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Polypipe Group PLC
13 August 2019

Polypipe Group plc

Interim financial statements for the six months ended 30 June 2019

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Interim results for the six months ended 30 June 2019

Strong first half performance

Polypipe Group plc ("Polypipe", the "Company" or the "Group"), a leading provider of sustainable water and climate management solutions for the built environment, today announces its unaudited interim results for the six months ended 30 June 2019.

Financial Results

	2019[4]	2018	Change
Statutory Measures			
Revenue	£223.3m	£210.2m	6.2%
Operating Profit	£35.2m	£33.5m	5.1%
Profit before tax	£31.4m	£30.1m	4.3%
Earnings per share (basic)	12.9p	12.4p	4.0%

Cash generated from operations	£21.7m	£22.3m	-2.7%
Dividends per share (pence)	4.0p	3.7p	8.1%
Alternative Performance Measures[1]			
Underlying operating profit	£39.3m	£36.3m	8.3%
Underlying operating margin	17.6%	17.3%	30bps
Underlying profit before tax	£35.6m	£32.9m	8.2%
Underlying earnings per share (basic)	14.7p	13.5p	8.9%
Leverage (times pro forma EBITDA[2])	1.8	1.7	0.1

Financial Highlights

- Revenue 6.2% higher at £223.3m with strong contribution from recent acquisitions
- Underlying operating profit 8.3% higher at £39.3m
- Continued focus on returns with underlying operating margin 30 basis points higher at 17.6%
- Underlying basic earnings per share 8.9% higher at 14.7 pence
- Cash generated at £21.7m reflecting the normal first half increase in working capital
- Net debt[3] of 1.8 times pro forma EBITDA[2] in line with expectations
- Interim dividend increased 8.1% to 4.0 pence per share

Operational Highlights

- Residential Systems revenue growth of 8.4%, with a strong contribution from Manthorpe
- Commercial and Infrastructure Systems revenue 3.4% higher despite challenging markets
- Integration of 2018 acquisitions progressing well
- Resolution of H2 2018 operating inefficiencies and selective cost reductions implemented
- Product launches in both Residential Systems and Commercial and Infrastructure Systems continue to exploit strategic growth drivers

Martin Payne, Chief Executive Officer, commented

"The business has performed well in the first half with good revenue growth and improved margins through selective cost reductions and acquisitions. The medium-term fundamentals of our markets remain strong. Whilst we are mindful of current political and economic uncertainty, management continues to focus on self-help measures and together with an encouraging start to the second half, the Board's profit expectations for the year remain unchanged."

[1] Underlying profit and earnings measures are from continuing operations and exclude certain non-underlying items (see note 6) and where relevant, the tax effect of these items. The Directors consider that these measures provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.

[2] Pro forma EBITDA is defined as underlying operating profit before depreciation for the twelve months preceding the balance sheet date,
excluding operating profit before depreciation from discontinued operations, adjusted where relevant to include a full year of EBITDA from acquisitions made during those twelve months.

[3] Net debt is defined as loans and borrowings net of unamortised issue costs less cash excluding the effects of IFRS16.

[4] The results for the six months ended 30 June 2019 have been prepared in accordance with IFRS16. As we have adopted the simplified
approach on transition, we have not restated prior year comparatives.

[5] Leverage is defined as Net Debt divided by pro forma EBITDA.

For further information please contact:

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Brunswick	44 (0) 20 7404 5959
Nina Coad	
Sophia Lazarus	

A copy of this report will be available on our website www.polypipe.com today from 0700hrs (BST).

An analyst and investor presentation will be held today at Brunswick's offices at 16 Lincolns Inn Fields, London, WC2A 3ED at 0900hrs (BST) with registration from 0830hrs.

For those unable to attend, a live conference call will be available at 0900hrs (BST).

UK Freephone Dial-In Number	0800 376 7922
Standard International Dial-In number	44 (0) 2071 928000
Conference ID	7082278

Access to the slide presentation during this live event is available at: *this link*.

Notes to Editors:

Polypipe Group plc ("Polypipe", the "Company" or the "Group"), a leading provider of sustainable water and climate management solutions for the built environment, is the largest manufacturer in the UK, and among the ten largest manufacturers in Europe, of plastic piping systems for the residential, commercial, civils and infrastructure sectors by revenue. It is also a leading designer and manufacturer of energy efficient ventilation systems in the UK.

The Group operates from 18 facilities in total, and with over 20,000 product lines, manufactures the UK's widest range of plastic piping systems for heating, plumbing, drainage and ventilation. The Group primarily targets the UK and European building and construction markets with a presence in Italy, the Netherlands and the Middle East and sales to specific niches in the rest of the world.

Group Results

Revenue from continuing operations for the six months ended 30 June 2019 was 6.2% higher than the prior year at £223.3m (2018: £210.2m). On a like-for-like basis excluding the impact of acquisitions, revenue was 1.0% higher. This result was after the effects of the pull forward of some demand into the fourth quarter of 2018 ahead of an early 2019 price increase, and some further merchant destocking towards the end of the period. Our underlying performance is driven by our focus on our strategic pillars of growth of legacy material substitution, exploiting the continuing legislative tailwinds in water management and carbon efficiency, as well as providing our customers with a "one stop shop" product range.

Underlying operating profit was 8.3% higher than the prior year at £39.3m (2018: £36.3m). This represents an underlying operating margin of 17.6% (2018: 17.3%) with the dilutive effects of price increases to recover inflation being more than offset by cost improvement initiatives undertaken progressively through the period and the accretive effect of acquisitions.

Finance costs of £3.8m (2018: £3.4m) were driven by higher borrowing levels following the acquisitions of late 2018, partly mitigated by lower interest rates from the refinanced revolving credit facility.

Non-underlying operating costs of £4.2m are driven by amortisation of intangible assets arising from acquisitions, including the acquisition of Manthorpe and Permavoid in 2018.

The total tax charge for the period was £5.7m (2018: £5.5m). The underlying tax charge of £6.3m (2018: £6.0m) represents an effective underlying tax rate of 17.7% (2018: 15.6%).

Underlying profit after tax was 8.9% higher at £29.3m (2018: £26.9m), with underlying earnings per share 8.9% higher at 14.7 pence (2018: 13.5 pence).

Including non-underlying items, profit after tax from continuing operations was 4.5% higher at £25.7m (2018: £24.6m) with basic earnings per share also 4.0% higher at 12.9 pence (2018: 12.4 pence).

The Board has declared an interim dividend of 4.0 pence per share, an 8.1% increase on the 2018 interim dividend. This dividend will be paid on 20 September 2019 to shareholders on the register at the close of business on 30 August 2019.

Business Review

Revenue from continuing operations	**2019**	2018	Change	Like-for-like Change
	£m	£m	%	%
Residential Systems	**129.0**	119.0	8.4	0.8
Commercial and Infrastructure Systems	**94.3**	91.2	3.4	1.1
Revenue from continuing operations	**223.3**	210.2	6.2	1.0

Underlying operating profit	**2019**		2018		Change
	£m	**%**	£m	%	%
Residential Systems	**26.6**	**20.6**	23.8	20.0	11.8
Commercial and Infrastructure Systems	**12.7**	**13.5**	12.5	13.7	1.6

Underlying operating profit	**39.3**	**17.6**	36.3	17.3	8.3

Further progress has been made in the period despite challenging market conditions, with the strategic initiatives of legacy material substitution and exploiting legislative tailwinds in water and climate management together with providing a "one-stop-shop" for customers in the UK driving growth.

During the period we have continued to focus on integrating our newly acquired businesses of Manthorpe Building Products and Permavoid. The Permavoid integration is now complete and the Manthorpe integration progresses well and is currently on track to be completed by the end of the year. Both businesses are performing in line with expectations.

The Group continues to evaluate further opportunities with its twin track approach to M&A, focussing firstly on providing the "one-stop-shop", by filling product gaps and adjacencies in water and climate management, and secondly looking to leverage its skills, technology and IP across wider geographic markets.

Revenue growth of 6.2% in the period is pleasing, with both Residential Systems and Commercial and Infrastructure Systems recording like-for-like revenue growth. Margin improvement from 17.3% to 17.6% has driven underlying operating profit 8.3% higher, with selective cost reduction measures taken progressively through the period and the accretive effect of acquisitions on margin more than offsetting the dilutive effect of price increases implemented to recover inflation.

An encouraging start to the year saw revenue 8.0% higher for the four months to April 2019, and 3.0% higher on a like-for-like basis, with weaker comparatives due to the adverse weather in 2018 offset partially by the post-price increase destocking following our early 2019 price increase. Performance in May and June was impacted by merchant destocking in the lead up to half year, although the second half of the year has started encouragingly, with merchants rebuilding stock levels ahead of the next EU Withdrawal date of 31 October 2019.

RESIDENTIAL SYSTEMS

Despite continuing political and economic uncertainty, both new house building and Repair, Maintenance, and Improvement (RMI) market activity has been reasonably robust. The CPA summer forecast suggests that both markets will be marginally lower for 2019 with new house starts running marginally below completions and the consumer remaining cautious.

Against this background, revenue in our Residential Systems segment, which is almost exclusively derived from the UK market, was 8.4% higher than the prior year at £129.0m (2018: £119.0m). The key driver of growth has been the acquisition of Manthorpe on 25 October 2018, which continues to perform in line with expectations. Like-for-like revenue growth at 0.8% for the period is a creditable performance given market conditions particularly towards the end of the period. With price increases of approximately 3% in the period, this represents a volume decline of 2.2% on a like-for-like basis, with the weaker comparables being more than offset by merchant destocking in the period.

In January we commissioned the fourth high output multilayer extrusion line at our Broomhouse Lane plant for the manufacture of 110mm and 160mm PVC pipe with a recycled core, underpinning our commitment to increasing the recycled content of our products and reinforcing our ESG credentials. Towards the end of the period, we also completed the investment in developing land for additional storage at our Broomhouse Lane facility. Both of these projects are helping to resolve the capacity constraints encountered in the second half of 2018.

Our innovative product design has gained industry recognition in the period. Manthorpe was successful at the 2019 Housebuilder Product Awards, winning the category for 'Best Building Fabric Product' with their innovative

Dual Extended Telescopic Underfloor Vent. In ventilation, Nuaire has won the prestigious H&V News award for Air Movement Product of the Year, recognising its efforts in developing the innovative Noxmaster air filtration system. The product was praised by the judges for the attention paid to indoor air quality and to the testing and validation of the unit.

Residential Systems delivered an underlying operating profit 11.8% higher than the prior year at £26.6m (2018: £23.8m) representing a 20.6% margin (2018: 20.0%) with cost reduction activities in the period, notably the resolution in the second quarter of logistics inefficiencies encountered towards the end of 2018 at our Broomhouse Lane plant, and the accretive effect of acquisitions on margins more than offsetting the dilutive effect of price increases.

COMMERCIAL AND INFRASTRUCTURE SYSTEMS

UK Commercial and Infrastructure markets have been challenging in the period. Whilst the number of registered projects remains reasonably buoyant, UK commercial construction activity has been increasingly affected by project delays, particularly in the South East, reflecting the political and economic uncertainty. Roads Infrastructure has performed somewhat better, with smart motorway upgrades gathering pace, and the A14 project now in full flow.

Revenue in our Commercial and Infrastructure Systems segment, approximately 80% of which was generated in the UK market, was 3.4% higher than the prior period at £94.3m (2018: £91.2m), and 1.1% higher on a like for like basis, which was a solid performance. UK revenue was 2.7% higher on a like for like basis, and with a price increase of 3%, implies volumes were broadly flat in the UK, with weaker comparatives being offset by merchant destocking. Overseas revenue was 5.3% lower on a like for like basis, reflecting some challenges in our Middle East markets, particularly in the United Arab Emirates.

Excellent progress has been made on product launches and projects in the period. Our Polystorm range was extended with the launch of the PSM5 "Polystorm Deep" product, to address performance levels in the forthcoming CIRIA 737 Regulations and to improve burial depth performance overall. In June, the world's first fully portable international standard hockey pitch was installed at The Twickenham Stoop ahead of the Pro League matches between Team GB and New Zealand. Laid in under a week, the unique modular pitch system uses Permavoid for both structural support and irrigation management. In March we launched our *'Inspiring Green Urbanisation'* design guide at the Future Build exhibition, showing how our next generation sustainable water management solutions will help re-imagine the urban landscape. Our Fuze range of HDPE electrofusion jointed soil stacks continue to make inroads into the market, on projects such as Essex House in Croydon, the world's tallest prefabricated twin tower with over 540 flats.

Commercial and Infrastructure Systems delivered an underlying operating profit of £12.7m (2018: £12.5m) and represents a 13.5% margin (2018: 13.7%), with selective cost reduction measures partially offsetting the dilutive effects of price increases.

OUTLOOK

The business has performed well in the first half with good revenue growth and improved margins through selective cost reductions and acquisitions.

The medium-term fundamentals in our markets remain as strong as ever. There continues to be a structural housing shortage, the UK continues to experience historically low interest rates, and near full employment is driving real wage growth. The Government's Help to Buy scheme is committed through to 2023 helping drive demand for new housing, and Road Investment Strategy 2 (RIS2) has committed £25.3bn through to 2025 for road building.

Whilst we continue to be mindful of the current political and economic uncertainty, management has taken action on costs progressively through the first half and will continue to benefit from this in the second half. This, together with an encouraging start to the second half, leaves the Board's profit expectations for the year unchanged.

Financial Review

Finance Costs

Net underlying finance costs for the six months ended 30 June 2019 of £3.7m were £0.3m higher than 2018, with lower interest rates partially offsetting higher levels of borrowing supporting the two acquisitions made at the end of 2018. Interest is payable on the Group's revolving credit facility at LIBOR plus an interest rate margin ranging from 0.90% to 2.75% depending on leverage. The interest rate margin at 30 June 2019 was 1.65% (2018: 1.75%).

In order to reduce exposure to future increases in interest rates the Group has entered into an interest rate swap at a fixed rate of 1.735% (excluding margin) with notional amounts hedged ranging from £72.2m to £82.0m over the period of the interest rate swap. Details of the swap are set out in Note 12 to these condensed set of consolidated financial statements.

The unrealised mark to market adjustment on these forward interest rate swaps at 30 June 2019 was £0.9m adverse (31 December 2018: £1.0m adverse). The movement of £0.1m favourable in the period is included in the Group Statement of Comprehensive Income.

Taxation

The Group's tax charge for the six months ended 30 June 2019 was £5.7m (2018: £5.5m). The underlying tax rate (underlying tax: underlying profit) has been provided at the estimated full year rate of 17.7% (2018 full year: 15.6%).

Dividend

Our dividend policy is to pay a minimum of 40% of the Group's annual underlying profit after tax. The Directors intend that the Group will pay the total annual dividend in two tranches, an interim dividend and a final dividend, to be announced at the time of announcement of the interim and preliminary results respectively with the interim dividend being approximately one half of the prior year's final dividend.

Cash Flow and Net Debt

Cash generated from operations during the period amounted to £21.7m (2018: £22.3m). This result includes a working capital outflow of £27.8m (2018: £21.0m). A significant first half working capital outflow is a normal feature of the Group's annual working capital cycle and arises primarily as a result of the timing of rebate settlements. The working capital outflow for the current period is higher than the same period last year as stock levels have been raised somewhat as a mitigation to potential disruptions to our supply chain as a result of the United Kingdom's exit from the European Union.

Capital expenditure of £9.0m (2018: £10.9m) was £0.6m higher than depreciation and in line with management expectations. It is somewhat lower than last year as management reduce spend in anticipation of some of the effects of the UK's exit from the EU.

Net debt (including unamortised debt issue costs but excluding the effects of IFRS16 capitalisation) at 30 June 2019 was £178.5m and is after the final dividend of £15.7m (2018: £14.9m). Leverage at 1.8 times pro forma EBITDA compares to 1.7 times pro forma EBITDA at 30 June 2018 and 1.7 times pro forma EBITDA at 31 December 2018. The Group's working capital cycle means cash generation is significantly stronger in the second half of the year such that leverage will reduce in line with management expectations for the year.

Going Concern

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits. The Group's bank financing facilities consists of a £300m revolving credit facility of which £77.0m was undrawn at 30 June 2019. Cash balances of a further £43.0m as at 30 June 2019 gives total facility headroom of £120.0m.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least twelve months from the date of this report. Accordingly, the Board continues to adopt and consider appropriate the going concern basis in preparing these condensed set of consolidated financial statements.

Principal Risks and Uncertainties

The Board continually assesses and monitors the key risks of the business and Polypipe has developed a risk management framework to identify, report, and manage its principal risks and uncertainties. The principal risks and uncertainties that could have a material impact on the Group's performance and prospects, and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising, have not changed from those which are set out in detail in the principal risks and uncertainties section of our 2018 Annual Report and Accounts.

These principal risks and uncertainties cover raw material prices; business disruption; reliance on key customers; recruitment and retention of key personnel; economic conditions; Government action and policies; Government regulations and standards relating to the manufacture and use of building materials; product liability; information systems; acquisitions; financial risk management (foreign currency exchange risk, credit risk, liquidity risk and interest rate cash flow risk) and the UK departure from the EU ("Brexit").

As there remains continued uncertainty as to the timing and exact form of the UK's exit from the EU, the Group will continue to react proportionately and maintain marginally enhanced stock levels as a mitigation for possible short-term disruptions in its supply chain.

A copy of the 2018 Annual Report and Accounts is available on the Company's website www.polypipe.com.

Forward-Looking Statements

This report contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the Group's control and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this report and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this report should be construed as a profit forecast.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union; and
- The Interim Management Report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

This report was approved by the Board of Directors on 13 August 2019 and is available on the Company's website www.polypipe.com.

The Directors of the Company are:

Ron Marsh	Chairman
Martin Payne	Chief Executive Officer
Glen Sabin	Chief Operating Officer
Paul James	Chief Financial Officer
Paul Dean	Non-executive Director and Senior Independent Director
Mark Hammond	Non-executive Director
Louise Hardy	Non-executive Director
Moni Mannings	Non-executive Director

By order of the Board:

M K Payne	**P A James**
Chief Executive Officer	**Chief Financial Officer**

INTERIM GROUP INCOME STATEMENT

for the six months ended 30 June 2019 (unaudited)

	Notes	**Six months ended 30 June 2019**			Six months ended 30 June 2018		
Continuing operations		**Underlying £m**	**Non-Underlying £m**	**Total £m**	Underlying £m	Non-Underlying £m	Total £m
Revenue	**5**	**223.3**	**-**	**223.3**	210.2	-	210.2
Cost of sales		**(127.9)**	**-**	**(127.9)**	(121.4)	-	(121.4)
Gross profit		**95.4**	**-**	**95.4**	88.8	-	88.8
Selling and distribution costs		**(35.9)**	**-**	**(35.9)**	(34.3)	-	(34.3)
Administration expenses		**(20.2)**	**(0.4)**	**(20.6)**	(18.2)	-	(18.2)
Trading profit		**39.3**	**(0.4)**	**38.9**	36.3	-	36.3
Amortisation of intangible assets		**-**	**(3.7)**	**(3.7)**	-	(2.8)	(2.8)

Operating profit	**5**	**39.3**	**(4.1)**	**35.2**	36.3	(2.8)	33.5
Finance costs	**5, 7**	**(3.7)**	**(0.1)**	**(3.8)**	(3.4)	-	(3.4)
Profit before tax		**35.6**	**(4.2)**	**31.4**	32.9	(2.8)	30.1
Income tax	**3, 8**	**(6.3)**	**0.6**	**(5.7)**	(6.0)	0.5	(5.5)
Profit from continuing operations		**29.3**	**(3.6)**	**25.7**	26.9	(2.3)	24.6
Profit from discontinued operations	**6**	**-**	**-**	**-**	-	0.3	0.3
Profit for the period attributable to the owners of the parent company		**29.3**	**(3.6)**	**25.7**	26.9	(2.0)	24.9
Basic earnings per share (pence)							
From continuing operations	**9**			**12.9**			12.4
From discontinued operations	**9**			**-**			0.1
				12.9			12.5
Diluted earnings per share (pence)							
From continuing operations	**9**			**12.7**			12.3
From discontinued operations	**9**			**-**			0.1
				12.7			12.4
Dividend per share (pence) - interim	**10**			**4.0**			3.7

Non-underlying items are presented separately and are detailed in Note 6.

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2019 (unaudited)

	Six months ended 30	Six months ended 30

	June 2019	June 2018
	£m	£m
Profit for the period attributable to the owners of the parent company	**25.7**	24.9
Other comprehensive income:		
Items which will be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**-**	(0.1)
Recycling of foreign exchange differences to the income statement	-	(0.3)
Effective portion of changes in fair value of interest rate swaps	**0.2**	0.9
Effective portion of changes in fair value of forward foreign currency derivatives	**0.1**	-
Tax relating to items that will be reclassified to the income statement	**(0.1)**	(0.2)
Other comprehensive income for the period net of tax	**0.2**	0.3
Total comprehensive income for the period attributable to the owners of the parent company	**25.9**	25.2

Attributable to the owners of the parent company from:		
Continuing operations	**25.9**	25.3
Discontinued operations	**-**	(0.1)
	25.9	25.2

INTERIM GROUP BALANCE SHEET

at 30 June 2019 (unaudited)

	30 June 2019	30 June 2018 (Restated)	31 December 2018
	£m	£m	£m
Non-current assets			
Property, plant and equipment	**119.0**	101.3	118.4
Right-of-use assets	**12.7**	-	-
Intangible assets	**398.2**	353.7	401.9
Total non-current assets	**529.9**	455.0	520.3
Current assets			
Assets classified as held-for-sale	**-**	0.7	-
Inventories	**61.9**	52.7	58.1
Trade and other receivables	**57.7**	54.8	37.4
Cash and cash equivalents	**43.0**	38.5	46.2

Total current assets	**162.6**	146.7	141.7
Total assets	**692.5**	601.7	662.0
Current liabilities			
Trade and other payables	**(95.4)**	(87.3)	(99.6)
Lease liabilities	**(3.2)**	-	-
Provisions	**-**	(1.0)	-
Contingent consideration	**(1.5)**	-	(1.7)
Derivative financial instruments	**(0.8)**	(1.7)	(1.1)
Income tax payable	**(6.8)**	(7.0)	(6.3)
Total current liabilities	**(107.7)**	(97.0)	(108.7)
Non-current liabilities			
Loans and borrowings	**(221.5)**	(184.3)	(210.4)
Lease liabilities	**(9.5)**	-	-
Contingent consideration	**(0.6)**	-	-
Other liabilities	**(0.7)**	(0.8)	(0.7)
Deferred income tax liabilities	**(9.9)**	(6.5)	(11.0)
Total non-current liabilities	**(242.2)**	(191.6)	(222.1)
Total liabilities	**(349.9)**	(288.6)	(330.8)
Net assets	**342.6**	313.1	331.2
Capital and reserves			
Equity share capital	**0.2**	0.2	0.2
Capital redemption reserve	**1.1**	1.1	1.1
Own shares	**(3.2)**	(3.8)	(3.8)
Hedging reserve	**(0.7)**	(1.4)	(0.9)
Foreign currency retranslation reserve	**0.5**	0.3	0.5
Retained earnings	**344.7**	316.7	334.1
Total equity	**342.6**	313.1	331.2

Trade and other receivables and trade and other payables have been restated at 30 June 2018, with receivables balances of £10.6m reclassified from trade and other payables to better reflect the Group's contractual right to offset.

INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 (unaudited)

	Equity share capital	Capital redemption reserve	Own shares	Hedging reserve	Foreign currency retranslation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m

Six months ended 30 June 2019							
Opening balance	**0.2**	**1.1**	**(3.8)**	**(0.9)**	**0.5**	**334.1**	**331.2**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**25.7**	**25.7**
Other comprehensive income	**-**	**-**	**-**	**0.2**	**-**	**-**	**0.2**
Total comprehensive income for the period	**-**	**-**	**-**	**0.2**	**-**	**25.7**	**25.9**
Dividends paid	-	-	-	-	-	**(15.7)**	**(15.7)**
Share-based payments charge	**-**	**-**	**-**	**-**	**-**	**0.8**	**0.8**
Share-based payments settled	**-**	**-**	**0.6**	**-**	**-**	**(0.6)**	**-**
Deferred tax impact	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Closing balance	**0.2**	**1.1**	**(3.2)**	**(0.7)**	**0.5**	**344.7**	**342.6**
Six months ended 30 June 2018							
Opening balance	0.2	1.1	(4.3)	(2.1)	0.7	306.4	302.0
Profit for the period	-	-	-	-	-	24.9	24.9
Other comprehensive income	-	-	-	0.7	(0.4)	-	0.3
Total comprehensive income for the period	-	-	-	0.7	(0.4)	24.9	25.2
Dividends paid	-	-	-	-	-	(14.9)	(14.9)
Share-based payments charge	-	-	-	-	-	0.5	0.5
Share-based payments settled	-	-	0.5	-	-	(0.2)	0.3
Closing balance	0.2	1.1	(3.8)	(1.4)	0.3	316.7	313.1

INTERIM CASH FLOW STATEMENT

for the six months ended 30 June 2019

	Six months ended 30 June 2019	Six months ended 30 June 2018 (Restated)	Year ended 31 December 2018
	£m	£m	£m
Operating activities			
Profit before tax	**31.4**	30.1	58.2
Finance costs	**3.8**	3.4	7.6
Operating profit	**35.2**	33.5	65.8
Profit before tax from discontinued operations	**-**	0.3	0.3
Non-cash items:			

Profit on disposal of property, plant and equipment	**(0.2)**	(0.2)	(0.3)
Non-underlying items:			
- amortisation of intangible assets	**3.7**	2.8	5.9
- provision for acquisition costs	**0.4**	-	2.2
- loss on disposal of assets classified as held-for-sale	**-**	-	0.1
Depreciation: property plant and equipment	**8.4**	7.9	15.6
Depreciation: right-of-use assets	**1.7**	-	-
Share-based payments	**0.8**	0.5	1.0
Cash items:			
- settlement of restructuring costs	**-**	(1.3)	(2.3)
- settlement of aborted acquisition costs	**-**	(0.2)	(0.2)
- settlement of acquisition costs	**(0.5)**	-	(1.9)
Operating cash flows before movement in working capital	**49.5**	43.3	86.2
Movement in working capital:			
Receivables	**(20.2)**	(25.5)	(2.9)
Payables	**(3.8)**	4.4	10.8
Inventories	**(3.8)**	0.1	(4.1)
Cash generated from operations	**21.7**	22.3	90.0
Income tax paid	**(6.0)**	(4.8)	(11.2)
Net cash flows from operating activities	**15.7**	17.5	78.8
Investing activities			
Acquisition of businesses net of cash at acquisition	**-**	-	(56.1)
Proceeds from disposal of property, plant and equipment	**0.3**	0.2	0.9
Purchase of property, plant and equipment	**(9.0)**	(10.9)	(24.1)
Disposal of subsidiary undertaking net of overdraft divested	**-**	13.8	13.6
Net cash flows from investing activities	**(8.7)**	3.1	(65.7)
Financing activities			
Drawdown of bank loan	**11.0**	-	226.1
Repayment of bank loan	**-**	-	(199.1)
Interest paid	**(3.6)**	(3.2)	(6.1)
Dividends paid	**(15.7)**	(14.9)	(22.3)
Proceeds from exercise of share options	**-**	0.3	0.3
Debt issue costs	**(0.1)**	-	(1.6)
Settlement of lease liabilities	**(1.8)**	-	-
Net cash flows from financing activities	**(10.2)**	(17.8)	(2.7)
Net change in cash and cash equivalents	**(3.2)**	2.8	10.4
Cash and cash equivalents - opening balance	**46.2**	35.7	35.7
Net foreign exchange difference	**-**	-	0.1
Cash and cash equivalents - closing balance	**43.0**	38.5	46.2

The net decrease in cash and cash equivalents in the period from discontinued operations included in the above was £nil (six months ended June 2018: £4.2m decrease).

Trade and other receivables and trade and other payables have been restated at 30 June 2018, with receivables balances of £10.6m reclassified from trade and other payables to better reflect the Group's contractual right to offset.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

1. Basis of preparation

Polypipe Group plc is incorporated in the UK. The condensed set of consolidated financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34, Interim Financial Reporting, as adopted by the European Union.

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. These statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the full Annual Report and Accounts for the year ended 31 December 2018.

The comparative figures for the financial year ended 31 December 2018, where reported, are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The accounting standards and interpretations that have become effective in the current reporting period are as listed below.

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertain Tax Treatments	1 January 2019

The condensed set of consolidated financial statements are prepared on a going concern basis. This is considered appropriate given that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future.

There have been no related party transactions in the period to 30 June 2019.

Three non-statutory measures have been used in preparing the condensed set of consolidated financial statements:

- Underlying profit and earnings measures exclude certain non-underlying items which are provided in Note 6, and where relevant, the tax effect of these items. The Directors consider that these measures provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.
- Pro forma EBITDA is defined as underlying operating profit before depreciation for the twelve months preceding the balance sheet date, excluding operating profit before depreciation from discontinued operations, adjusted where relevant to include a full year of EBITDA from acquisitions made during those twelve months
- Net debt is defined as loans and borrowings net of amortised issue costs, less cash excluding the effects of IFRS 16.

2. IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	£m
Assets	
Right-of-use assets	14.0
Total assets	***14.0***
Liabilities	
Lease liabilities	14.0
Total liabilities	***14.0***
Total adjustment on equity:	
Retained earnings	-
Non-controlling interests	-
	-

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified its leases as operating leases. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate on the basis that many of the Group's lease liabilities possess similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of £14.0m were recognised and presented separately in the statement of financial position. Additional lease liabilities of £14.0m (included in interest bearing loans and borrowings) were recognised.
- There was no deferred tax impact.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	£m
Operating lease commitments as at 31 December 2018	15.6
Weighted average incremental borrowing rate as at 1 January 2019	2.38%
Discounted operating lease commitments at 1 January 2019	14.0
Lease liabilities as at 1 January 2019	14.0

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets				**Lease liabilities**
	Land and buildings	**Plant and machinery**	**Motor vehicles**	**Total**	
	£m	**£m**	**£m**	**£m**	**£m**
As at 1 January 2019	8.9	4.7	0.4	14.0	(14.0)
Additions	0.0	0.4	0.0	0.4	(0.4)
Depreciation	(0.9)	(0.6)	(0.2)	(1.7)	0.0
Interest expense					(0.1)
Payments					1.8
As at 30 June 2019	8.0	4.5	0.2	12.7	(12.7)

3. Uncertain tax treatments

IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and concluded that any challenge by the tax authorities is unlikely to have a material impact on the Group.

4. Financial risks, estimates, assumptions and judgements

The preparation of the condensed set of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from estimates.

In preparing these condensed set of consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

5. Segment information

The Group has two reporting segments - Residential Systems and Commercial and Infrastructure Systems. The reporting segments are organised based on the nature of the end markets served. There are no significant judgements in aggregating operating segments to arrive at the reporting segments. Inter segment sales are on an arm's length basis in a manner similar to transactions with third parties.

* Underlying operating profit is stated before non-underlying items.

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Continuing operations						
Segmental revenue	**131.6**	**99.3**	**230.9**	121.3	95.0	216.3
Inter segment revenue	**(2.6)**	**(5.0)**	**(7.6)**	(2.3)	(3.8)	(6.1)
Revenue	**129.0**	**94.3**	**223.3**	119.0	91.2	210.2
Underlying operating profit*	**26.6**	**12.7**	**39.3**	23.8	12.5	36.3
Non-underlying items - segmental	**(1.9)**	**(2.2)**	**(4.1)**	(1.1)	(1.7)	(2.8)
Segmental operating profit	**24.7**	**10.5**	**35.2**	22.7	10.8	33.5
Non-underlying items - finance costs			**(0.1)**			-
Finance costs			**(3.7)**			(3.4)
Profit before tax			**31.4**			30.1

Geographical analysis

Revenue by destination:

Continuing operations	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m
UK	**199.7**	187.3
Rest of Europe	**10.9**	8.4
Rest of World	**12.7**	14.5

Total - Group	**223.3**	210.2

6. Non-underlying items

Non-underlying items comprised:

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Amortisation of intangible assets	**(3.7)**	**0.6**	**(3.1)**	(2.8)	0.5	(2.3)
Administration expenses: contingent consideration	**(0.4)**	**-**	**(0.4)**	-	-	-
Finance costs: Unwind of discount on contingent consideration	**(0.1)**	**-**	**(0.1)**	-	-	-
Discontinued operations: profit from discontinued operations	**-**	**-**	**-**	0.3	-	0.3
Total non-underlying items	**(4.2)**	**0.6**	**(3.6)**	(2.5)	0.5	(2.0)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

7. Finance costs

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Interest on bank loan	**3.3**	2.8
Debt issue cost amortisation	**0.1**	0.2
Unwind of discount on lease liabilities	**0.1**	-
Other finance costs	**0.3**	0.4
Finance costs	**3.8**	3.4

8. Income tax

Tax has been provided on the profit before tax excluding discontinued operations, at the estimated effective rate for the full year of 18.2% (full year 2018: 16.2%). Tax on underlying profit before tax was 17.7% (full year 2018: 15.6%).

9. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share amounts are calculated by dividing profit for the period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of potential ordinary shares that would be issued on the conversion of all the dilutive share options into ordinary shares.

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

	Six months	Six months ended

	ended 30 June 2019	30 June 2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**199,068,625**	198,952,752
Effect of dilutive potential ordinary shares	**2,704,760**	2,060,872
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**201,773,385**	201,013,624

	Six months ended 30 June 2019	Six months ended 30 June 2018
Underlying profit for the period attributable to the owners of the parent company (£m)	**29.3**	26.9
Underlying basic earnings per share (pence)	**14.7**	13.5
Underlying diluted earnings per share (pence)	**14.5**	13.4

Underlying earnings per share is based on the result for the period after tax excluding the impact of non-underlying items of £3.6m (2018: £2.3m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

10. Dividends

The Directors have proposed an interim dividend for the current year of £8.0m which equates to 4.0 pence per share.

11. Analysis of net debt

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Cash and cash equivalents	**43.0**	38.5	46.2
Non-current loans and borrowings:			
- Bank loan	**(223.0)**	(185.0)	(212.0)
- Unamortised debt issue costs	**1.5**	0.7	1.6
	(221.5)	(184.3)	(210.4)
Net debt	**(178.5)**	(145.8)	(164.2)

12. Other financial assets and liabilities

Fair values of financial assets and financial liabilities

The book value of trade and other receivables, trade and other payables, cash balances, bank loan and other liabilities equates to fair value.

	Carrying value	**Fair value**
	£m	**£m**
Forward foreign currency derivatives	**-**	**-**
Interest rate swaps	**(0.8)**	**(0.8)**
Interest bearing loans and borrowings due after more than one year	**(221.5)**	**(221.5)**
Contingent consideration	**(2.1)**	**(2.1)**
Total at 30 June 2019	**(224.4)**	**(224.4)**

	Carrying value	Fair value
	£m	£m
Forward foreign currency derivatives	(0.1)	(0.1)
Interest rate swaps	(1.6)	(1.6)
Interest bearing loans and borrowings due after more than one year	(184.3)	(184.3)
Total at 30 June 2018	(186.0)	(186.0)

	Carrying value	Fair value
	£m	£m
Forward foreign currency derivatives	(0.1)	(0.1)
Interest rate swaps	(1.0)	(1.0)
Interest bearing loans and borrowings due after more than one year	(210.4)	(210.4)
Contingent consideration	(1.7)	(1.7)
Total at 31 December 2018	(213.2)	(213.2)

The interest rate on the Group's £300.0m revolving credit facility is variable, being payable at LIBOR plus a margin. To reduce the Group's exposure to future increases in interest rates the Group has entered into an interest rate swap for the following notional amounts, with interest payable at a fixed rate return dependent on the swap at 1.735% (2018: 2.21% and 1.735%) (excluding margin):

Year ended 31 December	**Notional amount - rate of 1.735%**
	£m
2019	**82.0**
To August 2020	**72.2**

The fair value of the interest rate swaps was determined by reference to market values.

Forward foreign currency derivatives fair value was determined using quoted exchange rates.

Contingent consideration was determined using the Directors' assessment of the likelihood that financial targets will be achieved. The fair value of the consideration has been derived by discounting the estimated cash consideration at 10.0% (being the Group's estimated risk adjusted cost of capital). The estimated cash consideration is derived from the budgets and forecasts for Permavoid.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair values disclosed above, with the exception of contingent consideration which is categorised as Level 3, all relate to items categorised as Level 2.

There have been no transfers in any direction between Levels 1, 2 or 3 in the period.

INDEPENDENT REVIEW REPORT TO POLYPIPE GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2019 which comprises the Interim Group Income Statement, the Interim Group Statement of Comprehensive Income, the Interim Group Balance Sheet, the Interim Group Statement of Changes in Equity, the Interim Group Cash Flow Statement and the related Notes 1 to 12. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

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

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

As disclosed in Note 1, the annual consolidated financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union.

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Ernst & Young LLP

Leeds

13 August 2019