admission, subject to meeting specific conditions, Shares held by individuals may qualify for more generous exemptions from inheritance tax on death or in relation to lifetime transfers of those Shares. Shareholders should consult their own professional advisers on whether an investment in an AIM security is suitable for them, or whether the tax benefit referred to above may be available to them.

The comments set out above are intended only as a general guide to the current tax position in the UK at the date of this document. The rates and basis of taxation can change and will be dependent on a Shareholder's personal circumstances.

Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.

15 Working capital

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing and release of liabilities in connection with the Management Subscription, that the Group will have sufficient working capital available to it for its present requirements, that is for at least twelve months from Admission.

16 Litigation and arbitration proceedings

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Group 's financial position or profitability and, so far as the Directors are aware, there are no proceedings pending or threatened against any member of the Group.

17 Significant change

There has been no significant change in the financial or trading position of the Group since 31 March 2019, being the end of the last financial period for which audited financial information has been produced, as set out in Section B of Part IV of this document.

18 General

- 18.1 The total costs and expenses relating to the Placing and Admission, payable by the Company, are estimated to amount to approximately £3 million (excluding VAT).
- 18.2 The total net proceeds of the Placing will be £43.1 million (after expenses).
- 18.3 The Ordinary Shares are not currently admitted to dealings on a recognised investment exchange and, other than the Company's application for Admission, no applications for such admission have been made.
- 18.4 Cenkos has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 18.5 BDO, a firm of chartered accountants registered with the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to the inclusion of its reports set out in Section A of each of Parts IV, V, VI and VII of this document in the form and context in which they are included and has accepted responsibility for its reports for the purposes of the AIM Rules.
- 18.6 Except for fees payable to the professional advisers whose names are set out in Part I of this document, the subscription for 4,291 D Ordinary Shares of £1 each to certain of the directors, referred to in paragraph 7.2 of Part IX of this document, loans to directors referred to in paragraphs 12.31 and 12.32 of Part IX of this document, bonus issue of shares referred to in paragraphs 3.3(a), 7.3(a), and 7.4 of Part IX of this document, the Management Subscriptions referred to in paragraphs 3.3(b) and 7.4 of Part IX of this document, the issue of the Broker Consideration Shares, the allotment of 1,057 D Ordinary Shares of £0.01 each to the selling shareholder of Brickmongers (Wessex) Limited in connection with the acquisition of the share capital of Brickmongers (Wessex) Limited by Brickability UK Holdings Limited referred to in paragraph 12.27 of Part IX of this document, the allotment of 3,704 D Ordinary Shares of £0.01 each to the selling shareholder of The Bespoke Brick Company Limited and The Brick Slip Business Limited in connection with the acquisition of the share capital of Bespoke Brick and Brick Slip Business Limited by Brickability Enterprise Investments Limited referred to in paragraph 12.25 of Part IX of this document, related party rent payments referred to in paragraphs 7.8 and 7.9 of Part IX of this document, payment to other professional advisors and trade suppliers or otherwise disclosed in this document, no

person has received, directly or indirectly, from the Company or any member of the Group within the twelve months preceding the date of application for Admission, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company or any Group Member on or after Admission any of the following:

- (a) fees totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more as at the date of Admission.

18.7 Save as disclosed in this document, there are no investments in progress, and there are no future investments on which the Directors have already made firm commitments, which are significant to the Group.

18.8 Save as disclosed in this document, there have been no related party transactions entered into by the Company prior to the date of this document.

18.9 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

18.10 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

18.11 No public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation up to the date of this document.

18.12 The current accounting reference period of the Company will end on 31 March 2020.

18.13 The financial information contained in Parts IV, V, VI and VII of this document does not constitute statutory accounts within the meaning of Section 434 of the Companies Act. The independent auditor for each of the periods ended 31 March 2017, 31 March 2018 and 31 March 2019 was Kilsby & Williams LLP Chartered Accountants of Cedar House, Hazell Drive, Newport NP10 8FY. A copy of the statutory accounts for each of (i) the Company for the period ended 31 March 2018 and the year ended 31 March 2019; (ii) Brickability UK Holdings Limited for the years ended 31 March 2017 and 31 March 2018; (iii) PVH Holdings Limited for the years ended 31 May 2017, 31 March 2018 and the period ended 31 March 2019; (iv) Hamilton Heating Group Limited for the years ended 31 December 2016 and 31 December 2017 and the three months ended 31 March 2019 have been delivered to the Registrar of Companies in England and Wales.

19 Availability of Admission Document

Copies of this document will be available to the public on the Company's website at www.brickabilitygroupplc.com. The information on the Company's website does not form part of this document.

22 August 2019

