30 March 2017

Polypipe Group plc
Audited results for the year ended 31 December 2016

Continued growth drives record performance

Polypipe Group plc ("Polypipe" or the "Group"), a leading manufacturer of plastic piping and ventilation systems for the residential, commercial, civils and infrastructure sectors, today announces its audited results for the year ended 31 December 2016.

Financial Results

	2016	2015	Change
Revenue	£436.9m	£352.9m	+23.8%
Underlying operating profit[1]	£69.4m	£54.2m	+28.0%
Underlying operating margin[1]	15.9%	15.4%	+50bps
Underlying profit before tax[1]	£61.8m	£48.0m	+28.8%
Operating profit	£62.0m	£49.4m	+25.5%
Profit before tax	£54.4m	£41.5m	+31.1%
Earnings per share (diluted)	22.1p	17.1p	+29.2%
Underlying earnings per share (diluted)[1]	25.0p	19.4p	+28.9%
Cash generated from operations	£86.5m	£72.6m	+19.1%
Dividend per share	10.1p	7.8p	+29.5%

Financial Highlights
- Revenue 23.8% higher at £436.9m, or 9.1% on a like for like basis[2]
- UK revenue 10.5% ahead on a like for like basis[2]
- Underlying operating profit 28.0% higher at £69.4m
- 50bps improvement in underlying operating margin to a record 15.9%
- Underlying diluted earnings per share 28.9% higher at 25.0 pence per share
- Strong cash conversion rate maintained at 97.1%
- Net debt down to 1.9 times EBITDA[3]
- Recommended final dividend of 7.0 pence per share giving a full year dividend of 10.1 pence per share, 29.5% higher

Operational Highlights
- Excellent UK revenue growth reflecting continued strong demand for our products with no discernible impact of the EU Referendum on our end markets
- Legacy material substitution and legislative tailwinds driving growth ahead of the overall UK construction market
- Nuaire successfully integrated into Group and performing in line with expectations
- Middle East manufacturing plant commissioned and in full operation in the second half of the year
- Significant growth in export revenue, up by 28.7%

Outlook
- Underlying fundamentals and growth prospects in the overall UK construction market remain positive
- Level of economic uncertainty has eased since the immediate reaction to the outcome of the EU Referendum, but we remain alert to market risks
- Impact of selling price increases, due to the increase in base polymer and other costs, expected to come through from second quarter, expected to deliver planned margin for the full year

David Hall, Chief Executive said:
"Our record performance during 2016 and continuing growth underscores the strength of the Polypipe business model and the robust fundamentals underlying the majority of our market segments. In a period of heightened political and market uncertainties, Polypipe continued to focus on its priorities and delivered results toward the top end of our expectations. The combination of forecast market growth, our focus on executing our strategic development initiatives and resolve to recover input cost inflation mean that we look forward to 2017 being a further year of progression for the Group".

[1] Underlying profit and earnings measures exclude certain non-underlying items which are provided in Note 3, 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] Like for like (LFL) measures exclude acquisitions, where relevant, and are at constant currency translation.

[3] EBITDA is defined as underlying operating profit before depreciation for the twelve months preceding the balance sheet date, 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 polypipe.com today from 0700hrs (BST).

An analyst and investor presentation will be held today at Deutsche Bank's offices, Winchester House, 1 Great Winchester Street, London, EC2N 2DB at 0830hrs (BST) with registration from 0800hrs.

For those unable to attend, a live conference call will be available at 0830hrs (BST).

Dial-In number	+44 (0) 1452 555 566
Conference ID	86980405

The webcast can be viewed 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 20 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, French and Irish building and construction markets with a presence in Italy and the Middle East and sales to specific niches in the rest of the world.

Group Results

Group revenue for the year ended 31 December 2016 was 23.8% higher at £436.9m (2015: £352.9m). This substantial improvement is a result of our continued strategic focus on structural growth opportunities and legacy material substitution, together with a significant contribution from our Nuaire ventilation business unit acquired in August 2015. On a like for like basis, excluding acquisitions and on a constant currency basis, revenue was 9.1% higher than the prior year.

Underlying operating profit was 28.0% higher than the prior year at £69.4m (2015: £54.2m) and represents a record operating margin of 15.9% (2015: 15.4%).

Underlying net finance costs of £7.6m (2015: £6.2m) were higher than the prior year due to increased net debt associated with the Nuaire acquisition, offset partially by the benefits of the improved banking facilities entered into at the same time.

Underlying profit before tax was 28.8% higher at £61.8m (2015: £48.0m).

Non-underlying operating costs of £7.4m (2015: £6.5m) were incurred and primarily relate to £7.7m of non-cash charges including £6.8m of intangible assets amortisation arising from the Nuaire acquisition, and the £0.9m impairment of a surplus freehold property which is held for sale.

The total tax charge for the year of £10.2m (2015: £7.4m) represents an effective tax rate of 18.8% (2015: 17.8%). The underlying effective tax rate of 19.1% (2015: 19.2%) is lower than the standard UK rate of tax due primarily to the benefit of patent box relief.

Underlying profit after tax was 28.9% higher at £50.0m (2015: £38.8m), with underlying diluted earnings per share also 28.9% higher at 25.0 pence (2015: 19.4 pence).

Including non-underlying items, profit after tax was 29.6% higher at £44.2m (2015: £34.1m) with diluted earnings per share also 29.2% higher at 22.1 pence (2015: 17.1 pence).

Chief Executive's Review

"Following on from a record performance in 2016 I am confident that our strategic development initiatives will continue to deliver growth ahead of the market"*.*

Our record performance during 2016 and continuing growth underscores the strength of the Polypipe business model and the robust fundamentals underlying the majority of our market segments. In a period of heightened political and market uncertainties, Polypipe continued to focus on its priorities and delivered results toward the top end of our expectations. The drivers of our main UK market remain positive and I am confident that our strategic development initiatives will continue to deliver growth ahead of the market.

Following the acquisition of Nuaire last year, using cash and our debt facilities, our immediate focus has been to integrate the acquisition and to reduce our level of debt. I am extremely pleased to report that Nuaire has been successfully integrated and continued to perform well under our ownership, maintaining its previous growth trajectory as well as developing the sales synergies that we had envisaged. The highly cash generative nature of our business has enabled us to reduce net debt to 1.9 times EBITDA at the end of the year compared to 2.5 times at the end of 2015, delivering on our stated aim to reduce towards 2 times. We expect this downwards trend to continue but at the same time we have sufficient financial headroom to continue to develop our investment opportunities and will continue to seek compelling "bolt on" acquisition opportunities.

Our customers rely on our ability to deliver the vast majority of their orders within a very short lead time and carrying the right level of inventory across such a broad product range is a key capability of the Group. Our ability to respond and flex rapidly with demand, allowed us to not take any precipitative action with regard to capacity in the immediate period of uncertainty following the EU Referendum result. Whilst market forecasts were unsettled by the outcome, the majority of our UK market sectors were largely unaffected with our order intake showing no discernible impact. Political will, especially following the changes in Government leadership, to improve the housing shortage and national infrastructure is evident and has helped maintain and bolster confidence in the construction sector overall. Whilst we took a measured response to slow capital expenditure relating to capacity expansion in the immediate aftermath of the EU Referendum, as our confidence returned we recommenced those projects, which has the effect of having pushed forward around £3m of expenditure originally planned for 2016 into 2017. Despite this rescheduling, we still invested £19.1m during the year, some £2.8m ahead of depreciation.

The sharp downward movement in exchange rates coupled with increases in crude oil prices, resulted in a steady increase in virgin polymer prices over the second half of the year. This was a significant reversal of trends seen in the first half and had an increasing impact on margins during the final quarter. In general, our products represent a small part of overall project costs and because of the historical volatility in commodity polymer prices, customers recognise the need for us to pass through both price increases and decreases in our selling prices. Although there is an inevitable lag in achieving full pass through, and we do all that we can to ameliorate price increases, Polypipe is well experienced and has a good history of recovering input cost inflation, even in difficult market conditions.

In the UK residential sector our core products and systems targeted at the new build market showed strong growth with further ongoing substitution of alternative traditional materials and our comprehensive range of carbon efficient solutions. We continued to enjoy success with our underfloor heating offer with a well-received launch of a new range of aesthetic and intuitive TFT touch-screen smart controls. In residential ventilation, our Silavent range benefited from further leverage of Nuaire's routes to market, whilst Nuaire themselves have continued to innovate with the launch of the energy efficient Drimaster-Eco range of positive input ventilation for both new build and retrofit residential applications.

In Commercial and Infrastructure Systems - UK, Government and legislative focus on flood alleviation continued to drive strong sales growth for our comprehensive range of engineered water management solutions. In addition to providing an increasing number of SUDS (sustainable urban drainage solutions) to developers for a variety of different contracts, we were specified for a number of significant projects helping to design some innovative prefabricated solutions, minimizing site work and time, enhancing quality and health and safety. In one London development project alone, we installed a shallow Permavoid system, designed to handle a one-in-one-hundred-year storm event and capable of handling 1.5 million litres of storm water. Further north, our 1.5m diameter Ridgistorm-XL catchpits were pre-fabricated off-site and helicoptered into position as part of SSE's repair programme on the Loch Sloy Hydraulic Power Station in the Highlands.

We have continued to invest and maintained our focus on our rate of development in new products and enhancement of existing ranges. During the period many new products were introduced across our businesses, including a new easy-to-install push-fit stainless steel manifold for our underfloor heating range, a range of cast-iron effect PVC rainwater hoppers, a squeezable cavity closure which requires no cutting on site, HDPE 4-way boss pipes and low-level manifolds, a range of guardrail and chain assembly accessories for Ridgistorm-XL installations, Permavoid capillary cone cells, and an upright Boxer packaged solution air handling unit from Nuaire, incorporating high efficiency heat recovery and the latest generation of ecosmart controls. Progressive introduction of new products enables the Group to win an increasing number of high profile project specifications and secure further penetration into the sectors of the construction industry that offer opportunities for us to add value.

Our most significant operational development project during 2016 was the setting up of a manufacturing facility in the Middle East. After careful consideration of several options with regard to location we chose the Jebel Ali Free Zone in Dubai. Being in the Free Zone enables us to have 100% ownership of the operation which we believe gives us flexibility and has also been one of the reasons we have been able to move with such pace. Presently, we have set up one manufacturing cell for our geocellular storm water attenuation products which are the most space hungry items we export to the region. All of our other products and ancillaries continue to be manufactured in the UK and exported as previously. The building is on a relatively short lease, whilst we evaluate the potential opportunity, and the production cell mirrors those in the UK. This means we have in-depth knowledge and experience of operating the equipment but also minimises risk should we decide at a future date to repatriate the equipment to one of our UK facilities. After a very fast set up, we started to manufacture samples for test in July and fulfilled sales of £3.8m from the facility during the year. This is an excellent start, however we will continue to move forward cautiously as we refine our knowledge and skills of operating in the region, to ensure we can as closely as possible match supply and demand in an arena where the average project is considerably larger than those we are used to supplying in the UK.

The Group continued to invest in its capability to reprocess consumer waste into durable, long lifecycle, high performance systems. Approximately one third of our UK production utilises reprocessed polymer, making a considerable contribution to the circular economy with Polypipe one of the largest recyclers of household plastic waste in the UK. Our latest investment is in state-of-the-art multilayer technology for sewerage pipe within our Building Products business, which will come on stream in early 2017. Whilst there are some benefits to lower and more stable input costs, these are largely offset by the investment needed and higher processing costs. Nonetheless, we are committed to continue to increase our use of recycled polymer and believe our customers regard it as an important factor in their environmentally responsible sourcing strategies.

We were honoured to receive the Queen's Award for Enterprise: International Trade, which was announced on 21 April 2016, to coincide with the 90th birthday of Queen Elizabeth II. The Group was recognised for delivering significant growth in export activity, not least to the Middle East, where Polypipe recently solidified our presence in the region with the opening of our first overseas Technical Training Centre in October 2015.

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

Revenue	**2016**	**2015**	**Change**	**LFL Change***
	£m	**£m**	%	%
Residential Systems	207.6	182.6	13.7	6.6
Commercial and Infrastructure Systems – UK	184.2	131.5	40.1	16.1
Inter-segment sales	(11.0)	(10.2)		
UK Operations	**380.8**	**303.9**	**25.3**	**10.5**
Commercial and Infrastructure Systems – Mainland Europe	57.9	50.4	14.9	2.4
Inter-segment sales	(1.8)	(1.4)		
Group revenue	**436.9**	**352.9**	**23.8**	**9.1**

Underlying operating profit	**2016**	**2015**	**Change**
	£m	**£m**	%
Residential Systems	39.1	32.8	19.2
Commercial and Infrastructure Systems – UK	29.0	20.1	44.3
UK Operations	**68.1**	**52.9**	**28.7**
Commercial and Infrastructure Systems – Mainland Europe	1.3	1.3	n/a
Group underlying operating profit	**69.4**	**54.2**	**28.0**

* Like for like (LFL) measures exclude acquisitions, where relevant, and are at constant currency translation.

Residential Systems

Revenue from the residential systems segment was £207.6m all of which was in the UK and Ireland and represented 46% of overall Group revenue in 2016.

Growth in activity in private residential new build has continued to be driven by the national housebuilders, whilst smaller builders still appear to be constrained or reluctant to commit capital investment to enable higher volume growth. The much reported trend of the slowing rate of growth in the London market is evident with faster growth in the regions and in particular some of the larger regional cities. Public sector housing starts fell again during the year being impacted by budgetary concerns arising from Government funding and obligations.

Private Renovation, Maintenance and Improvement (RMI) activity has grown at a slower pace than market conditions would suggest. Although the second hand housing market, which is historically a driver of RMI, has remained very sluggish, the rise in real incomes and strong mortgage availability coupled with a slow housing market would have been expected to have driven more improvement activity by those who cannot move. There were no significant changes to Government funding to help alleviate the squeeze on public housing RMI budgets resulting from the impact of policies such as Right to Buy and the obligation to reduce rents. The combination of these factors led to overall housing RMI output to decline marginally during the year.

Residential systems delivered an underlying operating profit of £39.1m, an increase of 19.2% over the prior year.

Commercial and Infrastructure Systems - UK

Revenue from our UK commercial and infrastructure systems segment was £184.2m and represented 41% of overall Group revenue in 2016.

Although there is some uncertainty over the timing of the Governments £15.2bn Road Investment Strategy a number of significant road projects were commenced and our products are installed towards the front end of those works. As a result, 2016 was a strong year for demand from this sector and the additional schemes which have been tendered and are starting to be initiated for 2017, are encouraging.

Although private commercial project awards faltered during the middle of the year, picking up again towards the end, the long gestation period of these kind of projects meant site activity remained good throughout the period. Infrastructure related to residential development also performed well and combined with the increase in the construction of high rise multi occupancy buildings in London, and more recently in other major cities, provided a good level of demand for our commercial systems, including the Nuaire ranges.

Export revenue is predominantly from our commercial and infrastructure systems product portfolio and is primarily targeted at the Gulf states, although we also won some notable projects in other British Standard regions of the world. We report sales from our new Middle East facility in this segment as the products are combined with pipes, fittings and ancillaries which are exported from the UK. Including locally manufactured products, export revenue grew by 28.7% over 2015.

Commercial and Infrastructure Systems – UK delivered an underlying profit of £29.0m, an increase of 44.3% over the prior year.

Commercial and Infrastructure Systems – Mainland Europe

Revenue from our Mainland Europe segment was £57.9m and represented 13% of overall Group revenue in 2016. When translated into Sterling this is an increase of 14.9% on prior year, compared to an increase of 2.4% in local currency.

Although traditionally the French market improves as construction and municipal spending is accelerated towards an election period, we saw little evidence of improvement during the year. During the first half we ran some distributor incentives to encourage them to build stock, however given the market picked up less than had been hoped, this had the effect of pulling forward some sales into the first half of the year to the detriment of our sales in the second half of the year, resulting in only a small incremental volume growth overall. Nonetheless, our management initiatives are delivering a gradual improvement, maintaining profitability despite the lag in passing through the adverse impact of higher raw material costs in this segment, where materials represent a higher proportion of input costs.

Underlying operating profit was flat at £1.3m, a slight decrease in local currency.

Outlook

The new year has started well, with the underlying momentum in our main UK market carrying through from a strong final quarter, boosted by some pre-price increase orders from our stockists. Market forecasts coupled with statements made by contractors and housebuilders regarding their anticipated activity levels, suggest that the overall UK construction market will continue to grow. We intend to maintain our focus and investment on those development opportunities which enable us to add value to our customer proposition and deliver growth ahead of the market. Whilst the level of uncertainty appears to have eased since the immediate reaction to the outcome of the EU Referendum, we remain alert to market risks and are confident in our ability to adapt to any changes in market conditions quickly and from a position of strength.

Passing on the impact of input inflation on our base polymers and other costs is one of our most immediate priorities. Whilst doing everything we can to alleviate the need for selling price increases, we are confident that our customers expect us to pass on essential increases. We expect to see the impact of these price increases coming through as we move into the second quarter, delivering our planned margin over the year as a whole, albeit resulting in a different profile through the year when compared to 2016.

The combination of forecast market growth, our focus on executing our strategic development initiatives and resolve to recover input cost inflation mean that we look forward to 2017 being a further year of progression for the Group.

Financial Review

	2016 **£m**	2015 £m
Revenue	**436.9**	352.9
Underlying operating profit	**69.4**	54.2
Underlying operating margin	**15.9%**	15.4%

	Growth	**LFL Growth***
Group	**23.8%**	**9.1%**
UK	**25.3%**	**10.5%**
Mainland Europe	**14.9%**	**2.4%**

* Like for like (LFL) measures exclude acquisitions, where relevant, and are at constant currency translation.

Group revenue at £436.9m grew 23.8% in the year, or 9.1% on a like for like basis excluding acquisitions and on a constant currency translation basis. Our UK operations, which include our Middle East factory due to the strong link with UK manufactured export product, grew 25.3% or 10.5% on a like for like basis. Strong growth in the Commercial and Infrastructure Systems – UK segment and improving performance in the UK Residential Systems segment in the second half of the year contributed to this performance, with little impact of the EU Referendum seen in our end markets. The effect of selling prices on revenue growth was negligible in the year, with deflationary effects from prior year running on into the first part of 2016, offset by a small selective price increase in April 2016. UK like for like volume growth is therefore 10.5%, although adjusting for one extra working day in 2016 compared to 2015, and an element of pre-price increase ordering by the merchants, we estimate true underlying volume growth to be c.8.8%. This growth is ahead of the UK construction market which according to ONS/CPA data for 2016 we estimate to have grown 2.3% adjusting for anomalies relevant to our business. This demonstrates the continued success of our strategy to grow by focussing on legacy material substitution opportunities, legislative tailwinds relating to carbon reduction and water management, and selective export markets such as the Middle East. Mainland Europe revenue grew 14.9% although much of this was down to currency translation, with like for like revenue growth at 2.4%.

The Group underlying operating margin improved to a record 15.9% (2015: 15.4%). Operational leverage and self-help efficiency benefits have more than offset the impact of polymer cost inflation driven by the post EU Referendum weakening of Sterling. Selling price increases have been implemented to recover this and other inflationary effects, but will not impact margins until the second quarter of the current year. The favourable currency translation impact relating to our Mainland Europe businesses, whilst significant in revenue terms, had little impact on earnings.

Non-Underlying Items

Non-underlying items in both 2016 and 2015 predominantly related to costs associated with the acquisitions made during 2015. In 2016 they included non-cash charges of £7.7m in respect of a full year of intangible assets amortisation (£6.8m) and the impairment of a surplus freehold property which is held for sale (£0.9m). In 2015 they included non-cash charges of £4.7m in respect of a part year of intangible assets amortisation (£3.0m) and unamortised debt issue costs written off (£1.7m).

Non-underlying items comprised:

	2016 £m	2015 £m
Amortisation of intangible assets	**6.8**	3.0
Acquisition costs	**-**	2.0
Unamortised debt issue costs written off	**-**	1.7
Impairment of freehold land and buildings	**0.9**	–
Profit on disposal of property, plant and equipment	**(0.3)**	(0.2)
Non-underlying items before taxation	**7.4**	6.5
Taxation	**(1.6)**	(1.8)
Non-underlying items after taxation	**5.8**	4.7

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

Exchange Rates

The Group is exposed to movements in exchange rates when translating the results of its Mainland Europe operations from Euros to Sterling. Sterling depreciated against the Euro during 2016, particularly following the EU Referendum in June, with the average exchange rate used for translation purposes moving from £1:€1.38 in 2015 to £1:€1.23 in 2016. The impact of this was a £6.2m positive effect on revenue with no significant impact on underlying operating profit.

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 flows using forward currency derivative contracts.

Forward currency derivative contracts are classified as held for trading. There was an unrealised loss of £1.5m (included in financial liabilities) on these derivative contracts at 31 December 2016 (2015: £0.1m loss) resulting in an income statement charge of £1.4m during the year (2015: £0.1m credit). This charge is treated as an underlying charge and is recorded in Cost of sales in the income statement.

Finance Costs

Net underlying finance costs for the year of £7.6m were £1.4m higher than the prior year. This increase reflected the full year impact of higher net debt following the Nuaire acquisition in August 2015, offset by the improved terms of our new RCF entered into at the same time.

Interest is payable on the RCF at LIBOR plus an interest rate margin ranging from 1.25% to 2.75%. The interest rate margin at 31 December 2016 was 2.00% (2015: 2.25%).

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

The unrealised mark to market adjustment on these forward interest rate swaps at 31 December 2016 was £4.2m negative (2015: £2.1m negative), the movement in the mark to market adjustment during the year of £2.1m is included in the Group Statement of Comprehensive Income.

Taxation

Underlying taxation:

The underlying tax charge in 2016 was £11.8m representing an effective tax rate of 19.1% (2015: 19.2%). This is slightly below the UK standard tax rate of income tax of 20.0% due primarily to the benefit of patent box relief. The impact of our Mainland Europe operations on the Group's tax charge is currently not significant.

Taxation on non-underlying items:

The non-underlying taxation credit of £1.6m in 2016 represents an effective rate of 21.6%.

Earnings Per Share

	2016	2015
Pence per share:		
Basic	**22.2**	17.1
Underlying basic	**25.1**	19.5
Diluted	**22.1**	17.1
Underlying diluted	**25.0**	19.4

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 diluted EPS improved by 28.9% in 2016 due to the improved underlying operating result and the marginally lower underlying tax rate as explained above offset by higher interest costs.

Dividend

The final dividend of 7.0 pence per share is being recommended for payment on 2 June 2017 to shareholders on the register at the close of business on 28 April 2017. The ex-dividend date will be 27 April 2017.

Our dividend policy is to pay a minimum of 40% of the Group's annual underlying profit after tax. The Directors intend that the Group will pay the total annual dividend in two tranches, an interim dividend and a final dividend, to be announced at the time of announcement of the interim and preliminary results respectively in the approximate proportions of one-third and two-thirds, respectively. The Group may revise its dividend policy from time to time.

Balance Sheet

The Group's balance sheet is summarised below:

	2016 **£m**	2015 £m
Property, plant and equipment	**101.0**	98.1
Goodwill	**329.3**	329.3
Other intangible assets	**42.3**	49.1
Net working capital	**0.5**	(2.3)
Taxation	**(14.3)**	(14.7)
Other current and non-current assets and liabilities	**(7.1)**	(4.2)
Net debt (loans and borrowings, net of cash and cash equivalents)	**(164.3)**	(194.3)
Net assets	**287.4**	261.0

Property, plant and equipment increased by a net £2.9m predominantly due to capital expenditure exceeding depreciation by a similar amount. Other intangible assets decreased by £6.8m reflecting a full year of amortisation in respect of the 2015 acquisitions. Net working capital increased by £2.8m although much of this relates to currency translation effects in our Mainland Europe operations. Other current and non-current assets and liabilities increased by a net £2.9m primarily due to the increase in the fair value liability of our forward foreign currency derivatives and interest rate swaps. 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 £2.7m (2015: £1.7m).

Cash Flow and Net Debt

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

	2016 £m	2015 £m
Underlying operating profit	**69.4**	54.2
Depreciation	**16.3**	15.1
Underlying operating profit before depreciation (EBITDA)	**85.7**	69.3
Movement in net working capital	**(0.2)**	4.9
Share-based payments	**1.0**	0.4
Operating cash flow	**86.5**	74.6
Capital expenditure	**(19.1)**	(19.3)
Operating cash flow after capital expenditure	**67.4**	55.3
Cash conversion rate	**97.1%**	102.0%

Cash generated from operations (excluding non-underlying items) after capital expenditure was strong showing an increase of 21.9% during the year to £67.4m (2015: £55.3m) and this was after capital expenditure of £2.8m or 17.2% greater than depreciation. The cash conversion rate, a key measure of operating cash flow performance, remained strong at 97.1% of underlying operating profit.

In a measured response to the uncertainty created by the EU Referendum in June 2016, we took the decision to delay certain capacity expansion capital expenditure projects, whilst continuing to spend on development growth projects and essential replacement. Consequently, capital expenditure in 2016 was marginally lower than the prior year at £19.1m (2015: £19.3m), and significantly below our original plans for 2016. Spend on key projects such as completion of our manufacturing facility in the Gulf, a replacement extrusion line in our Broomhouse Lane plant and investment in equipment to allow product range expansion in our Terrain business unit has however continued during the year. The performance of the Group since the EU Referendum and the more positive economic outlook compared to the period immediately afterwards has given us the confidence to resume those delayed projects, and therefore capital expenditure in 2017 is expected to be up to 30% higher than 2016 expenditure.

During the year, one million shares were purchased and held in treasury, for the purposes of satisfying future employee share option schemes. This cost a total of £2.9m in the year.

Net debt of £164.3m comprised:

	2016 £m	2015 £m	Change £m
Bank loans	**(192.0)**	(217.5)	25.5
Cash and cash equivalents	**26.5**	21.6	4.9
Net debt (excluding unamortised debt issue costs)	**(165.5)**	(195.9)	30.4
Unamortised debt issue costs	**1.2**	1.6	(0.4)
Net debt	**(164.3)**	(194.3)	30.0
Net debt (excluding unamortised debt issue costs):EBITDA	**1.9**	2.5*	

* Adjusted to include a full year of EBITDA from acquisitions made during the previous twelve months.

At 31 December 2016 liquidity headroom (cash and undrawn committed banking facilities) was substantial and improved to £134.5m (2015: £104.1m). Continued focus on deleveraging following the Nuaire acquisition in August 2015 has seen our net debt to EBITDA ratio reduce substantially to 1.9 times EBITDA at 31 December 2016 (2015: 2.5 times), beating the target of 2.0 times

EBITDA set at the beginning of the year, and demonstrating the cash generative nature of the business. This headroom enables us to continue to develop our acquisition pipeline and we continue to seek out compelling opportunities to accelerate growth in our strategic development areas.

Financing

The Group has a revolving credit facility (RCF) committed through to August 2020 with a facility limit at 31 December 2016 of £300m, reducing by £10m per annum at 31 December 2017, 2018 and 2019. At 31 December 2016, £192.0m of the RCF was drawn down.

The Group is subject to two financial covenants. At 31 December 2016 there was significant headroom:

Covenant:	Covenant requirement	Position at 31 December 2016
Interest cover*	>4.00:1	9.7:1
Leverage**	<3.25:1	1.9:1

* Underlying operating profit:Net finance costs excluding debt issue cost amortisation

** Net debt:EBITDA

Principal Risks and Uncertainties

The principal risks and uncertainties which could impact the Group are those detailed in the Group's Annual Report. These cover the Strategic, Financial and Operational risks and have not changed significantly during the year. The Board believes that, whilst not specifically noted, the potential impact of the EU Referendum result is covered within these principal risks and uncertainties.

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'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 24 May 2017.

By order of the Board:

D G Hall
Chief Executive Officer
30 March 2017

M K Payne
Chief Financial Officer
30 March 2017

GROUP INCOME STATEMENT

for the year ended 31 December 2016

	Notes	*2016* **Underlying £m**	***Non-underlying £m***	***Total £m***	*2015* *Underlying £m*	*Non-underlying £m*	*Total £m*
Revenue	***2***	**436.9**	**-**	**436.9**	352.9	-	352.9
Cost of sales		**(256.8)**	**-**	**(256.8)**	(210.0)	-	(210.0)
Gross profit		**180.1**	**-**	**180.1**	142.9	-	142.9
Selling and distribution costs		**(69.4)**	**-**	**(69.4)**	(56.4)	-	(56.4)
Administration expenses		**(41.3)**	**-**	**(41.3)**	(32.3)	(2.0)	(34.3)
Trading profit		**69.4**	**-**	**69.4**	54.2	(2.0)	52.2
Profit on disposal of property, plant and equipment	***3***	**-**	**0.3**	**0.3**	-	0.2	0.2
Impairment of freehold land and buildings	***3***	**-**	**(0.9)**	**(0.9)**	-	-	-
Amortisation of intangible assets	***3***	**-**	**(6.8)**	**(6.8)**	-	(3.0)	(3.0)
Operating profit	***2***	**69.4**	**(7.4)**	**62.0**	54.2	(4.8)	49.4
Finance revenue	***4***	**-**	**-**	**-**	0.1	-	0.1
Finance costs	***4***	**(7.6)**	**-**	**(7.6)**	(6.3)	(1.7)	(8.0)
Profit before tax	***2***	**61.8**	**(7.4)**	**54.4**	48.0	(6.5)	41.5
Income tax	***5***	**(11.8)**	**1.6**	**(10.2)**	(9.2)	1.8	(7.4)
Profit for the year attributable to the owners of the parent company		**50.0**	**(5.8)**	**44.2**	38.8	(4.7)	34.1
Basic earnings per share (pence)	***6***			**22.2**			17.1
Diluted earnings per share (pence)	***6***			**22.1**			17.1
Dividend per share (pence) – interim	***7***			**3.1**			2.3
Dividend per share (pence) – final	***7***			**7.0**			5.5
Total				**10.1**			7.8

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016	*2015*
	£m	*£m*
Profit for the year attributable to the owners of the parent company	44.2	34.1
Other comprehensive income/(expense):		
Items which will be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	2.9	(0.8)
Effective portion of changes in fair value of interest rate swap derivatives	(2.1)	0.3
Tax relating to items that may be reclassified	0.3	(0.1)
Other comprehensive income/(expense) for the year net of tax	1.1	(0.6)
Total comprehensive income for the year attributable to the owners of the parent company	45.3	33.5

GROUP BALANCE SHEET

at 31 December 2016

	Notes	***31 December 2016***	*31 December 2015*
		£m	*£m*
Non-current assets			
Property, plant and equipment	***8***	**101.0**	98.1
Intangible assets	***9***	**371.6**	378.4
Total non-current assets		**472.6**	476.5
Current assets			
Assets held for sale		**0.7**	-
Inventories		**52.2**	47.5
Trade and other receivables		**40.1**	30.5
Cash and cash equivalents		**26.5**	21.6
Total current assets		**119.5**	99.6
Total assets		**592.1**	576.1
Current liabilities			
Trade and other payables		**(91.8)**	(80.3)
Other financial liabilities	***10***	**(5.7)**	(2.2)
Income tax payable		**(7.0)**	(4.7)
Total current liabilities		**(104.5)**	(87.2)
Non-current liabilities			
Loans and borrowings	***10***	**(190.8)**	(215.9)
Other liabilities	***10***	**(2.1)**	(2.0)
Deferred income tax liabilities		**(7.3)**	(10.0)
Total non-current liabilities		**(200.2)**	(227.9)
Total liabilities		**(304.7)**	(315.1)
Net assets		**287.4**	261.0
Capital and reserves			
Equity share capital		**0.2**	0.2
Capital redemption reserve		**1.1**	1.1
Treasury shares		**(4.6)**	(1.7)
Hedging reserve		**(3.5)**	(1.7)
Foreign currency retranslation reserve		**0.4**	(2.5)
Retained earnings		**293.8**	265.6
Total equity		**287.4**	261.0

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital	*Capital redemption reserve*	*Treasury shares*	*Hedging reserve*	*Foreign currency retranslation reserve*	*Retained earnings*	*Total equity*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
At 31 December 2014	0.2	1.1	(1.7)	(1.9)	(1.7)	241.7	237.7
Profit for the year	-	-	-	-	-	34.1	34.1
Other comprehensive income/(expense)	-	-	-	0.2	(0.8)	-	(0.6)
Total comprehensive income/(expense) for the year	-	-	-	0.2	(0.8)	34.1	33.5
Dividends paid	-	-	-	-	-	(10.6)	(10.6)
Share-based payments	-	-	-	-	-	0.4	0.4
At 31 December 2015	0.2	1.1	(1.7)	(1.7)	(2.5)	265.6	261.0
Profit for the year	-	-	-	-	-	44.2	44.2
Other comprehensive income/(expense)	-	-	-	(1.8)	2.9	-	1.1
Total comprehensive income/(expense) for the year	-	-	-	(1.8)	2.9	44.2	45.3
Dividends paid	-	-	-	-	-	(17.1)	(17.1)
Purchase of treasury shares	-	-	(2.9)	-	-	-	(2.9)
Share-based payments charge	-	-	-	-	-	1.3	1.3
Share-based payments settled	-	-	-	-	-	(0.3)	(0.3)
Share-based payments excess tax benefit	-	-	-	-	-	0.1	0.1
At 31 December 2016	**0.2**	**1.1**	**(4.6)**	**(3.5)**	**0.4**	**293.8**	**287.4**

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2016

	2016	2015
	£m	£m
Operating activities		
Profit for the year before tax	**54.4**	41.5
Net finance costs	**7.6**	7.9
Operating profit	**62.0**	49.4
Non-cash items:		
Profit on disposal of property, plant and equipment	**(0.3)**	(0.2)
Non-underlying exceptional items – amortisation of intangibles assets	**6.8**	3.0
– impairment of freehold land and buildings	**0.9**	-
Depreciation	**16.3**	15.1
Share-based payments	**1.0**	0.4
Operating cash flows before movement in working capital	**86.7**	67.7
Movement in working capital:		
Receivables	**(8.3)**	1.6
Payables	**11.5**	5.2
Inventories	**(3.4)**	(1.9)
Cash generated from operations	**86.5**	72.6
Income tax paid	**(10.1)**	(5.2)
Net cash flows from operating activities	**76.4**	67.4
Investing activities		
Interest received	**-**	0.1
Proceeds from disposal of property, plant and equipment	**0.4**	0.4
Acquisition of businesses – purchase consideration	**-**	(155.2)
– cash at acquisition	**-**	5.7
Purchase of property, plant and equipment	**(19.1)**	(19.3)
Net cash flows from investing activities	**(18.7)**	(168.3)
Financing activities		
Drawdown of bank loan	**-**	148.5
Repayment of bank loan	**(25.5)**	(51.0)
Interest paid	**(7.3)**	(5.8)
Dividends paid	**(17.1)**	(10.6)
Refinancing costs	**-**	(1.7)
Purchase of own shares	**(2.9)**	-
Net cash flows from financing activities	**(52.8)**	79.4
Net change in cash and cash equivalents	**4.9**	(21.5)
Cash and cash equivalents at 1 January	**21.6**	43.1
Cash and cash equivalents at 31 December	**26.5**	21.6

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. Basis of preparation

The preliminary results for the year ended 31 December 2016 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 2016. 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 2015 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2016 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. Segment information

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

	2016			2015		
	Revenue £m	**Result £m**	**Underlying result* £m**	Revenue £m	Result £m	Underlying result* £m
Residential Systems	**207.6**	**39.3**	**39.1**	182.6	33.0	32.8
Commercial and Infrastructure Systems (UK)	**184.2**	**29.1**	**29.0**	131.5	20.2	20.1
Inter-segment sales	**(11.0)**	**-**	**-**	(10.2)	-	-
UK operations	**380.8**	**68.4**	**68.1**	303.9	53.2	52.9
Commercial and Infrastructure Systems (Mainland Europe)	**57.9**	**1.3**	**1.3**	50.4	1.2	1.3
Inter-segment sales	**(1.8)**	**-**	**-**	(1.4)	-	-
Non-underlying group items	**-**	**(7.7)**	**-**	-	(5.0)	-
Total - Group	**436.9**	**62.0**	**69.4**	352.9	49.4	54.2
Net finance costs		**(7.6)**	**(7.6)**		(7.9)	(6.2)
Profit before tax		**54.4**	**61.8**		41.5	48.0

Geographical analysis

Revenue by destination	**2016 £m**	2015 £m
UK	**338.3**	276.7
Rest of Europe	**63.7**	54.2
Rest of World	**34.9**	22.0
Total – Group	**436.9**	352.9

*****The underlying result excludes non-underlying items – see Note 3

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. Non-underlying items

Non-underlying items comprise:

	2016			2015		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Administration expenses:						
Acquisition costs	**-**	**-**	**-**	2.0	-	2.0
Profit on disposal of property, plant and equipment	**(0.3)**	**-**	**(0.3)**	(0.2)	-	(0.2)
Impairment of freehold land and buildings	**0.9**	**-**	**0.9**	-	-	-
Amortisation of intangible assets	**6.8**	**(1.6)**	**5.2**	3.0	(0.5)	2.5
Finance costs:						
Unamortised debt issue costs relating to refinanced debt written off	**-**	**-**	**-**	1.7	(0.3)	1.4
Tax:						
Adjustment in respect of prior years' current income tax	**-**	**-**	**-**	-	(0.8)	(0.8)
Effect of changes in income tax rates on prior years' deferred income tax	**-**	**-**	**-**	-	(0.2)	(0.2)
Total non-underlying items	**7.4**	**(1.6)**	**5.8**	6.5	(1.8)	4.7

4. Net finance costs

	2016			*2015*		
	Underlying £m	***Non-underlying £m***	***Total £m***	*Underlying £m*	*Non-underlying £m*	*Total £m*
Bank interest income	**-**	**-**	**-**	0.1	-	0.1
Financial income	**-**	**-**	**-**	0.1	-	0.1
Interest on bank loan	**6.6**	**-**	**6.6**	5.4	-	5.4
Debt issue cost amortisation	**0.4**	**-**	**0.4**	0.4	-	0.4
Other finance costs	**0.6**	**-**	**0.6**	0.5	-	0.5
Unamortised debt issue costs relating to refinanced debt written off	**-**	**-**	**-**	-	1.7	1.7
Financial expense	**7.6**	**-**	**7.6**	6.3	1.7	8.0
Net finance costs	**7.6**	**-**	**7.6**	6.2	1.7	7.9

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2016

5. Income tax

(a) Tax charged in the income statement

	2016	*2015*
	£m	*£m*
Current income tax:		
UK income tax	**12.4**	8.0
Overseas income tax	**0.1**	0.2
Current income tax charge	**12.5**	8.2
Adjustment in respect of prior years	**-**	(0.8)
Total current income tax	**12.5**	7.4
Deferred income tax:		
Origination and reversal of temporary differences	**(2.0)**	0.1
Effect of changes in income tax rates	**(0.3)**	(0.1)
Total deferred income tax	**(2.3)**	-
Tax expense in the income statement	**10.2**	7.4

Details of the non-underlying tax credit of £1.6m (2015: £1.8m) are set out in Note 3.

(b) Reconciliation of the total tax charge

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK standard rate of income tax for the years ended 31 December 2016 and 2015 is as follows:

	2016	*2015*
	£m	*£m*
Accounting profit before tax	**54.4**	41.5
Accounting profit multiplied by the UK standard rate of income tax of 20.0% (2015: 20.25%)	**10.9**	8.4
Expenses not deductible for income tax	**0.7**	0.8
Non-taxable income	**(0.1)**	(0.4)
Share-based payments	**(0.3)**	-
Adjustments in respect of current income tax of previous years	**-**	(0.8)
Effects of patent box	**(0.7)**	(0.4)
Effects of other tax rates / credits	**(0.3)**	(0.2)
Total tax expense reported in the income statement	**10.2**	7.4

The effective rate for the full year was 18.8% (2015: 17.8%). If the impact of non-underlying costs is excluded, the underlying income tax rate would be 19.1% (2015: 19.2%).

(c) Deferred income tax

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

	2016	*2015*
	£m	*£m*
Deferred income tax liabilities		
Short-term timing differences	**6.3**	8.3
Capital allowances in excess of depreciation	**1.4**	1.7
Share-based payments	**(0.4)**	-
	7.3	10.0

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.

(d) Change in corporation tax rate

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 20%, which was applied from 1 April 2015, to 19% from 1 April 2017 and 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%.

(e) Unrecognised tax losses

A deferred income tax asset of £1.0m (2015: £1.0m) in respect of surplus non-trading losses of £5.5m (2015: £5.6m), has not been recognised at 31 December 2016 as its recovery is uncertain.

6. 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 ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

Number of shares

	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	**198,930,384**	199,267,136
Share options	**1,053,339**	540,243
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**199,983,723**	199,807,379

Underlying earnings per share is based on the result for the year after tax, excluding the impact of non-underlying items, of £50.0m (2015: £38.8m). 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:

	2016	2015
Underlying profit for the year attributable to the owners of the parent company (£m)	**50.0**	38.8
Underlying basic earnings per share (pence)	**25.1**	19.5
Underlying diluted earnings per share (pence)	**25.0**	19.4

7. Dividends per share

	2016 £m	*2015 £m*
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2015 of 5.5p per share (2014: 3.0p)	**11.0**	6.0
Interim dividend for the year ended 31 December 2016 of 3.1p per share (2015: 2.3p)	**6.1**	4.6
	17.1	10.6
Proposed final dividend for the year ended 31 December 2016 of 7.0p per share (2015: 5.5p)	**13.9**	10.9

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2016

8. Property, plant and equipment

	Freehold land and buildings	*Plant and other equipment*	*Total*
	£m	*£m*	*£m*
Cost			
At 1 January 2015	**44.0**	**130.3**	**174.3**
Additions	**1.8**	**17.6**	**19.4**
Acquisition of businesses	**2.6**	**2.6**	**5.2**
Disposals	**-**	**(2.0)**	**(2.0)**
Exchange adjustment	**(0.3)**	**(1.5)**	**(1.8)**
At 31 December 2015	**48.1**	**147.0**	**195.1**
Additions	**1.2**	**18.5**	**19.7**
Disposals	**-**	**(3.2)**	**(3.2)**
Reclassified as assets held for sale	**(3.2)**	**-**	**(3.2)**
Exchange adjustment	**1.0**	**4.6**	**5.6**
At 31 December 2016	**47.1**	**166.9**	**214.0**
Depreciation and impairment losses			
At 1 January 2015	**9.0**	**76.1**	**85.1**
Provided during the year	**1.3**	**13.8**	**15.1**
Disposals	**-**	**(1.8)**	**(1.8)**
Exchange adjustment	**(0.2)**	**(1.2)**	**(1.4)**
At 31 December 2015	**10.1**	**86.9**	**97.0**
Provided during the year	**1.4**	**14.9**	**16.3**
Disposals	**-**	**(3.1)**	**(3.1)**
Impairment	**0.9**	**-**	**0.9**
Reclassified as assets held for sale	**(2.5)**	**-**	**(2.5)**
Exchange adjustment	**0.7**	**3.7**	**4.4**
At 31 December 2016	**10.6**	**102.4**	**113.0**
Net book value:			
At 31 December 2016	**36.5**	**64.5**	**101.0**
At 31 December 2015	**38.0**	**60.1**	**98.1**

The impairment charge of £0.9m relates to surplus freehold land and buildings at Wolverhampton that is being actively marketed and writes down its carrying amount to £0.7m being its fair value less costs to sell. The written down asset has been reclassified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Included in freehold land and buildings is non-depreciable land of £13.0m (2015: £13.0m).

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2016

9. Intangible assets

	Goodwill	*Patents*	*Brand names*	*Customer relationships*	*Customer order book*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Cost						
At 1 January 2015	235.0	-	-	-	-	235.0
Acquisition of businesses	94.3	18.2	25.5	6.4	2.0	146.4
At 31 December 2015	329.3	18.2	25.5	6.4	2.0	381.4
At 31 December 2016	329.3	18.2	25.5	6.4	2.0	381.4
Amortisation and impairment						
At 1 January 2015	-	-	-	-	-	-
Charge for the year	-	0.7	1.0	0.5	0.8	3.0
At 31 December 2015	-	0.7	1.0	0.5	0.8	3.0
Charge for the year	-	1.8	2.6	1.2	1.2	6.8
At 31 December 2016	-	2.5	3.6	1.7	2.0	9.8
Net book value:						
At 31 December 2016	329.3	15.7	21.9	4.7	-	371.6
At 31 December 2015	329.3	17.5	24.5	5.9	1.2	378.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2016

10. Financial liabilities

	31 December 2016 £m	*31 December 2015 £m*
Non-current loans and borrowings:		
Bank loan - principal	**192.0**	217.5
- unamortised debt issue costs	**(1.2)**	(1.6)
Total non-current loans and borrowings	**190.8**	215.9
Other financial liabilities:		
Trade and other payables	**91.8**	80.3
Forward foreign currency derivatives	**1.5**	0.1
Interest rate swaps	**4.2**	2.1
Other liabilities	**2.1**	2.0
	99.6	84.5

Bank loan

The bank loan, which is a revolving credit facility, is secured and expires in full in August 2020. Interest is payable on the bank loan at LIBOR plus an interest margin ranging from 1.25% to 2.75% which is dependent on the Group's leverage (net debt as a multiple of EBITDA) and reduces as the Group's leverage reduces. The interest margin at 31 December 2016 was 2.00% (2015: 2.25%).

At 31 December 2016, the Group had available, subject to covenant headroom, £108.0m (2015: £82.5m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met at 31 December 2016.

£10m of the £300m revolving credit facility was reviewed at 31 December 2016 and the revolving credit facility was not reduced by £10m since the leverage ratio (Net debt:EBITDA) at 31 December 2016 was less than or equal to 2.25:1. The facility will reduce by £10m each year, regardless of leverage, at 31 December 2017, 2018 and 2019; the remainder is available until August 2020.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt as a multiple of EBITDA and interest cover. At 31 December 2016 the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	***Covenant requirement***	***Position at 31 December 2016***
Interest cover (Underlying operating profit:Net finance costs excluding debt issue cost amortisation)	**>4.00:1**	**9.7:1**
Leverage (Net debt:EBITDA)	**<3.25:1**	**1.9:1**

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