Group Consolidated Statements

Group Income Statement
for the year ended 31 December 2013

	Note	2013 £m Before adjustments	2013 £m Adjustments	2013 £m Total	2012 £m Before adjustments restated	2012 £m Adjustments	2012 £m Total restated
Revenue	1	**1,077.0**	**-**	**1,077.0**	1,051.9	-	1,051.9
Cost of sales		**(713.9)**	**-**	**(713.9)**	(695.0)	-	(695.0)
Gross profit		**363.1**	**-**	**363.1**	356.9	-	356.9
Operating costs	2	**(98.5)**	**(1.3)**	**(99.8)**	(101.8)	(0.2)	(102.0)
Operating profit		**264.6**	**(1.3)**	**263.3**	255.1	(0.2)	254.9
Financial costs	4	**(14.5)**	**-**	**(14.5)**	(17.8)	-	(17.8)
Financial income	4	**1.3**	**-**	**1.3**	1.2	-	1.2
Profit before tax		**251.4**	**(1.3)**	**250.1**	238.5	(0.2)	238.3
Tax	5	**(72.2)**	**-**	**(72.2)**	(74.1)	-	(74.1)
Profit after tax from continuing operations		**179.2**	**(1.3)**	**177.9**	164.4	(0.2)	164.2
Loss after tax from discontinued operations	7	**-**	**-**	**-**	(1.8)	(11.4)	(13.2)
Profit for the year	3	**179.2**	**(1.3)**	**177.9**	162.6	(11.6)	151.0
Attributable to:							
Non-controlling interests				**0.4**			-
Owners of the parent				**177.5**			151.0
				177.9			151.0

Adjustments relate to exceptional items, acquisition costs and amortisation/write off intangible assets arising on acquisition

Earnings per 10p share	Note	Pence	Pence
Basic			
Total	8	**131.2**	112.1
Continuing operations		**131.2**	121.9
Diluted			
Total	8	**130.1**	110.6
Continuing operations	8	**130.1**	120.3

Group Statement of Comprehensive Income
for the year ended 31 December 2013

	2013 £m	2012 £m restated
Profit for the year	**177.9**	151.0
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Remeasurements of post employment benefit obligations	**(6.4)**	13.9
Tax on items that will not be reclassified	**(4.1)**	(7.5)
	(10.5)	6.4
Items that may be reclassified subsequently to profit or loss:		
Currency translation	**(19.4)**	(8.0)
Other comprehensive expense for the year	**(29.9)**	(1.6)
Total comprehensive income for the year	**148.0**	149.4

Group Statement of Comprehensive Income (continued)
for the year ended 31 December 2013

	2013 £m	2012 £m restated
Total comprehensive income for the year	**148.0**	149.4
Attributable to:		
Owners of the parent	**148.0**	149.4
	148.0	149.4
Arising from:		
Continuing operations	**148.0**	162.6
Discontinued operations	**-**	(13.2)
	148.0	149.4

Group Statement of Changes in Equity
for the year ended 31 December 2013

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 January 2012		15.1	93.3	27.5	130.2	0.1	266.2
Profit for the year attributable to equity shareholders		-	-	-	151.0	-	151.0
Other comprehensive (expense)/income:		-	-	(8.0)	6.4	-	(1.6)
Transactions with owners:							
Dividends on equity shares	9	-	-	-	(76.8)	-	(76.8)
Share based payments		-	-	-	4.4	-	4.4
Consideration received for sale of own shares held in trust		-	-	-	1.1	-	1.1
Total transactions with owners		-	-	-	(71.3)	-	(71.3)
Total equity at 31 December 2012		15.1	93.3	19.5	216.3	0.1	344.3
At 1 January 2013		15.1	93.3	19.5	216.3	0.1	344.3
Profit for the year attributable to equity shareholders		-	-	-	177.5	0.4	177.9
Other comprehensive expense		-	-	(19.0)	(10.5)	(0.4)	(29.9)
Transactions with owners:							
Dividends on equity shares	9	-	-	-	(83.6)	-	(83.6)
Share based payments		-	-	-	3.6	-	3.6
Consideration received for sale of own shares held in trust		-	-	-	0.9	-	0.9
Total transactions with owners		-	-	-	(79.1)	-	(79.1)
Transactions with non-controlling interests:							
Recognition of non-controlling interest on acquisition		-	-	-	-	6.2	6.2
Total transactions with non-controlling interests		-	-	-	-	6.2	6.2
Total equity at 31 December 2013		**15.1**	**93.3**	**0.5**	**304.2**	**6.3**	**419.4**

Other reserves include the Capital Redemption Reserve of £0.9m (2012: £0.9m) and the Translation Reserve of £(0.4)m (2012: £18.6m).

Group Consolidated Statements

Group Balance Sheet

at 31 December 2013

	Note	2013 £m	2012 £m restated
Assets			
Non-current assets			
Intangible assets	13	**239.5**	213.1
Property, plant and equipment	14	**362.6**	338.3
Investments	16	**0.8**	0.9
Deferred tax assets	6	**47.1**	64.0
		650.0	616.3
Current assets			
Inventories	17	**192.8**	170.5
Trade and other receivables	18	**136.7**	162.9
Cash and cash equivalents		**37.5**	53.8
		367.0	387.2
Liabilities			
Current liabilities			
Trade and other payables	19	**(126.5)**	(136.5)
Borrowings and other financial liabilities	20	**(26.6)**	(5.4)
Provisions	21	**(6.8)**	(7.9)
Current tax liabilities		**(31.9)**	(24.3)
		(191.8)	(174.1)
Net current assets		**175.2**	213.1
Non-current liabilities			
Borrowings and other financial liabilities	20	**(213.1)**	(256.1)
Other payables		**(2.6)**	(2.7)
Retirement benefit liabilities	12	**(135.8)**	(165.8)
Provisions	21	**(12.3)**	(17.3)
Deferred tax liabilities	6	**(42.0)**	(43.2)
		(405.8)	(485.1)
Net assets		**419.4**	344.3
Shareholders' equity			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**304.7**	235.8
Total equity attributable to owners of the parent		**413.1**	344.2
Non-controlling interests in equity	26	**6.3**	0.1
Total equity		**419.4**	344.3

The financial statements on pages 82 to 120 were signed on behalf of the Board who approved the accounts on 5 March 2014.

Martin Flower
Chairman

Sean Christie
Group Finance Director

Group Statement of Cash Flows

for the year ended 31 December 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated by operations	ii	**251.1**	208.1
Interest paid		**(9.7)**	(9.3)
Tax paid		**(50.1)**	(60.6)
Net cash generated by operating activities		**191.3**	138.2
Cash flows from investing activities			
Acquisition of subsidiaries	28	**(38.1)**	(7.1)
Purchase of property, plant and equipment	14	**(44.5)**	(50.4)
Purchase of intangible assets	13	**(1.7)**	(1.9)
Proceeds from sale of property, plant and equipment		**0.7**	0.5
Proceeds from sale of businesses (net of costs and cash in businesses)	7	**-**	1.3
Proceeds from sale of other investment		**-**	15.8
Cash paid against non-operating provisions	21	**(3.4)**	(1.6)
Interest received		**1.3**	1.2
Net cash absorbed by investing activities		**(85.7)**	(42.2)
Cash flows from financing activities			
New borrowings		**-**	0.2
Repayment of borrowings		**(47.7)**	(6.7)
Capital element of finance lease repayments	iii	**(0.4)**	(0.4)
Sale of own shares held in trust	22	**0.9**	1.1
Dividends paid to equity shareholders	9	**(83.6)**	(76.8)
Net cash absorbed by financing activities		**(130.8)**	(82.6)
Net movement in cash and cash equivalents	i,iii	**(25.2)**	13.4
Cash and cash equivalents brought forward		**50.2**	37.5
Exchange differences	iii	**(2.0)**	(0.7)
Cash and cash equivalents carried forward		**23.0**	50.2
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**37.5**	53.8
Bank overdrafts		**(14.5)**	(3.6)
		23.0	50.2

Group Cash Flow Notes

for the year ended 31 December 2013

(i) Reconciliation to net debt	Note	2013 £m	2012 £m
Movement in cash and cash equivalents	iii	**(25.2)**	13.4
Movement in debt and lease financing	iii	**48.1**	6.9
Change in net debt from cash flows		**22.9**	20.3
Loans in acquired businesses		**(16.8)**	(0.9)
New finance lease contracts		**(0.4)**	(0.4)
Exchange differences		**(0.2)**	4.4
		5.5	23.4
Net debt brought forward		**(207.7)**	(231.1)
Net debt carried forward	iii	**(202.2)**	(207.7)

(ii) Cash generated by operations	2013 £m	2012 £m
Continuing operations		
Operating profit	**263.3**	254.9
Adjustments for:		
Depreciation and amortisation	**33.9**	31.1
Other provisions charged (note 21)	**(1.0)**	1.3
Share based payments	**0.9**	1.8
Cash paid against operating provisions (note 21)	**(1.8)**	(1.6)
Pension fund contributions in excess of service cost	**(41.2)**	(24.7)
Movement in inventories	**(17.0)**	(13.1)
Movement in receivables	**27.7**	(25.6)
Movement in payables	**(13.7)**	(16.4)
Cash generated by continuing operations	**251.1**	207.7
Discontinued operations	**-**	0.4
	251.1	208.1

(iii) Analysis of net debt	2013 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2012 £m
Cash and cash equivalents	**37.5**	(14.3)	(2.0)	-	53.8
Bank overdrafts	**(14.5)**	(10.9)	-	-	(3.6)
Movement in cash and cash equivalents		(25.2)	(2.0)		
Borrowings repayable within one year	**(11.8)**	8.1	(1.6)	(16.8)	(1.5)
Borrowings repayable after more than one year	**(212.9)**	39.6	3.3	-	(255.8)
Finance leases	**(0.5)**	0.4	0.1	(0.4)	(0.6)
Movement in borrowings and other financial liabilities		48.1	1.8		
Total net debt	**(202.2)**	22.9	(0.2)	(17.2)	(207.7)

Group Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (March 2014). A summary of the more important Group accounting policies is set out below.

Accounting estimates and judgements

The Group's critical accounting policies under IFRS have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The critical judgements required when preparing the Group's accounts are as follows:

(i) Provisions - as disclosed in note 21, the Group has made significant provision for potential environmental liabilities. The rationale behind these and other provisions is discussed in note 21. The Directors believe that these provisions are appropriate based on information currently available.

(ii) Goodwill and fair value of assets acquired (note 13) – under IFRS, management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units ("CGU"). These calculations require the use of estimates to enable the calculation of the net present value of cashflow projections of the relevant CGU, the critical estimates are as follows:

- Growth in EBITDA (calculated as operating profit before depreciation and amortisation) – estimated at 3% long term, a prudent estimate given the Group's historic growth rates.
- Timing and quantum of capital expenditure – estimated to grow from current levels at the same 3% rate.
- Selection of appropriate discount rates to reflect the risks involved – typically the Group's weighted average cost of capital would be used unless the risk profile of a particular acquired business warranted different treatment.

Currently, recoverable amounts significantly exceed carrying values, including goodwill, there is thus no impairment within a reasonable range of assumptions. Goodwill arising on acquisition is allocated to the CGU that is expected to benefit from the synergies of the acquisition. Such goodwill is then incorporated into the Group's standard impairment review process as described above.

(iii) Retirement benefit liabilities – as disclosed in note 12, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the Directors are of the view that any estimation should be prudent and in line with consensus opinion. For each 0.1% change in the discount rate net of inflation, the carrying amount of pension obligations would change by an estimated £16m.

Changes in accounting policy

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013 and have a material impact on the Group:

IAS 19, 'Employee benefits' was revised in June 2011. The Group's accounting policy in this area has been changed to (1) replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability, and (2) recognise all costs associated with the administration of the pension schemes within operating expenses. 2012 results have been restated resulting in an increase of £0.5m in operating costs and £14.4m in net finance costs with compensating adjustments to other recognised expense such that net assets at 31 December 2012 were unchanged.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2013 that have had a material impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013.There has been no early adoption of these standards in the preparation of the 2013 consolidated financial statements.

(i) IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. IFRS 13 is not expected to have a material impact on the financial statements.

(ii) IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and is applicable from 1 January 2015. IFRS 9 is not expected to have a material impact on the financial statements.

(iii) IAS 36, 'Impairment of assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on the fair value less costs of disposal. This amendment is effective from 1 January 2014 and is not expected to have a material impact on the financial statements.

(iv) IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is not expected to have a material impact on the financial statements.

(v) IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is not expected to have a material impact on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.