To view the annual report online:

polypipe.annualreport2015.com

Polypipe

Annual Report and Accounts
FOR THE YEAR ENDED 31 DECEMBER 2015

Stock Code: PLP

Polypipe

WELCOME TO

Polypipe

WE ARE ONE OF EUROPE'S LARGEST AND MOST INNOVATIVE MANUFACTURERS OF PLASTIC PIPING AND ENERGY-EFFICIENT VENTILATION SYSTEMS FOR THE RESIDENTIAL, COMMERCIAL, CIVILS AND INFRASTRUCTURE SECTORS.

WHAT WE DO

We conceive, design and manufacture a wide range of complex systems to manage water and enable carbon-efficient heating and ventilation for all sectors of the construction industry, around a core offer of plastic pipe and fittings.

OUR PURPOSE

Our primary focus is on developing pragmatic product systems through specific knowledge and deep understanding of our market sectors. We ensure that customers can trust our significant sales and technical expertise to provide value engineered, fit for purpose piping solutions for the growing diversity and complexity of construction and building technology challenges they face.

OUR INVESTMENT PROPOSITION

- Market leadership in the attractive UK construction market
- Significant structural growth opportunities in the plastic piping industry
- Differentiated product range focused on integrated piping solutions
- Successful business model in a market with high barriers to entry
- Strong and resilient financial performance

OUR FINANCIAL HIGHLIGHTS

CONTENTS

REVENUE

↑7.9%

2015	£352.9m
2014	£327.0m

UNDERLYING OPERATING PROFIT

↑17.1%

2015	£54.2m
2014	£46.3m

OPERATING CASHFLOW AFTER CAPEX*

↑15.2%

2015	£55.3m
2014	£48.0m

UNDERLYING EPS

↑20.9%

2015	19.47pps
2014	16.11pps

DIVIDEND PER SHARE

– INTERIM PAID 2.3p
– FINAL PROPOSED 5.5p

* Before non-underlying items.

OUR OPERATIONAL HIGHLIGHTS

- Significant boost to technical capability and presence in the ventilation market through the £144.3m acquisition of Nuaire in August 2015. Nuaire is performing in line with expectations
- Structural growth opportunities driving the business ahead of the overall construction market
- Continuing strong demand from residential new build construction, infrastructure and commercial developments
- Improved export performance underpinned by growing presence in the Middle East
- Capital expenditure increased by 28% to £19.3m to fund growth opportunities

NAVIGATING THE REPORT

Additional information online

Visit us online at **www.polypipe.com**

STRATEGIC REPORT

Polypipe

PICTURED
London cityscape

CHAIRMAN'S INTRODUCTION

OVERVIEW

I am delighted to present the Polypipe 2015 Annual Report following another successful year for the business and all its stakeholders. We have delivered against all the expectations that were generated at the April 2014 IPO. Alan Thomson signed off as anticipated at the 2015 AGM having chaired Polypipe during its prior ownership and transformation into a Public Company with his customary enthusiasm. The Board was therefore reconstituted in the way envisaged at the time of the IPO with myself as Chairman and Paul Dean as SID. We were pleased to be able to deliver an acquisition opportunity in Nuaire that perfectly fitted our strategic aspirations as well as being of an appropriate scale for this stage in the Group's development. Cavendish Square Partners sold all of their residual shareholding (18% of the issued share capital following the IPO) and the Group entered the FTSE 250 Index on 29 January 2016.

Co-incidental with all of the above, our performance continued to outpace the market and we invested heavily in our operations with the acquisitions of Nuaire and Surestop helping to reposition the Group towards its goal of designing and manufacturing more complex systems to meet the needs for sustainable construction.

RESULTS

Business performance throughout 2015 has been very satisfactory with a 7.9% increase in revenues resulting from a good level of organic volume growth complemented by acquisitions. Underlying operating profit margins improved further to a record 15.4%. Underlying earnings per share increased by 20.9% to 19.47p and were supported by continued strong cash generation.

DIVIDEND

Despite significant investment in acquisitions this year we have maintained our dividend policy and I am pleased to recommend a final dividend of 5.5p per share making a total of 7.8p for the year ended 31 December 2015.

STRATEGY

During 2015 the key objectives of the Board were:

- Capitalising upon opportunities to expand the business by selected acquisitions
- Growing our sales in the Middle East region
- Developing new products and engineered systems to serve the needs of our customers
- Implementing an effective succession plan in view of the impending retirement of our CFO

In addition to our ongoing initiatives, in 2016 our attention will be focussed upon:

- Developing our ventilation business while realising synergies in our integration of Nuaire into the Group
- Commencing manufacturing in the Middle East region
- Prioritising selected development and acquisition opportunities, whilst the Group rapidly reduces leverage
- Launching a LTIP for senior managers to align their interests with those of shareholders

PEOPLE

Much of the success of the Company during 2015 should be attributed to the outstanding effort and commitment of our employees. I was particularly impressed with the execution of the Nuaire and Surestop acquisitions and how well the integration of these businesses into the Polypipe Group is being managed. I have also been able to spend time visiting sites and meeting employees including our Nuaire production facility in Caerphilly and our new training centre in Dubai. I believe that Polypipe will provide all our employees with the opportunities for an exciting career and that development of our people will support business growth for the long-term.

During November 2015, we announced the planned retirement of Peter Shepherd as Chief Financial Officer following 10 years service with the Group and the appointment of Martin Payne as his successor. Peter made an exceptional contribution to the Group and we wish him a long and happy retirement.

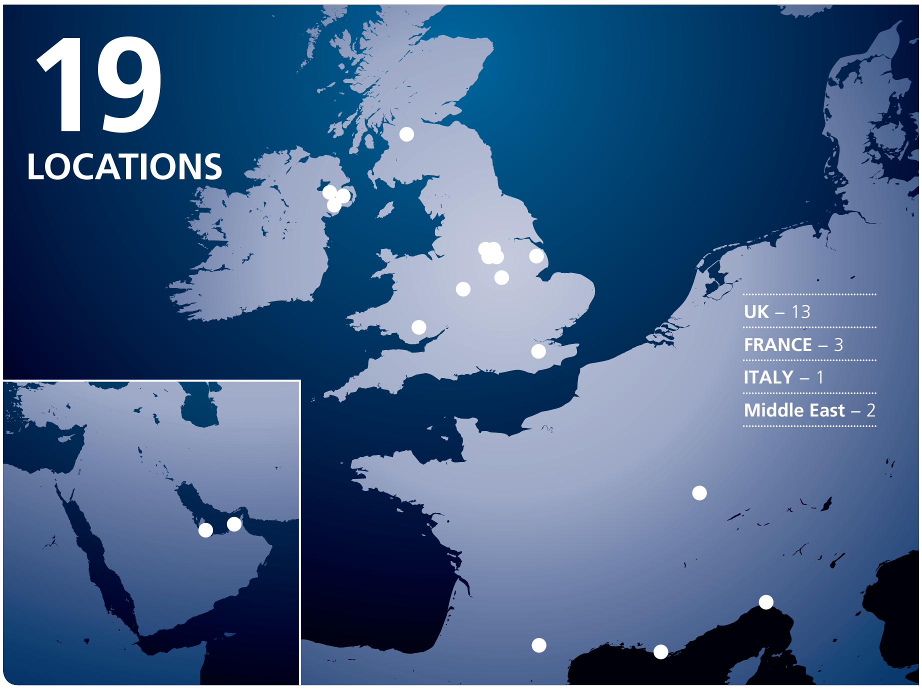
Previously the Group Finance Director at Norcros plc, Martin brings considerable industry experience to the role of Chief Financial Officer. The Board unanimously recommends his election as a director following his appointment in succession to Peter.

SUMMARY

In my first year as Chairman of the Board following the last Annual General Meeting, my impression is that the Group has a committed senior management team, a clear strategy and strong financial performance. Looking ahead, the Group is well positioned to take advantage of the forecast continuing recovery in its main UK market and the structural and legislative drivers for its products. Our recent acquisitions bolster our technical capability and I believe that in 2016 we will deliver further growth as a result of our investment in the areas of ventilation and water management solutions. I look forward to sharing our achievements in my report next year.

Ron Marsh
Chairman

GROUP HISTORY



TIMELINE

OWNERSHIP CHANGES

- **1980** FOUNDED AS A MANUFACTURER OF EXTRUDED AND MOULDED PLASTICS
- **1986** BECOMES FULLY LISTED COMPANY
- **1999** ACQUIRED BY IMI
- **2005** MBO BACKED BY CASTLE HARLAN
- **2007** MBO BACKED BY BOSIF *(NOW CAVENDISH CAPITAL)*
- **2014 – TODAY** LISTING ON LONDON STOCK EXCHANGE

STRATEGIC INITIATIVES

- **1985 – 2004** ACQUISITIONS AIMED AT BROADENING PRODUCT AND MARKET OFFERING; EXPANSION INTO FRANCE AND ITALY; FORMATION OF POLYPIPE CIVILS AND ULSTER BUSINESSES
- **2005 – 2007** FOCUS ON CORE MARKET SECTORS AND GEOGRAPHIES THROUGH STREAMLINING OF ACTIVITIES
- **2008 – 2013** SIGNIFICANT INVESTMENT IN BUSINESS; REBALANCED TO FOCUS ON RESIDENTIAL, INFRASTRUCTURE AND COMMERCIAL SECTORS
- **2014 – TODAY** INCREASED CAPABILITY TO DELIVER SOLUTIONS FOR CARBON EFFICIENCY AND WATER MANAGEMENT

Polypipe

ACQUISITIONS

- **2000** ACQUISITION OF ROBIMATIC
- **2007** ACQUISITION OF TERRAIN COMMERCIAL DRAINAGE BUSINESS
- **2009** ACQUISITION OF MARSHALL-TUFFLEX RAINWATER AND DRAINAGE BUSINESS
- **2010** ACQUISITION OF SILAVENT VENTILATION BUSINESS
- **2014** ACQUISITION OF FERROB VENTILATION BUSINESS
- **2015** ACQUISITION OF SURESTOP SPECIALIST VALVE BUSINESS; ACQUISITION OF NUAIRE VENTILATION BUSINESS

DIVESTMENTS

- **2004 – 2006** CLOSURE AND DIVESTMENT OF NON-CORE BUSINESSES INCLUDING WINDOW PROFILE AND FURNITURE
- **2007** DIVESTMENT OF GERMAN OEM OPERATIONS
- **2008** DIVESTMENT OF SANITARY SYSTEMS

Polypipe

POLYPIPE AT A GLANCE

RESIDENTIAL PIPING SYSTEMS

REVENUE

£182.6m

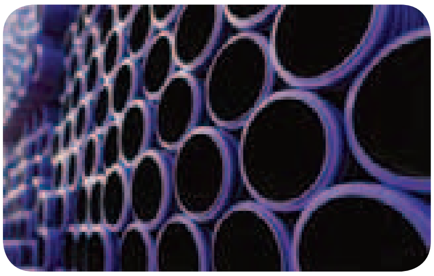
UNDERLYING OPERATING PROFIT

£32.8m

Areas of application

- Above-ground drainage
- Stormwater drainage
- Below-ground drainage systems
- Sewer drain
- Water supply
- Plumbing and heating supply
- Underfloor heating systems
- Ventilation solutions
- Merchandised, pre-packaged components

COMMERCIAL AND INFRASTRUCTURE PIPING SYSTEMS — UK



REVENUE

£131.5m

UNDERLYING OPERATING PROFIT

£20.1m

Areas of application

- Above-ground drainage
- Surface water drainage
- Stormwater drainage
- Land drainage and irrigation
- Sewer drain
- Ducting and conduit
- Pressure systems
- Ventilation solutions

COMMERCIAL AND INFRASTRUCTURE PIPING SYSTEMS — EUROPE

REVENUE

£50.4m

UNDERLYING OPERATING PROFIT

£1.3m

Areas of application

- Electrical ducting and conduit
- Pressure systems and irrigation

Polypipe is one of Europe's largest and most innovative manufacturers of plastic piping systems for the residential, commercial, civils and infrastructure sectors by revenue. The recently acquired Nuaire business is a leading designer and manufacturer of energy efficient ventilation systems for the residential, commercial and industrial sectors in the UK.

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

- Over 20,000 products (widest range in the UK)
- Logistics capability to deliver to over 10,000 delivery points annually
- Fleet of over 300 trailers and 150 tractor units and rigid vehicles
- 195 UK & European product approvals

19
facilities in the UK, France, Italy and the Middle East

2,744
employees in the Group

471
sales, technical support people

LEADING POSITIONS IN THE UK ACROSS KEY SEGMENTS

BUILDING AND INSTALLATION

NO.1

CIVILS AND INFRASTRUCTURE

NO.1

Polypipe

CHIEF EXECUTIVE'S REVIEW

"I AM CONFIDENT THAT THE MARKET FUNDAMENTALS IN OUR MAIN UK MARKET REMAIN POSITIVE AND THAT WE ARE PURSUING A SOUND STRATEGY FOR THE FUTURE DEVELOPMENT OF THE BUSINESS"

Good progress was made during 2015 whilst the Group's focus was to adapt to the changing dynamics in the UK construction market recovery, manage input cost volatility and availability of our prime polymers, and to deliver on our growth initiatives, both organically and through acquisition.

The strength of the recovery in the UK market was considerably more mixed than forecasts had projected. In particular, lack of strength in the recovery of residential repair, maintenance and improvement (RMI) activity became more evident as the year progressed.

The Group has progressively moved towards designing and manufacturing more complex systems that enable a greater level of specification from our customers seeking to meet the needs of sustainable construction. The acquisition of Nuaire in August 2015 is a significant step in that direction, substantially enhancing our technical capability in the increasingly important area of ventilation. Nuaire has an excellent track record and has continued to perform well under our ownership. We have been cautious not to destabilise either the Nuaire business or our existing ventilation business, whilst we undergo a staged integration process. Nuaire's results are allocated between both Residential Piping Systems and Commercial and Infrastructure Piping Systems – UK in line with the market sectors they serve.

Surestop, acquired in January 2015 also performed well and a considered integration programme has enabled an excellent level of sales growth as well as improved manufacturing margins by utilising components and capability from other parts of the Group.

Our immediate focus is on deleveraging following the Nuaire acquisition, and we expect net debt to EBITDA to reduce towards 2 times by the end of the 2016 financial year due to the highly cash generative nature of our business. We have sufficient financial headroom to continue to develop investment opportunities and we continue to seek compelling "bolt on" acquisition opportunities.

Despite a strong downward trajectory in crude oil prices, polymer prices have become disconnected from the primary feedstocks and displayed quite significant volatility during the year. Overall polymer prices were lower than during 2014 and the majority of this has been passed on to customers either in lower prices, discounts or as a result of not having price increases to cover other inflationary effects. Despite some availability concerns resulting from the polymer producers reducing output, the Group was able to source sufficient volumes to meet our customers' demands.

GROUP REVENUE

£352.9m
↑7.9%

UNDERLYING OPERATING PROFIT

£54.2m
↑17.1%

In Residential Piping Systems our products and systems targeted at delivering carbon efficient solutions have performed well, primarily in the new build sector where a higher specification is increasingly required to meet more stringent regulation. We conducted a high profile marketing campaign for underfloor heating, including television advertising fronted by leading interior designer, Kelly Hoppen, who is a brand ambassador for Polypipe. The campaign drove a significant surge in traffic to our website stimulating consumer demand and increasing the number of registered installers.

In Commercial and Infrastructure Piping Systems, Government and legislative focus on flood alleviation continued to drive strong sales growth for our comprehensive range of engineered water management solutions. We delivered a number of significant projects during the year helping to design some innovative SUDS (sustainable urban drainage systems) including the use of our 3m diameter pipe as well as experiencing a steady increase in demand from smaller new build residential sites as they commenced development. During 2015 the Group manufactured solutions for more than 700 different projects to prevent future flooding. Both our Nuaire and our Building Products division were recognized for innovative promotional campaigns by winning marketing industry awards.

We have continued to focus on new product development. During the period several new products were introduced, including an enhanced smartphone app based controls system for underfloor heating, new controls for ventilation, additions to our innovative radial ventilation duct system and a new surface and sub water treatment drainage system. Progressive introduction of new products has enabled the Group to win an increasing number of high profile project specifications and secure further penetration into the sectors of the construction industry that offer opportunities for us to add value.

We are increasing our commitment to customer training. In Doncaster we are strengthening our customer training capability by enhancing our Northern area customer training facility. We formally opened our new customer training centre in Dubai during October 2015 which enables us to train our customers and demonstrate our full capability across a comprehensive range of systems.

Despite cautious sentiment in the Middle East region, the majority of construction activity we are involved with tends to be high profile, state sponsored projects which have continued to attract funding. Following recent years where flood risk has attracted more attention in this area, our efforts to help develop a specification for storm water attenuation with the relevant authorities has led to some promising initial orders which have been delivered from the UK. We are making good progress with our plans to manufacture water management attenuation cells in the Jebel Ali Free Zone in Dubai.

The Group continued to invest in its capability to reprocess plastic packaging. During the year approximately one third of our UK production was based on reprocessed polymer making a considerable contribution to the circular economy with Polypipe one of the largest recyclers of household plastic waste in the UK. Whilst the recent decline in virgin polymer prices has made this less financially attractive than previously, we are still delivering a good return on investment from our plastic waste reprocessing plant and believe our customers regard it as an important factor in their environmentally responsible sourcing strategies.

Polypipe

CHIEF EXECUTIVE'S REVIEW

The following tables set out Group revenue and underlying operating profit by operating segment:

Revenue	2015 £m	2014 £m	Change %
Residential Piping Systems	**182.6**	173.3	5.4
Commercial & Infrastructure Piping Systems – UK	**131.5**	111.1	18.4
Inter segment sales	**(10.2)**	(9.6)	
UK Operations	**303.9**	274.8	10.6
Commercial & Infrastructure Piping Systems – Mainland Europe	**50.4**	53.9	(6.5)
Inter segment sales	**(1.4)**	(1.7)	
Group revenue	**352.9**	327.0	7.9

Operating profit	2015 £m	2014 £m	Change %
Residential Piping Systems	**32.8**	28.4	15.5
Commercial & Infrastructure Piping Systems – UK	**20.1**	17.0	18.2
UK Operations	**52.9**	45.4	16.5
Commercial & Infrastructure Piping Systems – Mainland Europe	**1.3**	0.9	44.4
Group underlying operating profit	**54.2**	46.3	17.1

Residential Piping Systems

Sales to the residential sector were £182.6m all of which were in the UK and Ireland and represented 50% of Group revenues in 2015.

Private residential new build continued to be dominated by the national housebuilders, with activity levels of smaller builders remaining muted. The trend toward more building in the regions and less reliance on London seen in the second half of 2014 carried on through 2015. Public sector housing starts fell 8% during the year being impacted by budgetary concerns around the extension of the 'right to buy' scheme and changes to social housing rents announced by the new Government. Overall new build represented 38% of our residential revenues (23% of the UK Group) in 2015.

A combination of factors appear to have led to private RMI activity growing less quickly than expected. The mortgage review tightened lending criteria and the targeting of government measures towards new builds appears to be suppressing what would normally be a higher level of second hand housing transactions at this stage of the recovery. Both levels of remortgaging and the number of housing transactions have traditionally been a primary driver for major residential project works that benefits Polypipe. Both of these indicators have remained relatively muted and well below long term averages.

Residential piping systems delivered an underlying operating profit of £32.8m, an increase of 15.5% over the prior year.

Commercial and Infrastructure Piping Systems – UK

Sales from our UK commercial and infrastructure businesses were £131.5m and represented 36% of overall Group revenues in 2015.

Demand from road and rail projects remained good although changes to the funding model for Highways England resulted in some slowing of activity for a period. Their published £15.2bn Road Investment strategy for capital enhancement and renewals between 2015 and 2020 is expected to lead to a pick up in growth rates.

Private commercial also performed well and the development of high rise multi occupancy buildings in London and more recently in other major cities provided good level of demand for our commercial systems, including the recently acquired Nuaire ranges.

Export revenues grew by 18% over 2014, primarily from sales into the Gulf states. We have continued to expand our sales presence in the region and remain committed to developing further specification activity alongside our intention to commence manufacturing of water attenuation systems during 2016.

Volatile polymer costs had a negative impact on the plastics recycling industry. This resulted in a tightening of supply and combined with formulaic sales pricing mechanisms to our customers, squeezed operating margins as input costs of recyclate did not decline at the rate of virgin polymer prices.

Commercial and Infrastructure Piping Systems – UK delivered an underlying profit of £20.1m, an increase of 18.2% over the prior year.

Commercial and Infrastructure Piping Systems – Europe

Sales from our continental European businesses were £50.4m and represented 14% of overall Group revenues in 2015. Although when translated into sterling this is down 6.5% on prior year, in local currency revenues increased by 3.5%.

The market showed no real signs of improvement during the year, although our second half revenue performance improved, being 10.3% up in local currency terms against the same period in 2014. We have continued to focus on our improvement initiatives.

Underlying operating profits improved to £1.3m an increase of nearly 50% in local currency.

OUTLOOK

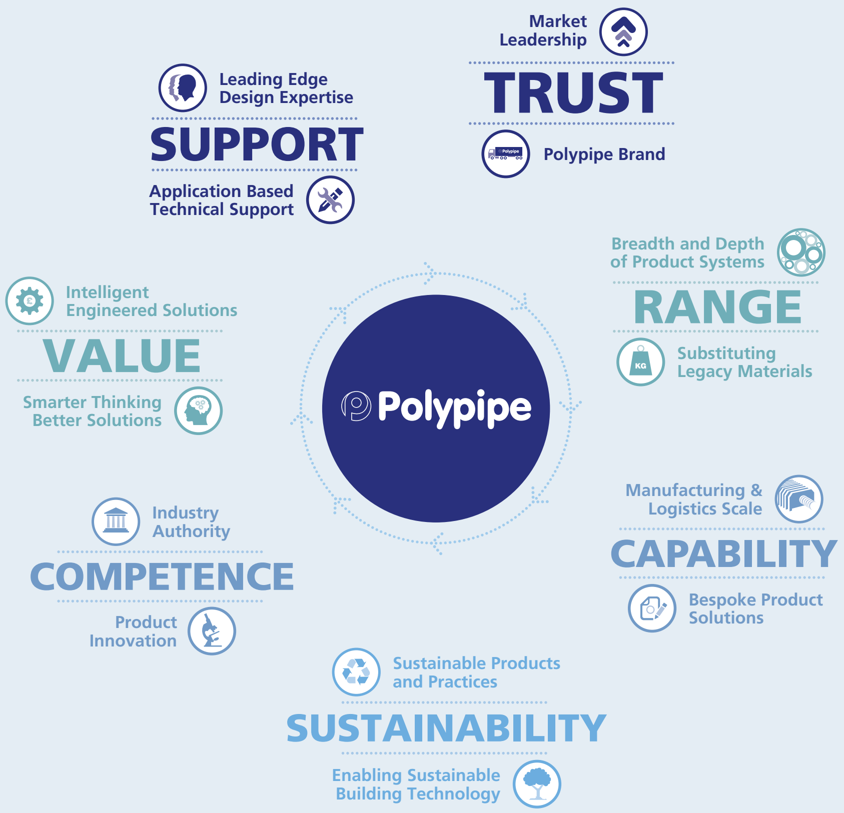
Whilst there remain political and economic uncertainties, underlying fundamentals across all sectors of the UK construction market remain positive with Government announcements and policy generally supportive of stimulating further housebuild, home ownership and improving the national infrastructure. In our main UK market, 2016 industry forecasts expect that construction activity will outpace GDP.

2016 has started well and we are encouraged by reports from the merchants of improvement in RMI spend in the early part of this year following the upturn in housing transactions during the second half of 2015. A supportive market, our focus on delivering our growth initiatives and a determination to remain agile, mean we look forward to 2016 being a year of further progression.

David Hall
Chief Executive Officer

Polypipe

OUR BUSINESS MODEL
Creating the Competitive Advantage



The strength and long-term value of our business model is demonstrated across a diverse range of residential, commercial, civils and infrastructure projects.

The core brand values of Polypipe that underpin our business model are based on a detailed understanding of the needs of our customers and key market drivers. These are deployed strategically throughout each and every project we undertake. This ensures we don't just meet, but exceed the global demands for better water management and carbon efficient solutions. By combining all of our strengths and capabilities, Polypipe continues to maintain the market-leading position for creating plastic pipe technology and sustainable products that are intelligently engineered for a fast developing world.

PICTURED
Photo featured is one of the many different size steel mandrels used to manufacture Ridgistorm-XL.

CASE STUDY JOHN SWIFT BUILDING MANCHESTER

Polypipe designed and developed a new underfloor heating solution with enhanced acoustic properties for improved warmth and sound protection in a century old converted warehouse. Replacing the existing radiator system and creating much-needed warmth within this iconic building, the new underfloor heating system now provides even temperature levels, eliminating cold spots, lowering energy bills and creating a more flexible space. As a traditional early 20th century building with wooden floorboards and multiple tenants throughout the building, an additional factor was the need for high performance sound attenuation. The Polypipe system delivers across all of these requirements and the occupants now enjoy a much-improved working environment.

To read more visit **www.polypipe.com**

CASE STUDY UNITE STRATFORD ONE

Due to a lack of available external ground area, our two tiered Permavoid Podium Deck was specified for use across a major student accommodation project in East London. Working alongside main contractor Westfield Construction and M&E contractor Dimension Data Advanced Infrastructure, Polypipe designed and developed a rainwater attenuation system capable of managing the site's drainage requirements in the event of a '1 in 100' year + 30% storm event.

To read more visit **www.polypipe.com**

OUR MARKETPLACE

The UK construction market represents Polypipe's key market and we are therefore influenced by the level of activity within the sector.

UK CONSTRUCTION MARKET OUTPUT TRENDS

The signs of growth in the construction industry have continued to be positive despite a slowdown in activity during the third quarter of 2015; however whilst GDP for 2015 was 6.6% higher than at the pre-recession peak in 2008 Q1, UK economic recovery continues to be driven by growth in the services sector and activity in construction remains 4.1% below the pre-recession peak.

Our core UK market grew by 0.5% in 2015 (correcting for the reclassification of ONS data in the Roads and Electricity sectors) underpinned by a rise in overall economic activity and growth of 3.2% is forecast for 2016. Construction output is expected to rise by more than 16% between 2015 and 2019, driven especially by growth in the three largest construction sectors; private housing, commercial and infrastructure.

RESIDENTIAL

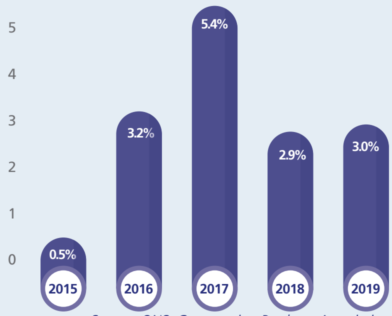
Private house building has grown considerably over the past two years, rising by 32.6% between 2013 and 2015. These increases were driven by growth in the wider UK economy in addition to government policies, including the Help to Buy equity loan scheme, that have been targeted specifically at the new build housing segment. Private housing starts in Great Britain were 5.0% higher than in 2014 and are forecast to rise by 5.0% again in 2016 to 141,328, with major housebuilders continuing to signal their intention to increase units built over the next 12-18 months. Help to Buy accounts for one quarter of new build purchases and will sustain demand, plus, house prices continue to increase in most regions, especially in London and the South East, illustrating continued strong underlying, structural demand.

A slowdown in mortgage lending, and consequently property transactions overall, in the second half of 2014 and early 2015 fed through to a slowdown in private housing repair, maintenance and improvement (RMI) activity during the second half of 2015 due to the time lag between housing transactions and consequent improvements works which tend to occur around 6-9 months after purchasing a property. Sector output in 2015 was up by 2.0% compared to a year earlier and with property transactions forecast to increase in 2016 overall, private housing RMI output is forecast to rise by 3.0%.

Public housing sector housing starts fell by 8% in 2015 and are expected to be adversely affected moving forward by a lack of funding available to housing associations due to the extension of the Right to Buy scheme and continued cuts to the social rental sector. As a result, public housing starts are forecast to fall a further 5% in 2016. The majority of activity in the public housing RMI sector is either basic repairs or essential maintenance on the existing public housing stock, which cannot be delayed for a significant period of time and this will continue to underpin activity in the sector together with the allocated funding to the Decent Homes programme in England. However public housing RMI work will be affected if the public housing stock is diminished through the extension of Right to Buy to housing association tenants and any subsequent sell-off of local authority properties. Output is forecast to be flat in 2016. The UK construction market represents Polypipe's key market and we are therefore influenced by the level of activity within the sector.

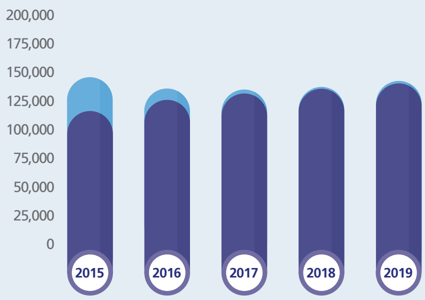
Construction Output

% growth – 2012 constant prices (Polypipe addressable)



Source: ONS, Construction Products Association (Winter Forecast 2015-16)

Housing Completions in Great Britain

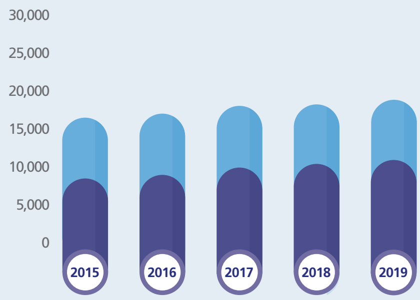


Source: DCLG, ONS, Construction Products Association (Winter Forecast 2015-16)

Private Public

Private and Public Housing RM&I Construction Output –

2012 constant prices



Source: ONS, Construction Products Association (Winter Forecast 2015-16)

Private Public

*Adjusted to remove the ONS reclassification in Roads, and non-addressable construction in Electricity.

CIVILS AND INFRASTRUCTURE

Infrastructure activity continues to see growth with roads and energy subsectors expected to be the key drivers, although activity is forecast to increase in all key sub-sectors; roads, rail, energy, water and sewerage. Output in the infrastructure sector grew 28.6% in 2015, and is forecast to grow a further 7.9% in 2016 and as work continues on major projects in the £411 billion National Infrastructure Plan. (However, corrected for data reclassification in the Roads and Electricity sectors, our underlying addressable Infrastructure market declined by 2.5% in 2015, and is forecast to grow by 5.0% in 2016).

Roads construction growth is forecast to continue, supported by increased capital investment following the creation of Highways England, which has confirmed a £15.2 billion Road Investment Strategy for capital enhancement and renewals between 2015 and 2020. In contrast local authorities who manage the majority of the existing road network remain financially constrained and will have a negative effect on on-going road maintenance programmes. The energy infrastructure market output grew in 2015, and even allowing for the inclusion of preparatory works for nuclear new build and decommissioning programmes, the underlying trend remains positive due to continued growth in infrastructure related to new build housing and work around national grid power connections in the near term.

COMMERCIAL

The private commercial sector is forecast to enjoy growth from 2016 through to 2019 with new offices construction expected to be a primary driver of this growth, with increased activity in cities such as Birmingham and Manchester as well as growth in the London market. Despite the UK Government's focus on austerity, public sector new construction is expected to avoid the worst of the cuts going forward, although the austerity programme will continue to leave local authorities financially constrained which will impact upon public repair and maintenance programmes.

OVERSEAS MARKETS

Wider global growth prospects remain somewhat mixed and concerns have heightened over the past year regarding emerging markets in particular. The impact of the fall in oil prices has fed through to concerns regarding the Middle East markets, the effects of which are expected to be mitigated by the large sovereign wealth reserves that can be leveraged to sustain government investment programmes.

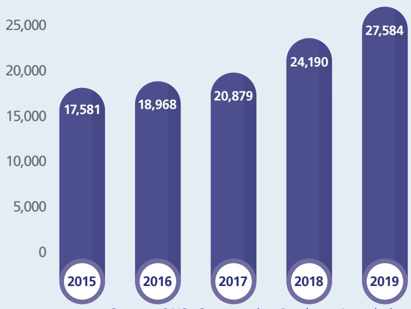
Alongside the majority of other major EU economies the French market saw little growth in 2015. Into 2016 however, with the overall combination of quantitative easing and a fall in commodities prices, the outlook for construction activity in the Eurozone is anticipated to be relatively more positive.

BALANCED SALES SPLIT

We have a balanced mix of residential and commercial, civils and infrastructure business. Spread over the UK market and selected niches in mainland Europe and the Middle East we cover both new build and Repair, Maintenance and Improvement (RMI) projects where in many instances legacy building materials are being replaced by plastics.

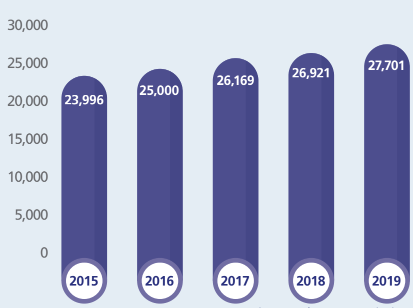
This balance provides us with a sound basis for our future development. We seek to make the most of our long-term relationships with contractors and specifiers across all the relevant sectors, and we benefit from our wide brand recognition and reputation for excellence, innovation and extensive range of systems and solutions.

Infrastructure output –
2012 constant prices



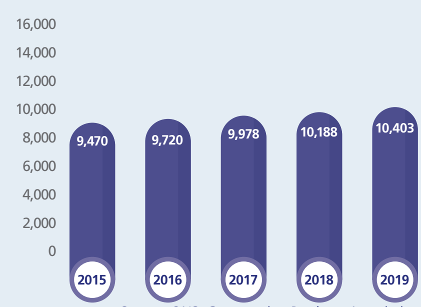
Source: ONS, Construction Products Association (Winter Forecast 2015-16)

Commercial output



Source: ONS, Construction Products Association (Winter Forecast 2015-16)

Public Non-housing output –
2012 constant prices



Source: ONS, Construction Products Association (Winter Forecast 2015-16)

Polypipe

OUR STRATEGY

Our ongoing strategy is to leverage our strengths to grow ahead of the market, meeting the increasingly complex needs of the residential, civils & infrastructure and commercial sectors of the modern construction market. In addition, we target market sectors where enhanced growth can be achieved including the substitution of legacy materials by plastics and sectors where legislation aimed at increasing the sustainability of the built environment is impacting.

With 20,000 product lines, more than 100 product systems, well-invested manufacturing facilities, a transport fleet numbering in excess of 150 vehicles and more than 470 people in sales and technical support, we have an enviable reputation amongst installers, contractors, stockists and specifiers.

OUR STRATEGIC OBJECTIVES

1 BENEFITING FROM MARKET RECOVERY AND LEVERAGING BRAND POSITION

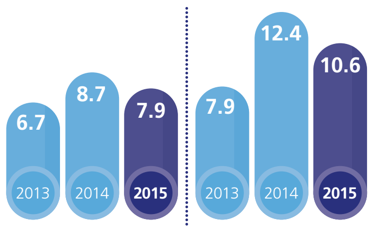
Our strong financial performance, combined with our key strategic objectives, means we are in an excellent position to capitalise on growth in the UK construction market. Our goal of focusing on core markets, targeting growth opportunities and driving efficiency has left us with industry-leading margins. We already operate at a highly successful level in a market with relatively high barriers to entry, meaning that other companies seeking to compete with us would have to invest on a significant scale. This, compounded by both our status as the most recognised brand in the UK plastic pipe sector and our highly developed operational infrastructure puts us in a unique position. We are now ideally placed to leverage our brand position and long-term relationships with contractors and specifiers, generating further "pull-through" sales volumes for our stockists.

2 CONTINUED PRODUCT DEVELOPMENT FOR SUSTAINABLE CONSTRUCTION AND SUBSTITUTION OF LEGACY MATERIALS

Society today recognises the twin global challenges of managing water and carbon reduction in the built environment, which is why we will continue our long-term investment in our Water Management and Carbon Efficient Solutions, with systems that meet increasingly complex legislative requirements. We will continue to invest in key development programmes to grow ahead of the overall market. Our strategy of addressing the water management and carbon efficient sectors is complemented by our drive towards material substitution. The ongoing, long-term industry trend for the substitution of legacy building materials such as copper, steel, concrete and clay with plastic represents a significant opportunity. Our businesses are positioned to take advantage of this trend across a range of product markets.

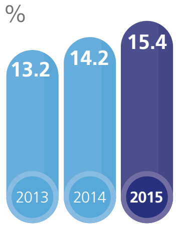
KEY PERFORMANCE INDICATORS

Sales Growth
Group UK



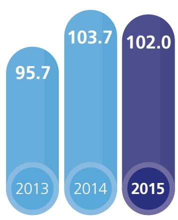
Definition
The annual percentage growth in both Group and UK (by origin) revenue.

Underlying Operating Profit Margin
%



Definition
Underlying operating profit margin is the underlying operating profit as a percentage of revenue.

Cash Conversion
%



Definition
Operating cashflow excluding non-underlying items less capital expenditure to underlying operating profit.

3 CONTINUOUS INVESTMENT IN PROCESSES AND EFFICIENCY INITIATIVES

We have an excellent track record of improving capacity and operating efficiency across the Polypipe Group. In order to improve our margins, we will continue to implement a wide range of such initiatives across all areas of the business. Our ultimate goal is to operate our manufacturing and logistics facilities as efficiently and profitably as possible.

4 SELECTIVE DEVELOPMENT IN FRANCE AND THE MIDDLE EAST

We are the UK's largest manufacturer of plastic piping systems by revenue. To achieve further growth we are working to develop our position in selective export markets where our UK standard based products are most applicable, and our emphasis on the Middle East is a core component of that strategy. We intend to continue to invest in our resources in those regions to expand on our growing market presence. Despite short-term impact from the difficulties in the French economy, we intend to continue to improve our operations in France, investing cautiously in new product areas where we believe we can deliver future added value.

5 COMPLEMENTARY ACQUISITIONS

We will seek to add complementary acquisitions to supplement the Group's existing product portfolio and accelerate the Group's strategic priorities, bolstering our UK capability and product ranges particularly in the areas of material substitution and Carbon Efficiency and Water Management Solutions.

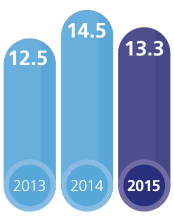
KEY PERFORMANCE INDICATORS

As a Board we continually review our performance measures that are critical to the measurement and delivery of our strategic objectives and delivery of sustainable shareholder returns.

We have defined our Key Performance Indicators ('KPIs') to measure alignment between our operating activity and strategic goals.

Return on Capital Employed

%

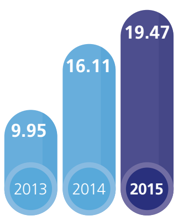


Definition

Return on capital employed is the ratio of underlying operating profit, adjusted for the full year benefit from acquisitions during the year, to net assets excluding net borrowings and taxation.

Underlying EPS

%

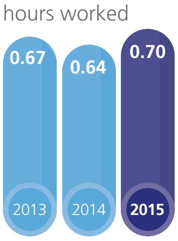


Definition

Underlying earnings per share is basic earnings per share adjusted for non-underlying items.

Accident Frequency

Number of accidents per 100,000 hours worked

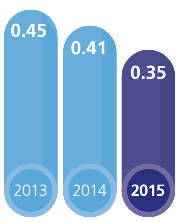


Definition

Accident frequency rate is defined as the number of HSE reportable accidents and dangerous occurrences based on the current seven day absence from work reporting requirement in the UK and although there is no direct equivalent in Continental Europe and the Middle East the same definition is applied.

Greenhouse Gas Emissions

Intensity Ratio



Definition

The Intensity Ratio is defined as the total tonnes of scope 1 and scope 2 CO_2e produced per total tonnes of production.

Polypipe

OUR SUSTAINABLE JOURNEY

Plastics are now widely recognised as the material of choice for piping systems throughout the construction industry and this means more and more legacy materials such as concrete, clay, cast iron and copper are being replaced by modern, sustainable engineered solutions.

SUSTAINABLE INPUTS

All of our raw materials whether prime or recycled polymers are sourced to a strict sustainable policy and this ensures all suppliers meet the highest standards. With ISO 9001 Quality Management and ISO 14001 Environmental Management accreditation, we only manufacture with the very best materials.

SUSTAINABLE PROCESSES

Our commitment to the environment means we don't just recycle our in process material waste; we monitor every process from reducing power consumption by the metering of power lines and management of water usage.

SUSTAINABLE MATERIALS

Plastic pipes are light in weight, reducing fuel consumption in transportation, lowering health and safety risks onsite, and they can be recycled at 'end of the life'.

SUSTAINABLE SOLUTIONS

Our products are not only recyclable, but in their everyday use, they also save energy, reduce CO_2 emissions and manage water as a valuable resource. Systems such as our underfloor heating, mechanical ventilation with heat recovery and geocellular solutions provide the most comprehensive range available in the UK to meet these requirements.

THE OUTCOME

All of these products and solutions help to create a sustainable Built Environment across residential, commercial, civils and infrastructure markets for future generations.

Read more about Carbon Efficient Solutions on page 22

Read more about Water Management Solutions on page **20**

STEP 3

SUSTAINABLE MATERIALS

LIGHT IN WEIGHT

Plastics are lighter, easier to handle and reduce transportation costs.

STRONG IN USE

Plastic pipes and fittings are tough, durable and resistant to corrosion.

STEP 4

SUSTAINABLE SOLUTIONS

CARBON EFFICIENT SOLUTIONS

Product systems that save energy and reduce CO^2 emissions.

WATER MANAGEMENT SOLUTIONS

Products that recognise water as a scarce resource and reduce flooding.

OUTCOME

THE SUSTAINABLE BUILT ENVIRONMENT

RESIDENTIAL COMMERCIAL CIVILS INFRASTRUCTURE

Recyclable at end of life

Read more about our Sustainable Journey **www.polypipe.com**

Polypipe

OUR SUSTAINABLE JOURNEY
In Action

WATER MANAGEMENT SOLUTIONS

Polypipe's extensive range of Water Management Solutions continues to grow across existing and emerging markets. Our hands-on approach and technical expertise is focussed on finding more innovative ways to overcome complex challenges – from meeting the demands of new legislation to dealing with the effects of extreme weather. Working across every type of construction and civil engineering project, our solutions include surface water management and treatment, flood defence, rainwater harvesting to the recycling of water for re-use in flushing toilets.

CASE STUDY PENTLAND HOMES

Polypipe's drainage protection for major storm events and ease pressure on local sewer networks. Our Polystorm-R geocellular and 2700mm Ridgistorm-XL large diameter pipe systems were installed beneath a new housing development in Folkstone, attenuating surface water run-off and providing adequate protection from flooding. Working closely with Pentland Homes, Polypipe provided an engineered SUDS solution to provide adequate protection for the development from a '1 in 30' year storm event.

To read more visit
www.polypipe.com

WATER MANAGEMENT SOLUTIONS CONTINUE TO GROW ACROSS EXISTING AND EMERGING MARKETS

CASE STUDY MIDDLE EAST

With growing populations and urbanisation, conserving water is a key issue in the Middle East and Polypipe's Polystorm is helping to overcome these challenges.

Polystorm was specified for the prestigious Stores at Zabeel Palace project in Dubai. This major project follows Polypipe's extensive engagement both technically and commercially with Khansaheb Civil Engineering Co. – one of the largest contractors in the UAE.

With 630m3 Polystorm Soakaway tanks installed, this important project has already enabled Polypipe to further propel the Water Management Solution (WMS) offering in both the UAE as well as the wider region.

To read more visit **www.polypipe.com**

OUR SUSTAINABLE JOURNEY
In Action

CARBON EFFICIENT SOLUTIONS

Along with new government legislation and the increase in environmentally conscious customers, Polypipe are continuing to invest in more carbon efficient products and systems that enable collection, transmission, emission and control in heating, ventilation and cooling systems. These are helping to create better heating and cooling for occupants in the home and the commercial built environment, as well as lowering energy costs for businesses and end-users.

LOWERING ENERGY COSTS FOR BUSINESSES AND END-USERS

CASE STUDY FITZROY PLACE, LUXURY APARTMENTS

Polypipe recently acquired Nuaire, which won the contract to deliver a range of Heat Recovery Ventilation Systems to 235 luxury residential apartments in Central London.

Energy-efficient low emissivity glass allows high levels of light into the apartments where the heat is trapped and air is warmed. To address the overheating issue, the consultants needed a much higher ventilation rate. To solve this, Nuaire's design team engineered a system to provide the optimal ventilation rate, combined with a high performance acoustic enclosure for sound protection. This met both the extra power and sound levels required by the consultant.

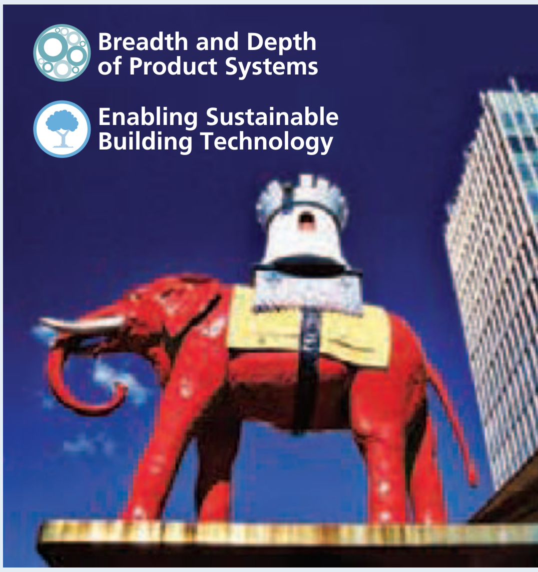
To read more visit **www.polypipe.com**

CASE STUDY ELEPHANT & CASTLE, SOUTH LONDON

Polypipe's involvement in the new £1.5bn regeneration project at Elephant & Castle relied on the coordinated expertise and resource from across Polypipe's Building Products, Terrain and Civils' operations.

Working together with Lendlease, Polypipe received a unique specification comprising a wide range of innovative product and carbon efficient solutions, including Domus ventilation ducting to work alongside the Nuaire MVHR units. For drainage, Permavoid cells and Permafoam irrigation systems were used. As well as Terrain Fuze HDPE Drainage, which were supplied as prefabricated stacks. Polypipe also supplied its acoustic underfloor heating system, replacing the need for screeds to level the floor – improving both carbon efficiency and speed of construction.

To read more visit **www.polypipe.com**



CHIEF FINANCIAL OFFICER'S REPORT

REVENUE GROWTH AND OPERATING MARGIN

	2015 £m	2014 £m
Revenue	**352.9**	327.0
Underlying operating profit	**54.2**	46.3
Underlying operating profit margin	**15.4%**	14.2%
Revenue growth:		
— Group	**7.9%**	
— UK	**10.6%**	
— Mainland Europe	**(6.5%)**	

Group revenue growth of 7.9% included revenue growth from our UK operations of 10.6%, which included the benefit of acquisitions, and adverse currency translation impacting the reported revenue of our Mainland European businesses, which at constant exchange rates grew revenue by 3.5%. Reported revenue growth from our UK operations was adversely impacted by polymer cost deflation passed onto our customers. Eliminating the impact of price deflation, our UK operations' revenue growth in volume terms, excluding acquisitions, of c.4% continued to outpace growth in UK construction. Based on ONS data for 2015 we estimate UK construction growth to be c.0.5% adjusting for anomalies relevant to our business in the ONS reported growth rates for the "Roads" and "Electricity" sub-sectors within the reported "Infrastructure" growth number.

The Group underlying operating profit margin improved to a record 15.4% (2014: 14.2%) due largely to the operational gearing benefit from the additional sales volumes. The adverse currency translation impact, whilst significant in revenue terms, had little impact on earnings.

NON-UNDERLYING ITEMS

Non-underlying items related almost entirely to costs associated with the acquisitions during 2015 and the IPO in 2014. In 2015 they included non-cash charges of £4.7m in respect of goodwill amortisation (£3.0m) and unamortised debt issue costs written off (£1.7m).

120 BPS IMPROVEMENT IN UNDERLYING OPERATING MARGIN TO A RECORD

15.4%

OPERATING CASHFLOW AFTER CAPITAL EXPENDITURE

↑15.2%

STRONG CASH CONVERSION RATE MAINTAINED

102%

CAPITAL EXPENDITURE INCREASED BY £4.2M TO

£19.3m

TO FUND GROWTH OPPORTUNITIES

Non-underlying items comprised:

	2015 £m	2014 £m
Relating to acquisitions during 2015:		
Acquisition costs	**2.0**	–
Amortisation of acquired intangible assets	**3.0**	–
Unamortised debt issue costs written off	**1.7**	–
Relating to the IPO during 2014:		
Listing costs	**–**	12.2
Senior Secured Notes early settlement fee	**–**	7.2
Unamortised debt issue costs written off	**–**	1.4
Profit on sale of property, plant and equipment	**(0.2)**	(0.1)
Non-underlying items before taxation	**6.5**	20.7
Taxation	**(1.8)**	(2.4)
Non-underlying items after taxation	**4.7**	18.3

Taxation on non-underlying items is covered in the note on taxation below.

CASHFLOW AND NET DEBT

Cash generated from operations during the year, excluding the impact of non-underlying items, and the cash conversion rate defined as the ratio of operating cashflow after capital expenditure to operating profit (also excluding the impact of non-underlying items) were:

	2015 £m	2014 £m
Underlying operating profit	**54.2**	46.3
Depreciation	**15.1**	14.5
Underlying operating profit plus depreciation (EBITDA)	**69.3**	60.8
Increase in negative working capital	**5.3**	2.3
Operating cashflow	**74.6**	63.1
Capital expenditure	**(19.3)**	(15.1)
Operating cashflow after capital expenditure	**55.3**	48.0
Cash conversion rate	**102.0%**	103.7%

Cash generated from operations (excluding non-underlying items) after capital expenditure was strong showing an increase of 15.2% during the year to £55.3m (2014: £48.0m) and this was after absorbing a 27.8% increase in capital expenditure to £19.3m (128% of depreciation). The cash conversion rate, a key measure of operating cashflow performance, remained in excess of 100% of underlying profit.

Capital expenditure in 2015 increased by £4.2m to £19.3m, much of the increase related to investment in equipment for a new manufacturing facility in the Middle East to produce water management products. Capital expenditure in 2016 is expected to remain ahead of depreciation as we continue to seek to expand our product range and improve our operating efficiency.

Net working capital at 31 December 2015 of negative £2.3m compared with negative £4.4m at 31 December 2014. This decrease in negative working capital of £2.1m during 2015 comprised:

	£m
On acquisition of businesses during the year	(7.5)
Cashflow gain	5.3
Exchange movements	0.1
	(2.1)

Net working capital at our December year end is the lowest position during the year due to the seasonal slowdown in December in construction site activity and our manufacturing operations ahead of the Christmas holiday period, as well as the accumulation of quarterly and annual customer rebate liabilities which are settled in the following year.

Net debt (bank loans less cash) comprised:

	2015 £m	2014 £m	Increase £m
Bank loans	**(217.5)**	(120.0)	(97.5)
Cash and cash equivalents	**21.6**	43.1	(21.5)
Net debt	**(195.9)**	(76.9)	(119.0)

Net debt increased by £119.0m during the year to £195.9m. This increase was after spending £151.5m on acquiring businesses (including costs) during the year.

At 31 December 2015 liquidity headroom (cash and undrawn committed banking facilities) was substantial and improved to £104.1m (2014: £83.1m). Our immediate focus is on deleveraging following the Nuaire acquisition and we expect net debt to EBITDA to reduce towards approximately 2 times EBITDA by the end of the 2016 financial year due to the high cash generative nature of our business. This headroom enables us to continue to develop our acquisition pipeline and we continue to seek out compelling "bolt on" opportunities to accelerate growth in our strategic development areas.

CHIEF FINANCIAL OFFICER'S REPORT

REFINANCING

In August 2015 the Group cancelled its existing £120m term loan and £40m Revolving Credit Facility ("RCF") and entered into a new five year term £300m RCF to finance the acquisition of Nuaire. At 31 December 2015 £217.5m of the new RCF was drawn down.

The Group is subject to two financial covenants, at 31 December 2015 there was significant headroom:

Covenant:	Covenant requirement	Position at 31 December 2015
Interest cover*	>4:1	7.6:1
Leverage**	<3.5:1	2.5:1

* EBIT:Net finance costs excluding debt issuance cost amortisation

** EBITDA:Net debt

FINANCE COSTS

Net underlying finance charges for the year of £6.2m were £2.5m lower than the prior year, despite higher year end net debt from acquisition financing, due to the full year benefit in 2015 of refinancing the 9.5% £150m Senior Secured Notes in April 2014 with bank loans at a significantly lower finance cost and improved terms of our new revolving credit facility from August 2015.

Interest is payable on the new RCF at LIBOR plus an interest rate margin ranging from 1.25% to 2.75%. The interest rate margin at 31 December 2015 was 2.25%.

In order to reduce exposure to future increases in interest rates the Group has entered into interest rate swaps at fixed rates ranging between 1.735% and 2.21% (excluding margin) with notional amounts hedged ranging from £60.0m to £91.7m over the period of the interest rate swaps.

The unrealised mark to market adjustment on these forward interest rate swaps at 31 December 2015 was £2.1m negative (2014: £2.4m negative), the movement in the mark to market adjustment during the year of £0.3m is included in the Group Statement of Comprehensive Income.

Non-underlying finance costs of £1.7m in 2015 related to the write off of unamortised issue costs incurred on our former and now refinanced term loan and RCF.

TAXATION

Underlying taxation:

As noted in last year's Annual Report, the underlying tax rate (underlying tax : underlying profit before tax) for 2015 was expected to be close to the UK standard tax rate as the last of the benefit from brought forward non-trading losses was recognised in 2014. The underlying tax rate in 2015 was 19.2% (2014: 14.4%), slightly below the UK standard tax rate of 20.25% largely due to the benefit of patent box relief. The impact of our mainland European operations on the Group's tax charge is not significant.

Taxation on non-underlying items:

The non-underlying taxation credit of £1.8m in 2015 included £1.0m relating to prior year items. Adjusting for the prior year items in 2015, the relatively low tax credit on non-underlying items in both years was because there was no taxation relief on the acquisition costs incurred in 2015 and limited taxation relief was available on listing costs in 2014.

EXCHANGE RATES

The Group is exposed to movements in exchange rates when translating the results of its mainland European operations from Euros to Sterling. Sterling appreciated further against the Euro during 2015 with the average exchange rate used for translation purposes moving from £1:€1.25 in 2014 to £1:€1.38 in 2015. The impact of this was £5.4m negative on revenue with no significant impact on operating profit.

Forward currency derivative contracts are classified as held for trading. There was an unrealised loss of £0.1m (included in financial liabilities) on these derivative contracts at 31 December 2015 (2014: £0.2m loss) resulting in an income statement credit of £0.1m during the year.

EARNINGS PER SHARE

	2015	2014
Pence per share:		
Basic	**17.11**	6.96
Adjusted	**19.47**	16.11

The impact of dilution is not significant

The movement in basic EPS is distorted by significant non-underlying items during both 2015 and 2014.

Adjusted EPS, which removes the impact of non-underlying items, improved by 21% in 2015 due to the improved operating result and reduced finance costs offset by an increase in the underlying tax rate as explained above.

DIVIDEND

The final dividend of 5.5 pence is being recommended for payment on 1 June 2016 to shareholders on the register at the close of business on 29 April 2016. The ex dividend date will be 28 April 2016.

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 in the approximate proportions of one-third and two-thirds, respectively. The Group may revise its dividend policy from time to time.

PENSIONS

The Group does not have any defined benefit pension schemes and only has defined contribution pension arrangements in place. Pension costs for the year amounted to £1.7m (2014: £1.3m).

ACQUISITIONS

On 30 January 2015 the Group acquired 100% of the share capital of Surestop Limited, a company which manufactures and supplies a range of patented water mains switch-off devices. The cash consideration of £6.0m included payment of £0.8m for net cash at completion. Surestop has contributed revenue of £2.1m and £0.8m operating profit to the Group's result for 2015. If Surestop had been acquired on 1 January 2015 the Group's results for the tax year would have shown revenue of £353.1m and underlying operating profit of £54.2m.

On 18 August 2015 the Group acquired 100% of the share capital of Nu-Oval Acquisitions 1 Limited ("Nuaire"), a leading provider of ventilation systems. The cash consideration of £149.2m included a payout of £4.9m for net cash at completion. Nuaire has contributed post acquisition revenue of £21.9m and £3.2m operating profit to the Group's result for 2015. If Nuaire had been acquired on 1 January 2015 the Group's results for the tax year would have shown revenue of £395.4m and underlying operating profit of £62.9m. Nuaire's results are allocated between Residential Piping Systems and Commercial and Infrastructure Piping Systems – UK in line with the market sectors they serve.

FORWARD LOOKING STATEMENTS

Certain statements in this full year report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. We undertake no obligation to update any forward looking statements, whether as a result of new information, future events or otherwise.

Peter Shepherd
Chief Financial Officer

Polypipe

PRINCIPAL RISKS & UNCERTAINTIES

FRAMEWORK FOR MANAGING RISK

The Board is responsible for ensuring that the Group maintains an effective risk management system. It determines the Group's approach to risk, its policies and the procedures that are implemented to mitigate exposure to risk.

PROCESS

The Board continually assesses and monitors the key risks in the business and Polypipe has developed a risk management framework to identify, report, and manage its principal risks and uncertainties. This includes the recording of all principal risks and uncertainties on a Group Risk Register and a Group Risk Profile which are both updated at least every 6 months. Risks are fully analysed, allocated owners, scored for both impact and probability to determine the exposure to the business, which should be prioritised, and what mitigation is required.

External risks include economic conditions, the weather, government action, policies and regulation, raw material prices and Information Systems disruption. Internal risks include dependencies on key customers and retention of key personnel.

The Board seeks to mitigate the businesses exposure to strategic, financial and operational risk, both external and internal. The effectiveness of key mitigating controls are continually monitored and subjected to periodic testing by the Group Financial Controller.

The table below highlights 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. These risks have all been considered by the Board when developing the Group's Viability Statement. The Board does recognise however that it will not always be possible to eliminate these risks entirely.

Risk	Potential Impact	Mitigations
Raw material prices		
The Group is exposed to volatile raw material prices, particularly polymers, due to fluctuations in the market price of crude oil and other petroleum feedstocks, exchange rate movements, and changes to suppliers' manufacturing capacity.	Any increase in the market price of crude oil and other petroleum feedstocks, exchange rate movements, and changes to suppliers' manufacturing capacity could have a direct impact on the prices the Group pays for raw materials which could adversely affect its operating margins and cash flow.	The Group seeks to pass on raw material price increases to its customers wherever possible. There is usually at least a three month time period from notification of the raw material price increase before selling prices can be actioned in the market. Competitors of the Group are likely to experience similar levels of polymer cost increases.
Business Disruption		
The Group's manufacturing and distribution operations could be subjected to disruption due to factors including incidents such as fire, failure of equipment, power outages, strikes, or unexpected or prolonged periods of severe weather.	Incidents such as fires, failure of equipment, power outages, strikes or unexpected severe weather (due to flooding, snow or high winds) could result in the temporary cessation in activity or disruption at one of the production facilities impeding the Group's ability to deliver its products to its customers, adversely affecting its financial results. In addition, prolonged periods of severe weather could result in a slowdown in site construction activity reducing the demand for the Group's products and adversely affecting its financial results.	The Group has developed business continuity, crisis response, and disaster recovery plans. The Group has the ability to transfer some of its production to alternative sites and could also subcontract out some of its tooling to reduce any potential loss in production capacity. The Group maintains a significant amount of insurance to cover business interruption and damage to property from such events. Independent insurer inspections take place across all sites to assess potential hazards and business interruption risks. The Group carries out regular maintenance to minimise the risk of equipment failure.

Risk	Potential Impact	Mitigations
Reliance on key customers		
Some of the Group's businesses are dependent on key customers in highly competitive markets.	Failure to manage relationships with key customers, whilst continuing to provide high quality products delivered on time in full, and developing new innovative products could lead to a loss of business affecting the financial results of the Group.	The Group's strategic objective is to broaden its customer base wherever possible. The Group focuses on delivering exceptional customer service and maintains strong relationships with major customers through direct engagement at all levels. The Group maintains customer service matrices which are continually tracked and monitored and intervention made where required. The Group closely manages its pricing, rebates, and commercial terms with its customers to ensure that they remain competitive. The Group continually seeks to innovate and develop its product lines to ensure its products are to the standard our customers expect.
Recruitment and Retention of Key Personnel		
The Group is dependent on the continued employment and performance of our Executive Management Team and other key skilled personnel.	Loss of any key personnel without adequate and timely replacement could disrupt business operations and the Group's ability to implement and deliver its growth strategy.	The Group has a formal succession plan in place ensuring progression through the Group. The Group aims to provide competitive remuneration packages and incentive schemes to retain and motivate key personnel.
Economic Conditions		
The Group is dependent on the level of activity in the construction industry and is therefore susceptible to any changes in its cyclical economic conditions.	Lower levels of activity within the construction industry could reduce sales and production volumes adversely affecting the Group's financial results.	The Group closely monitors trends in the industry, invests in market research and is an active member of the Construction Products Association. The Group uses Construction Products Association and Euroconstruct forecasts in its budgeting process. The Group closely manages its demand forecasts and costs through weekly operational review meetings.

Polypipe

PRINCIPAL RISKS & UNCERTAINTIES

Risk	Potential Impact	Mitigations
Government Action and Policy		
The Group is in part dependent on Government action and policies relating to public and private investment and is therefore susceptible to changes in Government spending priorities.	Significant downward trends in Government spending on public and private investment arising from economic uncertainty and ongoing austerity policies could have an adverse impact on the construction industry which could impact on sales and production volumes affecting the Group's financial results.	The Group's strategy is to have its operations structured so that it has a balanced exposure to the residential, commercial and infrastructure construction sectors so as to reduce the impact of any adverse government action or policy on any one of the construction sectors. The Group closely monitors trends in the industry, invests in market research and is an active member of the Construction Products Association. The Group closely manages its demand forecasts and costs through weekly operational review meetings.
Government regulations and standards relating to the manufacture and use of building materials		
The Group is subject to the requirements of UK and European environmental and occupational safety and health laws and regulations, including obligations to investigate and clean up environmental contamination on or from properties.	Failure of the Group to comply with changes to environmental regulations and other obligations relating to environmental matters could result in the Group being liable for fines, require modification to operations, increase manufacturing and delivery costs, and could result in the suspension or termination of necessary operational permits, thereby impacting the Group's financial results.	The Group has a formal Health, Safety & Environmental policy, and procedures are in place to monitor compliance with the policy. The Group performs internal environmental audits and is subjected to external environmental audits on a periodic basis. The Group performs weekly and monthly reporting on key Health, Safety & Environmental matters which require the attention of the Polypipe Board.
Product Liability		
The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. These are often incorporated into the fabric of a building or dwelling, or buried in the ground as part of an infrastructure system and in each case, it would be difficult to access, repair, recall or replace such products.	A product failure or recall could result in a liability claim for personal injury or other damage leading to substantial money settlements, damage to the Group's brand reputation, costs and expenses and diversion of key management's attention from the operation of the Group, which could all affect the Group's financial results.	The Group operates comprehensive quality assurance systems and procedures at each site. Wherever required, the Group obtains certifications over its products to the relevant national and European standards including Kitemarks, BBAs, WRCs and WRACs. The Group maintains product liability insurance to cover third party claims arising from potential product failures.

Risk	Potential Impact	Mitigations
Information Systems		
The Group is dependent on the continued efficient operation of its Information Systems and is therefore vulnerable to potential failures due to power losses, telecommunication failures, or from an external security breach due to the increasing levels of sophisticated cyber-crime now threatening businesses.	Disruption or failure of the Information Systems could affect the Group's ability to conduct its ongoing operations which could affect the Group's financial results.	The Group contracts with a third party to provide business continuity arrangements for wholesale or partial recovery of the key servers and applications which are used within the UK businesses. These continuity plans are subject to periodic testing. Local back up processes are performed on a daily, weekly and monthly basis. Firewalls are in place to protect against potential viruses and any off site access to the Group's servers is through a secure Virtual Private Network. The Group continually invests in its maintenance and upgrades of the Information Systems. All upgrades are carefully planned and actively managed by senior personnel to minimise potential business disruption.
Acquisitions		
The management of acquisitions activity and their integration play a part in delivering the Group's growth strategy and there is a risk that any acquisitions may not perform as expected.	Ineffective management of acquisitions could impact on the Group's ability to fully implement and deliver its growth strategy.	Full due diligence is carried out before any acquisition is made. The Group seeks contractual assurances from the sellers to mitigate against any identified issues or risks. Formal Board level approvals are required in accordance with the Group's delegation of authority structure for any acquisitive activity. The progress of any integration is closely monitored at Board and executive team level.

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PRINCIPAL RISKS & UNCERTAINTIES

Risk	Potential Impact	Mitigations
Financial Risk Management		
The Group's operations expose it to a variety of financial risks that include the effects of: **Price Risk** (considered in raw material prices above)		The Group has in place financial risk management procedures that seek to limit the adverse effects of the financial risks as follows:
Foreign Exchange Risk – The risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's risk relates primarily to its operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.	**Foreign Exchange Risk** – Exchange rate fluctuations may adversely affect the Group's results.	**Foreign exchange risk** – The Group enters into forward currency contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates primarily in respect of US Dollar and Euros. It is not possible for the Group to mitigate exchange rate differences which impact the translation of its overseas subsidiaries' results and net assets as all of the Group's long term borrowings are Sterling denominated.
Credit Risk – The risk that a counterparty of the Group will not be able to meet its obligations under a financial instrument or customer contract. The Group is exposed to credit risk from its trading activities (primarily from trade receivables) and from its financing activities, including deposits with banks.	**Credit Risk** – The failure of a counterparty to meet their financial obligations could lead to a financial loss for the Group.	**Credit risk** – Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or credit insurance. Where the Group perceives there to be a significant credit exposure it will take out credit insurance or obtain an irrevocable letter of credit prior to any transaction. Credit risk arising from cash deposits with banks are managed by the Group's finance department. Investments of surplus funds are made only with banks that have as a minimum a single A credit rating.

Risk	Potential Impact	Mitigations
Liquidity Risk – The risk that the Group will not be able to meet its financial obligations as they fall due.	**Liquidity Risk** – Insufficient funds could result in the Group not being able to fund its operations.	**Liquidity risk** – The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.
Interest rate cash flow risk – The risk that interest rates could rise impacting on the Group's borrowings.	**Interest rate cash flow risk** – Increases to interest rates could result in significant additional interest rate payments being required on any borrowings.	**Interest rate cash flow risk** – To reduce the Group's exposure to future increases in interest rates, the Group has entered into interest rate swaps from variable to fixed interest rates.

Polypipe

CORPORATE RESPONSIBILITY STATEMENT

POLICY

Polypipe's policy is to enhance shareholder value whilst ensuring we provide a safe working environment and continually seeking to minimise the impact of our operations and products on the environment.

The Board considers that operating efficiently with high quality standards includes promoting high standards of health and safety and helping to protect the environment.

This section of the strategic report sets out our approach to corporate responsibility and includes regulatory information on carbon emissions, employee diversity and our policies in relation to the recruitment and retention of our employees.

EMPLOYMENT

Our vision for our businesses and employees is to have a culture of customer focussed continuous improvement, driven by teamwork, effective communication and personal development. Our core values are hard work, honesty, trust and integrity and maintaining a working environment based on mutual respect.

Polypipe is committed to providing the appropriate skills and technical training which allows employees to operate effectively and safely in their roles and deliver excellent customer service. As part of our ongoing commitment to customer service excellence, a further 60 employees received Institute of Customer Service training during the year. The Polypipe Terrain and Building Products business units also achieved the "Investors in People" accreditation in 2015.

Polypipe has consistently provided apprenticeships to the communities around our businesses by supporting enthusiastic, highly motivated people who are keen to learn a trade. We have an outstanding record of retaining apprentices in ongoing, long term, full time employment, indeed many of our management team started with the business as apprentices. We consider it an essential part of finding and retaining people with the sector specific skills that we need.

During 2015 we had 34 apprentices employed in our businesses in the UK. The majority of our apprenticeships are electrical, mechanical and tool-making trades but we have also introduced a limited number of apprenticeships in other disciplines.

Underlining our commitment to advanced manufacturing engineering, we continue to place apprentices at the new Advanced Manufacturing Research Centre at the University of Sheffield, a state-of-the-art centre which offers the very best in practical and academic training. In support of our engineering focus we continue to work closely with Cogent, sector skills council to the Science Industry, supporting ongoing development of industry specific apprenticeship frameworks for the future.

The Group involves employees through formal and informal systems of communication and consultation. Each of our main operating sites have display boards which set out our continuous improvement strategy and include KPI's updated each month on relevant areas to the strategy such as health and safety performance, products and process improvement initiatives and customer satisfaction performance.

Whilst the Group does not have a specific human rights policy, people are treated in line with internationally proclaimed human rights principles.

The Group gives every consideration to applicants for employment regardless of their sex, sexual orientation, religion, colour, race, nationality, marital status or disability having regard for their aptitude and ability to adequately carry out the job whilst maintaining a safe working environment. Where employees become disabled, the Group endeavours to employ them provided there are duties they can perform, bearing in mind their handicap or disability.

The Group's split between male and female employees at 31st December 2015 is shown below:

	Female	Male	Total
Directors	1	5	6
Senior Managers	34	161	195
Employees	581	1,962	2,543
Total	**616**	**2,128**	**2,744**

HEALTH AND SAFETY

The Group aims to continuously improve the quality and safety of the working environment for all employees. The Group has a published Health, Safety and Environment Policy which sets out the overriding principles of health and safety for all employees. The business units operate to externally accredited ISO/OHSAS standards.

Achievement of annual Health and Safety targets set for each business is directly linked to the remuneration of the executive directors and certain senior managers as explained in the Remuneration Committee Report.

Health and Safety achievements in the year included:

- RoSPA Gold Award. The Group achieved RoSPA gold award for exceptional performance and dedicated support for health and safety within the organisation.
- Polypipe's tool making and repair business, Mason Pinder, achieved 2,500 days without a lost time accident. This was an outstanding achievement and a significant milestone which everyone at Mason Pinder can be proud of. This achievement resulted in a donation to Cancer Research of £870, which means the total amount donated across the UK Group was £2,400 under the 'Charity Award for Safety and Health (CASH)'.

The Group introduced a focussed formalised safety tour programme for management. These safety tours carried out by executive directors to department managers aims to engage staff and take action on suggested areas for improvement.

The Group operates a formal system for reporting and recording hazards and near misses. The 'See it, Sort it, Report it' scheme encourages individuals across the business at all levels to report hazards, suggest solutions and allows trends to be analysed.

Accident frequency performance and details of any over three day accidents are reviewed during the weekly executive meeting attended by the executive directors and certain senior managers.

The table below sets out the KPI's used by the Group to monitor accident performance:

	2013	2014	2015
Frequency per 100,000 hours worked			
– all accidents	11.56	9.87	6.96
– RIDDORS*	0.67	0.64	0.70

*HSE reportable accidents and dangerous occurrences based on the current seven day absence from work reporting requirement in the UK and although there is no direct equivalent in Continental Europe and the Middle East the same definition is applied.

THE ENVIRONMENT AND GREENHOUSE GAS EMISSIONS

We aim to minimise the lasting impact of our operations on the environment, and sustainability is a key feature of our products and their impact on the environment. See pages 18 to 23 for further details of our sustainable solutions for the environment.

Our modern and efficient injection moulding and extrusion operations use significant amounts of electricity. We monitor very closely our electricity usage, even at a machine level, and take a proactive approach to improve energy efficiency. During 2015 our energy usage increased by 5.2% in line with the increase in tonnage throughput.

The Group collects electricity and natural gas usage information from each operation on a monthly basis. The Department for Environment, Food and Rural Affairs (DEFRA) published national carbon conversion factors which were then used to calculate the total tonnage of CO_2e produced.

The financial control consolidation approach has been used to report our greenhouse gas emissions data. This method aligns with the reporting scope in the financial statements. All entities and facilities under financial control are included within the disclosure. Emissions <1% of the Group's total CO_2e relating to fugitive emissions and owned vehicles are not material and are excluded. As such there are no material omissions from this disclosure.

Scope 1 emissions in the year amounted to 14,030t CO2e (2014 : 13,602t CO2e). The intensity ratio amounted to 0.10 (2014 : 0.11) . Scope 1 emissions are direct emissions resulting from fuel usage and the operation of facilities.

Scope 2 emissions in the year amounted to 36,567t CO_2e (2014 : 37,219t CO_2e). The intensity ratio amounted to 0.25 (2014: 0.30). Scope 2 emissions are indirect energy emissions resulting from purchased electricity, heat, steam or cooling for own use.

The sum of both Scope 1 and Scope 2 emissions in the year amounted to 50,597t CO_2e (2014 : 50,821t CO_2e). The combined intensity ratio amounted to 0.35 (2014 : 0.41).

RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

Suppliers are key to our business and we endeavour to build long term relationships with them based on trust. We will seek to extend our supplier base if risks of under capacity or resilience arise in our supply chain. Polypipe has no significant suppliers who are wholly dependent on the Group's business. Suppliers are paid in line with contractual obligations.

We stay close to our existing and potential customers and distributors and strive to meet their needs. Our businesses are focussed on achieving market leading delivery service levels for our customers and to respond quickly to their emerging requirements.

POLYPIPE AND THE LOCAL COMMUNITY

Each operation is aware of its role within its local community. Wherever possible they seek to recruit locally and retain a skilled local workforce. They are encouraged to build relationships with local community organisations and to support charitable initiatives. These activities range from the organisation of our Annual Charity Sailing Regatta in which over 700 people from our customers and associates participated, a number of charity cycle events through to quiz nights and cake sales. Our employees raised over £26,000 for worthwhile causes during the year from these activities.

Charitable donations by Group companies during the year were £19,000 (2014 : £11,000).

ANTI-BRIBERY AND CORRUPTION POLICY

The Group seeks to prohibit all forms of bribery and corruption within its business and complies with the requirements of all applicable Bribery and Corruption Laws.

The Group requires all relevant employees and agents to confirm each year that they remain in compliance with the Group's Anti-Bribery Policy.

This Strategic Report has been approved by the Board of Directors.

David Hall
Chief Executive Officer
31 March 2016

PICTURED
Birmingham cityscape at night

OUR GOVERNANCE

BOARD
OF DIRECTORS

The Board of Directors comprises a Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. The details of each of the Directors are set out below:

RON MARSH

Non-executive Chairman

Ron Marsh was appointed to our Board of Directors in March 2014 as the Senior Independent Director and as Independent Non-Executive Chairman since May 2015. Mr Marsh is currently a Non-Executive Director of British Polythene Industries plc, R. Faerch Plast A/S and was, from 1989 until 2013, Chief Executive of RPC Group. Mr Marsh is also Chairman of the UK based Packaging Federation and the Alliance for European Polymers which was established under the Auspices of EuPC (European Plastic Converters) in 2015. Mr Marsh has a Bachelor of Arts in History from Oxford University.

DAVID HALL

Chief Executive Officer

David Hall is our Chief Executive, a position he has held since September 2005, previously being employed with the Group from January to December 2004, until leaving to work with private equity in connection with the original buyout. Prior to that, he held Managing Director positions with plastic piping divisions of Marley plc (before and after its acquisition by Etex) and Glynwed plc following its acquisition by Etex (now Aliaxis), one of the world's largest manufacturer of plastic pipes and fittings. Mr Hall has more than 20 years of experience in the building products industry and is currently President of the British Plastics Federation and a Vice Chairman of the Construction Products Association. Mr Hall has a Bachelor of Science degree in Mechanical Engineering.

PETER SHEPHERD

Chief Financial Officer

Peter Shepherd is our Chief Financial Officer, a position he has held since January 2006. As was announced in November 2015, Mr Shepherd will be retiring from the Group. His successor, Martin Payne, will become our Chief Financial Officer at our next AGM in May 2016. Details of this announcement can be found on our website http://ir.polypipe.com.

PAUL DEAN

Senior Independent Director

Paul Dean was appointed to our Board of Directors in March 2014 as a Non-Executive Director and is Chair of the Audit Committee. Mr Dean was appointed Senior-Independent Director in May 2015. Mr Dean is also a Non-Executive Director and Audit Chair of Porvair plc, Focusrite plc and Wincanton plc. He is also the Senior Independent Director at Porvair plc. Mr Dean was Group Finance Director of Ultra Electronics Holdings plc from 2009 to 2013. Previously he had the same role at Foseco Group from 2001 to 2008, including when it floated in 2005. Mr Dean has a Master of Arts in History from Oxford University.

MONI MANNINGS

Non-Executive Director

Moni Mannings was appointed to our Board of Directors in March 2014 as a Non-Executive Director and is Chair of the Remuneration Committee. Mrs Mannings was a senior partner of Olswang LLP until March 2016 and had been a partner there since 2000. Mrs Mannings is also a Non-Executive member of the boards of the Solicitors Regulation Authority and Cranfield University. Mrs Mannings has a Bachelor of Laws from the University of Southampton.

MARK HAMMOND

Non-Executive Director

Mark Hammond was appointed to our Board of Directors in April 2014, he was considered an Independent Non-Executive Director from December 2015. Mr Hammond is Deputy Managing Partner of Caird Capital LLP which is the adviser to Cavendish Square Partners LP. Mr Hammond joined HBOS plc in June 2003 and served as Head of Integrated Finance from 2006 until 2010. Prior to joining HBOS plc, Mr Hammond held roles with Gresham Trust plc, The Royal Bank of Scotland plc and PricewaterhouseCoopers where he qualified with the Institute of Chartered Accountants of Scotland in 1991. Mr Hammond graduated with a Master of Arts in Economics and Accountancy from the University of Aberdeen in 1988. Mr Hammond has previously been a Director of The Big Green Parcel Holding Company.

COMMITTEES

In addition to the Polypipe Group plc Board, there are three Committees:

Audit Committee	Paul Dean (Chair), Moni Mannings and Mark Hammond
Remuneration Committee	Moni Mannings (Chair), Ron Marsh, Paul Dean and Mark Hammond
Nomination Committee	Ron Marsh (Chair), Paul Dean, Moni Mannings, Mark Hammond and David Hall

Polypipe

INTRODUCTION FROM THE CHAIRMAN

DEAR SHAREHOLDER

I am pleased to present the Company's Corporate Governance report for the year ended 31 December 2015.

This year has seen several role changes within the Board, I became Chairman following the Annual General Meeting on 27 May 2015 and I am delighted that Paul Dean agreed to take on the position of Senior Independent Director. At the end of the year, we also reassessed Mark Hammond's independence and as a Board agreed that he is now independent. Details of our re-evaluation are given on page 43. I am confident that we have a strong and diverse Board in place, with the necessary motivation, experience and skills to support the Company with any future challenges. We held an internal review of our Board's performance this year and continue to keep the composition of the Board under close review.

The following report explains the main features of the Company's governance structure to enable a greater understanding of how the principles and provisions of the UK Corporate Governance Code ("UK Code") have been applied and to provide insight into how the Board and management team run the business for the benefit of the Shareholders.

I am pleased with the progress we have made in respect of governance this year, but at the same time recognise that we cannot be complacent. I will continue to work with the Board to ensure continuous improvements are made in this important area and a compliance culture is embedded across the Group, reflecting the standard of behaviours and decision making expected of us. In the following pages, we explain in greater detail our approach to governance – how the Board and its Committees have fulfilled their governance responsibilities during the year to ensure that robust governance practices are embedded across the group. As always, we welcome questions or comments from shareholders either via our website www.polypipe.com or in person at the Annual General Meeting.

Ron Marsh
Chairman
31 March 2016

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE

This report which is available on the Company's website explains key features of the Company's governance structure to provide a greater understanding of how the main principles of the UK Corporate Governance Code 2014 ("Code") published in September 2014 by the Financial Reporting Council ("FRC"), have been applied and to areas of focus during the year. The Code can be found on the FRC's Website: www.frc.org.uk

The report also includes items required by the Disclosure and Transparency Rules. The Board has ultimate responsibility for the approval of the Annual Report and Accounts. It has considered the content and confirmed that the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

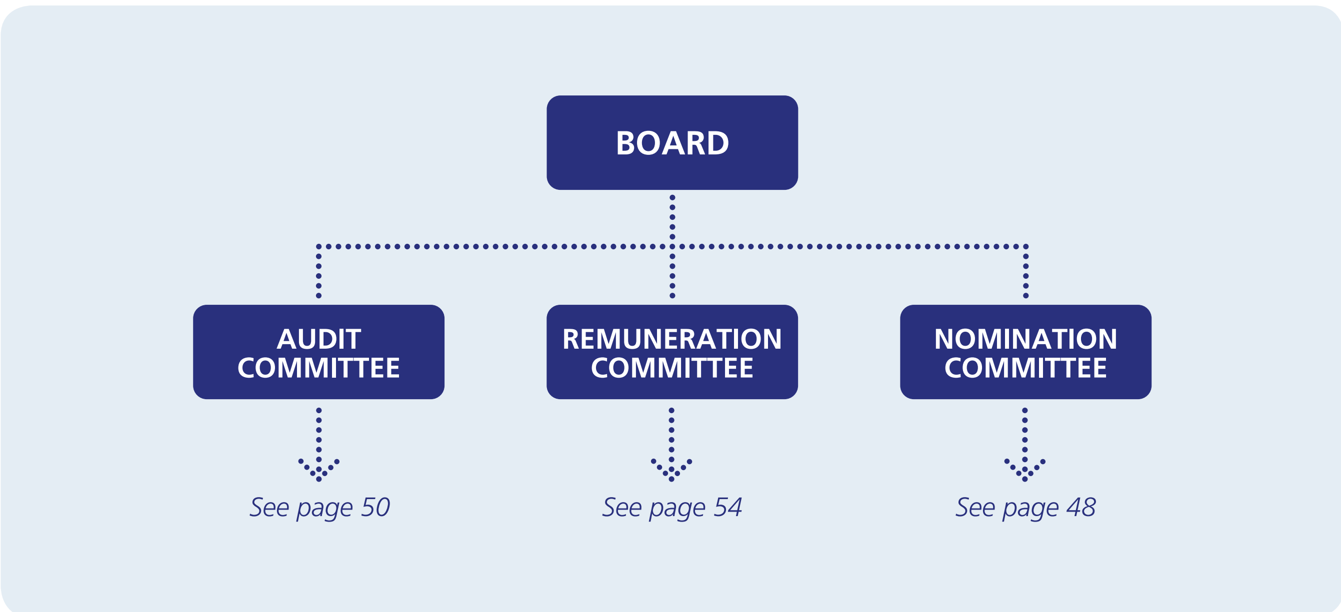
In accordance with the Listing Rules of the UK Listing Authority, the Board confirms that throughout the year ended 31 December 2015 and as at the date of this report, the Company has complied with the main principles and with the exceptions noted below:

- The code recommends that the senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders (code E.1.1.). During the year Ron Marsh, Paul Dean and Moni Mannings have offered to meet with the Company's major shareholders. Two shareholders accepted the invitation to meet with Ron Marsh and no shareholders accepted the invitation to meet with Paul Dean and Moni Mannings. The Board believes that there were appropriate mechanisms in place during the year for the Board to understand the views of Shareholders and to communicate with them on matters including governance, strategy and performance.

Initially the Company did comply with the following provisions; however, upon Alan Thomson's retirement and Ron Marsh's appointment as Chairman on 27 May 2015, the Company ceased to comply with the provisions identified below, although, the Company did continue to have two independent Non-Executives.

- Code B.1.2. – The code recommends that at least half the board, excluding the chairman, should comprise independent non-executive directors and that a smaller company should have at least two independent non-executive directors.
- Code B.2.1. – The code recommends that there should be a nomination committee which should lead the process for board appointments and make recommendations to the board regarding appointments and which comprises a majority of independent non-executive directors.

POLYPIPE'S GOVERNANCE STRUCTURE



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CORPORATE GOVERNANCE STATEMENT

Subsequently on 21 December 2015 the Nominations Committee and Board reassessed Mark Hammond's independence and agreed that he was an independent non-executive director, accordingly the Company is once more in compliance with the higher provision requirements of a FTSE 250 company.

HOW THE BOARD WORKS

The Board and its Committees

The Board is responsible for the leadership and direction of the Group and is ultimately responsible to the Company's Shareholders for the Group's long-term success. The Board takes the lead in areas such as strategy, financial policy and making sure we maintain a sound system of internal control. By delegating authority to its Committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters.

The Board has established a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its principal committees: the Audit, Remuneration and Nomination Committees. These are clearly defined within the terms of reference of the respective committees. The schedule of matters reserved for the Board includes the consideration and approval of:

- Strategy and overall management and leadership of the Group;
- Financial items – including the Group's annual budget, dividend policy, annual and half yearly accounts, accounting policies, and monetary limits;
- Risk management system and internal controls;
- Contracts with third parties not in the ordinary course of business:
- Legal, administration and pension arrangements;
- The Group's corporate governance arrangements,
- The application of the Company's share options schemes as recommended by the Remuneration Committee,
- D&O insurance coverage and the commencement or settlement of any litigation;
- Communications with Shareholders and the issue of Shareholder circulars;
- Board and senior management appointments and arrangements; and
- Authorising conflicts of interest where permitted by the Company's articles of association.

The Board has also delegated to the Chief Executive Officer the responsibility for implementing the Group's business model and for the day-to-day operational management of the group. The Chief Executive Officer is supported in carrying out his responsibilities by the Chief Financial Officer and the operations' board.

The Board has direct access to the Company Secretary and may take independent professional advice in the furtherance of their duties if necessary.

Board Composition, Qualification and Experience

At the year end, the Board is made up of the independent Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. The previous independent non-executive Chairman, Alan Thomson, was considered to be independent from the beginning of the period until he retired from the Board on 27 May 2015. Details of the individual Directors can be found on pages 38 to 39. The Non-Executive Directors were appointed for the diversity of their backgrounds as well as their personal attributes and experience. The current Board members bring a wide range of skills and experience to the Board and all actively contribute in discussion.

In accordance with B.1.1 the Nomination Committee and the Board have considered the independence of each of the Non-Executive Directors. As in the previous year, the Board considered that the following Directors were deemed to be independent throughout the period:

1. Ron Marsh
2. Paul Dean
3. Moni Mannings

The Nomination Committee also re-considered Mark Hammond's independence following the final disposal of Cavendish Square Partners Limited Partnership's ("Cavendish") shareholding. The Nomination Committee noted that the UK Code provision B.1.1. recommends that a director not be considered independent if he meets any of the following:

UK Code provision B.1.1. Criteria	Committee's findings
Has been an employee of the company or group within the last five years.	He has never been an employee of the Company.
Has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company.	He has not been involved in any material business relationship.
Has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance related pay scheme, or is a member of the company's pension scheme.	Whilst Mark Hammond was appointed by Cavendish his director fee was paid directly to them. Subsequently this has been amended and he is paid directly his directors fee. He has not received any additional remuneration. He has never participated in the company's share options, performance related pay scheme or pension.
Has close family ties with any of the company's advisers, directors or senior employees.	He has no close family ties with the company's advisors directors or senior employees.
Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies.	Mark Hammond does not hold any cross directorships or significant links with the other directors directly or indirectly.
Represents a significant shareholder.	Since 8 October 2015 neither Mark Hammond nor Cavendish hold shares in the company.
Has served on the board for more than nine years from the date of their first election.	Mark Hammond was appointed to the Board on 16 April 2014.

The Nomination Committee also confirmed that Mark Hammond provides effective oversight and challenge of Management. In addition, the Company has discussed with several major shareholders the value that Mr Hammond brings to the company and his role and they agree it is appropriate for Mark Hammond to be considered an independent non-executive director by the Company.

For the above reasons the Board, on the recommendation of the Nomination Committee (with Mark Hammond absent from both meetings' discussions), have determined that Mark Hammond is an Independent Non-Executive Director.

In accordance with UK Code provision B.7.1, at the 2016 AGM, the Board is proposing that all of the Directors will be subject to annual re-election with the following exception. On 23 November 2015, the current Chief Financial Officer Peter Shepherd expressed his desire to retire from the Company and the Board. The Company announced that Martin Payne will succeed Peter Shepherd as Chief Financial Officer on a date yet to be determined and that Martin will be put forward to be elected as a member of Polypipe's Board at the forthcoming AGM.

Role of the Chairman and Chief Executive

The roles and responsibilities of the Chairman and the Chief Executive are separate and clearly defined.

It is the Chairman's duty to provide overall leadership and governance of the Board. In performing this role, the Chairman sets the Board agenda, ensures that adequate time is available for discussion of all agenda items and promotes a culture of openness and debate at Board meetings. The Chairman is also responsible for ensuring that the Directors have an understanding of the views of major Shareholders.

The Chief Executive is responsible for management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. He leads the Group Executive team in effecting decisions of the Board and its Committees and is responsible for the maintenance and protection of the reputation of the Group. The Chief Executive is also responsible for promoting the conduct of the affairs of the Group with the highest standards of integrity, probity and corporate governance.

Polypipe

CORPORATE GOVERNANCE STATEMENT

Interaction between the Chairman and the Chief Executive

As noted above, the role of the Chairman and the Chief Executive are separate with a distinct division of responsibilities. The partnership between Ron Marsh and David Hall is based on mutual trust and facilitated by regular contact between them. The separation of authority enhances independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

Role of the Senior Independent Director

As a result of Ron Marsh's succession to Chairman of the Board at the last Annual General Meeting on 27 May 2015 and recommendation from the Nomination Committee, the Board appointed Paul Dean as Senior Independent Director ("SID"). Paul Dean is available to Shareholders if they have concerns that cannot be addressed through normal channels. The role of the SID is to act as a sounding board for the Chairman and an intermediary for the other Directors when necessary. The SID is also available to chair the Board in the absence of the Chairman. Whilst there were no requests from Shareholders or Directors for access to the SID during the year, the role of the SID is considered to be an important check and balance in the Group's governance structure.

Appointment and Tenure

The Non-Executive Directors serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of the Non-Executive Directors who, on appointment, undertake that they have sufficient time to meet what is expected of them. There is no fixed expiry date although typically a Non-Executive Director is expected to serve two three year terms but may be invited to serve a third three year term. There is no notice period in their letters of appointment.

The Executive Directors' service contracts are also available for inspection at the Company's registered office. The notice period for the Executive Directors is twelve months.

Directors' Induction and Training / Professional Development

The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and ongoing development of all Directors. No new directors joined the Board in 2015.

As the internal and external business environment changes, it is important to ensure the Directors' skills and knowledge are refreshed and updated regularly. During the period, the Company's auditors held a session with Directors on refreshing their knowledge of their obligations in terms of the going concern statement and the content of the disclosures to be made under the viability statement. The members of the Remuneration Committee also attended a session on remuneration practices and use of benchmarks for assessing the performance of senior executives.

Directors' Conflicts of Interest

Each Director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest and these procedures have operated effectively during the year.

All potential conflicts approved by the Board are recorded in an Interests Register which is maintained by the Company Secretary and reviewed by the Board on a regular basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

Directors' Indemnity and Insurance

Details of the Directors' indemnity arrangements can be found on pages 63 of the Directors' report.

Internal Controls and Risk Management

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk and internal control systems in accordance with section C.2.3 of the UK Corporate Governance Code and confirms that:

- there is an on-going process for identifying, evaluating, and managing the principal risks faced by the Group
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts
- they are regularly reviewed by the Board
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The effectiveness of these systems is also reviewed through the work of the Audit Committee described on pages 51 to 53.

The key risks which the Board has focused on this year together with their potential impact and mitigating actions are set out in the Risk Management report on pages 28 to 33.

The Company has a Risk Management Framework which adopts a top down and a bottom up view of the key risks which involves both the downward cascade and upward escalation of risks between Group and the Business Units. It comprises a risk register template, a risk profile template and assessment guidelines to be used by both the Group and Business Units when considering risk. It also includes a detailed approach to formally recording and independently assessing Group level risks.

The Board has conducted a review of the effectiveness of the system of internal controls and risk management and is satisfied that it complies with Principle C.2. of the UK Code.

FINANCIAL AND BUSINESS REPORTING PROCESS

The Board recognises its duty to ensure that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the company. In addition to the annual report the company also ensures that other price-sensitive reports and other information are published externally.

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports which is set out in the Report of the Audit Committee on pages 51 to 53.

This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in group finance and throughout the Polypipe Group businesses);
- formal sign-offs from appropriate business unit senior executives;
- comprehensive review and, where appropriate, challenge from appropriate group senior executives and executive directors;
- a transparent process to ensure full disclosure of information to the external auditors;
- oversight by the group's Audit Committee, involving (amongst other duties):
  - a detailed review of key financial reporting judgements which have been discussed by Management;
  - review and, where appropriate, challenge on matters including:
    - the consistency of, and any changes to, significant accounting policies and practices during the year;
    - significant adjustments resulting from an external audit;
    - the viability statement assumptions; and
    - the going concern assumption.

The above process provides comfort to the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable.

BOARD MEETINGS

The Board met regularly during the year, holding 9 Board meetings and a number of other meetings and teleconferences to discuss and review progress on issues affecting the Group throughout the year. A number of Board Committee meetings were also held during the year. Details of attendance at Board and Committee meetings are shown in the table below.

	Board Attendance	Audit Committee Attendance	Remuneration Committee Attendance	Nomination Committee Attendance
Current Directors				
Ron Marsh*	9 of 9	1 of 1	4 of 4	4 of 4
David Hall	9 of 9	–	–	4 of 4
Peter Shepherd	9 of 9	–	–	–
Moni Mannings	9 of 9	4 of 4	4 of 4	4 of 4
Paul Dean	9 of 9	4 of 4	4 of 4	4 of 4
Mark Hammond	9 of 9	4 of 4	4 of 4	4 of 4
Past Director				
Alan Thomson†	3 of 3	–	2 of 2	2 of 2

* Subsequent to Ron Marsh's succession to the Chairmanship of the Company following the Annual General Meeting on 27 May 2015, he ceased to be a member of the Audit Committee.

† Alan Thomson served as Non-Executive Chairman from the beginning of the period until 27 May 2015.

CORPORATE GOVERNANCE STATEMENT

As the table demonstrates, every effort is made to ensure that all Directors, where possible, attend scheduled Board meetings. However, in the event that a Director is unable to attend a meeting, they are nevertheless provided with the meeting papers and information relating to the meeting and are able to discuss the issues arising with the Chairman and other directors.

Senior management from across the Group, and advisers, attend some of the meetings for discussion of specific items in greater depth.

In order to provide the Board with greater visibility of the Group's operations and to provide further opportunities to meet senior management, the Board intends to visit at least one of the Group's business unit locations each year. Such visits allow the Board to gain a deeper understanding of local market dynamics and to assess management performance and potential. During the year, the Board visited the Group's operations in Aylesford and Caerphilly, which is the site of the newly acquired business of the Group, Nuaire.

In November 2015, the Board held its Strategy Day, where it spent a full day with senior management to discuss current performance of the Group and the Strategic Plan. Members of senior management presented to the Board the operational and financial performance of each business in detail and explained the growth prospects of each market segment in the UK and abroad.

BOARD COMMITTEES

The Company currently operates three Board committees: the Audit Committee, the Remuneration Committee and the Nominations Committee. The role and responsibilities of each Board Committee are set out in formal Terms of Reference. These Terms of Reference are available on the Company's website at www.polypipe.com

The Board Committees make recommendations to the Board as they see fit.

BOARD EVALUATION AND EFFECTIVENESS

In accordance with Code Provision B.6.1 - 6.3, the Board and its Committees underwent their internal evaluation conducted by the Company Secretary under the guidance of the Chairman and the Senior Independent Director. The Company Secretary distributed a tailored, high level questionnaire for the Directors completion. The questionnaire was structured to provide Directors with an opportunity to express their views about:

1. The performance of the Board and its Committees, including how Directors work together as a whole.
2. The balance of skills, independence and knowledge of the Directors.
3. Director self-assessment and training needs.

In addition, the Chairman discussed with each Director their performance and the Senior Independent Director lead the assessment of the Chairman's leadership.

A report on the findings of the performance evaluation was prepared by the Company Secretary and presented to the Board in November 2015. The results of the evaluation indicated that the Board is working harmoniously and that there are no significant concerns among the present Directors about its effectiveness to exercise their duties. Notwithstanding the above, the Directors recognised the need to continuously improve and evolve their behaviour. Going forward the following actions were agreed as a result of the exercise and these will be progressed over the coming year. These included:

- That the Non-Executives be given more detail of the company's succession planning of the senior management;
- That the board has greater understanding of diversity within the business.

In addition, the Board plans to undertake an externally facilitated assessment process in 2016 to enable full review of the skills and attributes of its Directors in compliance with provision B.6 of the Code.

The Board considered each of the Directors to be effective and to demonstrate commitment to his or her role. It was acknowledged that the objective of the Board in supporting the executive team to improve the performance of the Group and promote the interest of the Shareholders and stakeholders had been achieved and it would continue to constructively challenge the executive team.

SHAREHOLDER ENGAGEMENT

Responsibility for Shareholder relations rests with the Chief Financial Officer. The Chief Financial Officer in conjunction with the Corporate Brokers ensures that there is effective communication with Shareholders on matters such as governance and strategy and maintains an active dialogue with investors through a planned programme of investor relations activities. As part of the investor relations programme, formal meetings with investors are scheduled to discuss the Group's interim and final results. In the intervening periods, the Company continues its dialogue with the investor community by meeting key investor representatives and holding investor roadshows.

During the reporting period, the major Shareholders of the Group were invited to meet with the Chairman, the Senior Independent Director and the Chair of the Remuneration Committee to ensure that the Board was aware of Shareholder issues and to ensure that a satisfactory dialogue took place.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting ("AGM") is to be held on 25 May 2016 at The Holiday Inn Doncaster A1(M) Jct 36, High Road, Warmsworth, Doncaster, DN4 9UX. All Shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. A copy of the notice of AGM can be found on the Company's website at www.polypipe.com

The AGM is the Company's principal forum for communication with private Shareholders. The Chairman of the Board and the Chairman of each of the Committees, together with senior management will be available to answer Shareholders' questions at the AGM.

The notice of AGM will be sent out to Shareholders at least 20 working days before the meeting. Results will be announced to the London Stock Exchange via an RNS announcement and published on the Company's website.

RE-ELECTION OF DIRECTORS

At the AGM, all Directors will retire, and with the exception of Peter Shepherd, submit themselves for re-election. As a result of the Board evaluation exercise, as Chairman I am satisfied that each Director continues to show the necessary level of commitment to the Group and has sufficient time available to fulfil his or her duties, to justify their election or re-election.

Approved by the board and signed on its behalf:

Ron Marsh
Chairman
31 March 2016

INTRODUCTION FROM THE CHAIR OF THE NOMINATION COMMITTEE

I am delighted to present the report of the Nomination Committee for 2015. As you will know, there have been a number of role changes within the Board during the course of the year which has kept the Committee active. I will be available at the AGM to answer any questions about the work of the Committee.

COMMITTEE COMPOSITION

Thoughout the year the Committee has comprised the Chairman, all of the Non Executive Directors and the Chief Executive Officer. Accordingly there were six members initially however, following Alan Thomson's departure, there are now five. The Committee is chaired by the Board Chairman except when considering his own re-election.

Following Alan Thomson's departure the Company ceased to be in compliance with provision B2.1. because a majority of the members were not independent as I became chairman and the Chief Executive Officer and Mark Hammond were not considered independent. However, following the sale of the shares by Cavendish Square Partners the Committee have re-evaluated if Mark Hammond is independent and has subsequently determined that he is an independent director as explained on page 66 of Directors report. There have been no further changes in the membership of the Committee since the year end.

The members of the Committee and details of their attendance at Committee meetings are set out on page 45. Biographies of each member are shown on pages 38 to 39. Under the Committee's Terms of Reference the Committee will normally meet not less than twice a year and at such other times as the Chairman shall require. After each Committee meeting, the Chairman reports to the Board on the main items discussed.

ROLE OF THE COMMITTEE

The Nomination Committee's main responsibilities are to evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and the Committees; to give full consideration to succession planning of Directors and other senior executives and to assist with the selection process of new Executive and Non-Executive Directors including the Chairman. The Committee's Terms of Reference explains the Committee's role and responsibilities and can be found on the company's website at http://investors.polypipe.com/our-business/corporate-governance/board-committees and the Company Secretary acts as Secretary to the Committee.

In accordance with its terms of reference, the Nomination Committee is required to:

- Review the structure, size and composition of the Board and make recommendations to the Board as appropriate;
- Consider succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board;
- Review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies;
- Identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Review the time commitment required from non-executive directors;
- Review the results of the Board performance evaluation process that relates to the composition of the Board.

MAIN ACTIVITIES DURING THE YEAR

During the year under review and as advised previously, the Nomination Committee considered the appointment of a new Chairman ahead of Alan Thomson's departure. It also deliberated the appointment of a Senior Independent Director ('SID'). After careful consideration, the Committee agreed that Paul Dean possessed the necessary skills, knowledge and experience and recommended to the Board that he be appointed as the Company's SID effective from 27 May 2015.

Following Cavendish Square Partners' sale of the remaining shares in October 2015, the Nomination Committee evaluated Mark Hammond's independence. After careful review and reflection the Committee agreed that Mark Hammond was independent (as explained on page 43 of the Corporate Governance report) and recommend to the Board that Mark Hammond be considered independent within the UK Code requirements.

I, Paul Dean and Mark Hammond did not participate in the Nomination Committee discussions in respect of being appointed Chairman, SID and independence respectively.

The Committee has also led the recruitment of the Chief Financial Officer,

REPORT OF THE NOMINATION COMMITTEE

details of which are given under section below – Appointment of Chief Financial Officer.

As stated in the Corporate Governance report, all of the Company's Directors will retire and each will offer themselves for election at the forthcoming Annual General Meeting ("AGM") in accordance with the 2014 UK Corporate Governance Code Provision B.7.1. In proposing their re-election, the Chairman confirms that the Nominations Committee has considered the formal performance evaluation in respect of those Directors seeking re-election and the contribution and commitment of the Directors that are required to offer themselves for re-election. He has confirmed to the Board that their performance and commitment is such that the Company should support their re-election.

In respect of Peter Shepherd's retirement as a member of the Board, it is expected that Martin Payne will be appointed to the Board as Chief Financial Officer at the forthcoming AGM.

No Director was able to vote in respect of their own re-election when consideration was given to director re-election at the AGM.

Information on the Directors' service agreements, shareholdings and share options of the Company is set out in the Directors' remuneration report on pages 55 to 61.

APPOINTMENT OF CHIEF FINANCIAL OFFICER

The Committee has an established formal, rigorous and transparent procedure for the appointment of new directors and senior executives with due regard to diversity. It is our belief that having executives and non-executives on the Board that are diverse in age, experience, nationality or gender provides significant benefits to the organisation.

Prior to making an appointment, the Committee evaluates the balance of skills, knowledge and expertise required of the new recruit and of the diversity required on the Board. Having completed this assessment, the Committee prepared a description of the role and capabilities required, with a view to appointing the most suitable candidate. The Committee uses open advertising or the services of external recruitment agencies to facilitate the search and considers candidates on merit, and against objective criteria ensuring that appointees have sufficient time to devote to the position in the light of their other significant commitments and their having no conflicts of interest.

The Committee engaged executive recruitment firm Zygos, to identify potential candidates for the role of Chief Financial Officer. Zygos has no connection with the Company. A long list of possible applicants were drawn up, David Hall and Paul Dean reviewed the potential candidates CVs before identifying a shortlist of candidates. The first round of interviews was held by Mr Hall. The second round of interviews was held by Mr Hall and Mr Dean. In the final round of interviews, the selected candidates were interviewed by the Chairman, Paul Dean and Moni Mannings. All Committee members independently identified Martin Payne as the preferred candidate having the necessary attributes and skills required of a Chief Financial Officer and the Committee recommended to the Board the appointment of Martin Payne as Peter Shepherd's successor.

SUCCESSION PLANNING

In addition to the appointments referred to above a key activity of the Committee is to keep under review the Company's succession plans for members of the Board and senior managers over the short, medium and long term to ensure the Board and senior management remains appropriately balanced between new and innovative thinking and longer term stability.

Board appointment criteria are considered automatically as part of the Committee's approval of succession planning. The Committee believes that limited tenure of the Chairman and Non-Executive Directors and their subsequent enforced retirement as directors is not always appropriate, and matters of Director tenure are viewed on a case by case basis. However, currently all the Non-Executive Directors and the Chairman have been appointed for less than 6 years as identified in provision B.2.3. of the UK Code.

The Committee supports diversity, accepting the advantages that come from having diverse viewpoints and the influence in decision making. It is the aim of the Committee to always consider the benefits that arise from a diverse Board when making board appointments. The Committee does not judge it appropriate to introduce a quota system to enhance diversity in all of its forms to the Board. The Company's recruitment and appointment strategy is based on the merits of the candidates. Currently one of the six directors is female.

Details of diversity within our workforce, including at Board and Executive management level can be found on page 34.

TENURE OF NON-EXECUTIVE DIRECTORS

Appointments to the Board are made for an initial term of three years and are ordinarily limited to three consecutive terms in office subject to annual re-election by the shareholders at the AGM.

NOMINATION COMMITTEE PRIORITIES FOR 2016

During the forthcoming year the Committee will be focusing on the succession planning of the senior Executives taking into account the challenges and opportunities facing the Group and the future skills and expertise needed by the business.

By order of the Board

Ron Marsh
Chairman of the Nomination Committee
31 March 2016

INTRODUCTION FROM THE CHAIR OF THE AUDIT COMMITTEE

DEAR SHAREHOLDER

I am pleased to present the report of the Audit Committee for 2015.

The Committee is appointed by the Board from its Non-Executive Directors. Our Committee has continued to focus on the integrity of Polypipe's financial reporting, risk management and internal controls, and the quality of the internal and external audit processes. We will continue to keep our activities under review to ensure that we comply with any changes in the regulatory environment.

The Board has asked the Committee to oversee the process for determining whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

As a result of its work undertaken during the year and taking into account the result of the performance evaluation (further details on page 46), the Committee considers that it has acted in accordance with its Terms of Reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors.

I will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Paul Dean
Chair of the Audit Committee
31 March 2016

REPORT OF THE AUDIT COMMITTEE

ROLE AND RESPONSIBILITIES

The full responsibilities of the Committee are set out in its Terms of Reference which is available on the Group's website, http://ir.polypipe.com.

The key responsibilities of the Committee are to:

- Assist the Board with the discharge of its responsibilities in relation to internal and external audits;
- Monitor and review the Group's internal control and risk management systems;
- Monitor and review the effectiveness of the Group's internal audit function;
- Monitor the integrity of the financial statements of the Group including its annual and half-yearly reports, trading updates, preliminary results announcements and any other formal announcements relating to its financial performance, and reviewing significant financial reporting issues and judgements;
- Where requested by the Board, review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy;
- Consider the scope of the annual audit and the extent of the non-audit work undertaken by the external Auditor and agree the fee;
- Consider and make recommendations to the Board, to be put to Shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Group's external Auditor; and
- Oversee the relationship with the external Auditor.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee is appointed by the Board and comprises three Non-Executive Directors. All Committee members are considered independent (Mark Hammond was re-evaluated as independent by the Board on 21 December 2015).

In accordance with the requirements of provision C.3.1. of the UK Corporate Governance Code, Paul Dean is designated as the Committee member with recent and relevant financial experience. All other members of the Committee are deemed to have the necessary ability and experience to understand the financial statements.

The Committee discharges its responsibilities through a series of scheduled formal meetings during the year. Each meeting has a formal agenda which is linked to the events in the financial calendar of the Group. Attendees at each of the meetings are the Committee members as well as, by invitation, the Chief Financial Officer, the Group Financial Controller, and the external auditor, EY. The Company Secretary is also Secretary to the Audit Committee.

The Committee held four formal meetings during the year. In line with best practice, the Committee twice met with the EY Audit Partner without management being present.

GOVERNANCE

The effectiveness of the Committee was considered as part of the Board and Committee evaluation detailed on page 46. At its meeting in November 2015, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to operate effectively and provide robust challenge to the business.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

As part of the process of working with the Board to carry out its responsibilities and to maximise effectiveness, meetings of the Committee normally take place prior to the Board meetings.

At these meetings the Committee focused on the following areas:

Financial Reporting

During the year, Audit Committee meetings were held prior to the Board meetings to approve the Group's interim and annual financial statement announcements and to consider the financial reporting judgements made by the management. These considerations are made through review of the accounting papers and financial reports prepared by management and reports prepared by the Group's external Auditor.

The Committee also reported to the Board that it considered that, taken as a whole, the 2015 Annual Report was fair, balanced and understandable and included the necessary information to assess the performance and strategy of the Group.

Significant areas of judgements

The significant judgements reviewed by the Committee in respect of the year under review were as follows:

- **Provisions for customer rebates** – The Committee considered the subjectivity and recognition of customer rebate liabilities at the interim and year end;

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REPORT OF THE AUDIT COMMITTEE

- **Goodwill impairment** – The Committee considered a detailed report prepared by management setting out the assumptions used in determining whether goodwill required impairment for any of the Business Units. This included a review of the discount rate and growth factors used to calculate the discounted cash flow calculation, the sensitivity analysis applied, and the projected future cash flows used to support the carrying value of the goodwill; and
- **Intangible asset valuation and fair value adjustments** – The Committee considered a detailed report prepared by management setting out the assumptions used in determining the valuation of identifiable intangible assets and considered any fair value adjustments to tangible assets made following the acquisitions of Nuaire and Surestop. This included a review of the nature of intangible assets identified, the valuation methodologies applied, the discount rates, growth factors and economic life used to calculate the discounted cash flow calculations, and the projected future cash flows used to support their values.

Internal control, internal audit and risk management

The Committee has reviewed and approved the scope of the rolling internal audit work programme in relation to the Group's internal controls and procedures at each of the four meetings held during the year.

The Committee reviews and challenges the results and reports from the internal audit work programme and the adequacy of managements responses and resolution.

The Group's risk assessment process including how significant financial risks are managed and mitigated is a key area of focus for the Committee. During the year under review, the Committee has monitored and reviewed the Group's risk management development which has included a review of the results of Polypipe Group's self-assessment against the FRC Guidance relating to Risk Management and the results of an external review by Ernst & Young who carried out the FPP review as part of the IPO process. The Committee further considered a presentation by the Group's Information Systems Director relating to the IT security systems which the business has in place to protect itself against potential cyber security and other IT risks and disaster recovery procedures.

Other activities

Other activities undertaken by the Committee during the year included the following:

- Considered the external audit plan and agreed the audit fee;
- Considered the viability statement and going concern assumption;
- Reviewed the insurance policies in place to protect the Group;
- Reviewed the Committee's performance, effectiveness and constitution; and
- Recommended the Audit Committee Report for approval by the Board.

EXTERNAL AUDIT

Appointment

The Committee carefully considers the reappointment of the Auditor each year prior to making their recommendation to the Shareholders. As part of this process, the Committee considers the independence of the Auditor, the effectiveness of the external audit process, its remuneration, and the terms of engagement. The Committee agreed the audit fee. Having reviewed the performance of EY in 2015, the Committee has decided to recommend to the Board that EY should be reappointed for the 2016 audit and a resolution to this effect will be put to the 2016 AGM.

In accordance with current professional standards, the external Auditor is required to change the lead partner every five years in order to protect auditor independence and objectivity. EY were awarded the external audit in 2012 following a competitive tendering process and therefore no rotation of the lead partner is required until 2017. In accordance with the recent changes to the UK Corporate Governance Code, CMA order and EU Audit Directive, it is the Group's intention to put the audit out to tender at least every ten years. Accordingly the company will comply with the CMA order.

Independence

The independence of the external Auditor has been confirmed by EY in November 2015 and March 2016 at the Audit Committee meetings. The Committee considered EY's presentation on auditor independence and confirmed that it considered the Auditor to be independent.

Non-audit services

The Group's non-audit services policy excludes the external Auditor from performing non-audit services (with the exception of performing interim reviews, and local overseas filings of less than £10k). This further increases auditor objectivity and independence. Any significant non-audit services will be awarded via a competitive tender process.

There were two exceptions to this policy during 2015 where the External Auditor performed non-audit services. The Auditors performed a review of compliance with the 2014 Corporate Governance Code and also an adequacy of working capital review for a shareholder circular relating to the Nuaire acquisition. The circular was subsequently not required as the transaction fell outside the stock market criteria for such circulars. The amount paid to EY for these non-audit services amounted to £38,000. The Audit Committee considered EY were best placed to provide these non-audit services and the level of fees involved would not compromise their independence.

Effectiveness of the external audit process

The Committee adopted a formal process for reviewing the effectiveness of EY during the year under review. This process included the following:

- An assessment of the engagement partner and the audit team;
- A review of the audit approach, scope, determination of significant risk areas and materiality;
- The execution of the audit;
- Interaction with management and communication with and support to the Committee;
- The quality of any recommendation points; and
- A review of independence, objectivity and scepticism.

After considering the above matters, the Committee considered that the audit had been effective and recommended to the Board that EY be reappointed as external Auditor to the Group.

FRAUD, WHISTLE-BLOWING AND THE BRIBERY ACT

The Committee monitors any reported incidents under its whistle-blowing policy. This policy is included in the Employee Handbook and sets out the procedure for employees to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

- Something that could be unlawful;
- A miscarriage of justice;
- A danger to the health and safety of any individual;
- Damage to the environment; or
- Improper conduct.

There were no concerns raised up to Group level which required the attention of the Committee during the year.

The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Group Finance Manual sets out the procedures to which employees must adhere and is aimed at reducing the risk of fraud from occurring. The Group is committed to a zero-tolerance position with regard to bribery. Those employees which the Group considers more likely to be exposed to potential breaches of its Group policy and statutory obligations under the UK Bribery Act have been provided with relevant guidance on compliance with their obligations. The Group maintains a record of all employees who have received this guidance and requests annual confirmations from each individual stating that they have complied with the Group's anti-bribery policies.

By order of the Board

Paul Dean
Chair of the Audit Committee
31 March 2016

INTRODUCTION FROM THE CHAIR OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER

I am pleased to present our remuneration report for 2015. This report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the UK Listing Authority Listing Rules and consistent with the UK Corporate Governance Code.

At the 2015 AGM, we received overwhelming support from our shareholders for our Policy Report. No changes will be made this year to the Policy Report which can be found in our 2014 Annual Report (available in the Investors section of our website).

PERFORMANCE IN 2015

The financial and operating performance of Polypipe in 2015 is set out on pages 77 to 111.

Based on the Company's financial performance during the year and fulfilment of individual objectives, the Committee determined that the Executive Directors had earned 68.2% of the maximum potential annual bonus in respect of 2015 performance. 25% of this bonus will be deferred in shares.

PAY DECISIONS FOR 2016

The pay structure for our current Executive Directors for 2016 is outlined on pages 55 to 61. Key decisions made by the Committee in relation to 2016 include:

- The award of a 2.5% salary increase for Executive Directors. This is consistent with the average increase awarded to the Polypipe UK workforce for 2016.
- No changes to the annual bonus measures to be used to assess Company performance in 2016.
- Intending to launch an LTIP for senior managers to align their interests with those of shareholders.
- In view of his planned retirement, the current CFO will not be granted an award under the LTIP in 2016.

SHAREHOLDER ENGAGEMENT

We take a keen interest in our shareholder views on executive remuneration and welcome any feedback on the Remuneration Report.

This Remuneration Report will be subject to an advisory vote at the 2016 AGM.

I hope you will find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the resolution relating to remuneration at the AGM.

Moni Mannings
Chair of the Remuneration Committee
31 March 2016

ANNUAL REPORT ON REMUNERATION

UNAUDITED INFORMATION
IMPLEMENTATION OF REMUNERATION POLICY IN 2016

This section provides an overview of how the Committee is proposing to implement our remuneration policy in 2016 for the current Executive Directors. The remuneration arrangements for the new CFO will be finalised ahead of him joining the Company later in 2016. Those arrangements will be consistent with our existing remuneration policy and will be fully disclosed in next year's Remuneration Report.

Base salary

As described in the Statement from the Chair of the Remuneration Committee, a standard annual salary review has been carried out by the Committee. The Committee approved a 2.5% increase in Executive Director salaries effective from 1 January 2016. This increase is consistent with the average salary increase awarded to the Company's UK workforce for 2016.

	Salary 1 January 2015	**Salary 1 January 2016**	% increase
David Hall	£435,625	**£446,516**	2.5%
Peter Shepherd	£281,875	**£288,922**	2.5%

Pension and benefits

The Executive Directors will receive a Company contribution worth 20% of salary to the Group Pension Plan / a personal pension scheme and / or as a cash allowance. They will also receive a standard package of other benefits consistent with those received in 2015.

Annual bonus

The annual bonus plan for 2016 will be broadly consistent with the bonus plan operated in 2015. Key features of the plan for 2016 are:

- There will be a maximum bonus opportunity of 125% of salary for the CEO and 100% of salary for the CFO.
- 25% of any bonus earned will be deferred into shares under the Deferred Share Bonus Plan. These shares will be released half after two years post grant and half after three years post grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual or if evidence emerges of a material health and safety breach, then the Committee has the flexibility to withhold the value of shares granted under the Deferred Share Bonus Plan and/or to require repayment of an appropriate portion of the annual bonus cash award in respect of the relevant bonus year.

The annual bonus for 2016 for Executive Directors will be determined as detailed below:

As a percentage of maximum bonus opportunity

As a percentage of maximum bonus opportunity Measure	CEO	CFO
Group EBIT	70%	70%
Working capital	20%	20%
Individual objectives	10%	10%

The targets for these performance measures in relation to the financial year 2016 are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report to the extent that they do not remain commercially sensitive at that time.

LTIP

As explained in the Statement from the Chair of the Remuneration Committee, the current CFO will not receive a LTIP award in 2016 owing to his planned retirement later in the year. The Remuneration Committee has not yet determined the details of the LTIP awards to be granted in 2016 to the current CEO and to the incoming CFO although any such awards will be consistent with our shareholder approved Policy Report and will be extended to include senior managers. Full details of the awards will be disclosed both in the Stock Exchange announcement released at the time of grant and in next year's Remuneration Report.

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ANNUAL REPORT ON REMUNERATION

Sharesave Plan

The first invitation to UK employees (including Executive Directors) to participate in the Sharesave Plan was issued in 2014. The Board will, in due course, consider the appropriate timing for the next invitation to participate in the Plan.

Non-executive Director remuneration

The table below shows the fee structure for Non-executive Directors for 2016. These fees are unchanged from 2015. Non-executive fees are determined by the full Board except for the fee for the Chairman of the Board which is determined by the Remuneration Committee.

	2016 fees
Chairman of the Board all-inclusive fee	£130,000
Basic non-executive fee	£42,000
Senior Independent Director additional fee	£10,000
Chair of Audit Committee additional fee	£8,000
Chair of Remuneration Committee additional fee	£8,000

AUDITED INFORMATION

The information provided in this section of the Remuneration Report up until the 'Unaudited information' heading on page 59 is subject to audit.

SINGLE TOTAL FIGURE OF REMUNERATION

The following table sets out the total remuneration for Executive Directors and Non-executive Directors for 2015 with comparative figures for 2014.

	2015					2014					
All figures shown in £000	**Salary and fees[(1)]**	**Benefits[(2)]**	**Annual bonus[(3)]**	**Pension[(5)]**	**Total**	Salary and fees[(1)]	Benefits[(2)]	Annual bonus[(3)]	Other[(4)]	Pension[(5)]	Total
Executive Directors											
David Hall	**436**	**24**	**372**	**87**	**919**	377	29	471	6	72	955
Peter Shepherd	**282**	**17**	**192**	**56**	**547**	250	17	244	6	48	565
Non-executive Directors											
Ron Marsh [(6)(8)]	**98**	**–**			**98**	39	–				39
Alan Thomson [(6)]	**53**	**–**			**53**	108	–				108
Paul Dean [(7)(8)]	**56**	**–**			**56**	38	–				38
Moni Mannings [(8)]	**50**	**–**			**50**	38	–				38
Mark Hammond [(8)]	**42**	**–**			**42**	32	–				32

Notes to the table – methodology

(1) Salary and fees –The figure for Executive Director salaries in 2014 covers a period of three months prior to Admission and nine months following Admission. As outlined in last year's Remuneration Report, revised Executive Director salaries were set from 1 April 2014 as part of a wider restructuring of pay arrangements ahead of Admission. Since Admission, Executive Director salaries have increased 2.5% effective 1 January 2015 and 2.5% effective 1 January 2016 consistent with the average increases awarded to the Company's UK workforce.

(2) Benefits – this represents the taxable value of all benefits. Executive Directors receive benefits including car allowance, fuel allowance, private family medical insurance and life assurance of four times annual salary.

(3) Annual bonus –the bonus is paid 75% in cash and 25% deferred into shares under the Deferred Share Bonus Plan. Further details on the 2015 annual bonus are set out below.

(4) Other – this column relates to the value of the grant of options under the Sharesave Plan during 2014. The grant has been valued at 26% of the face value of shares under option which is the IFRS 2 valuation for this award.

(5) Pension – pension provision is 20% of salary.

(6) Alan Thomson retired following the AGM in May 2015 and was replaced as Chairman by Ron Marsh.

(7) Paul Dean was appointed as the Senior Independent Director with effect from the AGM in May 2015.

(8) The Non-Executive Directors joined the Board on 28 March 2014. Fees shown in the table for 2014 are from that date to 31 December 2014.

No long-term incentives have been granted to the Executive Directors.

ADDITIONAL DISCLOSURES IN RESPECT OF THE SINGLE FIGURE TABLE

Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2015 was 125% of salary for the CEO and 100% of salary for the CFO. 75% of the bonus earned will be paid in cash and 25% will be deferred into shares under the Deferred Share Bonus Plan. These shares will be released half after two years post grant and half after three years post grant.

Performance measures and targets applying to the 2015 annual bonus are set out below.

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	% of maximum bonus payable
Group EBIT	70%	£47.9m 17.5% of bonus payable	£50.4m 35% of bonus payable	£58m 70% of bonus payable	£51.1m[1]	38.2%
Working capital	20%	Net working capital position assessed at the end of each month relative to target. Monthly targets range from £0.4m to £15.6m due to seasonality. Maximum performance requires the monthly target to be met at the end of all 12 months.			Target achieved in all 12 months	20%
Individual objectives	10%	CEO: objectives linked to Board performance and development and succession planning CFO: objectives linked to internal audit, risk management, development of shareholder communication and reporting			Individual objectives fully satisfied	10%
					TOTAL	68.2% of maximum (CEO: 85.3% of salary CFO 68.2% of salary)

(1) Excludes earnings from unbudgeted acquisitions during the year.

Polypipe

ANNUAL REPORT ON REMUNERATION

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR

LTIP

No shares were granted under the LTIP to the Executive Directors during 2015.

Deferred Bonus Plan awards

The Executive Directors' annual bonuses are delivered 75% in cash and 25% in shares under the Deferred Share Bonus Plan. On 28 April 2015, the Executive Directors received an award of shares under the Deferred Share Bonus Plan relating to the 2014 annual bonus. The value of these shares was included in the annual bonus figure in the 2014 single total figure of remuneration. No further performance conditions apply to these shares.

	Type of award	Maximum number of shares	Face value (£)	Vesting date
David Hall	Deferred shares	42,801	£117,738	50% vests – 28 April 2017
Peter Shepherd	Deferred shares	22,155	£60,945	50% vests – 28 April 2018

* The maximum number of shares awarded has been calculated using the average closing share price for the three dealing days prior to grant of £2.751.

PAYMENTS TO PAST DIRECTORS

There were no payments to past directors during 2015.

PAYMENTS FOR LOSS OF OFFICE

There were no payments for loss of office to directors during 2015.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

Upon Admission, the Committee introduced a shareholding requirement of 100% of base salary for the Executive Directors. Both of the current Executive Directors had a shareholding that surpassed that requirement at 31 December 2015.

Executive Directors are expected to achieve the shareholding requirement within five years of an individual becoming subject to the requirement. The Committee reviews ongoing individual performance against the shareholding requirement at the end of each financial year.

The number of shares currently held by Directors are set out in the table below.

	Number of shares		
	Shares owned outright at 31 December 2015	Interests in share incentive schemes, awarded without performance conditions at 31 December 2015	
Director		Deferred Share Bonus Plan(1)	Sharesave(2)
David Hall(3)	5,873,740 (4,590% of salary)	42,801	9,045
Peter Shepherd(3)	2,477,037 (2,992% of salary)	22,155	9,045
Ron Marsh	100,000	–	–
Paul Dean	5,000	–	–
Moni Mannings	–	–	–
Mark Hammond	–	–	–

Notes to the table

(1) This relates to shares awarded under the Deferred Share Bonus Plan in April 2015.
(2) This relates to shares awarded under the Sharesave Plan in September 2014.
(3) For the purposes of determining the value of Executive Director shareholdings, the individual's current salary and the share price as at 31 December 2015 has been used (£3.49).

Between 31 December 2015 and the date of this report, there were no changes in the shareholdings outlined in the above table.

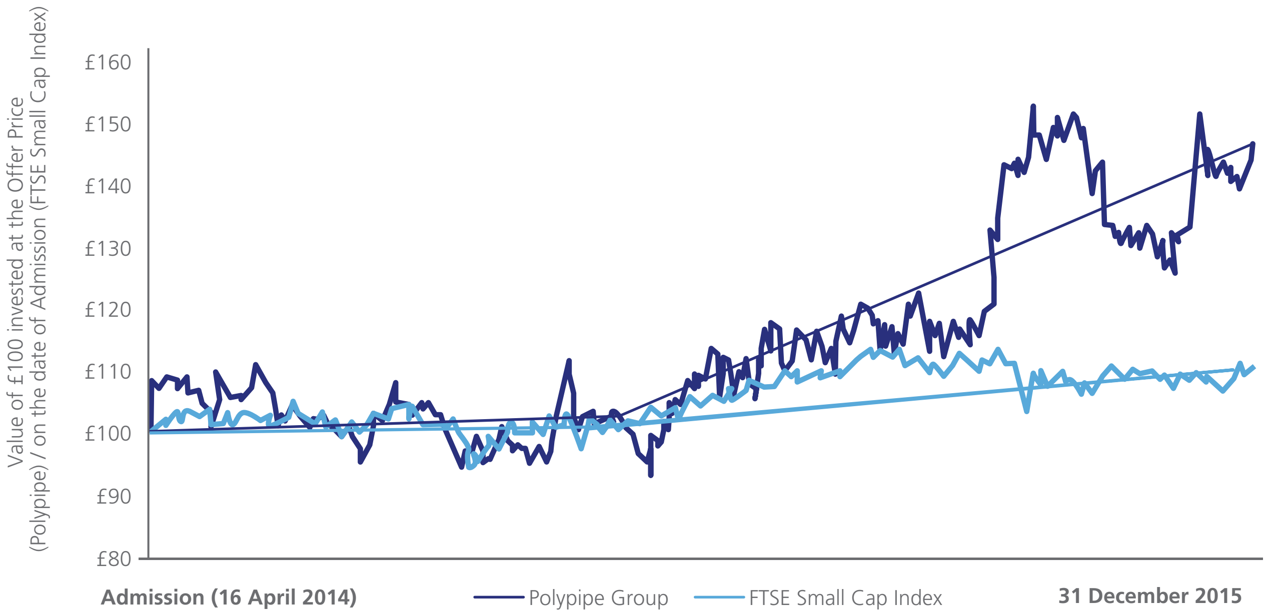
UNAUDITED INFORMATION

The information provided in this section of the Remuneration Report is not subject to audit.

PERFORMANCE GRAPH AND CEO REMUNERATION TABLE

The chart below compares the Total Shareholder Return performance of the Company over the period from Admission to 31 December 2015 to the performance of the FTSE Small Cap Index. This index has been chosen because it is a recognised equity market index of which the Company was a member over this period. The base point in the chart for the Company equates to the Offer Price of £2.45. As the Company has only been listed for a relatively short period, we have provided the entire historical performance to date (fluctuating line in chart) as well as the statutory requirement to show movement in performance between Admission and financial year-ends (straight line in chart).

The table below the chart summarises the CEO single figure for total remuneration, annual bonus pay-outs and long-term incentive vesting levels as a percentage of maximum opportunity over this period.



	2015	2014
CEO single figure of remuneration £000	**919**	955
Annual bonus pay-out (as a % of maximum opportunity)	**68.2%**	88.7%
LTIP vesting out-turn (as a % of maximum opportunity)	**n/a**	n/a

ANNUAL REPORT ON REMUNERATION

PERCENTAGE CHANGE IN REMUNERATION OF THE CEO

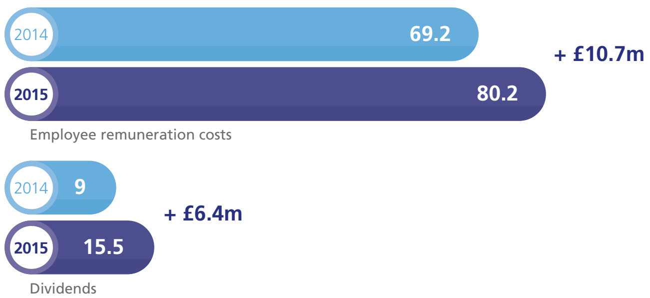
The chart below illustrates the percentage change in salary, benefits and annual bonus between 2014 and 2015 for the CEO and the average for all Company UK employees.

	Salary change (2014 to 2015)	Benefits change (2014 to 2015)	Annual bonus change (2014 to 2015)	Change in total pay (2014 to 2015)
CEO	+ 16%[1]	–17%	–21%	–4%
Average for all UK employees	+2.5%	–	–21%	n/a

1. As described in last year's Remuneration Report, the CEO's salary was adjusted effective from 1 April 2014 as part of a wider restructuring of pay arrangements ahead of Admission. Since Admission, the CEO's salary has increased 2.5% effective 1 January 2015 and 2.5% effective 1 January 2016 consistent with the average increases awarded to the Company's UK workforce.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The chart below illustrates the total expenditure on pay for all of the Company's employees compared to dividends payable to shareholders in respect of 2015. To comply with reporting regulations, a 2014 comparative figure is also provided although the Company was unlisted for part of 2014 and so only made dividend payments to shareholders in respect of part of that year. The increase in employee remuneration costs in 2015 reflects the impact of acquisitions during the year.



CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee is chaired by Moni Mannings. During the year, the Committee also comprised Ron Marsh, Paul Dean, Mark Hammond and, until his retirement from the Board, Alan Thomson.

The Committee met four times during 2015. The CEO was also present at those meetings by invitation.

The Committee is responsible for determining all aspects of Executive Director pay. It also monitors pay arrangements for other senior executives and oversees the operation of all share plans. Full terms of reference of the Committee are available on our website.

Deloitte LLP was appointed in 2014 to provide advice on executive remuneration matters. During the year, the Committee received independent and objective advice from Deloitte principally on market practice, incentive design and drafting of the remuneration report for which Deloitte was paid £11,160 in fees (charged on a time plus expenses basis). Deloitte is a founding member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. In addition, during 2015 Deloitte provided advice to the Company in relation to tax.

SHAREHOLDER VOTING ON 2014 REMUNERATION REPORT

At the 2015 Annual General Meeting, strong shareholder support was received for our resolutions on remuneration as summarised below.

	Votes for	Votes against	Votes withheld
Approval of the Policy Report	146,494,935 (99.99%)	1,457 (0.01%)	3,197,875
Approval of the Annual Report on Remuneration	144,345,469 (98.53%)	2,150,923 (1.47%)	3,197,875

EXTERNAL BOARD APPOINTMENTS

Executive Directors are not normally entitled to accept a non-executive director appointment outside the Company without the prior approval of the Board. Neither of the current Executive Directors currently holds any such appointment.

ANNUAL GENERAL MEETING

This Remuneration Report will be subject to an advisory shareholder vote at our Annual General Meeting to be held on 25 May 2016.

On behalf of the Board

Moni Mannings
Chair of the Remuneration Committee
31 March 2016

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DIRECTORS' REPORT

INTRODUCTION

The directors present their annual report and audited consolidated financial statements for the period ended 31 December 2015. In accordance with the Companies Act 2006 as amended, and the Listing Rules and the Disclosure and Transparency Rules, the reports within the Governance section of the Annual Report should be read in conjunction with one another, and the strategic report.

THE COMPANY

Polypipe Group plc is a public company limited by shares, incorporated in England and Wales with registered number 06059130. Since 16 April 2014, the Company was and remains listed on the premium segment of the London Stock Exchange. Whilst the Group operates predominately in the UK, it does have subsidiaries in France, Italy and the UAE.

STRATEGIC REPORT

The Companies Act 2006 requires the Company to present a fair review of the development and performance of the Group's business during the financial year and the position of the business at the end of that year. This review is contained within the Strategic report on pages 16 to 17. The principal activities of the group are described in the Strategic report on pages 14 to 15.

FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies, including information on financial risks that materially impact the group and financial instruments used by the Group (if any), are set out in Note 28 to the Group's consolidated financial statements on pages 109 to 111.

VIABILITY STATEMENT

In accordance with provision C2.2 of the 2014 revision of the Code, the Directors have assessed the prospect of the Group over a longer period than 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of three years as the Group's Strategic Review covers a three-year period.

During 2015, the Board carried out an assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. In its assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties detailed on pages 28 to 33 of the annual report. The Directors believe that the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook. Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2018 being the period considered under the Group's current three-year strategic plan.

GOING CONCERN STATEMENT

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 the Annual Report and Accounts.

DIRECTORS

The current directors' biographies are set out on pages 38 to 39. In addition, Mr Alan Thomson was Non-executive chairman until the 2015 AGM on 27 May 2015. In accordance with the UK Corporate Governance Code 2014, each Director will retire annually and put themselves forward for re-election at each AGM of the Company.

APPOINTMENTS AND REPLACEMENT OF DIRECTORS

The rules about the appointment and replacement of Directors are contained in our Articles of Association (the "Articles"). They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Directors must retire and put themselves forward for election at their first AGM following their appointment and every third anniversary thereafter. However, the Directors wishing to continue to serve as members of the Board, will seek re-election annually in accordance with the UK Corporate Governance Code.

Details of the non-executive directors' letters of appointment are given on page 44 under Role of the non-executive directors. The executive directors have service contracts under which 12 months' notice is required.

POWERS OF DIRECTORS

The general powers of the Directors are set out in Article 94 of the Company's Articles provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation or the Articles. The general powers of the Directors are also limited by any directions given by special resolution of the Shareholders of the Company which are applicable on the date that any power is exercised.

COMPENSATION FOR LOSS OF OFFICE

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the directors' remuneration report on pages 55 to 61.

DIRECTORS' INDEMNITY ARRANGEMENTS

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the Company or any associate company, to the extent the law allows. In this regard, the Company is required to disclose that under Article 212 of the Company's articles of association, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006 against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity has been in place since the Company's application for listing on the London Stock Exchange on 28 March 2014 and remains in place. The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance.

SHARE CAPITAL

The share capital of the Company is 199,999,862 Ordinary Shares of £0.001 each of which 730,478 ordinary shares are held in Treasury. Details of the Company's share capital are shown in note 22 of the financial statements.

The Company passed the following resolutions on 27 May 2015:

- An ordinary resolution providing the Directors with authority to allot ordinary shares up to an aggregate nominal amount of £66,353.69 (representing 66,353,690 ordinary shares or approximately 33% of the ordinary share capital). No shares have been issued under this authority.
- A Special resolution granting the Directors the authority on a pre-emptive basis to issue shares with a nominal value of £66,353.69 (representing 66,353,690 ordinary shares or approximately 33% of the ordinary share capital) and on a non- pre-emptive basis up £9,999.99 (representing 9,999,990 ordinary shares or approximately 5% of the ordinary share capital).
- A special resolution granting the Directors the authority to make market purchases up to 19,926,034 ordinary shares with a total nominal value of £19,926.03, representing approximately 10% of the Company's issued ordinary share capital. The Company intends to hold these shares in treasury to satisfy share option awards in the future. During the year the Company has not made any share purchases.

These authorities are due to expire at the Company's Annual General Meeting to be held on 25 May 2016 and proposals for their renewal are set out in the Notice of the Annual General Meeting. The authority to allot new ordinary shares, dis-apply pre-emption rights or for the Company to purchase new shares will only be used if the directors believe it is in the best interests of the Company.

Details of the Company's share capital are shown in note 22 to the financial statements. Particulars of treasury share purchases are also included in note 22 to the financial statements.

The rights attaching to the ordinary shares are summarised as:

- The ordinary shares rank equally for voting purposes;
- On a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- Each ordinary share ranks equally for any dividend declared;
- Each ordinary share ranks equally for any distributions made on a winding up of the Company;
- Each ordinary share ranks equally in the right to receive a relative proportion of shares on the event of a capitalisation of reserves;
- The ordinary shares are freely transferable;
- No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.

Polypipe

DIRECTORS' REPORT

AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

The Company may alter its Articles of Association ("articles") by special resolution passed at a general meeting of the company.

POLITICAL DONATIONS

The Group made no political donations during the year.

GREENHOUSE GAS EMISSIONS

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility statement on pages 34 to 35 and forms part of this report by reference.

FUTURE DEVELOPMENTS WITHIN THE GROUP

The Strategic report contains details of likely future developments within the Group. The Group's research and development costs are set out in Note 6 to the Group's consolidated financial statements on page 94.

OVERSEAS OPERATIONS

As explained in the Strategic report, the Group operates in the UK, France, Italy and UAE.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events to report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board have carried out robust assessment of our current key risks and these are summarised in the Strategy section 'Key Risks and Uncertainties' on pages 28 to 33.

RESULTS AND DIVIDENDS

An interim dividend totalling 2.3p per share was paid on 25 September 2015. The Board recommends a final dividend of 5.5p per share. Shareholders will be asked to approve the final dividend at the AGM on 25 May 2016, for payment on 1 June 2016 to Shareholders whose names appear on the register on 29 April 2016.

Total ordinary dividends paid and proposed for the year amount to 7.8p per share or a total return to Shareholders of £15.5m in total.

EMPLOYEES

The Company's policies in relation to the employment of disabled persons and gender breakdown and employee involvement are included in Corporate responsibility – Employees on page 34.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015 the Company was aware of the following interests representing 3% or more of the issued ordinary share capital of the Company. Details of these interests are also shown at 11April 2016. This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

	As at 31 December 2015		As at 11 April 2016	
Name of Shareholder	Ordinary Shares	% Voting Rights	Ordinary Shares	% Voting Rights
Standard Life Investments (Holdings) Limited	18,691,014	9.35(1)	24,012,379	12.05(1)
Schroder Investment Management	11,000,000	5.50(1)	11,000,000	5.50(1)
SEB Asset Management AB	5,985,342	3.00	5,808,709	2.92

(1) Held indirect.

AUDITOR

A resolution to appoint Ernst and Young LLP as the Company's external auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the 2016 AGM.

DIRECTORS' STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors has confirmed that as at the date of this report:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

REQUIREMENTS OF THE LISTING RULES

The following table provides references to where the information required by the listing rule 9.8.4R is disclosed.

Listing Rule requirement	
A statement of the amount of interest capitalised by the Group during the period under review with an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18 R (Publication of unaudited financial information).	Not applicable
Details of any long-term incentive scheme as required by LR 9.4.3R.	Director's Remuneration Report Page 55
Details of any arrangements under which a director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking. Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	Not applicable
Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares and which has not been specifically authorised by the Company's shareholders.	Not applicable
Where a listed company has listed shares in issue and is a subsidiary undertaking of another company, details of the participation by the parent undertaking in any placing made during the period under review.	Not applicable
Details of any contract of significance subsisting during the period under review: (a) To which the listed company, or one of the its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and (b) Between the listed company, or one of its subsidiary undertakings, and a controlling shareholder.	Not applicable
Details of contracts for the provision of services to the company or any of its subsidiary undertakings by the controlling shareholder.	Not applicable
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends, where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

DIRECTORS' REPORT

RELATIONSHIP AGREEMENT

The Relationship Deed dated 11 April 2014 between Cavendish Square Partners (General Partner) Limited ("Cavendish")(in its capacity as general partner to Cavendish Square Partners Limited Partnership) and the Company provides that Cavendish had the right to nominate one person to be its Representative Director on the Board until the later of 12 months from Admission or when Cavendish ceased to hold an interest, either direct or indirect, of 20% or more of the aggregate voting rights in the Company from time to time.

Cavendish shareholding dropped below 20% in May 2014 and subsequently Cavendish made further disposals in December 2014 and October 2015 and now has no share interest in the Company. Accordingly, the relationship agreement terminated on 16 April 2015, being the 12 month anniversary of the Company's admission to the London Stock Exchange.

The Company is therefore no longer required under Listing Rule 9.8.4 (14), to provide details of the Relationship agreement.

ANNUAL GENERAL MEETING

The 2016 AGM will be held on 25 May 2016 at The Holiday Inn Doncaster A1(M) Jct 36, High Road, Warmsworth, Doncaster, DN4 9UX. A full description of the business to be conducted at the meeting will be set out in the separate Notice of Annual General Meeting.

By order of the Board

Capita Company Secretarial Services Limited
Company Secretary
31 March 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare Group financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the group for that period.

In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report, the Strategic Report, the Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board:

D G Hall
Chief Executive Officer
31 March 2016

P D Shepherd
Chief Finance Officer
31 March 2016

OUR FINANCIALS

PICTURED
Clarence Dock, Leeds at dusk

Polypipe

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLYPIPE GROUP plc

OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- Polypipe Group plc's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

Polypipe Group plc's financial statements comprise:

Group	Parent company
Group income statement for the year ended 31 December 2015	Company balance sheet as at 31 December 2015
Group statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Group balance sheet as at 31 December 2015	Related notes 1 to 9 to the financial statements
Group statement of changes in equity for the year then ended	
Group cash flow statement for the year then ended	
Related notes 1 to 28 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	Revenue recognition and recognition of customer rebates Acquisition accounting
Audit scope	We performed an audit of the complete financial information of all components of the Group. The components where we performed full audit procedures accounted for 100% of Profit before tax excluding non-underlying items other than intangibles amortisation and profit on sale of fixed assets, 100% of Revenue and 100% of Total assets.
Materiality	Overall Group materiality of £2.3m (2014: £1.8m) which represents 5% (2014: 5%) of Profit before tax excluding non-underlying items other than intangibles amortisation and profit on sale of fixed assets.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Rebates and revenue recognition		
The timing of revenue recognition is relevant to the reported performance of the Group as a whole and also to the completeness of rebate expense and related year end liabilities as discussed below. There is opportunity to misstate the recording of revenue between periods in order to influence reported results. Furthermore, as described in note 3 to the Group financial statements, the Group's pricing structure includes rebate arrangements with customers. Some of these arrangements involve estimation when determining the amount to be recognised as an expense in the year and a liability at the year end. This is in particular relevant to rebates payable to end users who are not direct customers of the Group but who buy Polypipe products from the Group's customers. Refer also to page 51 (Audit Committee Report).	We tested the accuracy of revenue cut off around the year end. Our work comprised the agreement of sales transactions from either side of the year end to supporting documentation, and performing trend analysis of daily sales in the period prior to the year end. In respect of rebates we understood the procedures and controls in place over the rebates process. We tested the accuracy and appropriateness of rebate provision calculations by agreeing amounts recognised to terms of agreements and other supporting documents. We also compared year end customer rebate provisions and rebate costs in the year, to prior year amounts and expectations. We compared a sample of rebate payments made in the year with amounts provided as at 31 December 2014 which, together with a review of ageing, gave us assurance over the accuracy of amounts previously provided. We challenged the completeness of amounts recognised by reference to the Group's revenues in the year.	We have concluded that revenue is appropriately recognised in the correct accounting period and found no evidence of management bias. We have concluded that the customer rebates expense and liability are appropriately recognised and that amounts estimated are within an acceptable range.

Polypipe

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLYPIPE GROUP plc

Risk	Our response to the risk	What we concluded to the Audit Committee
Accounting for acquisitions		
During the year the Group made two business acquisitions. The accounting for acquisitions, including the allocation of the purchase price and the recognition of intangible assets and goodwill is required to be performed in accordance with IFRS 3 'Business Combinations'. This involves judgement and is a subjective area. Specifically the valuation of intangible assets requires the identification of the specific intangible assets acquired, the estimation of future cash flows and the selection of appropriate discount rates to be used for discounting. The identification of intangible assets results in an equivalent reduction in the amount recognised as goodwill, and the intangible assets give rise to an amortisation charge that, in accordance with the Group's policy, is disclosed separately in the income statement as a non-underlying item. The amounts recognised as intangible assets were £94.3m of goodwill and £52.1m of other intangible assets. Refer also to page 52 (Audit Committee Report), Accounting Policies 2.4 and 2.10, and Notes 3.3, 16 and 17 of the Group financial statements.	We obtained and read the share purchase agreements relating to acquisitions in the year, and vouched the consideration paid to supporting documentation. We verified that the allocation of the purchase price and the recognition of intangible assets was in accordance with IFRS 3. We ensured that only post acquisition results had been included in the Group income statement for the year. We confirmed that the necessary disclosures had been made in the financial statements, and considered the impact of acquisitions in the year on segmental disclosures. We vouched significant acquisition costs to supporting documentation and ensured that they had been appropriately expensed.	We have concluded that accounting for acquisitions has been performed in line with IFRS 3 and that the acquisitions have been appropriately disclosed.

In the prior year, our auditor's report included a risk of material misstatement in relation to deferred taxation. In the current year, this is no longer included as the amount of any unrecognised deferred tax asset in respect of non-trading losses is no longer considered material to the financial statements.

THE SCOPE OF OUR AUDIT
TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account factors such as size, risk profile, the organisation of the group and the effectiveness of group-wide controls when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the eleven reporting components of the Group, we selected all eleven components (2014: all nine components) covering entities within the UK, France and Italy, which represent the principal business units within the Group.

We performed an audit of the complete financial information of all eleven components selected ("full scope components"). Therefore for the current year, the full scope components where we performed audit procedures accounted for 100% (2014: 100%) of the Group's Profit before tax excluding non-underlying items other than intangibles amortisation, 100% (2014: 100%) of the Group's Revenue and 100% (2014: 100%) of the Group's Total assets.

The new business units acquired during 2015 are both included within the full scope components this year.

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the eleven full scope components, audit procedures were performed on nine of these directly by the primary audit team, which was responsible for all UK locations. For the two full scope components where the work was performed by component auditors, in France and Italy, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, a visit was undertaken by the primary audit team to the component team in France. This visit involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending the closing meeting and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.3 million (2014: £1.8 million), which is 5% (2014: 5%) of Profit Before Tax excluding non-underlying items other than intangibles amortisation and profit on sale of fixed assets. We believe that Profit Before Tax excluding non-underlying items other than intangibles amortisation and profit on sale of fixed assets provides us with the most relevant measure of Group profitability.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF POLYPIPE GROUP plc

Starting basis	• Reported Profit Before Tax – £41.5m
Adjustments	• Acquisition costs – increase basis by £2.0m • Exceptional finance costs – increase basis by £1.7m
Materiality	• Adjusted Profit Before Tax excluding non-underlying items other than intangibles amortisation and profit on sale of fixed assets – £45.2m • Materiality of £2.3m (5% of Adjusted Profit Before Tax excluding non-underlying items other than intangibles amortisation and profit on sale of fixed assets)

PERFORMANCE MATERIALITY
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2014: 75%) of our planning materiality, namely £1.7m (2014: £1.4m). We have set performance materiality at this percentage due to the past history of misstatements indicating a lower risk of misstatement in the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £1.7m (2014: £0.2m to £1.2m).

REPORTING THRESHOLD
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2014: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR
As explained more fully in the Directors' Responsibilities Statements set out on pages 67 and 112, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

the information given in the Corporate Governance Statement set out on pages 41 to 47 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: ○ materially inconsistent with the information in the audited financial statements; or ○ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ○ otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: ○ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or ○ the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or ○ certain disclosures of directors' remuneration specified by law are not made; or ○ we have not received all the information and explanations we require for our audit; or ○ a Corporate Governance Statement has not been prepared by the company	We have no exceptions to report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLYPIPE GROUP plc

Listing Rules review requirements	We are required to review: ○ the directors' statement, set out on page 62, in relation to going concern; and longer-term viability set out on page 62; and ○ the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

STATEMENT ON THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE ENTITY

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: ○ the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; ○ the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; ○ the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and ○ the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Stuart Watson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
31 March 2016

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015			2014		
	Notes	Underlying £m	Non-Underlying* £m	Total £m	Underlying £m	Non-Underlying* £m	Total £m
Revenue	5	352.9	–	352.9	327.0	–	327.0
Cost of sales		(210.0)	–	(210.0)	(202.4)	–	(202.4)
Gross profit		142.9	–	142.9	124.6	–	124.6
Selling and distribution costs		(56.4)	–	(56.4)	(49.8)	–	(49.8)
Administration expenses		(32.3)	(2.0)	(34.3)	(28.5)	(12.2)	(40.7)
Trading profit		54.2	(2.0)	52.2	46.3	(12.2)	34.1
Profit on sale of fixed assets		–	0.2	0.2	–	0.1	0.1
Amortisation of acquisition intangibles		–	(3.0)	(3.0)	–	–	–
Operating profit		54.2	(4.8)	49.4	46.3	(12.1)	34.2
Finance revenue	11	0.1	–	0.1	0.2	–	0.2
Finance costs	11	(6.3)	(1.7)	(8.0)	(8.9)	(8.6)	(17.5)
Profit before tax		48.0	(6.5)	41.5	37.6	(20.7)	16.9
Taxation	12	(9.2)	1.8	(7.4)	(5.4)	2.4	(3.0)
Profit for the year attributable to the owners of the parent company		38.8	(4.7)	34.1	32.2	(18.3)	13.9
Basic earnings per share (pence)	14	19.47		17.11	16.11		6.96
Diluted earnings per share (pence)	14	19.42		17.07	16.10		6.95
Dividend per share (pence) – Interim	13			2.30			1.50
Dividend per share (pence) – Final	13			5.50			3.00
Total				7.80			4.50

* Non-underlying items are presented separately for the first time this year. The definition of non-underlying items is included in the Group Accounting Policies on page 90. Non-underlying items are detailed in note 8 to the financial statements.

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GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
Profit for the year	**34.1**	13.9
Other comprehensive income:		
Items which will be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	**(0.8)**	(1.1)
Effective portion of changes in fair value of interest rate swap derivative	**0.3**	(2.4)
Tax relating to items that may be reclassified	**(0.1)**	0.5
Other comprehensive income for the year net of tax	**(0.6)**	(3.0)
Total comprehensive income for the year attributable to owners of the parent	**33.5**	10.9

GROUP BALANCE SHEET
AT 31 DECEMBER 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment	15	**98.1**	89.2
Intangible assets	16	**378.4**	235.0
Total non-current assets		**476.5**	324.2
Current assets			
Inventories	19	**47.5**	39.9
Trade and other receivables	20	**30.5**	20.9
Cash and cash equivalents	21	**21.6**	43.1
Total current assets		**99.6**	103.9
Total assets		**576.1**	428.1
Current liabilities			
Trade and other payables	24	**(80.3)**	(65.2)
Other financial liabilities	25	**(2.2)**	(2.6)
Income tax payable	12	**(4.7)**	(2.0)
Total current liabilities		**(87.2)**	(69.8)
Non-current liabilities			
Loans and borrowings	25	**(215.9)**	(118.0)
Other liabilities		**(2.0)**	(1.7)
Deferred tax liability	12	**(10.0)**	(0.9)
Total non-current liabilities		**(227.9)**	(120.6)
Total liabilities		**(315.1)**	(190.4)
Net assets		**261.0**	237.7
Capital and reserves			
Equity share capital	22	**0.2**	0.2
Capital redemption reserve		**1.1**	1.1
Treasury shares		**(1.7)**	(1.7)
Hedging reserve		**(1.7)**	(1.9)
Foreign currency retranslation reserve		**(2.5)**	(1.7)
Retained earnings		**265.6**	241.7
Total equity		**261.0**	237.7

The financial statements were approved for issue by the Board of Directors and signed on its behalf by:

P D Shepherd
Director
31 March 2016

Company Registration No. 06059130

Polypipe

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital £m	Capital redemption reserve £m	Treasury shares £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Retained earnings £m	Total equity £m
At 31 December 2013	1.3	–	–	–	(0.6)	230.7	231.4
Profit for the year	–	–	–	–	–	13.9	13.9
Other comprehensive expense	–	–	–	(1.9)	(1.1)	–	(3.0)
Total comprehensive (expense)/income for the year	–	–	–	(1.9)	(1.1)	13.9	10.9
Dividends paid	–	–	–	–	–	(3.0)	(3.0)
Purchase of treasury shares	–	–	(1.7)	–	–	–	(1.7)
Share-based payments	–	–	–	–	–	0.1	0.1
Cancellation of deferred shares	(1.1)	1.1	–	–	–	–	–
At 31 December 2014	0.2	1.1	(1.7)	(1.9)	(1.7)	241.7	237.7
Profit for the year	–	–	–	–	–	34.1	34.1
Other comprehensive income/(expense)	–	–	–	0.2	(0.8)	–	(0.6)
Total comprehensive income/(expense) for the year	–	–	–	0.2	(0.8)	34.1	33.5
Dividends paid	–	–	–	–	–	(10.6)	(10.6)
Share-based payments	–	–	–	–	–	0.4	0.4
At 31 December 2015	**0.2**	**1.1**	**(1.7)**	**(1.7)**	**(2.5)**	**265.6**	**261.0**

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

		Notes	**2015 £m**	2014 £m
Operating activities				
Profit for the year before tax			**41.5**	16.9
Add back net financing costs		11	**7.9**	17.3
Operating profit			**49.4**	34.2
Non cash items:				
Gain on disposal of property, plant and equipment		8	**(0.2)**	(0.1)
Non-underlying exceptional items	– listing costs expensed	8	**–**	12.2
	– listing costs paid		**–**	(12.5)
	– amortisation of acquisition intangibles	8	**3.0**	–
Depreciation		15	**15.1**	14.5
Operating cash flow before movement in working capital			**67.3**	48.3
Movement in working capital:				
Receivables			**1.6**	(0.2)
Payables			**5.6**	4.0
Inventories			**(1.9)**	(1.5)
Cash generated from operations			**72.6**	50.6
Income tax paid			**(5.2)**	(3.7)
Net cash flows from operating activities			**67.4**	46.9
Investing activities				
Interest received			**0.1**	0.2
Proceeds from disposal of property, plant and equipment			**0.4**	0.2
Acquisition of businesses	– purchase consideration	17	**(155.2)**	(0.3)
	– cash at acquisition	17	**5.7**	–
Purchase of property, plant and equipment			**(19.3)**	(15.1)
Net cash flow used in investing activities			**(168.3)**	(15.0)
Financing activities				
Repayment of Senior Secured Notes			**–**	(150.0)
New bank loans			**148.5**	120.0
Bank loan repayment			**(51.0)**	–
Purchase of own shares			**–**	(1.7)
Interest paid			**(5.8)**	(10.6)
Dividend paid			**(10.6)**	(3.0)
Refinancing costs			**(1.7)**	(9.4)
Net cash flows from financing activities			**79.4**	(54.7)
Net decrease in cash and cash equivalents			**(21.5)**	(22.8)
Cash and cash equivalents at 1 January		21	**43.1**	65.9
Cash and cash equivalents at 31 December		21	**21.6**	43.1

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue by the Board of Directors on the 31 March 2016 and the balance sheet was signed on the Board's behalf by Peter Shepherd.

Polypipe Group plc is a public limited company incorporated and domiciled in the United Kingdom. The principal activity of the Group is the manufacture of plastic pipe systems for the building and construction market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the consolidated historical financial information for the year ended 31 December 2015 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

2.1 Basis of preparation and statement of compliance with IFRS's

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union regulations as they apply to the financial statements of the Group for the year ended 31 December 2015 and also in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

The Group's financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest million (£m) unless otherwise indicated.

During the year the Group has amended its income statement presentation to present exceptional and other non-cash items, and the related tax impact, on the face of the income statement using a columnar format rather than on a single line basis as used in prior years. The Directors consider it appropriate to amend the income statement presentation in this way to facilitate a more meaningful comparison with prior and future periods.

2.2 Going concern

The Directors, having considered all relevant risk factors, believe the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group holds 100% of the equity and controls 100% of the voting rights in all subsidiaries. Therefore the treatment of Non-Controlling Interests or any other non-voting right factors in respect of control is not relevant.

2.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the total of the consideration transferred, measured at acquisition fair value. Acquisition costs incurred are expensed and included in administration expenses.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill.

Any contingent consideration to be transferred to the vendor will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured and subsequent settlement is accounted for within equity.

2.5 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses (see 2.11).

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

2.6 Foreign currency translation

The Group's consolidated financial statements are presented in Pounds Sterling, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured in that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into Pounds Sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates prevailing. The resulting exchange differences are recognised in other comprehensive income.

2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer (when the goods are delivered). The amount is recognised net of any discounts or rebates payable, which are accrued at the point at which the goods are delivered. As explained in note 3.2, rebates can be complex in nature and involve estimation.

Interest income

Interest is recognised as interest accrues on cash balances using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

2.8 Taxes

Current Income Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred Income Tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

For deductible temporary differences associated with investments in subsidiaries, it must additionally be probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on the cost less residual value of property, plant and equipment, and is on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	Over expected economic life not exceeding 50 years
Plant and other equipment	4 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end and where adjustments are required these are made prospectively.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.10 Intangible assets

Intangible assets acquired separately are initially measured at cost. Intangible assets arising on business combinations are initially measured at fair value. Following initial recognition, intangible assets are carried at cost or fair value less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation of intangible assets is provided over the following expected useful lives:

Patents and Brand names	ten years
Customer relationships	five years
Customer order book	up to one year

Research and Development costs

Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

At the reporting date no development costs have met the above criteria.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there are any indicators that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its fair value less costs to sell and its value in use and it is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and industry forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and industry forecast calculations are generally covering a period of 4 years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income.

Impairment losses related to goodwill cannot be reversed in future periods.

2.12 Leasing

The classification of leases as finance or operating leases requires the Group to determine, based on an evaluation of the terms and conditions, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised on the balance sheet.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.13 Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39: Financial instruments: Recognition and measurement ('IAS 39') are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of financial assets at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit and loss.

The Group's financial assets include cash and cash equivalents, derivative financial instruments and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. The Group does not hold any held to maturity investments or available for sale financial assets.

Financial assets at fair value through profit of loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of financial liabilities at initial recognition. The Group has trade and other payables, loans classified as loans and borrowings and derivative financial instruments. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

iv) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

v) Derivative financial instruments

The Group uses derivative financial instruments, in particular interest rate swaps and forward exchange contracts, to manage the financial risks arising from the business activities and the financing of those activities. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair value on the balance sheet date. Changes in the fair value of any derivative instruments that do not fulfil the criteria for hedge accounting contained in IAS 39 Financial instruments: Recognition and Measurement are recognised immediately in the income statement. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

vi) Hedge accounting

The Group maintains documentation of the relationship between the hedged item and the hedging instrument at the inception of a hedging transaction together with the risk management objective and the strategy underlying the designated hedge. The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values or cash flow of the hedged items.

When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges.

Note 28 sets out the details of the fair values of the derivative instruments used for hedging purposes.

The Group does not currently have any designated fair value hedges or net investment hedges.

Cash flow hedge

Cash flow hedging matches the cash flows of hedged items against the corresponding cash flow of the derivative. The effective part of any gain or loss on the derivative is recognised directly in other comprehensive income and the hedged item is accounted for in accordance with the policy for that financial instrument. Any ineffective part of any gain or loss is recognised immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials – purchase cost on a first-in, first-out basis
- Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

2.15 Cash and short term deposits

Cash and short term deposits consist of cash at bank and in hand.

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NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.16 Pensions
The Group operates a defined contribution pension plan. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Group in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.17 Non-underlying items
The Group presents amortisation of intangible assets, profit on sale of property, plant and equipment and non-recurring operating costs, financing charges and taxation in respect of acquisitions and listing as a public company as non-underlying items on the face of the income statement. These are items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year. This is to facilitate comparison with prior periods and to assess better trends in financial performance.

The tax effect of the above is also included.

2.18 Share-based payments
In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black-Scholes model, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.19 Treasury shares
The Group holds own shares for the granting of Group shares to employees and Directors. These treasury shares are recognised at cost and presented in the balance sheet as a deduction from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. No dividends are earned on these shares. The shares are ignored for the purposes of calculating the Group's EPS.

3. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have the most significant effect on amounts recognised in the financial statements:

3.1 Impairment of non-financial assets

In accordance with IFRS, the Group considers whether there are any indicators of impairment of assets. Where indicators of impairment are identified, the Group tests the asset for impairment. Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

The Group's impairment test for goodwill is based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget/forecast for the next four years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the asset or the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units are further explained in Note 16.

3.2 Recognition of customer rebates

The Group's pricing structure involves rebate arrangements with several of its direct and indirect customers. These can be complex in nature and involve estimation in determining the required level of provision for rebate liabilities.

3.3 Measurement of intangible assets

The measurement of intangible assets other than goodwill on a business combination involves the estimation of future cashflows and other inputs relevant to the valuation model being applied. Acquisitions are disclosed in Note 17.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards which have been adopted in the year

There were no new standards and interpretations adopted in the year that have a material impact.

Standards issued but not yet effective

The following standards and interpretations have an effective date after the date of these financial statements but the Group has not early adopted them and plans to adopt them from the effective dates adopted by EU. This listing of standards and interpretations issued are those that the Group reasonably expect to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 9	Financial Instruments : Classification and Measurement	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

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NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker ("CODM"). The Group's CODM is deemed to be the Board of Directors, who are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group has three reporting segments - Residential Piping Systems (all UK by origin) and Commercial and Infrastructure Piping Systems (UK) and Commercial and Infrastructure (Mainland Europe). 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.

	2015			2014		
	Revenue £m	**Result £m**	**Underlying result* £m**	Revenue £m	Result £m	Underlying result*
Residential Piping Systems	**182.6**	**33.0**	**32.8**	173.3	28.5	28.4
Commercial & Infrastructure Piping Systems (UK)	**131.5**	**20.2**	**20.1**	111.1	17.0	17.0
Inter segment sales	**(10.2)**	**–**	**–**	(9.6)	–	–
UK Operations	**303.9**	**53.2**	**52.9**	274.8	45.5	45.4
Commercial & Infrastructure Piping Systems (Mainland Europe)	**50.4**	**1.2**	**1.3**	53.9	0.9	0.9
Inter segment sales	**(1.4)**	**–**	**–**	(1.7)	–	–
Non-underlying group items	**–**	**(5.0)**	**–**	–	(12.2)	–
Total Group	**352.9**	**49.4**	**54.2**	327.0	34.2	46.3
Net finance costs		**(7.9)**	**(6.2)**		(17.3)	(8.7)
Profit before taxation		**41.5**	**48.0**		16.9	37.6

* Underlying result is stated before non-underlying items as defined in the Accounting Policies on page 90, and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £6.5m (2014: £20.7m) are set out below.

Balance Sheet

	31 December 2015		31 December 2014	
	Total Assets £m	**Total Liabilities £m**	Total Assets £m	Total Liabilities £m
Residential Piping Systems	**280.0**	**(53.6)**	228.3	(45.6)
Commercial & Infrastructure Piping Systems (UK)	**237.0**	**(20.9)**	120.4	(15.1)
UK Operations	**517.0**	**(74.5)**	348.7	(60.7)
Commercial & Infrastructure Piping Systems (Mainland Europe)	**37.5**	**(10.0)**	36.3	(8.8)
Total segment assets/(liabilities)	**554.5**	**(84.5)**	385.0	(69.5)
Taxes	**–**	**(14.7)**	–	(2.9)
Net debt	**21.6**	**(215.9)**	43.1	(118.0)
Total Group	**576.1**	**(315.1)**	428.1	(190.4)
Net assets		**261.0**		237.7

5. SEGMENT INFORMATION CONTINUED

Capital additions

	2015 £m	2014 £m
Residential Piping Systems	**8.3**	6.4
Commercial & Infrastructure Piping Systems (UK)	**9.3**	7.6
UK Operations	**17.6**	14.0
Commercial & Infrastructure Piping Systems (Mainland Europe)	**1.8**	1.2
Total – Group	**19.4**	15.2

Depreciation of property, plant and equipment

	2015 £m	2014 £m
Residential Piping Systems	**7.7**	7.4
Commercial & Infrastructure Piping Systems (UK)	**6.0**	5.4
UK Operations	**13.7**	12.8
Commercial & Infrastructure Piping Systems (Mainland Europe)	**1.4**	1.7
Total – Group	**15.1**	14.5

Non-underlying items

	2015 £m	2014 £m
Residential Piping Systems – profit on sale of fixed assets	**(0.2)**	(0.1)
Commercial & Infrastructure Piping Systems (UK) – profit on sale of fixed assets	**(0.1)**	–
UK Operations	**(0.3)**	(0.1)
Commercial & Infrastructure Piping Systems (Mainland Europe) – loss on sale of fixed assets	**0.1**	–
Group – Listing costs	**–**	12.2
Group – Amortisation of acquired intangible assets	**3.0**	–
Group – Acquisition costs	**2.0**	–
Group – Finance costs	**1.7**	8.6
Total	**6.5**	20.7

Geographical analysis

Revenue by destination	2015 £m	2014 £m
UK	**276.7**	253.3
Rest of Europe	**54.2**	56.9
Rest of World	**22.0**	16.8
Total – Group	**352.9**	327.0

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NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

5. SEGMENT INFORMATION CONTINUED

Non-current assets	2015 £m	2014 £m
UK	**455.0**	302.8
Rest of Europe	**21.5**	21.4
Total Group	**476.5**	324.2

Non-current assets for this purpose consist of property, plant and equipment, goodwill and other intangible assets.

The Group has three customers which individually account for more than 10 per cent of the Group's total revenue during 2015. These customers account for 12.2 per cent, 11.4 per cent and 11.0 per cent respectively, and are included in both reporting segments.

6. OPERATING PROFIT

	2015 £m	2014 £m
Income statement charges		
Depreciation of property, plant & equipment (owned)	**15.1**	14.5
Cost of inventories recognised as an expense	**210.0**	202.4
Operating lease payments – minimum lease payments	**3.6**	3.3
Research and development costs written off	**0.3**	0.2
Income statement credits		
Profit on disposal of non-current assets	**0.2**	0.1

7. AUDITOR'S REMUNERATION

The Group paid the following amounts to the Company's Auditor in respect of the audit of the financial statements and for other services provided to the Group.

Auditor's remuneration for audit services:

	2015 £m	2014 £m
Audit of the Company's annual accounts	**–**	–
Audit of the Company's subsidiaries	**0.2**	0.2
Total audit fees	**0.2**	0.2

Auditor's remuneration for non-audit services:

	2015 £m	2014 £m
Other services relating to corporate finance transactions (relating to the listing)	**–**	0.6
Total non-audit fees	**–**	0.6

8. NON-UNDERLYING ITEMS

Non-underlying items comprised:

	2015			2014		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Administration expenses:						
Acquisition costs	**2.0**	**–**	**2.0**	–	–	–
Listing costs	**–**	**–**	**–**	12.2	(0.2)	12.0
Profit on sale of property, plant and equipment:	**(0.2)**	**–**	**(0.2)**	(0.1)	–	(0.1)
Amortisation of acquired intangible assets:	**3.0**	**(0.5)**	**2.5**	–	–	–
Finance costs:						
Senior secured notes early settlement fee	**–**	**–**	**–**	7.2	(1.5)	5.7
Unamortised debt issue costs written off	**1.7**	**(0.3)**	**1.4**	1.4	(0.3)	1.1
Taxation:						
Prior year corporation tax	**–**	**(0.8)**	**(0.8)**	–	(0.4)	(0.4)
Effect of tax rate changes on prior year deferred tax liability	**–**	**(0.2)**	**(0.2)**	–	–	–
Total non-underlying items	**6.5**	**(1.8)**	**4.7**	20.7	(2.4)	18.3

9. STAFF COSTS

Staff costs (including Directors) for the year were:

	2015 £m	2014 £m
Wages and salaries	**70.0**	60.4
Social security costs	**8.5**	7.5
Other pension costs	**1.7**	1.3
Total – Group	**80.2**	69.2

The average monthly number of persons employed by the Group during the year by segment was as follows:

	2015 No.	2014 No.
Residential Piping Systems	**1,503**	1,342
Commercial & Infrastructure Piping Systems (UK)	**761**	651
UK Operations	**2,264**	1,993
Commercial & Infrastructure Piping Systems (Mainland Europe)	**247**	235
Total – Group	**2,511**	2,228

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

10. DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out below:

	2015 £'000	2014 £'000
Fees	299	255
Emoluments	1,465	1,520
Company contributions to money purchase pension scheme	–	–
	1,764	1,775
Remuneration of the highest paid Director		
– Emoluments	918	955
– Company contributions to money purchase pension scheme	–	–
	918	955
Number of Directors who are members of the money purchase pension scheme	–	–

11. NET FINANCE COSTS

	2015			2014		
	Underlying £m	Non-underlying £m	Total £m	Underlying £m	Non-underlying £m	Total £m
Bank interest income	0.1	–	0.1	0.2	–	0.2
Financial income	0.1	–	0.1	0.2	–	0.2
Interest on Senior Secured Notes	–	–	–	5.5	–	5.5
Interest on Bank loan	5.4	–	5.4	2.4	–	2.4
Debt issue cost amortisation	0.4	–	0.4	0.6	–	0.6
Other finance charges	0.5	–	0.5	0.4	–	0.4
Senior Secured Notes early settlement fee	–	–	–	–	7.2	7.2
Unamortised debt issue costs relating to refinanced debt written off	–	1.7	1.7	–	1.4	1.4
Financial expense	6.3	1.7	8.0	8.9	8.6	17.5
Net financing costs	6.2	1.7	7.9	8.7	8.6	17.3

12. TAXATION

(a) Tax charged in the income statement

	2015 £m	2014 £m
Current income tax:		
UK corporation tax	**8.0**	3.7
Overseas tax	**0.2**	–
Current income tax charge	**8.2**	3.7
Adjustment in respect of prior years	**(0.8)**	(0.4)
Total current income tax	**7.4**	3.3
Deferred tax:		
Origination and reversal of temporary differences	**0.1**	(0.1)
Effect of changes in tax rates	**(0.1)**	–
Overseas taxation	**–**	(0.2)
Total deferred tax	**–**	(0.3)
Tax expense in the income statement	**7.4**	3.0

Details of the non-underlying tax credit of £1.8m (2014: £2.4m) are set out in note 8.

(b) Reconciliation of the total tax charge

A reconciliation between the tax expense and the product of accounting profit multiplied by the United Kingdom's standard tax rate for the years ended 31 December 2015 and 2014 is as follows:

	2015 £m	2014 £m
Accounting profit before tax	**41.5**	16.9
Accounting profit multiplied by the UK standard rate of tax of		
20.25% (2014: 21.49%)	**8.4**	3.6
Expenses not deductible for corporation tax	**0.8**	4.5
Non-taxable income	**(0.4)**	(1.8)
Utilisation of tax losses	**–**	(2.5)
Adjustments in respect of current income tax of previous years	**(0.8)**	(0.4)
Effective patent box rate adjustment	**(0.4)**	(0.3)
Effects of changes in tax rate	**(0.2)**	(0.1)
Total tax expense reported in the income statement	**7.4**	3.0

The effective rate for the full year is 17.8% (2014: 17.8%). If the impact of non-underlying costs is excluded, the underlying tax rate would be 19.2% (2014: 14.4%).

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12. TAXATION CONTINUED

(c) Deferred Tax

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

	2015 £m	2014 £m
Deferred tax liability		
Short term timing differences	**8.3**	(0.3)
Capital allowances in excess of depreciation	**1.7**	2.2
Tax losses carried forward	**–**	(1.0)
	10.0	0.9

The increase in the deferred tax liability during the year of £9.1m relates to businesses acquired as shown in Note 17.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

(d) Change in Corporation Tax rate

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 20% which was applied from 1 April 2015, to 19% from 1 April 2017 and 18% from 1 April 2020. The reduction in the corporation tax rate to 18% was included within the Finance (No 2) Act 2015 that was substantively enacted in October 2015.

Deferred taxation is measured at tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax has therefore been provided at 18%.

(e) Unrecognised tax losses

A deferred tax asset of £1.0m (2014: £1.3m) in respect of surplus non-trading losses has not been recognised at 31 December 2015 as its recovery is uncertain.

13. DIVIDENDS

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2014 of 3.0p per share	**6.0**	–
Interim dividend for the year ended 31 December 2015 of 2.3p per share (2014: 1.5p)	**4.6**	3.0
	10.6	3.0
Proposed final dividend for the year ended 31 December 2015 of 5.5p (2014: 3.0p) per share	**10.9**	6.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14. EARNINGS PER ORDINARY SHARE

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

Underlying earnings per share is based on the result for the year after taxation, excluding the impact of non-underlying items, of £38.8m (2014: £32.2m). The Directors consider that this measure gives a better and more consistent indication of the Group's underlying performance.

14. EARNINGS PER ORDINARY SHARE CONTINUED

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

Number of shares

	2015 £m	2014 £m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**199,267,136**	199,853,984
Share options	**540,243**	111,897
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**199,807,379**	199,965,881

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	**Plant and other equipment £m**	**Total £m**
Cost			
At 1 January 2014	43.8	119.6	163.4
Additions	0.7	14.5	15.2
Acquisition of businesses	–	0.1	0.1
Disposals	–	(1.9)	(1.9)
Exchange adjustment	(0.5)	(2.0)	(2.5)
At 31 December 2014	44.0	130.3	174.3
Additions	1.8	17.6	19.4
Acquisition of businesses	2.6	2.6	5.2
Disposals	–	(2.0)	(2.0)
Exchange adjustment	(0.3)	(1.5)	(1.8)
At 31 December 2015	48.1	147.0	195.1
Depreciation			
At 1 January 2014	8.0	66.4	74.4
Provided during the year	1.3	13.2	14.5
Disposals	–	(1.8)	(1.8)
Exchange adjustment	(0.3)	(1.7)	(2.0)
At 31 December 2014	9.0	76.1	85.1
Provided during the year	1.3	13.8	15.1
Disposals	–	(1.8)	(1.8)
Exchange adjustment	(0.2)	(1.2)	(1.4)
At 31 December 2015	10.1	86.9	97.0
Net Book Value:			
At 31 December 2015	**38.0**	**60.1**	**98.1**
At 31 December 2014	35.0	54.2	89.2

Included in freehold land and buildings is non-depreciable land of £13.0m (2014: £11.0m).

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16. INTANGIBLE ASSETS

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Customer order book £m	Total £m
Cost						
At 1 January 2014	234.4	–	–	–	–	234.4
Acquisition of businesses	0.6	–	–	–	–	0.6
At 31 December 2014	235.0	–	–	–	–	235.0
Acquisition of businesses	94.3	18.2	25.5	6.4	2.0	146.4
At 31 December 2015	329.3	18.2	25.5	6.4	2.0	381.4
Amortisation and impairment						
At 1 January and 31 December 2014	–	–	–	–	–	–
Charge for the period	–	0.7	1.0	0.5	0.8	3.0
At 31 December 2015	–	0.7	1.0	0.5	0.8	3.0
Net Book Value:						
At 31 December 2015	**329.3**	**17.5**	**24.5**	**5.9**	**1.2**	**378.4**
At 31 December 2014	235.0	–	–	–	–	235.0

Goodwill is not amortised but is subject to annual impairment testing.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to a number of cash-generating units. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Carrying amount of goodwill allocated to each of the cash-generating units:

Cash-generating unit

	31 December 2015 £m	31 December 2014 £m
Building Products	**146.1**	146.1
Terrain	**31.4**	31.4
Civils	**36.0**	36.0
Nuaire	**91.3**	–
Others	**24.5**	21.5
	329.3	235.0

Impairment tests on the carrying values of goodwill are performed by analysing the carrying value allocated to each cash-generating unit against its value in use. Value in use is calculated for each cash-generating unit as the net present value of that unit's discounted future cash flows. These cash flows are based on budget cash flow information for a period of one year, construction industry forecasts of growth for the following three years and growth of between 2 to 3% thereafter.

A pre-tax discount rate of 10.7% (2014: 10.7%) has been applied in determining the recoverable amounts of cash-generating units. The discount rate is estimated based on the Group's risk adjusted cost of capital.

16. INTANGIBLE ASSETS CONTINUED

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. In the case of Polypipe France's goodwill of £9.6m, included in "others", this would be fully impaired if the revenue growth rate assumption from 2016 onwards of between 2.5% and 3.6%, which is based on Euroconstruct and OECD forecasts, proved to be optimistic and revenue growth of 0.9% was achieved. Polypipe France's goodwill would also be fully impaired if the assumed revenue growth rates were achieved but the contribution margin fell by 180bps due to competitive pressures. Goodwill would also be impaired through a combination of these sensitivities.

17. ACQUISITIONS

Surestop

On 30 January 2015 the Group acquired 100% of the share capital of Surestop Limited, a company which manufactures and supplies a range of patented water mains switch-off devices. The cash consideration of £6.0 million included a payment of £0.8 million for net cash at completion.

Details of the acquisition are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	–	1.7	1.7
Plant and equipment	0.7	–	0.7
Inventories	0.1	–	0.1
Trade and other receivables	0.5	–	0.5
Cash	0.8	–	0.8
Trade and other payables	(0.4)	–	(0.4)
Income tax liabilities	(0.1)	–	(0.1)
Deferred Tax	–	(0.3)	(0.3)
Net identifiable assets	**1.6**	**1.4**	**3.0**
Goodwill on acquisition			3.0
Total consideration			**6.0**

Patents and the 'Surestop' brand have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets and related deferred taxation. The goodwill arising on the acquisition primarily represents the assembled workforce, technical expertise and market share.

Post acquisition Surestop has contributed £2.1m revenue and £0.8m operating profit which is included in the group income statement. If Surestop had been acquired on 1 January 2015 the Group's results for the tax year would have shown revenue of £353.1m and underlying operating profit of £54.2m.

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17. ACQUISITIONS CONTINUED

Nuaire

On 18 August 2015 the Group acquired 100% of the share capital of Nu-Oval Acquisitions 1 Limited ("Nuaire"), a leading provider of ventilation solutions. The cash consideration of £149.2 million included a payment of £4.9 million for net cash at completion.

Details of the acquisition are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	–	50.4	50.4
Plant and equipment	4.7	(0.2)	4.5
Investments	0.2	(0.2)	–
Inventories	6.0	–	6.0
Trade and other receivables	11.1	–	11.1
Cash	4.9	–	4.9
Trade and other payables	(9.1)	(0.7)	(9.8)
Income tax liabilities	(0.4)	–	(0.4)
Deferred tax	0.2	(9.0)	(8.8)
Net identifiable assets	**17.6**	**40.3**	**57.9**
Goodwill on acquisition			91.3
Total consideration			**149.2**

Patents, the 'Nuaire' brand, customer relationships and the customer order book have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets and related deferred taxation and the application of fair values on acquisition. The goodwill arising on the acquisition primarily represents the assembled workforce, technical expertise and market share.

Post acquisition Nuaire has contributed £21.9m revenue and £3.2m operating profit which is included in the group income statement. If Nuaire had been acquired on 1 January 2015 the Group's results for the tax year would have shown revenue of £395.4m and underlying operating profit of £62.9m.

18. INVESTMENTS

Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital at 31 December 2015 are set out in Note 4 to the parent company accounts.

19. INVENTORIES

	31 December 2015 £m	31 December 2014 £m
Raw materials	**15.9**	13.5
Work in progress	**4.6**	4.8
Finished goods	**27.0**	21.6
	47.5	39.9

All inventories are carried at cost less a provision to take account of slow moving and obsolete items.

20. TRADE AND OTHER RECEIVABLES

	31 December 2015 £m	31 December 2014 £m
Trade receivables	**25.7**	15.1
Other receivables	**1.2**	0.7
Prepayments and accrued income	**3.6**	5.1
	30.5	20.9

Trade receivables are non-interest bearing and are generally on 30 days credit.

Impairment losses

The Group maintains a substantial level of credit insurance covering the majority of its trade receivables which mitigates against possible impairment losses. Therefore such impairment losses are not significant.

The ageing of trade receivables at the reporting date was:

	31 December 2015			31 December 2014		
	Gross £m	**Provisions £m**	**Net £m**	Gross £m	Provisions £m	Net £m
Not past due	**24.2**	**–**	**24.2**	13.8	–	13.8
Past due 1–30 days	**0.6**	**–**	**0.6**	1.0	–	1.0
Past due 31–90 days	**0.9**	**–**	**0.9**	0.4	(0.1)	0.3
Past due more than 90 days	**0.6**	**(0.6)**	**–**	0.5	(0.5)	–
Total	**26.3**	**(0.6)**	**25.7**	15.7	(0.6)	15.1

The movements in provisions for impairment of trade receivables are as follows:

	£m
At 31 December 2013	0.7
Charged to the consolidated income statement during the year	0.2
Utilised during the year	(0.3)
At 31 December 2014	0.6
Charged to the consolidated income statement during the year	–
Utilised during the year	–
At 31 December 2015	**0.6**

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21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2015 £m	31 December 2014 £m
Cash at bank and in hand	21.6	42.7
Short term cash deposits	–	0.4
	21.6	43.1

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group only deposits cash surpluses with major banks of high quality credit standing.

22. SHARE CAPITAL AND RESERVES

Share capital

Authorised share capital:

	2015 Number*	2015 £	2014 Number*	2014 £
Ordinary shares of £0.001 each	200	200,000	200	200,000
		200,000		200,000

Allotted, called up and fully paid:

	2015 Number*	2015 £	2014 Number*	2014 £
Ordinary shares of £0.001 each	200	200,000	200	200,000
		200,000		200,000

* Millions of shares.

The Ordinary Shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Capital redemption reserve

Following the consolidation and sub-division of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital a transfer was made from retained earnings to a capital redemption reserve.

Treasury shares

Treasury shares represent the cost of Polypipe Group plc shares purchased in the market and held by the company to satisfy the future exercise of options under the Group's share option schemes. At 31 December 2015 the Group held 730,478 (2014: 739,522) of its own shares at an average cost of 234p (2014: 234p) per share. The market value of the shares at 31 December 2015 was £2.5m (2014: £1.8m). The nominal value of each share is £0.001.

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group.

Foreign currency retranslation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

22. SHARE CAPITAL AND RESERVES CONTINUED

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure to support its business objectives and maximise shareholder value. The Group regards shareholders' equity and net debt as its capital. The Group's net debt is defined as cash and cash equivalents, loans and borrowings and derivative financial assets and liabilities.

At the year end the Group had bank debt of £217.5m (2014: £120m), an undrawn committed revolving credit facility of £82.5m (2014: £40.0m) and cash of £21.6m (2014: £43.1m). A key objective of the Group is to maintain sufficient liquidity (cash and committed bank facilities) in order to meet its cash commitments including interest payments due on that debt.

No changes were made to the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

23. SHARE-BASED PAYMENTS

There were no share options granted during 2015.

The following share options, which were granted during 2014, remain outstanding at 31 December 2015:

	2014 SAYE		2014 LTIP	
	Number of options	Exercise price	Number of options	Exercise price
Granted and outstanding at 31 December 2014	1,763,137	1.99	36,314	Nil
Exercised during the year	(9,044)	1.99	–	–
Lapsed or forfeited during the year	(160,910)	1.99	–	–
Outstanding at 31 December 2015	**1,593,183**	**1.99**	**36,314**	**Nil**

SAYE

SAYE options were granted to eligible employees on 8 September 2014 at an exercise price of £1.99, a 20% discount to the average share price over the three days preceding the offer. Participating employees can exercise their options to purchase the shares acquired through their savings plans at the option price after three years. These options have an exercise date of 2017 to 2018.

LTIP

The Company operates the LTIP under which certain senior executives could receive a performance based amount of Polypipe shares up to a maximum of 50% of base salary. Vesting of the awards is based on the growth in the Group's operating profit over three years. LTIP's were awarded to two senior executives below Board level on 8 September 2014. These options have an exercise date of 2017 to 2024.

These equity-settled, share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled, share-based payments is expensed to the income statement on a straight line basis over the vesting period, based on the Group's estimates of share that will eventually vest. The charge is then credited back to reserves. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non transferability, exercise restrictions and behavioural considerations.

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23. SHARE-BASED PAYMENTS CONTINUED

	2014 SAYE	2014 LTIP
Share price at grant date	£2.42	£2.40
Exercise price	£1.99	Nil
Shares under option	1,763,137	36,314
Vesting period (years)	3.25	3
Expected volatility	28%	28%
Expected life (years)	3.25	3
Risk free rate	1.4%	1.1%
Dividend yield	2.5%	2.5%
Fair value per option (£)	£0.655	£2.358

The expected volatility is based on historical share price movements. The Directors anticipate it is possible the performance criteria in relation to the LTIP may not be met.

Share-based payments

	2015 £m	2014 £m
Charge for the year	**0.4**	0.1

24. TRADE AND OTHER PAYABLES

	31 December 2015 £m	31 December 2014 £m
Trade payables	**59.5**	47.5
Other taxes and social security costs	**10.0**	7.4
Accruals	**10.8**	10.3
	80.3	65.2

Trade payables are non-interest bearing and generally settled on 30 to 60 day terms.

25. FINANCIAL LIABILITIES

	31 December 2015 £m	31 December 2014 £m
Non-current loans and borrowings:		
Bank loans – principal	**217.5**	120.0
– unamortised debt issue costs	**(1.6)**	(2.0)
Total non-current loans and borrowings	**215.9**	118.0
Other financial liabilities:		
Interest rate swap	**2.1**	2.4
Forward currency derivative contracts	**0.1**	0.2
	2.2	2.6

Bank Loans

The bank loan which is a revolving credit facility is secured and expires in full in August 2020. Interest is payable on the bank loan at LIBOR plus an interest margin ranging from 1.25% to 2.75% which is dependent on the Group's leverage (net debt to EBITDA) and reduces as the Group's leverage reduces. The interest margin at the 31 December 2015 was 2.25%.

At 31 December 2015, the Group had available, subject to covenant headroom, £82.5m (2014: £40m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met at 31 December 2015.

£10m of the £300m revolving credit facility will be reviewed at 31 December 2016 and the revolving credit facility will be reduced by £10m if the leverage ratio (EBITDA: Net Debt) at 31 December 2016 is greater than or equal to 2.25:1. The facility will also reduce by £10m each year, regardless of leverage, at 31 December 2017, 2018 and 2019, the remainder is available until August 2020.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt as a multiple of EBITDA and interest cover. At the year end the Group was not in breach of any bank covenants. The covenant position as at 31 December 2015 was as follows:

Covenant	Covenant requirement	Position at 31 December 2015
Interest cover (EBIT:Net finance costs excluding debt issuance cost amortisation)	>4 : 1	7.6 : 1
Leverage (EBITDA:Net debt)	<3.5 : 1	2.5 : 1

The interest cover covenant remains at 4:1 throughout the duration of the revolving credit facility. The leverage covenant reduces to 3.25:1 at 31 December 2016 and further reduces to 3.0:1 at 30 September 2017 and remains at that level to August 2020.

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26. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into commercial leases on certain properties and plant and equipment. These leases have an average life of between 5 to 10 years.

Future minimum rentals payable under non-cancellable operating leases were as follows:

	31 December 2015 £m	31 December 2014 £m
Land and Buildings		
Within one year	**0.1**	0.1
After one year, but not more than five years	**0.8**	1.2
More than five years	**10.6**	9.2
	11.5	10.5

	£m	£m
Other		
Not later than one year	**0.2**	0.2
After one year, but not more than five years	**2.8**	2.0
More than five years	**1.7**	1.1
	4.7	3.3

Capital commitments

As at 31 December 2015, the Group had commitments of £3.9m (2014: £2.6m) relating to plant and equipment purchases.

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel (including Directors)

	2015 £m	2014 £m
Short-term employee benefits	**2.4**	2.4
Post-employee benefits	**0.1**	–
	2.5	2.4

Key management personnel comprise the Executive Directors and key divisional managers.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables and cash that are derived directly from its operations.

The Group is exposed to interest rate, foreign currency, credit and liquidity risk.

The Group's senior management oversees the management of these risks which are summarised on the following page.

Interest rate risk

The interest rate on the Group's £300m 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 interest rate swaps for the following notional amounts, with interest payable at a fixed rate return dependant on the swap of either 2.21% or 1.735% (2014: 2.21%) (excluding margin):

Year ended 31 December	Notional amount – rate of 2.21% £m	Notional amount – rate of 1.735% £m
2016	60.0	–
2017	70.2	10.7
2018	66.6	25.1
2019	–	82.0
To August 2020	–	72.2

Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.

The Group enters into forward currency contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates primarily in respect of US Dollar and Euro receipts.

Foreign currency sensitivity

The table below demonstrates the sensitivity to a 10% change in the Euro exchange rate versus Pounds Sterling, the presentational currency of the Group used for translation purposes, on the net assets and consolidated net income of the Group. The Group's exposure to foreign currency changes for all other currencies is not material.

Change in exchange rate	Effect on net assets £m	Effect on profit after tax £m
2015		
10% strengthening of Sterling: against Euro	**(1.1)**	**–**
10% weakening of Sterling: against Euro	**1.4**	**–**
2014		
10% strengthening of Sterling: against Euro	(1.2)	–
10% weakening of Sterling: against Euro	1.4	–

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 20.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. At 31 December 2015, 79.4% (2014: 74.5%) of net trade receivables were covered by credit insurance which is subject to the normal policy deductibles.

Financial instruments and cash deposits

The Group maintains strong liquidity through cash balances and deposits (£21.6m at 31 December 2015) and its undrawn £82.5m committed revolving credit facility which matures in August 2020.

Credit risk from balances with banks is managed by the Group's finance department. Investments of surplus funds are made only with banks that have as a minimum a single A credit rating. The Group's maximum exposure to credit risk for the components of the balance sheet at 31 December 2015 and 31 December 2014 is the carrying amounts as illustrated in Note 21.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group had cash and cash equivalents of £21.6m on 31 December 2015, £82.5m of undrawn and committed credit facilities and no debt maturities within twelve months.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2015

	< 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Secured bank loan	–	–	217.5	217.5
Other financial liabilities:				
– forward currency derivatives	0.1	–	–	0.1
– interest rate swap	–	–	2.1	2.1
Trade and other payables	80.3	–	2.0	82.3
	80.4	–	221.6	302.0

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Year ended 31 December 2014

	< 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Secured bank loan	–	–	120.0	120.0
Other financial liabilities:				
– forward currency derivatives	0.1	0.1	–	0.2
– interest rate swap	–	–	2.4	2.4
Trade and other payables	65.3	–	1.7	67.0
	65.4	0.1	124.1	189.6

Fair values of financial assets and financial liabilities

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

The table below sets out the Group's accounting classification of its other financial assets and liabilities and their fair values and carrying values:

	Carrying value £m	Fair value £m
Foreign currency derivative contracts	**(0.1)**	**(0.1)**
Interest rate swap	**(2.1)**	**(2.1)**
Interest bearing loans and borrowings due after more than one year	**(215.9)**	**(215.9)**
Total at 31 December 2015	**(218.1)**	**(218.1)**

	Carrying value £m	Fair value £m
Foreign currency derivative contracts	(0.2)	(0.2)
Interest rate swap	(2.4)	(2.4)
Interest bearing loans and borrowings due after more than one year	(118.0)	(118.0)
Total at 31 December 2014	(120.6)	(120.6)

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

Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts.

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 recorder fair value that are not based on observable market data.

The fair values disclosed above all relate to items categorised as Level 2.

There have been no transfers in any direction in the period.

Polypipe

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RELATION TO THE PARENT COMPANY FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2015

	Notes	**31 December 2015 £m**	31 December 2014 £m	1 January 2014 £m
Non-current assets				
Investments	4	**232.7**	232.3	232.2
Current assets				
Amounts owed by subsidiary undertakings and other receivables	5	**65.3**	57.6	51.2
Total assets		**298.0**	289.9	283.4
Current liabilities				
Amounts owed to subsidiary undertakings and other payables	6	**(37.5)**	(23.9)	(5.0)
Non-current liabilities				
Loan		**–**	–	(0.3)
Total liabilities		**(37.5)**	(23.9)	(5.3)
Net assets		**260.5**	266.0	278.1
Capital and reserves				
Equity share capital	7	**0.2**	0.2	1.3
Capital redemption reserve		**1.1**	1.1	–
Treasury shares		**(1.7)**	(1.7)	–
Retained earnings		**260.9**	266.4	276.8
Total equity		**260.5**	266.0	278.1

The financial statements were approved for issue by the Board of Directors and signed on its behalf by:

P D Shepherd
Director
31 March 2016

Company Registration No. 06059130

Polypipe

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total equity £m
At 31 December 2013	1.3	–	–	276.8	278.1
Loss for the year	–	–	–	(7.5)	(7.5)
Other comprehensive expense	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	(7.5)	(7.5)
Dividends paid	–	–	–	(3.0)	(3.0)
Purchase of treasury shares	–	–	(1.7)	–	(1.7)
Share-based payments	–	–	–	0.1	0.1
Cancellation of deferred shares	(1.1)	1.1	–	–	–
At 31 December 2014	0.2	1.1	(1.7)	266.4	266.0
Profit for the year	–	–	–	4.7	4.7
Other comprehensive expense	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	4.7	4.7
Dividends paid	–	–	–	(10.6)	(10.6)
Share-based payments	–	–	–	0.4	0.4
At 31 December 2015	**0.2**	**1.1**	**(1.7)**	**260.9**	**260.5**

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
Operating activities		
Profit/(loss) for the year before tax	**4.7**	(7.6)
Net financing income	**(7.6)**	(6.4)
Operating loss	**(2.9)**	(14.0)
Adjusted for non cash items:		
Non-underlying exceptional items – net expense recognised	**–**	11.5
– cash paid	**–**	(11.8)
Operating cash flow before movement in working capital	**(2.9)**	(14.3)
Movement in working capital:		
Receivables	**(0.1)**	0.2
Payables	**–**	0.1
Inter group balances	**6.0**	12.2
Cash generated from operations	**3.0**	(1.8)
Income tax paid	**–**	–
Net cash flows from operating activities	**3.0**	(1.8)
Investing Activities		
Interest received	**7.6**	6.6
Net cash flow used in investing activities	**7.6**	6.6
Financing activities		
Purchase of own shares	**–**	(1.7)
Interest paid	**–**	(0.1)
Dividend paid	**(10.6)**	(3.0)
Net cash flows from financing activities	**(10.6)**	(4.8)
Net (decrease)/increase in cash and cash equivalents	**–**	–
Cash and cash equivalents at 1 January	**–**	–
Cash and cash equivalents at 31 December	**–**	–

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NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. AUTHORISATION OF FINANCIAL STATEMENTS

The parent company financial statements of Polypipe Group plc (the "Company") for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 31 March 2016 and the balance sheet was signed on the Board's behalf by Peter Shepherd.

Polypipe Group plc is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Company is that of a holding company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the historical financial information for the year ended 31 December 2015 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented following adoption of International Financial Reporting Standards (IFRS) as endorsed by the European Union regulations.

Basis of preparation and statement of compliance with IFRSs

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union regulations as they apply to the financial statements of the Company for the year ended 31 December 2015 and also in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the Company has prepared in accordance with IFRS. Due to the nature of the Company there are no differences between UK GAAP and IFRS and on that basis no transition note has been prepared.

These financial statements have been prepared on a historical cost basis. The financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated. No income statement or statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Polypipe Group plc are included in the consolidated financial statements of Polypipe Group plc.

Going concern

The Directors, having considered all relevant risk factors, believe the group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Investments

Investments in subsidiary undertakings are held at historical cost less any applicable provision for impairment.

Treasury Shares

The Company holds own shares for the granting of Group shares to employees and Directors. These treasury shares are presented in the balance sheet as a deduction from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments. There are no dividends earned on these shares.

Share-based payment transactions

In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black-Scholes model, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual financial statements. In particular, the Company records an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS2 cost in subsidiary undertakings.

3. DIVIDENDS

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2014 of 3.0p per share	6.0	–
Interim dividend for the year ended 31 December 2015 of 2.3p per share (2014: 1.5p)	4.6	3.0
	10.6	3.0
Proposed final dividend for the year ended 31 December 2015 of 5.5p (2014: 3.0p) per share	10.9	6.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

4. INVESTMENTS

	Shares in Group Undertakings £m
Cost:	
At 1 January 2014	232.2
Additions – share based payments	0.1
At 31 December 2014	232.3
Additions – Share based payments	0.4
At 31 December 2015	232.7
Net Book Value:	
At 31 December 2015	**232.7**
At 31 December 2014	232.3
At 1 January 2014	232.2

In 2015, an adjustment in respect of share-based payments of £388,000 (2014: £110,000) was made to shares in Group undertakings, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date is £498,000 (2014: £110,000).

The companies in which the Company has an interest at the year end are shown on the following pages:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Ferrob Ventilation Limited	England & Wales	Ordinary £1	100%*
Hayes Pipes (Ulster)	Northern Ireland	Ordinary £1	100%*
Home Ventilation Ireland Limited	Northern Ireland	Ordinary £1	100%*
Insulated Damp-Proof Course Ltd	England & Wales	Ordinary £1	100%*
Mason Pinder (Toolmakers) limited	England & Wales	Ordinary £1	100%*
Mr Plumber Limited	England & Wales	Ordinary £1	100%*
Nu-Oval Acquisitions 1 Limited	England & Wales	Ordinary £0.94 – £1	100%*
Nu-Oval Acquisitions 2 Limited	England & Wales	Ordinary £1	100%*

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NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

4. INVESTMENTS CONTINUED

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Nu-Oval Acquisitions 3 Limited	England & Wales	Ordinary £1	100%*
Nuaire Limited	England & Wales	Ordinary £1	100%*
Nuhold Limited	England & Wales	Ordinary £0.1	100%*
Oracstar Limited	England & Wales	Ordinary £1	100%*
Oval (1888) Limited	England & Wales	Ordinary £0.01	100%*
Plumbexpress Limited	England & Wales	Ordinary £1	100%*
Pipe Holdings Plc	England & Wales	Ordinary £1	100%*
Pipe Holdings 1 Plc	England & Wales	Ordinary £1	100%*
Pipe Holdings 2 Limited	England & Wales	Ordinary £1	100%*
Pipe Luxembourg Sarl	Luxembourg	Ordinary £1	100%
Polypipe Building Products Limited	England & Wales	Ordinary £1	100%*
Polypipe Commercial Building Systems Limited	England & Wales	Ordinary £1	100%*
Polypipe Civils Limited	England & Wales	Ordinary £1	100%*
Polypipe France SAS	France	Ordinary €200	100%*
Polypipe France Holding SAS	France	Ordinary €1.76	100%*
Polypipe Holdings (Ireland) Limited	Republic of Ireland	Ordinary £1	100%*
Polypipe (Ireland) Ltd	Northern Ireland	Ordinary £1	100%*
Polypipe Middle East FZE	Dubai	Ordinary 1m UAE Dirhams	100%*
Polypipe Italy SRL	Italy	Ordinary €0.52	100%*
Polypipe Limited	England & Wales	Ordinary £1	100%*
Polypipe Terrain Limited	England & Wales	Ordinary £1	100%*
Polypipe Terrain Holdings Limited	England & Wales	Ordinary £1	100%*
Polypipe TDI Limited	England & Wales	Ordinary £1	100%*
Polypipe Trading Ltd	England & Wales	Ordinary £1	100%*
Polypipe (Ulster) Ltd	Northern Ireland	Ordinary £1	100%*
Polypipe Ventilation Ltd	England & Wales	Ordinary £1	100%*
Robimatic Limited	England & Wales	Ordinary £1	100%*
Surestop Limited	England & Wales	Ordinary £1	100%*
Water Management Solutions LLC	Qatar	Ordinary 1,000 Qatari Riyals	49%*

All the companies operate principally in their country of registration and in the same class of business as the Group. The shares in the undertakings marked with an asterisk are held by subsidiary undertakings.

5. TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014	1 January 2014
Amounts owed by subsidiary undertakings	**65.2**	57.6	51.0
Other receivables	**0.1**	–	0.2
	65.3	57.6	51.2

6. TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014	1 January 2014
Amounts owed to subsidiary undertakings	**37.4**	23.8	5.0
Other payables	**0.1**	0.1	–
	37.5	23.9	5.0

Trade payables are non-interest bearing and generally settled on 30 to 60 day terms.

7. SHARE CAPITAL AND RESERVES

Share capital

Authorised share capital:

	2015		2014	
	Number*	**£**	Number*	£
Ordinary shares of £0.001 each	**200**	**200,000**	200	200,000
		200,000		200,000

Allotted, called up and fully paid:

	2015		2014	
	Number*	**£**	Number*	£
Ordinary shares of £0.001 each	**200**	**200,000**	200	200,000
		200,000		200,000

At 1 January 2013 the Company's authorised and allotted, called up and fully paid share capital was:

	Authorised		**Allotted called up fully paid**	
	Number*	**£**	**Number***	**£**
Ordinary shares of £0.001 each	–	–	–	–
A ordinary preference shares of £0.00001 each	9169.4	91,694	9169.4	91,694
AA ordinary preference shares of £0.00001 each	4315.8	43,158	4315.8	43,158
AAA ordinary preference shares of £0.00001 each	6978.5	69,785	6978.5	69,785
B ordinary preference shares of £0.005 each	122.4	612,507	121.1	605,507
D ordinary shares of £0.01 each	15.3	152,906	15.3	152,906
F ordinary shares of £0.005 each	61.2	306,003	59.9	299,503
		1,275,553		1,262,553

* Millions of shares

Polypipe

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

7. SHARE CAPITAL AND RESERVES CONTINUED

The Ordinary Shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Details of share options in issue on the Company's share capital and share based payments are set out in note 23 of the Group financial statements.

Capital redemption reserve

Following the consolidation and sub-division of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital a transfer was made from retained earnings to a capital redemption reserve.

Treasury shares

The Company holds own shares for the granting of Group shares to employees and Directors. These treasury shares are presented in the balance sheet as a deduction from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments. There are no dividends earned on these shares.

8. PROFIT FOR THE FINANCIAL YEAR

Polypipe Group plc has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The profit after tax dealt with in the financial statements of the Company is £4.7m (2014: £7.5m loss after tax).

Remuneration paid to the directors of the Company is disclosed in note 10 to the Group financial statements.

Amounts paid to the Company's Auditor in respect of the audit of the financial statements of the Company are disclosed in note 7 to the Group financial statements.

Fees paid to the auditors for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because the Group financial statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in note 7 to the Group financial statements.

9. RELATED PARTY TRANSACTIONS

These are disclosed in note 27 to the Group financial statements.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Preliminary Announcement of Results for the year ended 31 December 2015	31 March 2016
Annual General Meeting	25 May 2016
Final dividend for year ended 31 December 2015	
– record date	29 April 2016
– payment date	1 June 2016
Half yearly results for year ending 31 December 2016	16 August 2016
Half yearly dividend for year ending 31 December 2016	
– record date	26 August 2016
– payment date	23 September 2016

REGISTRAR SERVICES

Our shareholder register is managed and administered by Capita Asset Services. Capita Asset Services should be able to help you with most questions you have in relation to your holding in Polypipe Group shares.

Capita Asset Services can be contacted at:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

www.capitaassetservices.com

Telephone: 0871 664 0300 (calls cost 10p a minute plus network extras, lines are open 9:00am-5:30pm Mon-Fri) (from outside the UK: +44 20 8639 3399) E-mail: shareholderenquiries@capita.co.uk

In addition Capita offers a range of other services to shareholders including a share dealing service and a share portal to manage your holdings.

SHARE DEALING SERVICE

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Capita Share Dealing Services. Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact:

www.capitadeal.com – online dealing

0870 664 0364 – telephone dealing

Email: info@capitadeal.com

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial advisor authorised by the Financial Services and Markets Act 2000.

Polypipe

SHAREHOLDER INFORMATION

PRINCIPAL GROUP BUSINESSES

UK

Polypipe Building Products
Broomhouse Lane
Edlington
Doncaster
DN12 1ES

Neal Road
Doncaster
DN2 4PG

Polypipe Ulster
Dromore Road
Lurgan
Co. Armagh
BT66 7HL

Polypipe Ventilation
Sandall Stones Road
Kirk Sandall Industrial Estate
Kirk Sandall
Doncaster
DN3 1QR

Polypipe Civils
Charnwood Business Park
North Road
Loughborough
LE11 1LE

Holmes Way
Horncastle
LN9 6JW

Polypipe Terrain
New Hythe Business Park
College Road
Aylesford
Kent
ME20 7PJ

Nuaire
Western Industrial Estate
Caerphilly
CF83 1NA

Surestop Limited
Birmingham Trade Park
Kingsbury Road
Erdington
Birmingham
B24 9PS

Mainland Europe

Polypipe France, Building Products
11, rue du Altkirsch
F-68580 Seppois-Le-Bas
France

Polypipe France, Building Products
79 rue de L'Industrie
ZI de Melou
BP 70512
F-81107 Castres
Cedex
France

Polypipe France, PE Pressure Pipes
359, Avenue du Douard
Z.I. Les Paluds
F-13400 Aubagne
France

Polypipe Italia
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Genova
Italy

CONTACT DETAILS AND ADVISORS

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Company registration number

06059130

Independent auditors

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LS11 5QR

Principal bankers

Lloyds
Sheffield

Barclays
Leeds

RBS
Leeds

Santander
Leeds

Registrars and transfer office

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Stockbrokers

Deutsche Bank
Numis Securities Limited

Annual Report and Accounts

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