Polypipe Group plc

Interim financial statements for the six months ended 30 June 2018

14 August 2018

Polypipe Group plc

Interim results for the six months ended 30 June 2018

Resilient first half performance, on track for full year

Polypipe Group plc ("Polypipe", the "Company" or the "Group"), a leading manufacturer of plastic piping and ventilation systems for the residential, commercial, civils and infrastructure sectors, today announces its unaudited interim results for the six months ended 30 June 2018.

Results for the six-month period are in line with expectations and the management remains confident of delivering its full year expectations.

Financial Results – continuing operations

	H1 2018	H1 2017 restated	Change
Revenue	£210.2m	£210.0m	+0.1%
Underlying operating profit[1]	£36.3m	£37.9m	-4.2%
Underlying operating margin[1]	17.3%	18.0%	-70bps
Underlying profit before tax[1]	£32.9m	£34.5m	-4.6%
Operating profit	£33.5m	£33.9m	-1.2%
Profit before tax	£30.1m	£30.5m	-1.3%
Earnings per share (basic)	12.4p	12.3p	+0.8%
Underlying earnings per share (basic)[1]	13.5p	14.1p	-4.3%
Cash generated from operations	£22.3m	£21.1m	+5.7%
Leverage (times EBITDA[2])	1.7	2.0	0.3
Dividend per share	3.7p	3.6p	+2.8%

On 29 March 2018, the Group completed the sale of Polypipe France Holding SAS (Polypipe France), its French operations, to Ryb S.A., a France-based manufacturer and distributor of plastics in Europe, for €16.5 million on a cash-free, debt-free, normalised working capital basis. Accordingly, the results for Polypipe France have been treated as discontinued. Comparatives for 2017 have been restated where necessary to reflect this treatment.

Financial Highlights

- UK revenue 0.9% ahead. Growth excluding the £8m estimated impact of adverse weather in February and March approximately 5%
- Basic earnings per share from continuing operations up 0.8% at 12.4 pence
- Cash generated from operations 5.7% higher at £22.3m
- Net debt of £145.8m at 30 June 2018 is 1.7 times LTM EBITDA[2] compared to 2.0 times in the prior year, and on track to meet management expectations for the year
- Interim dividend increased 2.8% to 3.7 pence per share

Operational Highlights

- UK Residential Systems achieved good organic growth of 5.9%
- Commercial and Infrastructure Systems revenue down 6.6%. Impacted by previously disclosed project delays in road and other commercial projects affecting short-term performance
- Successfully completed disposal of low-margin French business for €16.5m on cash-free, debt-free, normalised working capital basis

- Good progress on innovative manufacturing and sustainability with increased use of recycled material
- The new £5.0m large diameter continuous corrugator at our Horncastle plant is performing well with revenue generation in line with plan
- Dubai factory exit and alternative manufacturing strategy going to plan - first product manufactured by a sub-contracted partner using Polypipe tooling delivered in July

Outlook

- UK market outlook for the second half remains mixed
- Fundamentals in Residential Systems segment continue to be strong, driven by the new housebuild sector, UK RMI likely to remain challenging
- Signs of improvement in our Commercial and Infrastructure Systems segment towards the end of the period and start of H2 with road programmes beginning to increase in activity. Commercial activity improving as the impact of Carillion-related delays reduces and improved project awards in 2017 work through
- Trading has started well in the second half, and the Board is confident that the Group will deliver results in line with management expectations for the year ending 31 December 2018

Martin Payne, Chief Executive Officer, said:

"Against a backdrop of mixed market conditions and adverse weather the Group has performed well in the first half. With the Group's balanced business model, underpinned by the long-term growth drivers of legacy material substitution and continuing legislative tailwinds in water management and climate change, I am confident the Group will make good progress in the second half of the year."

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

[2] LTM EBITDA is defined as underlying operating profit before depreciation and includes operating profit before depreciation from discontinued operations.

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

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

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

UK Freephone Dial-in Number	0800 376 7922
Standard International Dial-In number	+44 (0) 2071 928000
Conference ID	8196395

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

Notes to Editors:

Polypipe is the largest manufacturer in the UK, and among the ten largest manufacturers in Europe, of plastic piping systems for the residential, commercial, civils and infrastructure sectors by revenue. It is also a leading designer and manufacturer of energy efficient ventilation systems in the UK.

The Group operates from 17 facilities in total, and with over 20,000 product lines, manufactures the UK's widest range of plastic piping systems for heating, plumbing, drainage and ventilation. The Group primarily targets the UK and European building and construction markets with a presence in Italy and the Middle East and sales to specific niches in the rest of the world.

Group Results

The Group delivered a resilient trading performance for the first half of the year in challenging market conditions.

On 31 January 2018, the Group announced that it had entered into advanced negotiations to sell Polypipe France Holding SAS (Polypipe France). The sale completed on 29 March 2018 and accordingly the results for Polypipe France have been treated as discontinued in this report. Comparatives for 2017 have been restated where necessary to reflect this treatment. Polypipe France generated revenue of £16.7m in the three-month period prior to sale (2017: £32.0m for the six months ended 30 June) and operating profit of £0.3m (2017: £1.0m for the six months ended 30 June).

Revenue from continuing operations for the six months ended 30 June 2018 was 0.1% higher than the prior year at £210.2m (2017: £210.0m). UK revenue was some 0.9% ahead and growth excluding the estimated £8m impact of adverse weather in the period was some 5% ahead. The performance is a result of our continued focus on strategic initiatives, exploiting our growth pillars of legacy material substitution and legislative tailwinds in water and climate management and providing a “one stop shop” for customers in the UK.

Underlying operating profit was 4.2% lower than the prior year at £36.3m (2017: £37.9m). This represents an operating margin of 17.3% (2017: 18.0%), which held up well despite the dilutive effect of price increases and mixed market conditions.

Finance costs of £3.4m (2017: £3.4m) were in line with the prior year due to reduced levels of net debt offsetting an increase in LIBOR.

Non-underlying operating costs of £2.8m were incurred and relate to amortisation of intangible assets arising from the Nuaire acquisition. The prior year charge of £4.0m included £1.2m of gross restructuring costs relating to the temporary cessation of manufacturing in our Middle East production facility.

The total tax charge for the period was £5.5m (2017: £6.1m). The underlying tax charge of £6.0m (2017: £6.6m) represents an effective underlying tax rate of 18.2% (2017: 19.1%). This compares with the underlying tax rate for the full year 2017 of 18.0%. The reduction from 19.1% to 18.2% is being driven by the reduction in the blended UK standard rate of income tax from 19.25% to 19% together with increasing patent box benefits.

Underlying profit after tax was 3.6% lower at £26.9m (2017: £27.9m), with underlying basic earnings per share 4.3% lower at 13.5 pence (2017: 14.1 pence).

Including non-underlying items, profit after tax from continuing operations was 0.8% higher at £24.6m (2017: £24.4m). Underlying basic earnings per share was down 4.3% at 13.5 pence (2017: 14.1 pence).

Business Review

Revenue	H1 2018 £m	H1 2017 restated £m	Change %
Residential Systems	119.0	112.4	5.9
Commercial and Infrastructure Systems	91.2	97.6	(6.6)
Revenue	**210.2**	**210.0**	**0.1**

Underlying operating profit	H1 2018 £m	H1 2017 restated £m	Change %
Residential Systems	23.8	22.9	3.9
Commercial and Infrastructure Systems	12.5	15.0	(16.7)
Underlying operating profit	**36.3**	**37.9**	**(4.2)**
Underlying operating margin	**17.3%**	**18.0%**	

Operational Review

Continued progress has been made in the first six months of the year in our strategic initiatives, exploiting our growth pillars of legacy material substitution and legislative tailwinds in water and climate management, providing a “one stop shop” for customers in the UK and leveraging our intellectual property and skills across a wider geography.

The disposal of our French business for €16.5m on a cash and debt free basis, was announced on 31 January 2018, was successfully completed on 29 March 2018. Completion of this transaction is a significant step forward in implementing our strategy, and represents excellent value for shareholders, allowing the Group to concentrate on our higher margin product groups in plumbing, drainage and ventilation, in both our UK and overseas markets.

The closure of our Dubai manufacturing facility, announced at the time of our 2017 results, is proceeding according to plan. The relocation of the two Polystorm manufacturing cells back to our Horncastle plant has been completed on time and to budget, and both cells are now operating at full capacity. Encouragingly, our alternative more flexible manufacturing approach is gathering pace, with the first product manufactured by a sub-contracted partner using Polypipe tooling to be despatched in July.

Group revenue for the period was 0.1% higher than prior year. Revenue from our UK markets, which account for 89% of revenue, were 0.9% higher than prior year, driven by continued strong growth in new housebuilding offset by tough commercial, infrastructure and Repair, Maintenance and Improvement (RMI) markets, with export revenue 5.8% lower than prior year, driven by continued difficult conditions in the Middle East.

Whilst sterling has remained reasonably stable in the first half of the year, higher oil prices and tight supply in some polymer markets have driven polymer prices higher through the second half of last year and into the current year. Operating margin was slightly behind last year as a selling price increase of approximately 2.7%, successfully implemented in February 2018, was offset by input cost inflation, particularly in respect of transport costs.

Residential Systems

Revenue in our Residential Systems segment, of which 97% is derived from the UK market, was 5.9% higher than the prior period at £119.0m (2017: £112.4m) and was impacted by previously documented adverse weather conditions in February and March. Revenue in the last two months of the period was 7.8% higher than the corresponding two months of 2017.

Demand remains robust from the new housebuild sector, with most housebuilders reporting volume growth over the recent period. RMI markets continue to be difficult, with economic and political uncertainty affecting consumer confidence resulting in private RMI broadly flat, together with constraints on public spending and the diversion of budgets towards fire safety and cladding refurbishment leading to a contraction in public RMI in the period.

We continue to launch new innovative products to maintain our UK market-leading position in this sector. In our Building Products business, we extended our use of our multi-layer extrusion process to our waste offer, launching our new multi-layer waste pipe and enhanced fittings range, incorporating exclusive market-leading BioCote™ antimicrobial technology. This makes Polypipe waste systems the only range on the market to incorporate antimicrobial technology, reducing odours and blockages through combating the build-up of bio-film. This multi-layer approach is part of our commitment to sustainability of supply through the increased use of recycled material and helps reduce our impact on the environment.

Residential Systems delivered an underlying operating profit of £23.8m (2017: £22.9m), 3.9% higher than last year and representing a 20.0% margin (2017: 20.4%). The progressive implementation of selling price increases and cost reduction measures to mitigate material cost and other inflation resulted in margins being marginally lower than prior year.

Commercial and Infrastructure Systems

Revenue in our Commercial and Infrastructure Systems segment, approximately 81% of which was generated in the UK market, was 6.6% lower than prior year at £91.2m (2017: £97.6m). UK revenue was 6.4% down, reflecting a continuation of softer UK commercial and infrastructure markets and adverse weather. Overseas revenue was down 8.5%, reflecting continued softness in our Middle East markets.

In the UK commercial sector, there is approximately a twelve to eighteen month lag between project award and Polypipe supplying the product. The post-EU referendum downturn in project awards seen in the second half of 2016 into early 2017 has created tough market conditions through the second half of 2017 into 2018 for the Group, together with some of the project delays associated with Carillion. There are some encouraging signs that the pick-up in project awards in 2017 is beginning to feed through to demand in this sector. In the UK infrastructure sector, the roads programme remained difficult. A timing gap between large projects has constrained performance, but towards the end of the period deliveries for the A14 road project improved, and momentum is building in other road projects.

The new £5.0m large diameter continuous corrugator at our Horncastle plant is performing extremely well and revenue generation is in line with plan, with excellent customer feedback on the 750mm and 900mm products driving good project specifications.

The Commercial and Infrastructure Systems segment delivered an underlying operating profit of £12.5m (2017: £15.0m) in the period, representing a 13.7% margin (2017: 15.4%), with the operational drop through on lower volumes driving this reduction.

Board and Management Changes

As previously announced, on 5 March 2018, Paul James joined the Board as Chief Financial Officer. Paul has settled into the role extremely well, contributing positively to the business from early on. In a final step to ensure the appropriate balance of skills on the Board, Louise Hardy was appointed as a Non-executive Director of the Company on 25 June 2018. Louise brings over 25 years' construction industry experience to the Board, most notably as Infrastructure Director within CLM, the consortium delivery partner for the Olympic Delivery Authority for the London 2012 Olympics.

Outlook

The UK market outlook for the second half remains mixed with fundamentals in the Residential Systems segment remaining strong, driven by the new housebuild sector, but UK RMI is likely to remain challenging. After good performance by the Group in a tough first half, there are signs of improvement in our Commercial and Infrastructure Systems segment, with road programmes beginning to increase in activity. The impact of Carillion-related delays has reduced, and improved project awards in 2017 are working through.

Trading has started well in the second half, and the Board is confident that the Group will deliver full year results in line with management expectations.

Financial Review

Finance Costs

Net underlying finance costs for the six months ended 30 June 2018 of £3.4m were in line with the prior year with lower net debt offsetting higher interest rates. Interest is payable on the Group's revolving credit facility at LIBOR plus an interest rate margin ranging from 1.25% to 2.75% depending on leverage. The interest rate margin at 30 June 2018 was 1.75% (2017: 1.75%).

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 £72.2m to £91.7m over the remaining period of the interest rate swaps. Details of these swaps are set out in Note 11 to this condensed set of consolidated financial statements.

Taxation

The Group's tax charge for the six months ended 30 June 2018 was £5.5m (2017: £6.1m). The underlying tax rate (underlying tax: underlying profit) has been provided at the estimated full year rate of 18.2% (2017 full year: 18.0%). The impact of our mainland European operations on the Group's effective tax rate is not material.

Dividend

The Board has declared an interim dividend of 3.7 pence per share, a 2.8% increase on the 2017 interim dividend. This dividend will be paid on 21 September 2018 to shareholders on the register at the close of business on 31 August 2018.

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

Cash Flow and Net Debt

Cash generated from operations during the period amounted to £22.3m (2017: £21.1m). This result includes a working capital outflow of £21.0m (2017: £26.1m). A significant first half working capital outflow is a normal feature of the Group's annual working capital cycle and arises primarily as a result of the timing of rebate settlements. The working capital outflow for the current period is less than the same period last year as stock levels are broadly flat in the current period, compared to an increase of £6.0m in the prior period reflecting stock level normalisation following strong pre-price increase demand in December 2016.

Capital expenditure of £10.9m (2017: £11.3m) was £3.0m higher than depreciation and in line with management expectations.

Net debt (including unamortised debt issue costs) at 30 June 2018 was £145.8m (30 June 2017: £178.0m) and is after the payment of the final dividend of £14.9m (2017: £13.9m), £13.8m receipt from the disposal of France, and the working capital outflow and capital expenditure noted above. Leverage at 1.7 times LTM EBITDA compares to 2.0 times LTM EBITDA at 30 June 2017. The Group's working capital cycle means cash generation is significantly stronger in the second half of the year such that leverage will reduce in line with management expectations for the year.

Going Concern
The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits. The Group's bank financing facilities consist of a £290.0m revolving credit facility of which £105.0m was undrawn at 30 June 2018. Cash balances of a further £38.5m as at 30 June 2018 give total facility headroom of £143.5m.

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 this condensed set of consolidated financial statements.

Principal Risks and Uncertainties
The Board continually assesses and monitors the key risks of the business and Polypipe has developed a risk management framework to identify, report, and manage its principal risks and uncertainties. The principal risks and uncertainties that could have a material impact on the Group's performance and prospects, and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising, have not changed from those which are set out in detail in the principal risks and uncertainties section of our 2017 Annual Report and Accounts.

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

A copy of the 2017 Annual Report and Accounts is available on the Company's website www.polypipe.com.

Forward-Looking Statements

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union; and
- The Interim Management Report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

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

This report was approved by the Board of Directors on 14 August 2018 and is available on the Company's website www.polypipe.com.

The Directors of the Company are:

Ron Marsh	Chairman
Martin Payne	Chief Executive Officer
Glen Sabin	Chief Operating Officer
Paul James	Chief Financial Officer (appointed 5 March 2018)
Paul Dean	Non-executive Director and Senior Independent Director
Mark Hammond	Non-executive Director
Louise Hardy	Non-executive Director (appointed 25 June 2018)
Moni Mannings	Non-executive Director

By order of the Board:

M K Payne
Chief Executive Officer

P A James
Chief Financial Officer

INTERIM GROUP INCOME STATEMENT

for the six months ended 30 June 2018 (unaudited)

	Notes	**Six months ended 30 June 2018**			Six months ended 30 June 2017*		
		Underlying	**Non-underlying†**	**Total**	Underlying	Non-underlying†	Total
Continuing operations		**£m**	**£m**	**£m**	£m	£m	£m
Revenue	**3**	**210.2**	**-**	**210.2**	210.0	-	210.0
Cost of sales		**(121.4)**	**-**	**(121.4)**	(119.1)	(1.2)	(120.3)
Gross profit		**88.8**	**-**	**88.8**	90.9	(1.2)	89.7
Selling and distribution costs		**(34.3)**	**-**	**(34.3)**	(33.2)	-	(33.2)
Administration expenses		**(18.2)**	**-**	**(18.2)**	(19.8)	-	(19.8)
Trading profit		**36.3**	**-**	**36.3**	37.9	(1.2)	36.7
Amortisation of intangible assets		**-**	**(2.8)**	**(2.8)**	-	(2.8)	(2.8)
Operating profit	**3**	**36.3**	**(2.8)**	**33.5**	37.9	(4.0)	33.9
Finance costs	**5**	**(3.4)**	**-**	**(3.4)**	(3.4)	-	(3.4)
Profit before tax		**32.9**	**(2.8)**	**30.1**	34.5	(4.0)	30.5
Income tax	**6**	**(6.0)**	**0.5**	**(5.5)**	(6.6)	0.5	(6.1)
Profit from continuing operations		**26.9**	**(2.3)**	**24.6**	27.9	(3.5)	24.4
Profit from discontinued operations	**9**	**-**	**0.3**	**0.3**	-	0.7	0.7
Profit for the period attributable to the owners of the parent company		**26.9**	**(2.0)**	**24.9**	27.9	(2.8)	25.1
Basic earnings per share (pence)							
From continuing operations	**7**			**12.4**			12.3
From discontinued operations	**7**			**0.1**			0.4
				12.5			12.7
Diluted earnings per share (pence)							
From continuing operations	**7**			**12.3**			12.2
From discontinued operations	**7**			**0.1**			0.3
				12.4			12.5
Dividend per share (pence) – interim	**8**			**3.7**			3.6

* The prior year comparatives have been restated where required to reflect adjustments in respect of discontinued operations.

† Non-underlying items are presented separately. Non-underlying items are detailed in Note 4 to the condensed set of consolidated financial statements.

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018 (unaudited)

	Six months ended 30 June 2018	Six months ended 30 June 2017
	£m	£m
Profit for the period attributable to the owners of the parent company	**24.9**	25.1
Other comprehensive income:		
Items which will be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(0.1)**	0.3
Recycling of foreign exchange differences to the income statement	**(0.3)**	-
Effective portion of changes in fair value of interest rate swaps	**0.9**	0.9
Tax relating to items which will be reclassified subsequently to the income statement	**(0.2)**	(0.1)
Other comprehensive income for the period net of tax	**0.3**	1.1
Total comprehensive income for the period attributable to the owners of the parent company	**25.2**	26.2

Attributable to the owners of the parent company from:		
Continuing operations	**25.3**	25.5
Discontinued operations	**(0.1)**	0.7
	25.2	26.2

INTERIM GROUP BALANCE SHEET

at 30 June 2018 (unaudited)

	30 June 2018	30 June 2017	31 December 2017
	£m	£m	£m
Non-current assets			
Property, plant and equipment	**101.3**	104.2	98.6
Intangible assets	**353.7**	368.8	356.5
Total non-current assets	**455.0**	473.0	455.1
Current assets			
Assets classified as held-for-sale	**0.7**	0.7	24.0
Inventories	**52.7**	58.3	53.5
Trade and other receivables	**44.2**	59.2	34.5
Cash and cash equivalents	**38.5**	29.0	35.7
Total current assets	**136.1**	147.2	147.7
Total assets	**591.1**	620.2	602.8
Current liabilities			
Liabilities associated with assets classified as held-for-sale	**-**	-	(10.9)
Trade and other payables	**(76.7)**	(93.1)	(87.6)
Provisions	**(1.0)**	-	(2.2)
Derivative financial instruments	**(1.7)**	(3.3)	(2.5)
Income tax payable	**(7.0)**	(7.2)	(5.6)
Total current liabilities	**(86.4)**	(103.6)	(108.8)
Non-current liabilities			
Loans and borrowings	**(184.3)**	(207.0)	(184.1)
Other liabilities	**(0.8)**	(2.1)	(0.9)
Deferred income tax liabilities	**(6.5)**	(6.9)	(7.0)
Total non-current liabilities	**(191.6)**	(216.0)	(192.0)
Total liabilities	**(278.0)**	(319.6)	(300.8)
Net assets	**313.1**	300.6	302.0
Capital and reserves			
Equity share capital	**0.2**	0.2	0.2
Capital redemption reserve	**1.1**	1.1	1.1
Own shares	**(3.8)**	(4.6)	(4.3)
Hedging reserve	**(1.4)**	(2.7)	(2.1)
Foreign currency retranslation reserve	**0.3**	0.7	0.7
Retained earnings	**316.7**	305.9	306.4
Total equity	**313.1**	300.6	302.0

INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 (unaudited)

	Equity share capital	Capital redemption reserve	Own shares	Hedging reserve	Foreign currency retranslation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2018							
Opening balance	**0.2**	**1.1**	**(4.3)**	**(2.1)**	**0.7**	**306.4**	**302.0**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**24.9**	**24.9**
Other comprehensive income	**-**	**-**	**-**	**0.7**	**(0.4)**	**-**	**0.3**
Total comprehensive income for the period	**-**	**-**	**-**	**0.7**	**(0.4)**	**24.9**	**25.2**
Dividends paid	-	-	-	-	-	**(14.9)**	**(14.9)**
Share-based payments charge	**-**	**-**	**-**	**-**	**-**	**0.5**	**0.5**
Share-based payments settled	**-**	**-**	**0.5**	**-**	**-**	**(0.2)**	**0.3**
Closing balance	**0.2**	**1.1**	**(3.8)**	**(1.4)**	**0.3**	**316.7**	**313.1**
Six months ended 30 June 2017							
Opening balance	0.2	1.1	(4.6)	(3.5)	0.4	293.8	287.4
Profit for the period	-	-	-	-	-	25.1	25.1
Other comprehensive income	-	-	-	0.8	0.3	-	1.1
Total comprehensive income for the period	-	-	-	0.8	0.3	25.1	26.2
Dividends paid	-	-	-	-	-	(13.9)	(13.9)
Share-based payments	-	-	-	-	-	0.9	0.9
Closing balance	0.2	1.1	(4.6)	(2.7)	0.7	305.9	300.6

INTERIM GROUP CASH FLOW STATEMENT

for the six months ended 30 June 2018 (unaudited)

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017* £m	Year ended 31 December 2017 £m
Operating activities			
Profit before tax	**30.1**	30.5	55.6
Finance costs	**3.4**	3.4	6.9
Operating profit	**33.5**	33.9	62.5
Profit before tax from discontinued operations	**0.3**	1.0	1.4
Non-cash items:			
Profit on disposal of property, plant and equipment	**(0.2)**	(0.1)	(0.1)
Non-underlying items:			
– amortisation of intangible assets	**2.8**	2.8	5.5
– provision for restructuring costs	-	1.2	4.3
– provision for aborted acquisition costs	-	-	0.3
Depreciation	**7.9**	8.1	16.2
Share-based payments	**0.5**	0.6	0.8
Cash items:			
– settlement of restructuring costs	**(1.3)**	(0.3)	(0.4)
– settlement of aborted acquisition costs	**(0.2)**	-	(0.1)
Operating cash flows before movement in working capital	**43.3**	47.2	90.4
Movement in working capital:			
Receivables	**(14.9)**	(18.9)	(3.2)
Payables	**(6.2)**	(1.2)	2.1
Inventories	**0.1**	(6.0)	(8.9)
Cash generated from operations	**22.3**	21.1	80.4
Income tax paid	**(4.8)**	(6.4)	(12.6)
Net cash flows from operating activities	**17.5**	14.7	67.8
Investing activities			
Proceeds from disposal of property, plant and equipment	**0.2**	0.2	0.2
Purchase of property, plant and equipment	**(10.9)**	(11.3)	(23.4)
Disposal of subsidiary undertaking net of overdraft divested	**13.8**	-	-
Net cash flows from investing activities	**3.1**	(11.1)	(23.2)
Financing activities			
Drawdown of bank loan	-	16.0	-
Repayment of bank loan	-	-	(7.0)
Interest paid	**(3.2)**	(3.2)	(6.6)
Dividends paid	**(14.9)**	(13.9)	(21.0)
Purchase of own shares	-	-	(3.2)
Proceeds from exercise of share options	**0.3**	-	2.5
Net cash flows from financing activities	**(17.8)**	(1.1)	(35.3)
Net change in cash and cash equivalents	**2.8**	2.5	9.3
Cash and cash equivalents – opening balance	**35.7**	26.5	26.5
Net foreign exchange difference	-	-	(0.1)
Cash and cash equivalents – closing balance	**38.5**	29.0	35.7

The net decrease in cash and cash equivalents in the period from discontinued operations included in the above was £4.2m (six months ended June 2017: £0.6m increase).

* The prior year comparatives have been restated where required to reflect adjustments in respect of discontinued operations.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

1. Basis of preparation

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

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. These statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the full Annual Report and Accounts for the year ended 31 December 2017.

The comparatives for the financial year ended 31 December 2017, where reported, are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

International Financial Reporting Standards (IFRSs)		Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

With the exception of hedge accounting for forward foreign currency derivatives, which has been applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. There has been no impact on the comparatives for the period beginning 1 January 2017.

Cash and cash equivalents, and trade and other receivables: the new rules do not affect the classification and measurement of these financial assets which continue to be recognised at amortised cost.

Financial liabilities: there are no changes to the classification or measurement of financial liabilities under IFRS 9.

Interest rate swaps: these continue to qualify as hedges under IFRS 9.

Forward foreign currency derivatives: historically, forward foreign currency derivatives have not met the criteria for hedge accounting contained in IAS 39 and as a result changes in fair value were recognised immediately in the income statement. The Group has implemented processes such that the criteria for hedge accounting under IFRS 9 are now met and as a result forward foreign currency derivatives entered into during the current period are accounted for as cash flow hedges and the effective part of any profit or loss on the derivative is recognised directly in other comprehensive income.

The new impairment model requires the recognition of impairment provisions based on forward-looking expected credit losses (ECL) rather than backward-looking incurred losses previously applied under IAS 39. This applies to financial assets classified at amortised cost, namely cash and cash equivalents and trade and other receivables. The only financial asset that is currently impaired under IFRS 9 is trade receivables. A large proportion of trade receivables are covered by credit insurance. The adoption of the ECL requirements of IFRS 9 has resulted in an immaterial change in impairment provisions.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction costs. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Due to the generally short-term nature of the Group's contracts there is no impact on the timing of recognition of revenue under IFRS 15.

The Group has adopted the standard using the modified retrospective approach applied to all contracts at 1 January 2018. As IFRS 15 has not had any impact on reported results, the comparatives have not been restated.

We have considered variable consideration, specifically in relation to rebates. The Group accounts for rebates as discussed in Notes 2.7 and 3.2 to the consolidated financial statements for the year ended 31 December 2017. There has been no impact on reported variable consideration from applying the new standard.

The following listing of standards and interpretations issued are those that the Group reasonably expect to have an impact on disclosures, financial position or performance; but which have an effective date after the date of this condensed set of consolidated financial statements. The Group has not early adopted them and plans to adopt them from the effective dates adopted by the European Union.

International Financial Reporting Standards (IFRSs)		**Effective date**
IFRS 16	Leases	1 January 2019

IFRS 16 Leases

Under IFRS 16 the present distinction between operating and finance leases will be removed, resulting in all leases being recognised on the balance sheet (except short-term leases and leases of low-value assets) and termed right-of-use assets. At inception, a right-of-use asset will be recognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. While the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ due to the requirement to distinguish between the lease and non-lease elements of the agreement. Adoption of this standard is likely to result in an increase in gross assets and gross liabilities in the balance sheet, and operating lease costs being reclassified in the income statement to depreciation and / or interest expense. Currently, the Group does not have any finance leases but does have operating leases. The minimum lease rentals payable under non-cancellable operating leases are disclosed in Note 26 of the consolidated financial statements for the year ended 31 December 2017.

The Group has a project team working to determine the effect of IFRS 16 on its consolidated financial statements, and implement the processes and systems necessary to comply with its requirements. We have, however, completed a high-level assessment. The actual amount of gross assets and gross liabilities which we will recognise when we adopt IFRS 16 will depend on several factors including the transition option we decide to use; the incremental borrowing rates we use to discount our future lease commitments; and any significant leases which the Group enters into before the adoption date. Accordingly, beyond the information above, it is not practicable to provide a reasonable financial estimate of the effect of IFRS 16 until this detailed review has been completed.

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

There have been no related party transactions in the period to 30 June 2018 apart from compensation of key management personnel.

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

- Underlying profit and earnings measures exclude certain non-underlying items which are provided in Note 4, and where relevant, the tax effect of these items. The Directors consider that these measures provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.
- LTM EBITDA is defined as underlying operating profit before depreciation for the twelve months preceding the balance sheet date.

2. Financial risks, estimates, assumptions and judgements

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

In preparing this condensed set of consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

3. Segment information

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

As explained in Note 9, the operations of Polypipe France have been classified as discontinued and consequently the comparative financial information has been restated where appropriate to meet the presentational requirements of IFRS 5, Non-current Assets Held-for-Sale and Discontinued Operations, to take account of this change.

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Continuing operations						
Segmental revenue	**121.3**	**95.0**	**216.3**	115.0	102.0	217.0
Inter segment revenue	**(2.3)**	**(3.8)**	**(6.1)**	(2.6)	(4.4)	(7.0)
Revenue	**119.0**	**91.2**	**210.2**	112.4	97.6	210.0
Underlying operating profit*	**23.8**	**12.5**	**36.3**	22.9	15.0	37.9
Non-underlying items – segmental	**-**	**-**	**-**	(0.3)	(0.9)	(1.2)
Segmental operating profit	**23.8**	**12.5**	**36.3**	22.6	14.1	36.7
Non-underlying items – Group			**(2.8)**			(2.8)
Operating profit			**33.5**			33.9
Finance costs			**(3.4)**			(3.4)
Profit before tax			**30.1**			30.5

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

Geographical analysis

Revenue by destination:

Continuing operations	**Six months ended 30 June 2018 £m**	Six months ended 30 June 2017 £m
UK	**187.3**	185.7
Rest of Europe	**8.4**	9.0
Rest of World	**14.5**	15.3
Total – Group	**210.2**	210.0

4. Non-underlying items

Non-underlying items comprised:

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Cost of sales: Restructuring costs	**-**	**-**	**-**	(1.2)	-	(1.2)
Amortisation of intangible assets	**(2.8)**	**0.5**	**(2.3)**	(2.8)	0.5	(2.3)
Discontinued operations: profit from discontinued operations	**0.3**	**-**	**0.3**	1.0	(0.3)	0.7
Total non-underlying items	**(2.5)**	**0.5**	**(2.0)**	(3.0)	0.2	(2.8)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

Gross restructuring costs of £1.2m were recognised in 2017 in respect of a change in our Commercial and Infrastructure Systems' manufacturing strategy in the Middle East (£0.9m) and the relocation of our Residential Systems' Domus Ventilation manufacturing facilities (£0.3m). The Middle East restructuring plan was drawn up and announced to the relevant employees in 2017. The Domus Ventilation restructuring plan was drawn up, announced and completed in 2017.

5. Finance costs

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Interest on bank loan	**2.8**	2.8
Debt issue cost amortisation	**0.2**	0.2
Other finance costs	**0.4**	0.4
Finance costs	**3.4**	3.4

6. Income tax

Tax has been provided on the profit before tax excluding discontinued operations, at the estimated effective rate for the full year of 18.2% (full year 2017: 19.1%). Tax on underlying profit before tax was 18.2% (full year 2017: 18.0%).

7. Earnings per share

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

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**198,952,752**	198,287,022
Effect of dilutive potential ordinary shares	**2,060,872**	2,196,051
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**201,013,624**	200,483,073

Underlying earnings per share is based on the result for the period after tax excluding the impact of non-underlying items of £2.0m (2017: £2.8m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	Six months ended 30 June 2018	Six months ended 30 June 2017
Underlying profit for the period attributable to the owners of the parent company (£m)	**26.9**	27.9
Underlying basic earnings per share (pence)	**13.5**	14.1
Underlying diluted earnings per share (pence)	**13.4**	13.9

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

8. Dividends

The Directors have proposed an interim dividend for the current year of £7.4m which equates to 3.7 pence per share.

9. Discontinued operations and assets classified as held-for-sale

On 31 January 2018, the Group announced that it had entered into exclusive negotiations to sell Polypipe France Holding SAS, its French operations, to Ryb S.A., a France-based manufacturer and distributor of plastics in Europe. After successful completion of the required employee consultation process the sale was completed on 29 March 2018. The cash consideration paid by Ryb S.A. was €16.5m on a cash-free, debt-free and normalised working capital basis. At 31 December 2017 the net assets of the French operations were classified as held-for-sale in the consolidated balance sheet. In accordance with IFRS 5, Non-current Assets Held-for-Sale and Discontinued Operations, an impairment loss of £12.5m to remeasure the carrying amount of the assets to fair value less costs to sell was recognised following the reclassification of the net assets of Polypipe France Holding SAS as held-for-sale. An analysis of the assets classified as held-for-sale and liabilities associated with the assets held-for-sale at 31 December 2017 was as follows:

	Book value £m	Impairment loss £m	31 December 2017 £m
Assets classified as held-for-sale			
Intangible assets	9.6	(9.6)	–
Property, plant and equipment	9.2	(2.9)	6.3
Inventories	7.7	–	7.7
Trade and other receivables	9.0	–	9.0
Deferred income tax assets	0.3	–	0.3
	35.8	(12.5)	23.3
Liabilities associated with assets classified as held-for-sale			
Trade and other payables	(9.5)	–	(9.5)
Income tax payable	(0.2)	–	(0.2)
Other liabilities	(1.2)	–	(1.2)
	(10.9)	-	(10.9)
Net assets held-for-sale	**24.9**	**(12.5)**	**12.4**

A total loss on disposal of £12.5m was anticipated and previously recognised. The actual loss on disposal at 29 March 2018 was £12.5m, after recycling of foreign exchange differences to the income statement, with no change to the loss on disposal previously recognised. The actual loss on disposal was calculated as follows:

	£m
Intangible assets	9.6
Property, plant and equipment	9.0
Inventories	8.4
Trade and other receivables	14.2
Deferred income tax assets	0.2
Trade and other payables	(14.0)
Other liabilities	(1.2)
Net assets sold	**26.2**
Disposal proceeds:	
Cash	14.0
Directly attributable costs	(0.6)
Net proceeds	**13.4**
Loss on disposal before tax and recycling of foreign exchange differences	**12.8**
Recycling of foreign exchange differences to the income statement	(0.3)
Loss on disposal	**12.5**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

The net cash inflow from the disposal reported in investing activities was as follows:

	£m
Disposal proceeds	13.2
Directly attributable costs	(0.2)
Overdraft divested	0.8
Net cash inflow	**13.8**

The table below provides further detail of the discontinued operations:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Revenue	**16.7**	32.0
Expenses	**(16.4)**	(31.0)
Profit before tax	**0.3**	1.0
Income tax	**-**	(0.3)
Profit from discontinued operations	**0.3**	0.7

The remaining assets classified as held-for-sale comprised:

	30 June 2018 £m	30 June 2017 £m
Property, plant and equipment	**0.7**	0.7

These assets classified as held-for-sale consist exclusively of freehold land currently not in use by the Group. It is expected that the disposal of this asset will be completed during 2018.

10. Analysis of net debt

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Cash and cash equivalents	**38.5**	29.0	35.7
Non-current loans and borrowings:			
- Bank loan	**(185.0)**	(208.0)	(185.0)
- Unamortised debt issue costs	**0.7**	1.0	0.9
	(184.3)	(207.0)	(184.1)
Net debt	**(145.8)**	(178.0)	(148.4)

11. Other financial assets and liabilities

Fair values of financial assets and financial liabilities

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

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

	Carrying value £m	Fair value £m
Interest rate swaps	(3.3)	(3.3)
Interest bearing loans and borrowings due after more than one year	(207.0)	(207.0)
Total at 30 June 2017	(210.3)	(210.3)

	Carrying value £m	Fair value £m
Interest rate swaps	(2.5)	(2.5)
Interest bearing loans and borrowings due after more than one year	(184.1)	(184.1)
Total at 31 December 2017	(186.6)	(186.6)

The interest rate on the Group's £290.0m revolving credit facility is variable, being payable at LIBOR plus a margin. To reduce the Group's exposure to future increases in interest rates the Group has entered into 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% (2017: 2.21% or 1.735%) (excluding margin):

Year ending 31 December	**Notional amount – rate of 2.21% £m**	**Notional amount – rate of 1.735% £m**
2018	**66.6**	**25.1**
2019	**-**	**82.0**
To August 2020	**-**	**72.2**

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

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

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 recognised fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recognised 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 between Levels 1, 2 or 3 in the period.

12. Consolidated cash flow statement

The analysis of cash generated from operations split by continuing and discontinued operations is:

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£m	£m	£m
Continuing operations			
Profit before tax	**30.1**	30.5	55.6
Finance costs	**3.4**	3.4	6.9
Operating profit	**33.5**	33.9	62.5
Non-cash items:			
Profit on disposal of property, plant and equipment	**(0.2)**	(0.1)	(0.1)
Non-underlying items:			
– amortisation of intangible assets	**2.8**	2.8	5.5
– provision for restructuring costs	**-**	1.2	4.3
– provision for aborted acquisition costs	**-**	-	0.3
Depreciation	**7.6**	7.5	14.9
Share-based payments	**0.5**	0.6	0.8
Cash items:			
– settlement of restructuring costs	**(1.3)**	(0.3)	(0.4)
– settlement of aborted acquisition costs	**(0.2)**	-	(0.1)
Operating cash flows before movement in working capital	**42.7**	45.6	87.7
Movement in working capital:			
Receivables	**(9.7)**	(12.6)	(2.5)
Payables	**(10.5)**	(7.7)	0.7
Inventories	**0.8**	(5.4)	(8.0)
Inter-group balances	**0.5**	-	-
Cash generated from operations	**23.8**	19.9	77.9
Income tax paid	**(4.6)**	(6.4)	(12.6)
Net cash flows from operating activities	**19.2**	13.5	65.3
Investing activities			
Proceeds from disposal of property, plant and equipment	**0.2**	0.2	0.2
Purchase of property, plant and equipment	**(10.8)**	(10.7)	(22.2)
Disposal of subsidiary undertaking net of overdraft divested	**13.8**	-	-
Net cash flows from investing activities	**3.2**	(10.5)	(22.0)
Financing activities			
Drawdown of bank loan	**-**	16.0	-
Repayment of bank loan	-	-	(7.0)
Interest paid	**(3.2)**	(3.2)	(6.6)
Dividends paid	**(14.9)**	(13.9)	(21.0)
Dividends received from discontinued operations	**2.4**	-	-
Purchase of own shares	-	-	(3.2)
Proceeds from exercise of share options	**0.3**	-	2.5
Net cash flows from financing activities	**(15.4)**	(1.1)	(35.3)
Net change in cash and cash equivalents	**7.0**	1.9	8.0
Cash and cash equivalents – opening balance	**32.3**	24.5	24.5
Net foreign exchange difference	-	(0.1)	(0.2)
Cash and cash equivalents – closing balance	**39.3**	26.3	32.3

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£m	£m	£m
Discontinued operations			
Profit before tax from discontinued operations	**0.3**	1.0	1.4
Loss recognised on remeasuremet to fair value less costs to sell	**-**	-	(12.5)
Operating profit / (loss)	**0.3**	1.0	(11.1)
Non-cash items:			
Non-underlying item: loss recognised on remeasurement to fair value less costs to sell	-	-	12.5
Depreciation	**0.3**	0.6	1.3
Operating cash flows before movement in working capital	**0.6**	1.6	2.7
Movement in working capital:			
Receivables	**(5.2)**	(6.3)	(0.7)
Payables	**4.3**	6.5	1.4
Inventories	**(0.7)**	(0.6)	(0.9)
Inter-group balances	**(0.5)**	-	-
Cash generated from operations	**(1.5)**	1.2	2.5
Income tax paid	**(0.2)**	-	-
Net cash flows from operating activities	**(1.7)**	1.2	2.5
Investing activities			
Purchase of property, plant and equipment	**(0.1)**	(0.6)	(1.2)
Net cash flows from investing activities	**(0.1)**	(0.6)	(1.2)
Financing activities			
Dividends paid	**(2.4)**	-	-
Net cash flows from financing activities	**(2.4)**	-	-
Net change in cash and cash equivalents	**(4.2)**	0.6	1.3
Cash and cash equivalents – opening balance	**3.4**	2.0	2.0
Net foreign exchange difference	-	0.1	0.1
Cash and cash equivalents – closing balance	**(0.8)**	2.7	3.4

INDEPENDENT REVIEW REPORT TO POLYPIPE GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2018 which comprises the Interim Group Income Statement, the Interim Group Statement of Comprehensive Income, the Interim Group Balance Sheet, the Interim Group Statement of Changes in Equity, the Interim Group Cash Flow Statement and the related Notes 1 to 12. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Ernst & Young LLP

Leeds

14 August 2018