Polypipe Group plc

Interim financial statements for the six months ended 30 June 2020

15 September 2020

Polypipe Group plc

Interim results for the six months ended 30 June 2020

Polypipe Group plc ("Polypipe", the "Company" or the "Group"), a leading provider of sustainable water and climate management solutions for the built environment, today announces its unaudited interim results for the six months ended 30 June 2020.

Financial Results

	2020	**2019**	**Change**
Statutory Measures			
Revenue	£173.6m	£223.3m	(22.3)%
Operating profit	£6.2m	£35.2m	(82.4)%
Profit before tax	£2.3m	£31.4m	(92.7)%
Earnings per share (basic)	0.7p	12.9p	(94.6)%
Cash generated from operations	£(15.7)m	£21.7m	n/a
Dividend per share (pence)	-	4.0p	n/a
Alternative Performance Measures			
Underlying operating profit[1]	£10.5m	£39.3m	(73.3)%
Underlying operating margin[1]	6.0%	17.6%	(1,160)bps
Underlying profit before tax[1]	£6.6m	£35.6m	(81.5)%
Underlying earnings per share (basic)[1]	2.6p	14.7p	(82.3)%
Leverage[2] (times pro forma EBITDA)[3]	1.1	1.8	(0.7)

Summary

- The health, safety and wellbeing of our people, business and stakeholders has been and remains our priority, with strong actions taken in all of our businesses to ensure they are operating within Government and Public Health England advice as volumes improve.
- We entered the COVID-19 crisis trading well and in line with expectations. Trading overall for the period has been resilient with revenue 22% below prior year. There has been progressive improvement from April's low point revenue of 66% below prior year, with June revenue being 19% below prior year and on an improving trend into July and August.
- Immediate steps were taken in the period to strengthen liquidity and preserve cash. Net debt, excluding IFRS16, was £71.2m (2019: £178.5m) following the successful equity raise of £120m in May 2020 with leverage at 1.1x EBITDA (2019: 1.8x). This allows the Group to continue to invest in product innovation and growth opportunities.
- At our lowest point, we had 1,771 employees furloughed. Restructuring actions have now been completed to position the business for expected future demand. This included 104 redundancies, significantly fewer than the 250 at risk positions announced in July. All other employees have now returned to work.
- Job Retention Scheme money will be reimbursed to the Government for those employees made redundant (£0.7m) and the Group will not utilise the Job Retention Bonus Scheme planned to be available from February 2021.

Outlook

- Trading since the end of the first half has continued to recover with July and August revenue 6% and 3% below 2019 levels respectively, tracking well-ahead of the operating scenario set out at the time of the Group's equity raise in May.
- While the Board is mindful of the risks to the overall pace and sustainability of the economic recovery, it is encouraged by the trading performance so far and is confident in the Group's position as markets continue to recover.
- The Board recognises the importance of dividends to shareholders but, given the current economic uncertainty, is not recommending an interim dividend. However, the Board will consider paying a final dividend for 2020 in May 2021 subject to continued performance ahead of the operating scenario set out at the time of the Group's equity raise in May 2020.
- The medium-term fundamentals in our markets remain as strong as ever with the ongoing structural housing shortage driving demand, increased drive for carbon zero construction, as well as an increased focus on general air quality and ventilation and Government investment in infrastructure in a post COVID-19 world.
- To elaborate on these medium-term fundamental drivers, as well as show what the Group is doing to capitalise on these drivers, a Capital Markets Event will be held on 17 November 2020.

Martin Payne, Chief Executive Officer, said

"I want to thank all our colleagues for their dedication, hard work and support through what have been unprecedented times for all of us. I am particularly proud of the way they have rallied to support their local communities despite their own circumstances. We manufactured visors and distributed them and other surplus PPE into local NHS and care homes, supported the Nightingale programme and other repurposing of NHS facilities for care and recovery, and contributed to many other local initiatives that have made a difference. The health and wellbeing of our colleagues, our customers and our communities remains an absolute priority, and we will continue to operate to the highest standards possible.

The Group has traded robustly through the crisis with continued improvement in trading in recent months. The early actions we took to secure liquidity have positioned the Group to be able to capitalise on opportunities as they arise during the recovery, as well as continue investing in new product development in line with our strategy. We have a balanced exposure to the different elements of the UK construction market which provides resilience, and strong medium-term growth drivers. Whilst we remain mindful of the various risks to the UK's economic recovery, I am confident the Group is well positioned for the future."

[1] Underlying profit and earnings measures exclude 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] Leverage is defined as net debt divided by pro forma EBITDA. Net debt is defined as loans and borrowings net of unamortised issue costs less cash, excluding the effects of IFRS16.

[3] Pro forma EBITDA is defined as underlying operating profit before depreciation and amortisation 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 *www.polypipe.com* today from 0700hrs (BST).

There will be an analyst and investor presentation at 0830hrs (BST) on Tuesday 15 September 2020 via web-conference.

Web access for the slide presentation:

The live audio webcast of the presentation with accompanying slides will be available at https://www.investis-live.com/polypipe/5f3d4b91d9f7a00c00194608/dfdg

We recommend you register by 0815hrs (BST).

Q&A:

Questions can be asked at the end of the presentation using the below conference line:

United Kingdom (Local): 020 3936 2999

All other locations: +44 20 3936 2999

Participant Access Code: 832401

To register a question, press *1 on phone keypad. To remove the question, press *2

CAPITAL MARKETS EVENT

Polypipe will host a Capital Markets Event on 17 November 2020 to update the market on strategic and operational progress within the business.

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 19 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, Ireland and the Middle East and sales to specific niches in the rest of the world.

COVID-19 – actions taken to protect the business and preserve cash

In response to the crisis created by the COVID-19 pandemic, the Group has taken significant actions to ensure the Group's resilience.

As previously announced in updates to the market, these included preserving cash, strengthening the balance sheet and deepening liquidity to position the business well for the short and medium term:

- A £50m COVID-19 facility, a £120m equity raise and participation and drawdown of £100m under the Bank of England's Covid Corporate Financing Facility (CCFF) in May. Given the recent improvements in trading, the £100m CCFF has been repaid to the Bank of England in September 2020.
- Up to 60% of our workforce furloughed between March to August, reflecting a reduction in volumes of up to 66% during that period. Restructuring actions have now been completed to position the business for expected future demand. This included 104 redundancies, significantly fewer than the 250 at risk positions announced in July. All other employees have now returned to work. Polypipe will reimburse the Job Retention Scheme payments for those employees made redundant. The Group does not intend to utilise the Job Retention Bonus Scheme planned to be available from February 2021.
- Capital expenditure, previously expected to be approximately £28m for the financial year, was reduced to that for essential health, safety and environmental matters.
- Curtailment of all discretionary spend whilst honouring contractual payment terms with creditors, including cancellation or postponement of agency staff and consultants, negotiating temporary lease terms with some providers and agreeing return to normal (non-early) payment terms with some suppliers.
- Cancellation of 2019 final dividend, which was due for payment on 28 May 2020 with no 2020 interim dividend proposed. The Board recognises the importance of dividends to shareholders and will consider paying a final dividend for 2020 in May 2021 subject to continued performance ahead of the operating scenario set out at the time of the Group's equity raise in May 2020.
- Temporary salary and fee reductions of 20% for the Board from April 2020. Given the recent improvement in trading and the end of the Group's participation in the Government's Job Retention Scheme at the end of August, the Board will return to normal salaries and fees from September 2020 onwards.
- PAYE and NIC payments deferred until June 2020 and VAT payments deferred until March 2021.

Group Results

Revenue for the six months ended 30 June 2020 was 22.3% lower than the prior year at £173.6m (2019: £223.3m). On a like-for-like basis excluding the impact of acquisitions, revenue was 25.1% lower. Overall, the first quarter was broadly on a par with 2019 with nearly all of the impact of COVID-19 occurring in Q2. At its deepest point, trading in April 2020 was 66% below the prior year across both segments. Since there has been an improving trend with June trading at a level 19% below that of June 2019. This improvement is somewhat ahead of the scenario modelling we conducted in preparation for the equity raise at the beginning of May where we forecast that the low level of trading experienced then would continue until June with a recovery only starting in the second half of the year. Trading since the end of the first half has continued to recover with July and August revenue 6% and 3% below 2019 levels, respectively.

Underlying operating profit was 73.3% lower than the prior year at £10.5m (2019: £39.3m). This represents an underlying operating margin of 6.0% (2019: 17.6%) with the decline in profitability driven by a higher than normal drop through of volume losses because of the suddenness and speed of lost trade at the end of March 2020, partly offset by the speed of management cost reduction action.

Finance costs of £3.9m (2019: £3.8m) were broadly in line with last half year as the cost of raised levels of indebtedness from the start of the crisis in March were offset by lower costs from lower levels of borrowing in the second half of Q2. As a precaution, the Group fully drew down its £300m Revolving Credit Facility (RCF) in March and held the funds on deposit at various banks. Since the period end, £50m of the RCF has been paid down. The strengthened balance sheet means that the Group has been able to control leverage and remain within its covenants. This strength and recent improved trading allowed the Group to repay the £100m CCFF after the period end.

Non-underlying operating costs of £4.3m are driven by amortisation of intangible assets arising from acquisitions, including the acquisition of Alderburgh in 2019, and are broadly in line with these costs during the prior period (2019: £4.2m).

The total tax charge for the period was £0.9m (2019: £5.7m). The underlying tax charge of £1.1m (2019: £6.3m) represents an effective underlying tax rate of 16.7% (2019: 17.7%).

Underlying profit after tax was 81.2% lower at £5.5m (2019: £29.3m), with underlying earnings per share 82.3% lower at 2.6 pence (2019: 14.7 pence).

Including non-underlying items, profit after tax was 94.6% lower at £1.4m (2019: £25.7m) with basic earnings per share also 94.6% lower at 0.7 pence (2019: 12.9 pence).

The Board has decided not to recommend an interim dividend in order to preserve cash during the ongoing crisis. The Board recognises the importance of dividends to shareholders and will consider paying a final dividend for 2020 in May 2021 subject to continued performance ahead of the operating scenario set out at the time of the Group's equity raise in May 2020.

Business Review

Revenue	**2020**	2019	Change	Like-for-like Change
	£m	£m	%	%
Residential Systems	**92.8**	129.0	(28.1)	(28.1)
Commercial and Infrastructure Systems	**80.8**	94.3	(14.3)	(21.2)
	173.6	223.3	(22.3)	(25.1)

Underlying operating profit	**2020**		2019		Change
	£m	**%**	£m	%	%
Residential Systems	**7.4**	**8.0**	26.6	20.6	(72.2)
Commercial and Infrastructure Systems	**3.1**	**3.8**	12.7	13.5	(75.6)
	10.5	**6.0**	39.3	17.6	(73.3)

In the middle of March, we took the decision to wind down our operations to that which was absolutely necessary for new orders relating to COVID-19 and for broader support in the economy. These included the following:

- Parts of the Group provided the National Health Service (NHS) with support to increase its capabilities to cope with the inevitable increase in COVID-19 patients. Our Nuaire business manufactured ventilators for the Royal Marsden Hospital and received urgent enquiries from many other NHS sites for this as well as other essential projects.

- Our Building Products business was requested to manufacture special pipe for emergency medical use.
- On a wider front, we continued to supply some of our plumbing and drainage products that were needed for urgent repair and maintenance across the country for essential projects and services.

The Commercial and Infrastructure Systems segment showed the greatest resilience with many contractors returning to work during the second quarter and the Group supporting the NHS during the crisis with emergency project work. The Residential sector has shown an improving trend in recent weeks since housebuilders reopened sites and activity has picked up.

The Group experienced a revenue decline of 22.3% in the period. Commercial and Infrastructure System's decline at 14.3% was approximately half the decline in Residential Systems at 28.1%. Margin declined 1,160 basis points to 6.0% with a higher drop through of volume losses than would normally be expected because of the suddenness and scale of volume decline at the end of March.

RESIDENTIAL SYSTEMS

In our Residential Systems segment, trading in the early part of the year, pre COVID-19, was in line with management expectations. COVID-19 had a significant impact on businesses across the construction industry with the sector experiencing revenue declines of more than 30%. Revenue in our Residential Systems sector was 28.1% lower than the prior year at £92.8m (2019: £129.0m). This was a credible performance given the challenges faced by the UK construction industry. Price increases of approximately 3% were implemented early in the year. There was a sharp volume decline in the first half of the year as the industry moved quickly to close construction sites. Recovery in the sector in Q2 was subdued, reflecting the shutdown of the new house build market for much of April and May, followed by a more measured return to work.

Residential Systems delivered an underlying operating profit of £7.4m, a reduction of 72.2% on the prior year (2019: £26.6m) representing an operating margin of 8.0% (2019: 20.6%).

Our innovative product design continued to gain industry recognition. Manthorpe Building Products was successful at the 2020 Housebuilder Product Awards, winning the category for 'Best Brand-New Product' with their innovative fire-retardant Redshield Cavity Barriers. Our Surestop business was also recognised at the 2020 Housebuilder Product Awards, winning the 'Best Internal / Interior Product' with their i-water control product, which helps protect properties from the effects of water damage.

COMMERCIAL AND INFRASTRUCTURE SYSTEMS

The segment demonstrated its resilience during lockdown. Whilst the majority of contractors ceased operations, many continued to work on essential Government infrastructure projects, and we supplied plumbing and drainage products for urgent repair and maintenance across the country. The segment is recovering well as the Government continues to invest in the UK's infrastructure.

Revenue in our Commercial and Infrastructure Systems segment, was 14.3% lower than the prior period at £80.8m (2019: £94.3m), and 21.2% lower on a like-for-like basis. This is a relatively strong performance considering the impact COVID-19 has had on the wider construction industry. UK revenue was 23.0% lower on a like-for-like basis. Overseas revenue was 15.2% lower on a like-for-like basis, reflecting the global scale of COVID-19. Alderburgh, acquired in October 2019, had a good start to the year and is recovering well, particularly in Ireland as construction sites continue to reopen.

Commercial and Infrastructure Systems delivered an underlying operating profit of £3.1m (2019: £12.7m), representing an operating margin of 3.8% (2019: 13.5%).

We continue to invest in innovative and sustainable projects, such as the next generation of our Polysewer PVCu structured wall sewer pipes and fittings an alternative to the more traditional concrete and metal alternatives.

BOARD UPDATE

Glen Sabin has indicated his intention to step down from the Board and the Company during 2021. Glen has been with the Group for 15 years, the last three of which have been on the Board as Chief Operating Officer. A recruitment process to find a replacement has commenced, and a further announcement will be made in due course.

OUTLOOK

Since the end of the first half the recovery trend has continued with July and August revenue 6% and 3% below 2019 levels, respectively and this is well-ahead of our operating scenario modelling set out at the time of the Group's equity raise in May 2020. The housing market has recovered somewhat faster and stronger than anticipated earlier in the year, helped by the Government's welcomed support for the sector. Contractors have returned to complete commercial and infrastructure projects, and in particular enquiries for ventilation upgrades have been noticeable as both public and private clients look to mitigate risk in a post COVID-19 world. The macroeconomic situation still remains uncertain though, with rising unemployment likely to have some impact on our markets into 2021

The Group has a balanced exposure to the different elements of the UK construction market, which provides resilience, and a clear strategy underpinned by strong medium-term growth drivers. The actions we have taken to improve liquidity leave us with a robust balance sheet with the ability to continue investing in the Group and capitalise on opportunities should they arise. Whilst we remain vigilant to the short-term risks of a second spike and the impacts of leaving the EU, the Board is confident that the Group is well-positioned for the future.

Financial Review

Finance Costs

Net underlying finance costs for the six months ended 30 June 2020 of £3.9m were just £0.2m higher than 2019. At the start of the crisis, the Group drew down its entire £300m RCF and placed funds on deposit with syndicate banks as a risk mitigation measure. The higher costs of doing this were mostly offset by the deployment of proceeds from the equity placing substantially reducing borrowing on the RCF and therefore interest costs in the second half of Q2. Interest is payable on the Group's revolving credit facility at LIBOR plus an interest rate margin ranging from 0.90% to 2.75% depending on leverage. The interest rate margin at 30 June 2020 was 1.65% (2019: 1.65%). The coupon rate on the Group's Euro-Commercial Paper is fixed at 0.65% per annum.

The unrealised mark to market adjustment onforward interest rate swaps at 30 June 2020 was £0.1m adverse (31 December 2019: £0.5m adverse). The movement of £0.4m favourable in the period is included in the Group Statement of Comprehensive Income.

Taxation

The Group's tax charge for the six months ended 30 June 2020 was £0.9m (2019: £5.7m). The underlying tax rate (underlying tax: underlying profit) has been provided at the estimated full year rate of 16.7% (2019 full year: 16.8%).

Dividend

On 25 March 2020, the Group announced that it was implementing a range of precautionary measures in response to the adverse impact on both revenues and profits as a consequence of COVID-19. The Board recognises the importance of dividends to shareholders and will consider paying a final dividend for 2020 in May 2021 subject to continued performance ahead of the operating scenario set out at the time of the Group's equity raise in May 2020.

Cash Flow and Net Debt

Cash generated from operations during the period amounted to an outflow of £15.7m (2019: £21.7m inflow). This result includes a working capital outflow of £35.2m (2019: £27.8m). A first half working capital outflow is a normal feature of the Group's annual working capital cycle and arises primarily from rebate settlements. The working capital outflow for the current period is higher than the same period last year due to the timing of rebate settlements. It is expected that working capital will return to normal levels in the second half of the year.

Capital expenditure of £8.5m (2019: £9.0m) was £0.6m higher than depreciation. Following the COVID-19 outbreak, capital expenditure was severely curtailed. The full year 2020 expected spend is £22m. Focus has been on key commercial and innovation lead projects.

Net debt (including unamortised debt issue costs but excluding the effects of IFRS16 capitalisation) at 30 June 2020 was £71.2m (2019: £178.5m). The strengthened balance sheet means that the Group has been able to control leverage and remain within its covenants. Leverage at 1.1 times pro forma EBITDA compares to 1.8 times pro forma EBITDA at 30 June 2019 and 1.5 times pro forma EBITDA at 31 December 2019.

Going Concern

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits. The Group's bank financing facilities consists of a £300m RCF, with an extended committed COVID-19 facility of £50m. £125.2m of the RCF and the COVID-19 facility of £50.0m were undrawn at 30 June 2020. The Group issued commercial paper under the CCFF to the value of £100m, maturing on 12 March 2021 but was repaid after the period end. Cash balances of a further £101.7m as at 30 June 2020 gives total facility headroom of £376.9m.

On 4 May 2020, a revised RCF was signed with the syndicate banks that had the following key amendments:

- A newly negotiated £50m COVID-19 facility with a 12-month term expiring in May 2021, leaving the Group with £350m of committed revolving credit facilities for the period to May 2021 and £300m for the period from May 2021 to November 2023
- Deferral of June leverage covenant testing.
- Increased permitted financial indebtedness of £100m to be able to more fully utilise the CCFF.

On 14 May the Group drew down £100m under the CCFF and issued Euro-Commercial Paper to the Bank of England. Funds were settled on 15 May and on 19 May the Bank of England issued revised guidance in relation to the CCFF in relation to which the key points were:

- From 4 June 2020, the Bank of England would publish a publicly accessible list of companies who had issued commercial paper (issuer and amount outstanding).
- For companies issuing commercial paper beyond 19 May 2021, the issuer would have to commit to restraining dividends, share buy backs and executive pay while the commercial paper was outstanding.
- The commercial paper could be redeemed and repaid prior to its original maturity with no penalty.

The Group is not affected by these constraints due to the early maturity, however the CCFF has now been repaid.

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

Principal Risks and Uncertainties

The Board continually assesses and monitors the key risks of the business and Polypipe has developed a risk management framework to identify, report, and manage its principal risks and uncertainties. The principal risks and uncertainties that could have a material impact on the Group's performance and prospects, and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising, have not changed from those which are set out in detail in the principal risks and uncertainties section of our 2019 Annual Report and Accounts.

These principal risks and uncertainties cover raw material prices; business disruption, including pandemics; reliance on key customers; recruitment and retention of key personnel; economic conditions; Government action and policies; Environmental regulations and other obligations relating to environmental matters; product liability; information systems; acquisitions; financial risk management (foreign currency exchange risk, credit risk, liquidity risk and interest rate cash flow risk) and the UK's withdrawal from the EU (Brexit).

A copy of the 2019 Annual Report and Accounts is available on the Company's website www.polypipe.com.

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union; and
- The Interim Management Report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

This report was approved by the Board of Directors on 15 September 2020 and is available on the Company's website www.polypipe.com.

The Directors of the Company are:

Ron Marsh	Chairman
Martin Payne	Chief Executive Officer
Paul James	Chief Financial Officer
Glen Sabin	Chief Operating Officer
Paul Dean	Non-executive Director (Retiring 15 September 2020)
Mark Hammond	Non-executive Director and Senior Independent Director
Louise Hardy	Non-executive Director
Lisa Scenna	Non-executive Director
Louise Brooke-Smith	Non-executive Director

By order of the Board:

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

INTERIM GROUP INCOME STATEMENT

for the six months ended 30 June 2020 (unaudited)

	Notes	**Six months ended 30 June 2020**			Six months ended 30 June 2019		
		Underlying £m	**Non-Underlying £m**	**Total £m**	Underlying £m	Non-Underlying £m	Total £m
Revenue	**3**	**173.6**	**-**	**173.6**	223.3	-	223.3
Cost of sales		**(110.3)**	**-**	**(110.3)**	(127.9)	-	(127.9)
Gross profit		**63.3**	**-**	**63.3**	95.4	-	95.4
Selling and distribution costs		**(31.0)**	**-**	**(31.0)**	(35.9)	-	(35.9)
Administration expenses		**(21.8)**	**(0.3)**	**(22.1)**	(20.2)	(0.4)	(20.6)
Trading profit		**10.5**	**(0.3)**	**10.2**	39.3	(0.4)	38.9
Amortisation of intangible assets		**-**	**(4.0)**	**(4.0)**	-	(3.7)	(3.7)
Operating profit	**3**	**10.5**	**(4.3)**	**6.2**	39.3	(4.1)	35.2
Finance costs	**3, 5**	**(3.9)**	**-**	**(3.9)**	(3.7)	(0.1)	(3.8)
Profit before tax		**6.6**	**(4.3)**	**2.3**	35.6	(4.2)	31.4
Income tax	**6**	**(1.1)**	**0.2**	**(0.9)**	(6.3)	0.6	(5.7)
Profit for the period attributable to the owners of the parent company		**5.5**	**(4.1)**	**1.4**	29.3	(3.6)	25.7
Basic earnings per share (pence)	**7**			**0.7**			12.9
Diluted earnings per share (pence)	**7**			**0.7**			12.7
Dividend per share (pence) – interim	**8**			**-**			4.0

Non-underlying items are presented separately and are detailed in Note 4.

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020 (unaudited)

	Six months ended 30 June 2020	Six months ended 30 June 2019
	£m	£m
Profit for the period attributable to the owners of the parent company	**1.4**	25.7
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**0.5**	-
Effective portion of changes in fair value of interest rate swaps	**0.4**	0.2
Effective portion of changes in fair value of forward foreign currency derivatives	**-**	0.1
Tax relating to items which may be reclassified subsequently to the income statement	**(0.1)**	(0.1)
Other comprehensive income for the period net of tax	**0.8**	0.2
Total comprehensive income for the period attributable to the owners of the parent company	**2.2**	25.9

INTERIM GROUP BALANCE SHEET

at 30 June 2020 (unaudited)

	Notes	**30 June 2020**	30 June 2019	31 December 2019
		£m	£m	£m
Non-current assets				
Property, plant and equipment		**126.9**	119.0	125.8
Right-of-use assets		**13.5**	12.7	14.8
Intangible assets		**397.8**	398.2	401.8
Total non-current assets		**538.2**	529.9	542.4
Current assets				
Inventories		**55.8**	61.9	59.7
Trade and other receivables		**60.2**	57.7	40.8
Income tax receivable		**2.5**	-	-
Cash and cash equivalents		**201.7**	43.0	47.7
Total current assets		**320.2**	162.6	148.2
Total assets		**858.4**	692.5	690.6
Current liabilities				
Trade and other payables		**(78.1)**	(95.4)	(97.5)
Loans and borrowings	**9**	**(99.5)**	-	-
Lease liabilities	**9**	**(3.3)**	(3.2)	(2.9)
Deferred and contingent consideration		**(1.5)**	(1.5)	(3.4)
Derivative financial instruments		**(0.1)**	(0.8)	(0.5)
Income tax payable		**-**	(6.8)	(3.8)
Total current liabilities		**(182.5)**	(107.7)	(108.1)
Non-current liabilities				
Loans and borrowings	**9**	**(173.4)**	(221.5)	(197.7)
Lease liabilities	**9**	**(10.2)**	(9.5)	(11.9)
Deferred and contingent consideration		**-**	(0.6)	-
Other liabilities		**(0.9)**	(0.7)	(1.0)
Deferred income tax liabilities		**(11.0)**	(9.9)	(10.5)
Total non-current liabilities		**(195.5)**	(242.2)	(221.1)
Total liabilities		**(378.0)**	(349.9)	(329.2)
Net assets		**480.4**	342.6	361.4
Capital and reserves				
Equity share capital		**0.2**	0.2	0.2
Capital redemption reserve		**1.1**	1.1	1.1
Own shares		**-**	(3.2)	-
Hedging reserve		**(0.1)**	(0.7)	(0.4)
Foreign currency retranslation reserve		**0.6**	0.5	0.1
Other reserves	**9**	**116.5**	-	-
Retained earnings		**362.1**	344.7	360.4
Total equity		**480.4**	342.6	361.4

INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 (unaudited)

	Equity share capital	Capital redemption reserve	Own shares	Hedging reserve	Foreign currency retranslation reserve	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2020								
Opening balance	**0.2**	**1.1**	**-**	**(0.4)**	**0.1**	**-**	**360.4**	**361.4**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**1.4**	**1.4**
Other comprehensive income	**-**	**-**	**-**	**0.3**	**0.5**	**-**	**-**	**0.8**
Total comprehensive income for the period	**-**	**-**	**-**	**0.3**	**0.5**	**-**	**1.4**	**2.2**
Issue of share capital	**-**	**-**	**-**	**-**	**-**	**120.0**	**-**	**120.0**
Transaction costs on issue of share capital	**-**	**-**	**-**	**-**	**-**	**(3.5)**	**-**	**(3.5)**
Share-based payments charge	**-**	**-**	**-**	**-**	**-**	**-**	**0.6**	**0.6**
Share-based payments settled	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Share-based payments excess tax benefit	**-**	**-**	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Closing balance	**0.2**	**1.1**	**-**	**(0.1)**	**0.6**	**116.5**	**362.1**	**480.4**
Six months ended 30 June 2019								
Opening balance	0.2	1.1	(3.8)	(0.9)	0.5	-	334.1	331.2
Profit for the period	-	-	-	-	-	-	25.7	25.7
Other comprehensive income	-	-	-	0.2	-	-	-	0.2
Total comprehensive income for the period	-	-	-	0.2	-	-	25.7	25.9
Dividends paid	-	-	-	-	-	-	(15.7)	(15.7)
Share-based payments charge	-	-	-	-	-	-	0.8	0.8
Share-based payments settled	-	-	0.6	-	-	-	(0.6)	-
Share-based payments excess tax benefit	-	-	-	-	-	-	0.4	0.4
Closing balance	0.2	1.1	(3.2)	(0.7)	0.5	-	344.7	342.6

INTERIM CASH FLOW STATEMENT

for the six months ended 30 June 2020

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Operating activities			
Profit before tax	**2.3**	31.4	60.1
Finance costs	**3.9**	3.8	7.5
Operating profit	**6.2**	35.2	67.6
Non-cash items:			
Profit on disposal of property, plant and equipment	**(0.1)**	(0.2)	(0.8)
Transaction costs on issue of share capital expensed	**0.1**	-	-
Research and development expenditure credit	**-**	-	(1.6)
Non-underlying items:			
– amortisation of intangible assets	**4.0**	3.7	7.5
– provision for acquisition costs	**0.3**	0.4	3.0
Depreciation of property, plant and equipment	**7.9**	8.4	16.6
Depreciation of right-of-use assets	**1.8**	1.7	3.2
Share-based payments	**0.6**	0.8	1.2
Cash items: settlement of acquisition costs	**(1.3)**	(0.5)	(1.4)
Operating cash flows before movement in working capital	**19.5**	49.5	95.3
Movement in working capital:			
Receivables	**(19.2)**	(20.2)	2.2
Payables	**(20.1)**	(3.8)	(7.3)
Inventories	**4.1**	(3.8)	(0.8)
Cash generated from operations	**(15.7)**	21.7	89.4
Income tax paid	**(7.3)**	(6.0)	(12.4)
Net cash flows from operating activities	**(23.0)**	15.7	77.0
Investing activities			
Settlement of deferred and contingent consideration	**(1.8)**	-	-
Acquisition of businesses net of cash at acquisition	**-**	-	(12.2)
Proceeds from disposal of property, plant and equipment	**0.2**	0.3	0.9
Purchase of property, plant and equipment	**(8.5)**	(9.0)	(22.3)
Net cash flows from investing activities	**(10.1)**	(8.7)	(33.6)
Financing activities			
Issue of share capital	**120.0**	-	-
Transaction costs on issue of share capital	**(3.6)**	-	-
Issue of Euro-Commercial Paper	**99.4**	-	-
Drawdown / (repayment) of bank loan	**(24.2)**	11.0	(13.0)
Interest paid	**(2.6)**	(3.6)	(7.4)
Proceeds from sale and leaseback of property, plant and equipment	**-**	-	3.4
Dividends paid	**-**	(15.7)	(23.7)
Proceeds from exercise of share options	**0.1**	-	2.4
Debt issue costs	**(0.3)**	(0.1)	-
Settlement of lease liabilities	**(1.9)**	(1.8)	(3.5)
Net cash flows from financing activities	**186.9**	(10.2)	(41.8)
Net change in cash and cash equivalents	**153.8**	(3.2)	1.6
Cash and cash equivalents – opening balance	**47.7**	46.2	46.2
Net foreign exchange difference	**0.2**	-	(0.1)
Cash and cash equivalents – closing balance	**201.7**	43.0	47.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2020

1. Basis of preparation

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

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

The comparative figures for the financial year ended 31 December 2019, where reported, are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

There were no accounting standards or interpretations that have become effective in the current reporting period which had an impact on disclosures, financial position or performance.

The condensed set of consolidated financial statements are prepared on a going concern basis. The COVID-19 pandemic has created future economic uncertainty and caused significant disruption to the Group and the markets operated in. Accordingly, the Group has conducted a detailed going concern review and considered its liquidity position and banking covenant compliance.

On 4 May the Group entered into a £50m revolving credit facility (RCF) for a period of twelve months. This facility is in addition to the £300m available under the existing RCF which is committed through to November 2023, leaving the Group with £350m of revolving credit facilities for the period to May 2021 and £300m for the period from May 2021 to November 2023.

The Group has also participated in the UK Government's joint HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF) and issued £100m of Euro-Commercial Paper on 14 May, maturing on 12 March 2021. This was repaid after the period end.

The Group has prepared detailed forecasts taking into account the measures that have been taken to mitigate the impact of COVID-19. These forecasts show that the Group continues to maintain adequate levels of liquidity and exceeds all covenant thresholds.

The Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing the condensed set of consolidated financial statements.

There have been no related party transactions in the period to 30 June 2020.

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

- Underlying profit and earnings measures exclude non-underlying items (which are provided in Note 4) and where relevant, the tax effect of these items. The Directors consider that these measures provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.
- Pro forma 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
- Net debt is defined as loans and borrowings net of unamortised issue costs less cash, including the effects of IFRS16.
- Leverage is defined as net debt divided by pro forma EBITDA.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2020

2. Financial risks, estimates, assumptions and judgements

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

In preparing the condensed set of consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019, except for the accounting of the Government's Job Retention Scheme of £6.7m which has been offset against the associated expenses in the income statement.

3. Segment information

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

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Segmental revenue	**95.1**	**84.4**	**179.5**	131.6	99.3	230.9
Inter-segment revenue	**(2.3)**	**(3.6)**	**(5.9)**	(2.6)	(5.0)	(7.6)
Revenue	**92.8**	**80.8**	**173.6**	129.0	94.3	223.3
Underlying operating profit*	**7.4**	**3.1**	**10.5**	26.6	12.7	39.3
Non-underlying items – segmental	**(1.9)**	**(2.4)**	**(4.3)**	(1.9)	(2.2)	(4.1)
Segmental operating profit	**5.5**	**0.7**	**6.2**	24.7	10.5	35.2
Non-underlying items – finance costs			**-**			(0.1)
Finance costs			**(3.9)**			(3.7)
Profit before tax			**2.3**			31.4

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies in the Annual Report and Accounts, and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £4.3m (2019: £4.2m) are set out below at non-underlying items before tax.

Geographical analysis

Revenue by destination	**Six months ended 30 June 2020 £m**	Six months ended 30 June 2019 £m
UK	**151.7**	199.7
Rest of Europe	**12.5**	10.9
Rest of World	**9.4**	12.7
Total – Group	**173.6**	223.3

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2020

4. Non-underlying items

Non-underlying items comprised:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Administration expenses:						
Acquisition costs – acquisition and other M&A activity	**0.3**	**-**	**0.3**	0.4	-	0.4
Amortisation of intangible assets	**4.0**	**(0.2)**	**3.8**	3.7	(0.6)	3.1
Finance costs: Unwind of discount on contingent consideration	**-**	**-**	**-**	0.1	-	0.1
Total non-underlying items	**4.3**	**(0.2)**	**4.1**	4.2	(0.6)	3.6

5. Finance costs

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
Interest on bank loan	**3.1**	3.3
Interest on Euro-Commercial Paper	**0.1**	-
Debt issue cost amortisation	**0.2**	0.1
Unwind of discount on lease liabilities	**0.2**	0.1
Other finance costs	**0.3**	0.2
Unwind of discount on contingent consideration	**-**	0.1
	3.9	3.8

6. Income tax

Tax has been provided on the profit before tax at the estimated effective rate for the full year of 39.1% (2019 full year: 17.5%). Tax on underlying profit before tax was 16.7% (2019 full year: 16.8%).

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
Current income tax:		
UK income tax	**0.9**	6.4
Overseas income tax	**0.1**	0.1
Total current income tax	**1.0**	6.5
Deferred income tax:		
Origination and reversal of timing differences	**(0.8)**	(0.8)
Adjustment in respect of changes in income tax rate	**0.7**	-
Total deferred income tax	**(0.1)**	(0.8)
Total tax expense reported in the income statement	**0.9**	5.7

7. Earnings per share

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

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

	Six months ended 30 June 2020	Six months ended 30 June 2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	**208,398,693**	199,068,625
Effect of dilutive potential ordinary shares	**2,648,081**	2,704,760
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**211,046,774**	201,773,385

Underlying earnings per share is based on the result for the period after tax excluding the impact of non-underlying items of £4.1m (2019: £3.6m). The Directors consider that this measure provides a better and more consistent indication of the Group’s underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Underlying profit for the period attributable to the owners of the parent company (£m)	**5.5**	29.3
Underlying basic earnings per share (pence)	**2.6**	14.7
Underlying diluted earnings per share (pence)	**2.6**	14.5

8. Dividends

The Board has decided not to recommend the payment of an interim dividend as part of the Group’s ongoing cash conservation measures.

9. Analysis of net debt

	30 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Cash and cash equivalents	**201.7**	43.0	47.7
Current loans and borrowings			
Euro-Commercial Paper	**99.5**	-	-
Lease liabilities	**3.3**	3.2	2.9
	102.8	3.2	2.9
Non-current loans and borrowings			
Bank loan – principal	**174.8**	223.0	199.0
– unamortised debt issue costs	**(1.4)**	(1.5)	(1.3)
Lease liabilities	**10.2**	9.5	11.9
	183.6	231.0	209.6
Net debt	**84.7**	191.2	164.8

On 19 November 2018, the Group entered into an Amendment and Restatement Agreement with various lenders in respect of the Group's previous revolving credit facility agreement dated 4 August 2015. The bank loan, which comprised a £300.0m revolving credit facility and £50.0m uncommitted accordion facility, was secured and would have matured in November 2023 (with two further uncommitted annual renewals through to November 2025 possible). Interest was 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.

On 4 May 2020, the Group entered into a revised Amendment and Restatement Agreement with its banking group to provide the additional £50.0m COVID-19 facility for a period of twelve months, leaving the Group with £350.0m of total revolving credit facilities for the next twelve months. The Group also secured agreement from its banking group to temporarily waive certain requirements within the Group's RCF and suspend the June 2020 quarterly leverage covenant test. The Group incurred £0.3m of debt issue costs in respect of entering into the revised Amendment and Restatement Agreement which have been capitalised and are being amortised to the income statement over the 12-month term of the facility.

On 1 May 2020, the Group entered into a £100.0m Euro-Commercial Paper Programme with Citibank N.A. (acting as Issuing and Paying Agent) under the UK Government's joint HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF). On 14 May 2020, the Company drew down £99.463m under the CCFF and issued £100.0m of Euro-Commercial Paper to the Bank of England at a coupon rate of 0.65% per annum maturing on 12 March 2021. This was repaid after the period end. The Company incurred minimal costs in respect of entering into the CCFF, which have been charged to the income statement in 2020.

On 7 May 2020, the Group conducted a non-pre-emptive placing of 26,966,300 new ordinary shares at £4.45 per share generating gross proceeds of £120.0m. The placing was undertaken using a cashbox structure. As a result, the Group was able to take relief under section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to other reserves. Advisors' fees of £3.5m have been netted off against the gross proceeds. A further £0.1m of listing fees have been incurred and charged to the income statement in 2020.

10. Other financial assets and liabilities

Fair values of financial assets and financial liabilities

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

	Carrying value £m	Fair value £m
Euro-Commercial Paper	**99.5**	**99.5**
Interest rate swaps	**0.1**	**0.1**
Interest bearing loans and borrowings due after more than one year	**173.4**	**173.4**
Deferred and contingent consideration	**1.5**	**1.5**
Lease liabilities	**13.5**	**13.5**
Total at 30 June 2020	**288.0**	**288.8**
Interest rate swaps	0.8	0.8
Interest bearing loans and borrowings due after more than one year	221.5	221.5
Deferred and contingent consideration	2.1	2.1
Lease liabilities	12.7	12.7
Total at 30 June 2019	237.1	237.1
Interest rate swaps	0.5	0.5
Interest bearing loans and borrowings due after more than one year	197.7	197.7
Deferred and contingent consideration	3.4	3.4
Lease liabilities	14.8	14.8
Total at 31 December 2019	216.4	216.4

The coupon rate on the Group's Euro-Commercial Paper is fixed at 0.65% per annum.

The interest rate on the Group's £350.0m revolving credit facility is variable, being payable at LIBOR plus a margin. To reduce the Group's exposure to future increases in interest rates the Group entered into an interest rate swap for the following notional amounts, with interest payable at a fixed rate return dependent on the swap at 1.735% (2019: 1.735%) (excluding margin):

	Notional amount £m
To August 2020	**72.2**

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2020

10. Other financial assets and liabilities (continued)

Fair value hierarchy

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

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

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

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

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

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

INDEPENDENT REVIEW REPORT TO POLYPIPE GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2020 which comprises the Interim Group Income Statement, the Interim Group Statement of Comprehensive Income, the Interim Group Balance Sheet, the Interim Group Statement of Changes in Equity, the Interim Group Cash Flow Statement and the related Notes 1 to 10. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Ernst & Young LLP

Leeds

15 September 2020