19 March 2019

Polypipe Group plc
Audited results for the year ended 31 December 2018

Continued growth and strategic progress

Polypipe Group plc ("Polypipe", the "Company" or the "Group"), a leading provider of sustainable water and climate management solutions for the built environment, today announces its audited results for the year ended 31 December 2018.

Financial Results

	2018	2017	Change
Statutory measures			
Revenue	£433.2m	£411.7m	+5.2%
Operating profit	£65.8m	£62.5m	+5.3%
Profit before tax	£58.2m	£55.6m	+4.7%
Earnings per share (basic)	24.5p	22.7p	+7.9%
Cash generated from operations	£90.0m	£80.4m	+11.9%
Dividend per share	11.6p	11.1p	+4.5%
Alternative performance measures			
Underlying operating profit[1]	£74.0m	£72.6m	+1.9%
Underlying operating margin[1]	17.1%	17.6%	-50bps
Underlying profit before tax[1]	£67.1m	£65.7m	+2.1%
Underlying earnings per share (basic)[1]	28.4p	27.2p	+4.4%
Leverage (times pro forma EBITDA[2])	1.7	1.6	0.1

Financial Highlights

- Revenue growth of 5.2% despite mixed market conditions demonstrating strength of diversified business model
- Underlying operating profit 1.9% higher and underlying profit before tax 2.1% higher
- Resilient margin at 17.1%
- Underlying basic earnings per share 4.4% higher
- Robust balance sheet and continued strong operational cash generation. Group pro forma leverage of 1.7x (2017: 1.6x) despite £42.5m invested in acquisitions, net of disposals
- Proposed final dividend of 7.9p, bringing the total for the year to 11.6p, 4.5% ahead of last year

Operational Highlights

- UK revenue growth ahead of industry benchmark at 5.9% relative to Construction Products Association winter forecast decline of 0.2% for 2018
- Residential Systems revenue 9.8% higher and 8.5% higher on a like-for-like basis with strong growth in housebuilding sector
- Commercial and Infrastructure revenues declined 0.2% for the year but a strong second half performance of 6.7% growth (of which 5.3% was on a like-for-like basis), benefitted from successful product launches and new road projects gaining momentum

- Price increases successfully passed through to mitigate cost inflation
- Second half acquisitions – Permavoid and Manthorpe - performing in line with our expectations and integration progressing well
- France disposal completed in March 2018
- Alternative manufacturing strategy delivered in the Middle East
- Recycled plastic represents an improved 40.2% of the Group's overall plastic usage (2017: 34.0%)

Outlook

- Polypipe has made significant strategic progress in 2018 together with a continued focus on organic growth ahead of market and strong cash generation
- The fundamentals of our markets remain robust with a continued structural housing shortage in the UK, Help-to-Buy extended to 2023, historically low interest rates and good mortgage availability underpinning new housebuilding activity. RMI and commercial and infrastructure markets have been and will continue to remain challenging
- Whilst we remain vigilant to the impacts of uncertainty on our markets, our balanced portfolio positions the Group well, and we look forward to another year of progress in 2019

Martin Payne, Chief Executive Officer, said:

"We are delighted to report another record performance, despite a backdrop of challenging market conditions. Our second half of the year was strong, and we completed two significant acquisitions as part of our strategy to broaden our market offering. Both Manthorpe and Permavoid are performing in line with expectations and we look forward to further progress. We continue to see strong cash generation, and the long-term growth drivers of legacy material substitution and legislative tailwinds, together with our strong balance sheet, position us well for the future."

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

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

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

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

UK Freephone Dial-In Number	08003767922
Standard International Dial-In number	+44 (0) 2071 928000
Conference PIN	1886904

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

Notes to Editors:

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

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

Group Results

Group revenue for the year ended 31 December 2018 was 5.2% higher than the prior year at £433.2m (2017: £411.7m). Group revenue includes £4.1m generated by Permavoid and Manthorpe, and excluding the impact of these acquisitions, Group revenue was 4.2% higher. Against a backdrop of mixed market conditions, this performance demonstrates the robustness of the Polypipe business and the strength of its long-term strategy.

Underlying operating profit was 1.9% higher than the prior year at £74.0m (2017: £72.6m). Price increases were implemented in early 2018 to mitigate cost inflation in absolute terms. This had a margin-dilutive effect and together with the relative growth of lower margin new housebuilding volumes, and towards the end of the year, inefficiencies caused by operating at or near full capacity in certain areas, operating margin in 2018 was slightly lower, at 17.1% (2017: 17.6%). Investments made in 2019 in new production equipment and layout improvements to alleviate capacity constraints should allow a return to more efficient working in the coming year.

Underlying finance costs are in line with 2017 at £6.9m (2017: £6.9m) and the Group achieved interest cover of 11.3x for the year.

Our strong cash generation enabled the Group to fund acquisitions net of disposals of £42.5m during the course of the year whilst net debt only increased £15.8m to £164.2m (2017: £148.4m). Cash conversion for the year was 96% (2017: 79%), leaving net debt to proforma EBITDA at 1.7x (2017: 1.6x).

Underlying profit before tax was 2.1% higher than the prior year at £67.1m (2017: £65.7m).

Non-underlying operating costs of £8.9m (2017: £10.1m) primarily relate to non-cash amortisation charges of £5.9m (2017: £5.5m) in respect of intangible assets arising from the acquisition of Nuaire in 2015 and Permavoid and Manthorpe in 2018, along with £2.0m of costs associated with the acquisition of Permavoid and Manthorpe.

The total tax charge for the year of £9.4m (2017: £10.6m) represents an effective tax rate of 16.2% (2017: 19.1%). The underlying effective tax rate of 15.6% (2017: 18.0%) was lower than the blended standard UK rate of tax of 19.00% (2017: 19.25%) due to the benefit of patent box relief and the one-off benefit from the recognition of a deferred tax asset in respect of previously unrecognised tax losses. We expect the effective tax rate to return to our own historical norm in 2019.

Underlying profit from continuing operations was 5.0% higher than the prior year at £56.6m (2017: £53.9m), with underlying basic earnings per share from continuing operations 4.4% higher at 28.4 pence (2017: 27.2 pence).

Chief Executive Officer's Review

I am pleased to report that Polypipe has delivered another record performance in 2018, with revenue from continuing operations 5.2% higher than the prior year at £433.2m (2017: £411.7m), underlying operating profit 1.9% higher at £74.0m (2017: £72.6m), and underlying basic earnings per share 4.4% higher at 28.4 pence per share. Against a background of mixed conditions in the UK construction market, the "Beast from the East" in February and March 2018, and uncertainty around the nature and timing of the UK withdrawal from the EU, this performance shows the robust nature of the Polypipe business model and the strength of its long-term strategic drivers of legacy material substitution and continuing legislative tailwinds in water management and climate management.

As noted in last year's report, price increases had been implemented in early 2018 to mitigate inflationary effects seen in the second half of 2017. I am pleased to report that these increases were successfully implemented progressively through the first half of the year. In 2018 oil prices rose throughout most of the year, resulting in higher raw material costs as well as increases in energy and transport costs. Wage inflation continued to track consumer price inflation. Whilst the Group does all it can to mitigate inflation through various cost reduction measures, the scale of the oil-related inflation meant that price increases were inevitable. Further price increases have been implemented in the first quarter of 2019 to reflect this, and I am confident that these increases will be successfully delivered.

The year has also seen a number of changes to the Group, all in line with the Group's strategy, which leave it well placed to capitalise on future opportunities in its chosen markets.

On 29 March 2018, the Group completed the sale of Polypipe France Holdings SAS ("Polypipe France"), its French operations, to Ryb S.A., a France-based manufacturer and distributor of plastics in Europe for €16.5m on a debt and cash free normalised working capital basis. Accordingly, the results for Polypipe France have been treated as discontinued. Completion of this transaction, which represented excellent value for shareholders, was a significant step forward in implementing our strategy, allowing the Group to concentrate on its higher margin product groups in plumbing, drainage and ventilation, in both our UK and overseas markets.

In May 2018, Polypipe presented its first Capital Markets Day since it listed in April 2014. This confirmed that, following an in-depth review, the Group would continue to drive profitable organic growth through exploiting legacy material substitution and legislative tailwinds in water and climate management. The Group continues to review bolt-on acquisition opportunities to accelerate growth. Our strategic priorities are to firstly add innovative solutions to our already market-leading offer in water and climate management, in order to provide our customers with a "one stop shop" and secondly to provide further geographic reach to leverage our skills, technical knowledge and IP across a wider market.

In line with this strategy, the Group announced two acquisitions in the second half of the year. Permavoid Limited ("Permavoid") was acquired on 31 August 2018 for an initial consideration of £4.0m on a debt and cash free normalised working capital basis, with a further consideration of up to £12.5m depending on financial performance in the two years to September 2020. Manthorpe Building Products Holdings Limited ("Manthorpe") was acquired on 25 October 2018 for a total cash consideration of £52.1m on a debt and cash free normalised working capital basis. The strategic rationale for acquiring these businesses is strong, with both businesses providing innovative solutions to complement the Group's existing offer, and I am excited by the prospects for these businesses in the coming years within the Polypipe Group. The integration of these businesses into the Polypipe Group is progressing well and both businesses are performing in line with management expectations.

Polypipe continues to be highly cash generative, and notwithstanding spending £42.5m on acquisitions (net of disposals) during the course of the year and capital expenditure of 1.5x depreciation in our existing businesses. This delivered Group leverage of 1.7x pro-forma EBITDA (2017: 1.6x). The Group is well invested and well placed to continue to pursue selective bolt-on acquisitions where appropriate in line with the Group's strategy, whilst maintaining a strong balance sheet, and a disciplined approach to capital allocation.

The Group continues to take its responsibilities towards sustainability very seriously. Although product standards and certain applications do not permit use of recycled materials in some products, wherever possible we use recycled materials instead of virgin polymer. In 2018 we used 44,700 tonnes of recycled plastics, which represents 40.2% of our overall plastic usage compared to 34.0% in 2017. Of this recycled plastic, 16,000 tonnes were from recycled milk bottles and other polyethylene consumer liquid bottles which are sourced from recycling companies such as Veolia in bales and go through our fifteen stage recycling process at our plant in Horncastle, Lincolnshire. Our strong sustainability and recycling credentials continue to be something that are important not only to Polypipe but to our customers, investors and employees, and we will continue to explore opportunities to increase our usage of recycled material wherever we can.

During the year we have followed events in the UK and across Europe as the UK moves towards withdrawal from the EU on 29 March 2019 ("Brexit"). In doing this we have assessed the risks to our business likely to be caused by Brexit, although this has proved difficult due to the uncertainty of the nature and timing of the withdrawal. Whilst we are not complacent, we have concluded that Polypipe is at the lower end of the risk spectrum with regard to the impact of Brexit. With approximately 90% of our revenues derived from, and manufactured in, the UK market, we have relatively little cross border trade. Also, if material costs increase as a result of either increased tariffs or a devaluation of sterling, we will look to recover these increased costs in selling prices, as we have done historically when faced with cost inflation. Where it is deemed appropriate however, proportionate mitigating actions have been and are being taken, such as building raw material and finished goods stocks to allow for some supply chain disruption at ports, accelerating the refinancing of our debt facility that would otherwise have needed to have been done in the summer of 2019, taking forward currency cover and providing support to our non-UK EU colleagues, who account for approximately 13% of our UK workforce, to register for settled status.

The impact of Brexit on our end markets is difficult to predict, especially given the uncertainty around the nature of the exit. However, we continue to monitor our lead indicators around the Group and remain vigilant to any changes.

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

REVENUE

	2018	2017	Change
	£m	£m	%
Residential Systems	**245.3**	223.5	9.8
Commercial and Infrastructure Systems	**187.9**	188.2	(0.2)
	433.2	411.7	5.2

UNDERLYING OPERATING PROFIT

	2018	2017	Change
	£m	£m	%
Residential Systems	**46.3**	44.3	4.5
Commercial and Infrastructure Systems	**27.7**	28.3	(2.1)
	74.0	72.6	1.9

The Group continues to show resilience by having a balanced exposure to the different elements of the UK construction market, all of which have different drivers and move at different paces, and again this year's performance perhaps more than most demonstrates this.

RESIDENTIAL SYSTEMS

Revenue in our Residential Systems segment, which is almost exclusively derived from the UK market, was 9.8% higher than the prior year at £245.3m (2017: £223.5m). The acquisition of Manthorpe on 25 October 2018 contributed £2.8m revenue in the year, leaving like-for-like growth of 8.5%. This is again considerably ahead of the market and represents a strong performance in a challenging environment.

Conditions in the UK residential markets continued in line with prior years, with growth in the new housebuild sector driven by a structural housing shortage in the UK, continued historically low mortgage rates, and demand side help for first time buyers through the Government's Help-to-Buy scheme. The Repair, Maintenance and Improvement (RMI) market however continues to be slow, with weak consumer confidence driven by uncertainty around the EU withdrawal process impacting private RMI, and continued austerity impacting public RMI. Within that limited public RMI spend, we have seen post Grenfell diversion of expenditure towards fire risk related projects impacting our performance within that segment.

Despite these challenging conditions, our Residential Systems segment delivered a strong result for the year. The adverse weather conditions in February and March 2018 impacted first half performance with year on year revenue growth at the half year of 5.9%. However, concerted efforts by the house developers to claw back some of the weather-related lost time aided by mild weather conditions during the autumn and winter, as well as a two month contribution from Manthorpe, helped second half revenue to grow 13.7% compared to prior year. This exceptional level of growth presented a number of operational challenges in our businesses, with parts of the business operating at or near full capacity.

I am delighted that on 25 October 2018 the Group acquired Manthorpe, a leading designer and manufacturer of moulded and extruded plastic and metal products to the UK and Irish residential and RMI markets. It has performed in line with expectations since joining the Group and we are pleased with how the integration is progressing. As well as a strong cultural fit, the acquisition is a good strategic fit with Polypipe's Residential Systems offering in the water and climate

management sectors, with differentiated, patented value-adding products that will help us deliver a one stop shop for our customers. There are exciting operational and commercial synergies that have been identified and will be delivered during 2019 and beyond.

Residential Systems delivered an underlying operating profit 4.5% higher than the prior year at £46.3m (2017: £44.3m) representing a 18.9% margin (2017: 19.8%) with cost reduction activities being more than offset by the dilutive effect of price increases, the relative growth of lower margin new housebuilding volumes, and towards the end of the year, inefficiencies caused by operating at or near full capacity in certain areas. Investment in both new production equipment and yard expansion and layout improvements at our main Doncaster site are being made to alleviate these capacity bottlenecks and will provide for a return to efficient working during the current year.

COMMERCIAL AND INFRASTRUCTURE SYSTEMS

We had a particularly challenging first half in this segment, with tough market conditions and the adverse weather resulting in first half revenue being 6.6% lower than the prior period. However, with performance significantly improving in the second half, largely through self-help measures and marginal market improvements, revenue grew 6.7% or 5.3% on a like-for-like basis excluding the impact of the £1.3m revenue associated with the Permavoid acquisition on 31 August 2018. This resulted in full year revenue in our Commercial and Infrastructure Systems segment of £187.9m (2017: £188.2m), 0.2% lower than the prior year on a reported basis, and 0.9% lower on a like-for-like basis excluding Permavoid.

UK revenue, which accounts for 81% of the overall segment revenue, was 0.2% higher than the prior year. UK Commercial and Infrastructure markets remained difficult, particularly through the first half, with some small improvements in the second half as road programmes, both smart motorway upgrades and new road projects, began to gather momentum. Successful product launches also helped drive second half performance. The Fuze range of HDPE electrofusion soil stacks launched by our Building Services business in the second half of 2017 has been extremely successful, complemented by the successful launch of a fabrication service supplying fully assembled soil stacks to site. The £5.0m investment in a large-diameter continuous corrugator in our Civils factory at Horncastle, which came on stream in the first quarter of 2018, has also had encouraging early results and contributed to the second half performance, along with the successful launch of Nuaire's IAQ-Valve and expansion of the XBC range of heat recovery ventilation units. It is encouraging to note that the development of these products is squarely in line with the Group's strategic growth pillars of legacy material substitution (for example Fuze replacing cast iron, continuous corrugator replacing concrete) and legislative tailwinds (for example Nuaire IAQ-Valve and XBC range driven by air quality and building energy efficiency).

Export revenue, which accounts for approximately 19% of overall segment revenue, was 1.6% lower than the prior year, with lower revenue in the Middle East driven by difficult market conditions, more than offsetting improved performance in Continental Europe. The alternative manufacturing strategy in the Middle East, announced last year, has been successfully implemented. The first production run of Permavoid product using our tooling with local sub contract injection moulders was successfully completed and sold in the second half of the year, and the closure of our Dubai manufacturing facility and transfer of production machinery back to the UK was also completed during the year.

On 31 August 2018, we announced the acquisition of Permavoid, a specialist designer and supplier of plastic surface water management solutions in commercial, residential and sports pitch applications. This is a great strategic fit with the Group, providing unique patented products that enhance our water management solutions offer in sustainable urban drainage systems, green infrastructure, Blue-Green roofs, podium decks and sports surface applications, as well as some exciting geographic reach opportunities. Permavoid has been used in applications throughout Europe including the redevelopment of Orlysquare in Amsterdam, the Maankwartier Heerlen development in Holland and the redevelopment of Liverpool Football Club's Anfield stadium. Through its US licencing partner, Permavoid is also beginning to see increased demand for its products in the US, an exciting development that will continue into 2019 and beyond.

Commercial and Infrastructure Systems delivered an underlying operating profit of £27.7m (2017: £28.3m) and represents a 14.7% margin (2017: 15.0%). Whilst the closure of our Middle East manufacturing facility improved profitability, this was more than offset by higher costs

associated with the adverse weather in the first half of 2018 and again the dilutive effects of price increases.

OUTLOOK

Polypipe has made significant strategic progress in 2018. The disposal of Polypipe France and the acquisition of Permavoid and Manthorpe, have all been firmly in line with the Group's strategy. Organic growth ahead of the UK market and strong cash generation has continued to demonstrate the robust nature of the Group.

Whilst the political and economic uncertainty associated with the UK's withdrawal from the EU may impact markets in the short term, we believe that the fundamentals of our markets remain robust. Government and opposition both understand the structural housing shortage in the UK and recognise the need to increase the housing stock further, and with Help-to-Buy now extended until 2023, historically low interest rates and good mortgage availability, the medium-term fundamentals for new housebuilding remain sound. Whilst RMI, commercial and infrastructure markets have been and will continue to be challenging, the balanced exposure that Polypipe has to these different sectors of the construction industry positions the Group well.

As we look into 2019 and beyond, the opportunities for growth through legacy material substitution, legislative tailwinds in water and climate management are still as strong as ever, and together with helpful emerging trends in green infrastructure and appropriate acquisition opportunities to broaden our product and solutions offer, I am confident the fundamentals for the Group remain strong. Whilst we remain vigilant to the short-term impacts of economic and political uncertainty on our markets, I look forward to another year of progress in 2019.

Financial Review

REVENUE AND OPERATING MARGIN

	2018 £m	2017 £m	Change
Revenue	**433.2**	411.7	+5.2%
Underlying operating profit	**74.0**	72.6	+1.9%
Underlying operating margin	**17.1%**	17.6%	-50bps

Revenue by geographic destination	**2018 £m**	2017 £m	Change
UK	**387.1**	365.7	+5.9%
Rest of Europe	**21.5**	18.9	+13.8%
Rest of World	**24.6**	27.1	-9.2%
Group	**433.2**	411.7	+5.2%

Group revenue for the year ended 31 December 2018 was £433.2m (2017: £411.7m), an increase of 5.2%. With the acquisitions of Permavoid Limited ("Permavoid") and Manthorpe Building Products Holdings Limited ("Manthorpe") on 31 August and 25 October 2018, respectively, group revenue includes £4.1m from these businesses for the periods since acquisition and on a like-for-like basis, excluding the impact of these businesses, group revenue increased by 4.2%. UK revenue growth was up 5.9% with approximately 2.8% driven by price increases and 3.1% from volume increases of which 1.1% was derived from the acquisitions. This level of growth was materially ahead of the overall UK construction market where the Construction Products Association ("CPA") winter forecast suggests a slight year-on-year decline of 0.2%. The Group's year-on-year growth for the first half was essentially flat as it was impacted by the severe winter weather, with strong year-on-year growth in the second half of 10.6%.

The Group underlying operating margin of 17.1% (2017: 17.6%) was impacted by the dilutive effect of increasing selling prices to recover absolute cost inflation as well as the relative growth in lower margin new housebuilding volumes and inefficiencies caused by operating at or near full capacity in some areas towards the end of the year.

ACQUISITIONS

On 31 August 2018, the Group acquired Permavoid Limited, a specialist designer and supplier of surface water management solutions in commercial, residential, and sports pitch applications, for an initial cash consideration of £4.0m on a debt and cash free, normalised working capital basis, and further contingent consideration of up to £12.5m depending on the EBITDA performance of Permavoid in the two years to 30 September 2020. In accordance with IFRS 3, £1.7m contingent consideration has been accrued at the end of 2018.The acquisition of Permavoid has contributed £1.3m to Group revenue in the year and revenue for the full 12-month period ended 31 December 2018 was £5.1m. On 25 October 2018, the Group acquired Manthorpe, a leading UK producer of a range of moulded and extruded plastic and metal products, and associated land and buildings for £52.1m on a debt and cash free normalised working capital basis. The acquisition of Manthorpe has contributed £2.8m to Group revenue in the year and revenue for the full 12-month period ended 31 December 2018 was £17.2m. These acquisitions were funded entirely from the Group's revolving credit facility. Acquisition costs of £2.0m have been charged to non-underlying items.

DISPOSALS

On 29 March 2018, the Group completed the sale of Polypipe France Holdings SAS ("Polypipe France"), its French operations, to Ryb S.A., a France-based manufacturer and distributor of plastics in Europe, for €16.5m on a debt and cash free normalised working capital basis. The results for Polypipe France have been treated as discontinued since 2017.

IFRS 16 (LEASES)

IFRS 16 'Leases' was issued in January 2016 and is mandatory for annual reporting periods commencing 1 January 2019. The Group did not apply for early adoption of IFRS 16 and will first report under the new standard in the interim consolidated financial statements for the six months ending 30 June 2019, and the consolidated financial statements for the year ending 31 December 2019. The Group has reviewed all material leasing arrangements over the last year in light of the new lease accounting rules and these existing leases mainly relate to cars, some property and forklift trucks used in warehousing. The Group does not have any leases previously classified as finance leases. The Group will adopt the simplified approach to transition and will not restate comparative amounts for the year prior to first adoption. In 2019, the Group's lease commitments will be brought onto the Group's balance sheet and the timing of the recognition of lease costs within the income statement will change.

The value of lease commitments at 31 December 2018 was £14.0m. The Group expects to recognise an increase in total liabilities within the range of £12.0m - £14.0m, and a similar increase in total assets. The difference between the value of lease commitments and increase in total liabilities is largely driven by the requirement to discount the lease liabilities to present value.

On a pro-forma basis the Group expects that underlying EBITDA will increase by approximately £3.9m, that underlying operating profit will increase by approximately £0.2m - £0.4m and that underlying profit before tax will reduce by approximately £0.1m - £0.3m for 2019 as a result of adopting the new rules. Operating cash flows will increase, and financing cash flows will decrease because repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. Leverage is expected to increase by approximately 0.1x as a result of including the lease liabilities within net debt partially offset by increase in EBITDA. Interest cover is expected to reduce by approximately 0.5x as a result of a marginal increase in interest costs. No impact is expected on banking covenants as a result of the ability to use the financial position excluding the impact of IFRS 16 under the RCF agreement (so-called "frozen GAAP"). Further details of the change can be found in Note 2 of this statement.

NON-UNDERLYING ITEMS

Non-underlying items in both 2018 and 2017 included non-cash amortisation charges in respect of intangible assets recognised with the acquisitions made during 2015. In addition, the amortisation of intangible assets charge in 2018 was impacted by the fair valuation of intangible fixed assets on the acquisition balance sheets of Manthorpe and Permavoid. Intangible assets have increased by £25.1m in the case of Manthorpe and £2.9m in respect of Permavoid, attracting additional amortisation of £0.3m (Manthorpe) and £0.1m (Permavoid).

The provision for restructuring costs of £4.3m recognised in 2017 in respect of our Middle East business has now been fully utilised. The other items included in non-underlying items are highlighted in the narrative further below.

Non-underlying items comprised:

	2018	2017
	£m	£m
Amortisation of intangible assets	**5.9**	5.5
Restructuring costs	**–**	4.3
Acquisition costs	**2.0**	0.3
Contingent consideration on acquisitions	**0.3**	–
Unamortised debt issue costs written off	**0.6**	–
Loss on disposal of assets classified as held-for-sale	**0.1**	–
Non-underlying items before taxation	**8.9**	10.1
Taxation	**(1.1)**	(1.2)
Non-underlying items after taxation	**7.8**	8.9

Taxation on non-underlying items is covered in the Note 5 below.

EXCHANGE RATES

The Group trades predominantly in Sterling but has some revenues and costs in other currencies, mainly the US Dollar and the Euro, and takes appropriate forward cover on these cash flows using forward currency derivative contracts in accordance with its hedging policy.

FINANCE COSTS

Underlying finance costs of £6.9m (2017: £6.9m) are in line with last year and have a cover of 11.3x. The raised gearing from the acquisitions was in the very last stages of the year, marginally increasing borrowing costs for the period.

Interest is payable on the revolving credit facility (“RCF”) at LIBOR plus an interest rate margin ranging from 0.9% to 2.75%. The interest rate margin at 31 December 2018 was 1.65% (2017: 1.75%).

In order to reduce exposure to future increases in interest rates the Group 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.

TAXATION

Underlying taxation:

The underlying tax charge in 2018 was £10.5m representing an effective tax rate of 15.6% (2017: 18.0%). This was below the UK standard tax rate of 19.00% (2017: 19.25%). Patent box relief contributes to a lowering of the effective tax rate by some 1.5%. In addition, the Group has released legacy tax provisions no longer required of £0.6m and recognised a deferred tax asset resulting from acquisition of Manthorpe in respect of previously unrecognised tax losses, resulting in a benefit of £0.6m.

Taxation on non-underlying items:

The non-underlying taxation credit of £1.1m in 2018 represents an effective rate of 12.4%, due to £2.0m of acquisition costs being treated as disallowable for tax purposes.

EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	2018	2017
Pence per share:		
Basic	**24.5**	22.7
Underlying basic	**28.4**	27.2
Diluted	**24.3**	22.5
Underlying diluted	**28.1**	26.9

The Directors consider that the underlying earnings per share (EPS) 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.

Underlying basic EPS improved by 4.4% in 2018 due to the improved underlying operating result after taxation.

DIVIDEND

The final dividend of 7.9 pence per share is being recommended for payment on 29 May 2019 to shareholders on the register at the close of business on 23 April 2019. The ex-dividend date will be 18 April 2019.

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.

BALANCE SHEET

The Group's balance sheet is summarised below:

	2018	2017
	£m	£m
Property, plant and equipment	**118.4**	98.6
Goodwill	**343.0**	319.7
Other intangible assets	**58.9**	36.8
Net assets classified as held-for-sale	**–**	13.1
Net working capital	**(4.1)**	0.4
Taxation	**(17.3)**	(12.6)
Other current and non-current assets and liabilities	**(3.5)**	(5.6)
Net debt (loans and borrowings, net of cash and cash equivalents)	**(164.2)**	(148.4)
Net assets	**331.2**	302.0

Property, plant and equipment increased by £19.8m and, excluding the effect of the inclusion of assets from the acquisitions of Permavoid and Manthorpe, increased by £9.0m, predominantly due to capital expenditure exceeding depreciation.

Goodwill increased by £23.3m primarily due to the acquisitions of Permavoid and Manthorpe. Other intangible assets increased by £22.1m with fair value adjustments associated with the acquisition of Permavoid and Manthorpe being offset by the routine amortisation of patents, brand names and customer relationships. Net working capital reduced by £4.5m due to continued robust management in our businesses. Net debt is discussed below.

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 £2.8m (2017: £2.7m).

CASH FLOW AND NET DEBT

The Group's cash flow statement is summarised below:

	2018	2017
	£m	£m
Operating cash flows before movement in net working capital	**86.2**	90.4
Add back non-underlying cash items	**4.4**	0.5
Underlying operating cash flows before movement in net working capital	**90.6**	90.9
Movement in net working capital	**3.8**	(10.0)
Underlying cash generated from operations	**94.4**	80.9
Capital expenditure net of disposals	**(23.2)**	(23.2)
Underlying cash generated from operations after net capital expenditure	**71.2**	57.7
Income tax paid	**(11.2)**	(12.6)
Interest paid	**(6.1)**	(6.6)
Non-underlying cash items	**(4.4)**	(0.5)
Acquisition of businesses	**(56.1)**	–
Disposal of businesses	**13.6**	–
Dividends paid	**(22.3)**	(21.0)
Proceeds from exercise of share options net of purchase of own shares	**0.3**	(0.7)
Other	**(0.8)**	(0.4)
Movement in net debt	**(15.8)**	15.9

The Group is highly cash-generative. Underlying cash generated from operations after net capital expenditure at £71.2m (2017: £57.7m) represents a conversion rate of 96% (2017: 79%). This improvement in conversion rate followed a programme in 2017 to replenish stock levels after a period of pre-price increase buying at the end of 2016. As a result of business growth, the Group sustained elevated net capital expenditure investment of £23.2m (2017: £23.2m), which was significantly ahead of depreciation levels, focussing on capacity expansion, efficiency improvement and innovation. The Group spent £56.1m on the acquisition of Permavoid and Manthorpe during the year and received £13.6m for the disposal of Polypipe France.

Net debt of £164.2m comprised:

	2018	2017	Change
	£m	£m	£m
Bank loans	**(212.0)**	(185.0)	(27.0)
Cash and cash equivalents	**46.2**	35.7	10.5
Net debt (excluding unamortised debt issue costs)	**(165.8)**	(149.3)	(16.5)
Unamortised debt issue costs	**1.6**	0.9	0.7
Net debt	**(164.2)**	(148.4)	(15.8)
Net debt (excluding unamortised debt issue costs): pro forma EBITDA	**1.7**	1.6	

FINANCING

In light of the uncertainty posed by the UK's withdrawal from the EU, the Group took the decision to bring forward the renewal of its secured RCF from mid-2019. The RCF was increased from £290m to £300m and renewed for a period of five years to November 2023 with two further uncommitted annual renewals through to November 2025 possible. A new uncommitted "accordion" facility of up to £50m was also added. Refinancing costs of £1.7m will be amortised over the life of the RCF. Unamortised costs of £0.6m from the previous refinancing were written off within non-underlying items. The margin payable under the renewed RCF is 10 basis points lower than the previous agreement for gearing levels up to 2.0x EBITDA.

The Group is subject to two financial covenants. At 31 December 2018 there was significant headroom, and facility interest cover and net debt to EBITDA covenants were comfortably achieved:

Covenant:	Covenant requirement	Position at 31 December 2018
Interest cover	>4.0:1	11.3:1
Leverage	<3.0:1	1.7:1

At 31 December 2018, liquidity headroom (cash and undrawn committed banking facilities) was £134.2m (2017: £140.7m) with the new RCF raised slightly to £300m compared to the previous RCF (2017: £290m). Focus will continue to be on deleveraging and, despite the two debt-funded acquisitions totalling £56.1m in the year, our net debt to EBITDA ratio stood at 1.7x EBITDA at 31 December 2018 (2017: 1.6x). This headroom means the Group enters 2019 well-positioned with a strong balance sheet.

Principal Risks and Uncertainties

The principal risks and uncertainties which could impact the Group are those detailed in the Group's Annual Report and Accounts. These cover the Strategic, Financial and Operational risks and, other than further consideration towards the impact of Brexit, have not changed significantly during the year.

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' Responsibilities

Each of the Directors confirms that, to the best of their knowledge, the consolidated financial statements, prepared in accordance with IFRS as adopted by European Union standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and the Group Results, Chief Executive Officer's Review and Financial Review includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Annual General Meeting

The Annual General Meeting will be held at the Holiday Inn, High Road, Doncaster, DN4 9UX at 10.30am on 23 May 2019.

By order of the Board.

Martin Payne
Chief Executive Officer
19 March 2019

Paul James
Chief Financial Officer
19 March 2019

GROUP INCOME STATEMENT

for the year ended 31 December 2018

	Notes	**2018** Underlying £m	**2018** Non-Underlying £m	**2018** Total £m	2017 Underlying £m	2017 Non-Underlying £m	2017 Total £m
Continuing operations							
Revenue	3	**433.2**	–	**433.2**	411.7	–	411.7
Cost of sales	5	**(251.8)**	–	**(251.8)**	(236.0)	(2.8)	(238.8)
Gross profit		**181.4**	–	**181.4**	175.7	(2.8)	172.9
Selling and distribution costs		**(69.6)**	–	**(69.6)**	(68.7)	–	(68.7)
Administration expenses	5	**(37.8)**	**(2.3)**	**(40.1)**	(34.4)	(1.8)	(36.2)
Trading profit		**74.0**	**(2.3)**	**71.7**	72.6	(4.6)	68.0
Amortisation of intangible assets	5	–	**(5.9)**	**(5.9)**	–	(5.5)	(5.5)
Operating profit	3, 4	**74.0**	**(8.2)**	**65.8**	72.6	(10.1)	62.5
Finance costs	6	**(6.9)**	**(0.7)**	**(7.6)**	(6.9)	–	(6.9)
Profit before tax	3	**67.1**	**(8.9)**	**58.2**	65.7	(10.1)	55.6
Income tax	7	**(10.5)**	**1.1**	**(9.4)**	(11.8)	1.2	(10.6)
Profit from continuing operations		**56.6**	**(7.8)**	**48.8**	53.9	(8.9)	45.0
Profit/(loss) from discontinued operations	4	–	**0.3**	**0.3**	–	(11.3)	(11.3)
Profit for the year attributable to the owners of the parent company		**56.6**	**(7.5)**	**49.1**	53.9	(20.2)	33.7

	Notes	**2018**	2017
Basic earnings per share (pence)			
From continuing operations	8	**24.5**	22.7
From discontinued operations	8	**0.2**	(5.7)
	8	**24.7**	17.0
Diluted earnings per share (pence)			
From continuing operations	8	**24.3**	22.5
From discontinued operations	8	**0.2**	(5.7)
	8	**24.5**	16.8
Dividend per share (pence) – interim	9	**3.7**	3.6
Dividend per share (pence) – final	9	**7.9**	7.5
Total	9	**11.6**	11.1

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	2018 £m	2017 £m
Profit for the year attributable to the owners of the parent company	**49.1**	33.7
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	**1.4**	1.7
Tax relating to items that may be reclassified subsequently to the income statement	**(0.2)**	(0.3)
Other comprehensive income for the year net of tax	**1.0**	1.7
Total comprehensive income for the year attributable to the owners of the parent company	**50.1**	35.4

Attributable to the owners of the parent company from:		
Continuing operations	**50.2**	46.7
Discontinued operations	**(0.1)**	(11.3)
	50.1	35.4

GROUP BALANCE SHEET

at 31 December 2018

	Notes	**31 December 2018 £m**	31 December 2017 £m
Non-current assets			
Property, plant and equipment	10	**118.4**	98.6
Intangible assets	11	**401.9**	356.5
Total non-current assets		**520.3**	455.1
Current assets			
Assets classified as held-for-sale	13	–	24.0
Inventories		**58.1**	53.5
Trade and other receivables		**37.4**	34.5
Cash and cash equivalents		**46.2**	35.7
Total current assets		**141.7**	147.7
Total assets		**662.0**	602.8
Current liabilities			
Liabilities associated with assets classified as held-for-sale	13	–	(10.9)
Trade and other payables		**(99.6)**	(87.6)
Provisions		–	(2.2)
Contingent consideration		**(1.7)**	–
Derivative financial instruments	14	**(1.1)**	(2.5)
Income tax payable		**(6.3)**	(5.6)
Total current liabilities		**(108.7)**	(108.8)
Non-current liabilities			
Loans and borrowings	14	**(210.4)**	(184.1)
Other liabilities	14	**(0.7)**	(0.9)
Deferred income tax liabilities		**(11.0)**	(7.0)
Total non-current liabilities		**(222.1)**	(192.0)
Total liabilities		**(330.8)**	(300.8)
Net assets		**331.2**	302.0
Capital and reserves			
Equity share capital		**0.2**	0.2
Capital redemption reserve		**1.1**	1.1
Own shares		**(3.8)**	(4.3)
Hedging reserve		**(0.9)**	(2.1)
Foreign currency retranslation reserve		**0.5**	0.7
Retained earnings		**334.1**	306.4
Total equity		**331.2**	302.0

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Equity share capital £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Retained earnings £m	Total equity £m
At 31 December 2016	0.2	1.1	(4.6)	(3.5)	0.4	293.8	287.4
Profit for the year	–	–	–	–	–	33.7	33.7
Other comprehensive income	–	–	–	1.4	0.3	–	1.7
Total comprehensive income for the year	–	–	–	1.4	0.3	33.7	35.4
Dividends paid	–	–	–	–	–	(21.0)	(21.0)
Purchase of own shares	–	–	(3.2)	–	–	–	(3.2)
Share-based payments charge	–	–	–	–	–	1.2	1.2
Share-based payments settled	–	–	3.5	–	–	(1.4)	2.1
Share-based payments excess tax benefit	–	–	–	–	–	0.1	0.1
At 31 December 2017	0.2	1.1	(4.3)	(2.1)	0.7	306.4	302.0
Profit for the year	–	–	–	–	–	49.1	49.1
Other comprehensive income	–	–	–	1.2	(0.2)	–	1.0
Total comprehensive income for the year	–	–	–	1.2	(0.2)	49.1	50.1
Dividends paid	–	–	–	–	–	(22.3)	(22.3)
Share-based payments charge	–	–	–	–	–	1.0	1.0
Share-based payments settled	–	–	0.5	–	–	(0.2)	0.3
Share-based payments excess tax benefit	–	–	–	–	–	0.1	0.1
At 31 December 2018	**0.2**	**1.1**	**(3.8)**	**(0.9)**	**0.5**	**334.1**	**331.2**

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2018

	Notes	**2018 £m**	2017 £m
Operating activities			
Profit before tax		**58.2**	55.6
Finance costs	6	**7.6**	6.9
Operating profit		**65.8**	62.5
Profit before tax from discontinued operations	5	**0.3**	1.4
Non-cash items:			
Profit on disposal of property, plant and equipment	5	**(0.3)**	(0.1)
Non-underlying items – amortisation of intangibles assets	5	**5.9**	5.5
– provision for restructuring costs	5	**–**	4.3
– provision for aborted acquisition costs		**–**	0.3
– provision for acquisition costs	5	**2.2**	–
– loss on disposal of assets held-for-sale	5	**0.1**	–
Depreciation	5	**15.6**	16.2
Share-based payments		**1.0**	0.8
Cash items – settlement of restructuring costs		**(2.3)**	(0.4)
– settlement of aborted acquisition costs		**(0.2)**	(0.1)
– settlement of acquisition costs		**(1.9)**	–
Operating cash flows before movement in working capital		**86.2**	90.4
Movement in working capital:			
Receivables		**(2.9)**	(3.2)
Payables		**10.8**	2.1
Inventories		**(4.1)**	(8.9)
Cash generated from operations		**90.0**	80.4
Income tax paid		**(11.2)**	(12.6)
Net cash flows from operating activities		**78.8**	67.8
Investing activities			
Acquisition of businesses net of cash at acquisition		**(56.1)**	–
Proceeds from disposal of property, plant and equipment		**0.9**	0.2
Purchase of property, plant and equipment		**(24.1)**	(23.4)
Disposal of subsidiary undertaking net of overdraft divested		**13.6**	–
Net cash flows from investing activities		**(65.7)**	(23.2)
Financing activities			
New bank loan		**226.1**	–
Repayment of bank loan		**(199.1)**	(7.0)
Interest paid		**(6.1)**	(6.6)
Dividends paid	9	**(22.3)**	(21.0)
Purchase of own shares		**–**	(3.2)
Proceeds from exercise of share options		**0.3**	2.5
Debt issue costs		**(1.6)**	–
Net cash flows from financing activities		**(2.7)**	(35.3)
Net change in cash and cash equivalents		**10.4**	9.3
Cash and cash equivalents at 1 January		**35.7**	26.5
Net foreign exchange difference		**0.1**	(0.1)
Cash and cash equivalents at 31 December		**46.2**	35.7

The net decrease in cash and cash equivalents in the year from discontinued operations included in the above was £4.2m (2017: £1.3m increase).

1. Basis of preparation

The preliminary results for the year ended 31 December 2018 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRSs) as endorsed by the European Union regulations as they apply to the consolidated financial statements of the Group for the year ended 31 December 2018. Whilst the financial information included in this preliminary announcement has been computed in accordance with the recognition and measurement requirements of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies adopted are consistent with those of the previous year.

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2017 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2018 will be filed in due course. The auditors' report on these accounts was not qualified or modified and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006 or any preceding legislation.

2. Change in accounting standards

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.

IFRS 16 was issued in January 2016 and is mandatory for annual reporting periods commencing 1 January 2019. The Group did not apply for early adoption of IFRS 16 and will first report under the new standard in the interim consolidated financial statements for the six months ending 30 June 2019, and the consolidated financial statements for the year ending 31 December 2019. The Group has reviewed all material leasing arrangements over the last year in light of the new lease accounting rules. The Group does not have any leases previously classified as finance leases. The Group will adopt the simplified approach to transition and will not restate comparative amounts for the year prior to first adoption. In 2019, the Group's lease commitments will be brought onto the Group's balance sheet and the timing of the recognition of lease costs in the income statement will change.

The value of lease commitments at 31 December 2018 is £14.0m (see Note 27). The Group expects to recognise an increase in total liabilities in the range of £12.0m-£14.0m, and a similar increase in total assets. The difference between the value of lease commitments and increase in total liabilities is largely driven by the requirement to discount the lease liabilities to present value.

The Group expects that underlying EBITDA will increase by approximately £3.9m, that underlying operating profit will increase by approximately £0.2m - £0.4m and that underlying profit before tax will reduce by approximately £0.1m - £0.3m for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows will decrease because repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

3. Segment information

IFRS 8, Operating Segments, 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 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.

	2018			2017		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Continuing operations						
Segmental revenue	**249.9**	**197.2**	**447.1**	228.8	196.0	424.8
Inter segment revenue	**(4.6)**	**(9.3)**	**(13.9)**	(5.3)	(7.8)	(13.1)
Revenue	**245.3**	**187.9**	**433.2**	223.5	188.2	411.7
Underlying operating profit*	**46.3**	**27.7**	**74.0**	44.3	28.3	72.6
Non-underlying items – segmental	**(3.6)**	**(4.5)**	**(8.1)**	(2.1)	(7.7)	(9.8)
Segmental operating profit	**42.7**	**23.2**	**65.9**	42.2	20.6	62.8
Non-underlying items – group			**(0.1)**			(0.3)
Operating profit			**65.8**			62.5
Non-underlying items – finance costs			**(0.7)**			–
Finance costs			**(6.9)**			(6.9)
Profit before tax			**58.2**			55.6

* Underlying operating profit is stated before non-underlying items, and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £8.9m (2017: £10.1m) are set out below at Non-underlying items before tax.

Geographical analysis

Revenue by destination	**2018 £m**	2017 £m
Continuing operations		
UK	**387.1**	365.7
Rest of Europe	**21.5**	18.9
Rest of World	**24.6**	27.1
Total – Group	**433.2**	411.7

4. Operating profit

	2018 £m	2017 £m
Income statement charges		
Continuing operations		
Depreciation of property, plant and equipment (owned)	**15.3**	14.9
Cost of inventories recognised as an expense	**251.8**	238.8
Operating lease payments – minimum lease payments	**3.9**	4.6
Research and development costs written off	**0.7**	0.8
Discontinued operations		
Depreciation of property, plant and equipment (owned)	**0.3**	1.3
Cost of inventories recognised as an expense	**13.5**	46.1
Operating lease payments – minimum lease payments	**–**	0.1
Income statement credits – continuing operations		
Profit on disposal of property, plant and equipment	**0.3**	0.1

5. Non-underlying items

Non-underlying items comprised:

	2018			2017		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Cost of sales: Restructuring costs	**–**	**–**	**–**	2.8	(0.2)	2.6
Administration expenses: Restructuring costs	**–**	**–**	**–**	1.5	–	1.5
Administration expenses: Aborted acquisition costs	**–**	**–**	**–**	0.3	(0.1)	0.2
Administration expenses: Acquisition costs	**2.2**	**–**	**2.2**	–	–	–
Administration expenses: Loss on disposal of assets classified as held-for-sale	**0.1**	**–**	**0.1**	–	–	–
Amortisation of intangible assets	**5.9**	**(1.0)**	**4.9**	5.5	(0.9)	4.6
Finance costs: Unamortised debt issue costs written off	**0.6**	**(0.1)**	**0.5**	–	–	–
Finance costs: Unwind of discount on contingent consideration	**0.1**	**–**	**0.1**	–	–	–
Discontinued operations: loss recognised on remeasurement to fair value less costs to sell	**–**	**–**	**–**	12.5	–	12.5
Discontinued operations: (profit)/loss from discontinued operations	**(0.3)**	**–**	**(0.3)**	(1.4)	0.2	(1.2)
Total non-underlying items	**8.6**	**(1.1)**	**7.5**	21.2	(1.0)	20.2

Acquisition costs relate to the acquisition of Manthorpe Building Products Holdings Limited and Permavoid Limited.

The loss on disposal of assets held-for-sale relates to surplus freehold land and buildings at Wolverhampton.

Gross restructuring costs of £4.3m were recognised in 2017 in respect of a change in our Commercial and Infrastructure Systems' manufacturing strategy in the Middle East (£4.0m) and the relocation of our Residential Systems' Domus Ventilation manufacturing facilities (£0.3m). Of the £4.0m Middle East restructuring costs, £1.7m were non-cash and the remaining £2.3m costs were fully cash settled during 2018. The Domus Ventilation restructuring plan was drawn up, announced and completed in 2017.

The discontinued operations relate to the sale of Polypipe France Holding SAS.

6. Finance costs

	2018 £m	2017 £m
Interest on bank loan	**5.8**	5.8
Debt issue cost amortisation	**0.4**	0.3
Other finance costs	**0.7**	0.8
Unamortised debt issue costs written off	**0.6**	–
Unwind of discount on contingent consideration	**0.1**	–
Finance costs	**7.6**	**6.9**

7. Income tax

(a) Tax charged in the income statement

	2018 £m	2017 £m
Continuing operations		
Current income tax:		
UK income tax	**11.6**	11.2
Overseas income tax	**0.1**	0.1
Current income tax charge	**11.7**	11.3
Adjustment in respect of prior years	**(0.5)**	–
Total current income tax	**11.2**	11.3
Deferred income tax:		
Origination and reversal of temporary differences	**(1.7)**	(0.7)
Effect of changes in income tax rates	**–**	–
Deferred income tax charge	**(1.7)**	(0.7)
Adjustment in respect of prior years	**(0.1)**	–
Total deferred income tax	**(1.8)**	(0.7)
Total tax expense reported in the income statement	**9.4**	10.6
Discontinued operations		
Current income tax:		
Overseas income tax	**–**	0.2
Total tax (income) / expense reported in the income statement	**–**	0.2

Details of the non-underlying tax credit of £1.1m (2017: £1.0m) are set out in Note 5.

(b) Reconciliation of the total tax charge

A reconciliation between the tax expense and the product of accounting profit multiplied by the blended UK standard rate of income tax for the years ended 31 December 2018 and 2017 is as follows:

	2018 £m	2017 £m
Accounting profit before tax – continuing operations	**58.2**	55.6
Accounting profit multiplied by the blended UK standard rate of income tax of 19.00% (2017: 19.25%)	**11.1**	10.7
Expenses not deductible for income tax	**0.8**	0.4
Share-based payments	**0.1**	(0.4)
Adjustment in respect of prior years	**(0.6)**	–
Effects of patent box	**(0.9)**	(0.8)
Effects of changes in income tax rates	**(0.1)**	(0.1)
Effects of tax losses	**(0.6)**	–
Effects of other tax rates / credits	**(0.4)**	0.8
Total tax expense reported in the income statement – continuing operations	**9.4**	10.6
Total tax expense reported in the income statement – discontinued operations	**–**	0.2

The effective rate for the full year was 16.2% (2017: 19.1%). If the impact of non-underlying items is excluded, the underlying income tax rate would be 15.6% (2017: 18.0%).

(c) Deferred income tax

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

	31 December 2018 £m	31 December 2017 £m
Continuing operations		
Deferred income tax liabilities / (assets)		
Short-term timing differences	**9.9**	6.2
Capital allowances in excess of depreciation	**2.4**	1.3
Share-based payments	**(0.7)**	(0.5)
Tax losses	**(0.6)**	–
Continuing operations	**11.0**	7.0
Discontinued operations	**–**	(0.3)

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

A reconciliation of deferred income taxes for the years ended 31 December 2018 and 2017 is as follows:

	2018 £m	2017 £m
Deferred tax reported in the income statement	**(1.8)**	(0.7)
Deferred tax reported in other comprehensive income	**0.2**	0.3
Share-based payments excess tax benefit	**(0.1)**	(0.1)
Deferred income tax disposed	**0.3**	–
Deferred income tax acquired	**5.7**	–
Net foreign exchange difference	**–**	(0.1)
	4.3	(0.6)

(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 19%, which was applied from 1 April 2017, to 17% from 1 April 2020. The reduction in the corporation tax rate to 17% was included within the UK Finance Act 2016 that was enacted in September 2016.

Deferred income tax is measured at income tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on income tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax has therefore been provided at 17% (2017: 17%).

(e) Unrecognised tax losses

A deferred income tax asset of £0.6m in respect of surplus non-trading losses of £3.7m was recognised during the year ended 31 December 2018. No deferred income tax asset was recognised as at 31 December 2017 in respect of those historical surplus non-trading losses of £3.7m since at that date recovery was uncertain.

8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company 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 the owners of the parent company by the weighted average number of ordinary shares outstanding during the year 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:

	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**198,989,726**	198,390,485
Effect of dilutive potential ordinary shares	**2,112,645**	1,788,892
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**201,102,371**	200,179,377

Underlying earnings per share is based on the result for the year after tax excluding the impact of non-underlying items of £7.5m (2017: £20.2m). 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:

	2018	2017
Underlying profit for the year attributable to the owners of the parent company (£m)	**56.6**	53.9
Underlying basic earnings per share (pence)	**28.4**	27.2
Underlying diluted earnings per share (pence)	**28.1**	26.9

9. Dividends per share

	2018 £m	2017 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 7.5p per share (2016: 7.0p)	**14.9**	13.9
Interim dividend for the year ended 31 December 2018 of 3.7p per share (2017: 3.6p)	**7.4**	7.1
	22.3	21.0
Proposed final dividend for the year ended 31 December 2018 of 7.9p per share (2017: 7.5p)	**15.7**	14.9

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 consolidated financial statements.

10. Property, plant and equipment

	Freehold land and buildings £m	Plant and other equipment £m	Total £m
Cost			
At 1 January 2017	47.1	166.9	214.0
Additions	1.9	21.8	23.7
Disposals	–	(1.3)	(1.3)
Reclassified as assets held-for-sale	(11.5)	(31.4)	(42.9)
Exchange adjustment	0.3	1.2	1.5
At 31 December 2017	37.8	157.2	195.0
Additions	0.4	23.5	23.9
Disposals	–	(4.6)	(4.6)
Reclassified as assets held-for-sale	8.4	2.8	11.2
Exchange adjustment	–	0.1	0.1
At 31 December 2017	46.6	179.0	225.6
Depreciation and impairment losses			
At 1 January 2017	10.6	102.4	113.0
Provided during the year	1.3	14.9	16.2
Disposals	–	(1.2)	(1.2)
Impairment	–	0.9	0.9
Reclassified as assets held-for-sale	(6.7)	(27.0)	(33.7)
Exchange adjustment	0.2	1.0	1.2
At 31 December 2017	5.4	91.0	96.4
Provided during the year	1.1	14.2	15.3
Disposals	–	(4.5)	(4.5)
At 31 December 2018	6.5	100.7	107.2
Net book value:			
At 31 December 2018	**40.1**	**78.3**	**118.4**
At 31 December 2017	32.4	66.2	98.6

The impairment charge in 2017 of £0.9m related to plant and equipment in the Middle East. The Polypipe France assets with a net book value of £9.2m were reclassified as held-for-sale in accordance with IFRS 5, Non-current Assets Held-for-Sale and Discontinued Operations, as explained in Note 8.

Included in freehold land and buildings is non-depreciable land of £14.7m (2017: £12.6m).

11. Intangible assets

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Licences £'m	Total £m
Cost						
At 1 January 2017	329.3	18.2	25.5	6.4	–	379.4
Reclassified as assets held-for-sale	(9.6)	–	–	–	–	(9.6)
At 31 December 2017	319.7	18.2	25.5	6.4	–	369.8
Acquisition of businesses	23.3	14.5	3.6	9.1	0.8	51.3
At 31 December 2018	343.0	32.7	29.1	15.5	0.8	421.1
Amortisation and impairment						
At 1 January 2017	–	2.5	3.6	1.7	–	7.8
Charge for the year	–	1.8	2.5	1.2	–	5.5
At 31 December 2017	–	4.3	6.1	2.9	–	13.3
Charge for the year	–	2.0	2.6	1.3	–	5.9
At 31 December 2018	–	6.3	8.7	4.2	–	19.2
Net book value:						
At 31 December 2018	**343.0**	**26.4**	**20.4**	**11.3**	**0.8**	**401.9**
At 31 December 2017	319.7	13.9	19.4	3.5	–	356.5

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

During 2017 the Polypipe France goodwill of £9.6m was reclassified as held-for-sale in accordance with IFRS 5, Non-current Assets Held-for-Sale and Discontinued Operations, as explained in Note 13.

Impairment testing of goodwill

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

Carrying amount of goodwill allocated to each of the CGUs:

	31 December 2018	31 December 2017
CGU	**£m**	£m
Building Products	**146.1**	146.1
Building Services	**31.4**	31.4
Civils	**36.0**	36.0
Nuaire	**91.3**	91.3
Manthorpe	**21.3**	–
Others	**16.9**	14.9
	343.0	319.7

Impairment tests on the carrying amounts of goodwill are performed by analysing the carrying amount allocated to each CGU against its value in use. Value in use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and growth of between 2% to 3% thereafter (2017: 2% to 3%).

A pre-tax discount rate of 10.0% (2017: 10.0%) has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital.

The Group has applied sensitivities to the remaining goodwill of £343.0m to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. The application of these sensitivities did not cause an impairment of goodwill.

12. Acquisitions

Permavoid

On 31 August 2018 the Group acquired 100% of the share capital of Permavoid Limited, a specialist designer and supplier of surface water management solutions in commercial, residential, and sports pitch applications, for an initial cash consideration of £4.3m on a cash-free, debt-free and normalised working capital basis , and further contingent consideration of up to £12.5m depending on the EBITDA performance of Permavoid in the two years to 30 September 2020. The initial cash consideration of £4.3m included a payment of £0.3m for net cash at completion.

Details of the acquisition are as follows:

	Book value £m	**Fair value adjustments £m**	**Fair value £m**
Intangible assets	–	2.9	2.9
Plant and equipment	0.3	–	0.3
Inventories	0.1	–	0.1
Trade and other receivables	1.2	–	1.2
Cash	0.3	–	0.3
Trade and other payables	(0.4)	(0.1)	(0.5)
Income tax liabilities	(0.1)	–	(0.1)
Deferred income tax	–	(0.5)	(0.5)
Net identifiable assets	**1.4**	**2.3**	**3.7**
Goodwill on acquisition			2.0
Estimated deferred consideration			(1.4)
Initial cash consideration			**4.3**

Patents, licences and customer relationships 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 the related deferred income tax. The goodwill arising on the acquisition primarily represents the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Commercial and Infrastructure Systems segment.

Post-acquisition Permavoid has contributed £1.3m revenue and £0.2m operating profit which is included in the group income statement. If Permavoid had been acquired on 1 January 2018 the Group's results for the year ended 31 December 2018 would have shown revenue from continuing operations of £437.0m and underlying operating profit of £74.3m.

The analysis of cash flows from the acquisition was as follows:

	£m
Cash consideration (included in cash flows from investing activities)	**4.3**
Cash acquired (included in cash flows from investing activities)	**(0.3)**
Acquisition costs (included in cash flows from operating activities)	**(0.3)**
Net cash flow on acquisition	**3.7**

Acquisition costs of £0.5m were expensed and are included in non-underlying costs in administration expenses. Of the £0.5m acquisition costs, £0.3m were fully cash settled and £0.2m is included in trade and other payables.

Contingent consideration at fair value of £1.7m has been recognised at the balance sheet date. Of this, £1.4m is contingent on EBITDA performance in the first year of trading following acquisition and has been included in the purchase consideration. The balance of £0.3m is included in non-underlying costs and relates to a second payment that is contingent on EBITDA performance in the second year of trading following acquisition and the continued employment of key personnel and is being accrued over the two year period. Of the £0.3m, £0.2m is included in administration costs and £0.1m is included in finance costs. The EBITDA used to estimate the contingent cash consideration is derived from the budgets and forecasts for Permavoid. The fair value of the consideration has been derived by discounting the estimated cash consideration at 10.0% being the Group's estimated risk adjusted cost of capital.

Manthorpe

On 25 October 2018 the Group acquired 100% of the share capital of Manthorpe Building Products Holdings Limited, ("Manthorpe") a leading designer and manufacturer of moulded and extruded plastic and metal products to the UK and Irish residential and RMI markets, together with associated freehold land and buildings, for a total cash consideration of £56.7m on a cash-free, debt-free and normalised working capital basis. The cash consideration of £56.7m included a payment of £4.6m for net cash at completion and £8.0m for land and buildings that were separately transacted.

Details of the acquisition are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	–	25.1	25.1
Plant and equipment	10.5	–	10.5
[Investments]	–	–	–
Inventories	1.0	–	1.0
Trade and other receivables	3.8	–	3.8
Cash	4.6	–	4.6
Trade and other payables	(3.0)	(0.9)	(3.9)
Income tax liabilities	(0.5)	–	(0.5)
Deferred income tax	(0.1)	(5.1)	(5.2)
Net identifiable assets	**16.3**	**19.1**	**35.4**
Goodwill on acquisition			21.3
Total consideration			**56.7**

Patents, the 'Manthorpe' brand and customer relationships have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets, provision for warranty-related costs and the deferred income tax arising on these adjustments and on the property acquired. The goodwill arising on the acquisition primarily represents the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Residential Systems segment.

The fair value of trade and other receivables is £3.8m. The gross amount of trade and other receivables is £4.2m and it is expected that the full contractual amounts will be collected.

Post-acquisition Manthorpe has contributed £2.8m revenue and £0.9m operating profit which is included in the group income statement. If Manthorpe had been acquired on 1 January 2018 the Group's results for the year ended 31 December 2018 would have shown revenue from continuing operations of £447.6m and underlying operating profit of £78.2m.

The analysis of cash flows from the acquisition was as follows:

	£m
Cash consideration (included in cash flows from investing activities)	**56.7**
Cash acquired (included in cash flows from investing activities)	**(4.6)**
Acquisition costs (included in cash flows from operating activities)	**(1.2)**
Stamp duty on asset purchase (included in cash flows from operating activities)	**(0.4)**
Net cash flow on acquisition	**50.5**

Acquisition costs of £1.5m were expensed and are included within non-underlying costs in administration expenses. Of the £1.5m acquisition costs, £1.2m were fully cash settled and £0.3m is included in trade and other payables.

Stamp duty of £0.4m on the land and buildings separately transacted has been added to fixed assets.

13. Assets classified as held-for-sale

On 31 January 2018, the Group announced that it had entered into exclusive negotiations to sell Polypipe France Holdings 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 Holdings 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 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 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**

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

	£m
Disposal proceeds	13.2
Directly attributable costs	(0.4)
Overdraft divested	0.8
Net cash inflow	**13.6**

The table below provides further detail of the discontinued operations:

	2018 £m	2017 £m
Revenue	**16.7**	58.4
Expenses	**(16.4)**	(57.0)
Profit before tax	**0.3**	1.4
Income tax	**-**	(0.2)
Profit from discontinued operations	**0.3**	1.2
Loss recognised on remeasurement to fair value less costs to sell	**-**	(12.5)
Profit/(loss) from discontinued operations	**0.3**	(11.3)

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

	31 December 2018 £m	31 December 2017 £m
Property, plant and equipment	**-**	0.7

These assets classified as held-for-sale consisted exclusively of freehold land currently not in use by the Group. The disposal of this asset was completed during 2018 resulting in a loss on disposal of £0.1m. The assets classified as held-for-sale were analysed between operating segments as follows:

	31 December 2018 £m	31 December 2017 £m
Residential Systems	**-**	0.4
Commercial and Infrastructure Systems	**-**	0.3
	-	0.7

14. Financial liabilities

	31 December 2018 £m	31 December 2017 £m
Non-current loans and borrowings:		
Bank loan – principal	**212.0**	185.0
– unamortised debt issue costs	**(1.6)**	(0.9)
Total non-current loans and borrowings	**210.4**	184.1

	£m	£m
Other financial liabilities:		
Trade and other payables	**99.6**	87.6
Forward foreign currency derivatives	**0.1**	–
Interest rate swaps	**1.0**	2.5
Other liabilities	**0.7**	0.9
Contingent consideration	**1.7**	–
	103.1	91.0

Bank loan

On 19 November 2018, the Group entered into an Amendment and Restatement Agreement with various lenders which amends and restates the Company's previous revolving credit facility agreement dated 4 August 2015. The bank loan, which comprises a £300.0m revolving credit facility and £50.0m accordion facility, is secured and expires in full in November 2023. Interest is payable on the bank loan at LIBOR plus an interest margin ranging from 0.90% to 2.75% which is dependent on the Group's leverage (net debt as a multiple of EBITDA) and reduces as the Group's leverage reduces. The interest margin at 31 December 2018 was 1.65% (2017: 1.75%).

The Group incurred £1.7m of debt issue costs in respect of entering into the Amendment and Restatement Agreement dated 19 November 2018 which have been capitalised and are being amortised to the income statement over the term of the facility to November 2023. Unamortised debt issue costs of £0.6m in respect of entering into the Amendment and Restatement Agreement dated 4 August 2015 have been written off to the income statement.

At 31 December 2018, the Group had available, subject to covenant headroom and excluding the £50.0m accordion facility, £88.0m (2017: £105.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met at 31 December 2018.

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 31 December 2018, the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	Covenant requirement	Position at 31 December 2018
Interest cover (Underlying operating profit: Finance costs excluding debt issue cost amortisation)	>4.0:1	11.3:1
Leverage (Net debt: EBITDA)	<3.0:1	1.7:1

The interest cover and leverage covenants remain at 4.0:1 and 3.0:1, respectively, throughout the remaining term of the revolving credit facility to November 2023, though there exists the option to apply to extend the leverage covenant to 3.5:1 for a limited period of time if the Group makes an acquisition.