

Company Registration No 06059130



Hamsard 3054 Limited

Consolidated Report and Financial Statements

31 December 2013

Hamsard 3054 Limited

Registered No 06059130

Directors

D G Hall
P Rice
P D Shepherd
A M Thomson

Secretary

P D Shepherd

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

Lloyds Bank
14 Church Street
Sheffield
South Yorkshire
S1 1HP

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Registered Office

Broomhouse Lane
Edlington
Doncaster
DN12 1ES

STRATEGIC REPORT for the year ended 31 December 2013

The directors present the group's Strategic Report for the year ended 31 December 2013

The principal activity of the group is the manufacture of plastic pipe systems for the building and construction market

The Group's strategy remains centred on continued product development for sustainable construction and substitution of legacy materials and the leverage of benefits from the Group's UK leading brand position. Investment in processes and efficiency initiatives will continue with the objective of improving margins.

REVIEW OF THE BUSINESS

Revenue for the year ended 31 December 2013 increased by 6.7% to £300.8 million from £282.0 million for the year ended 31 December 2012. The Residential Piping Systems segment experienced an increase in revenue of 4.2%, whilst revenue in Commercial & Infrastructure Piping Systems increased by 8.5%.

This increase was largely in the UK where our revenues increased by £16.6 million (7.9%), ahead of the CPA's estimated UK construction market recovery of 1.0% for 2013, due to further penetration of our plastic plumbing systems and water management solutions businesses and distribution gains.

Operating profit improved by £3.2m to £39.8m for the year ended 31 December 2013 from £36.6m for the year ended 31 December 2012 due to the growth in revenue and returns from our increased capital expenditure aimed at reducing material costs and improving operational efficiency.

Capital expenditure was increased to £20.9m (2012: £16.0m).

The directors are satisfied with the performance of the group for the year and with the future prospects. The group will continue to seek every opportunity to increase profitable turnover.

KEY PERFORMANCE INDICATORS

The key performance indicators used by the board to assess performance of the group are set out in the table below.

KPI	2013	2012
Revenue growth	6.7%	(1.5%)
Operating profit* to sales	13.2%	12.8%

* before operating exceptional items

STRATEGIC REPORT for the year ended 31 December 2013

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties within the group that may affect our future performance as follows

Interest Rate risk – The group has both interest bearing assets and liabilities. Interest bearing assets are principally cash balances which earn interest at variable rates. The group operates a cash pooling system to mitigate any overdraft interest payable. Interest bearing liabilities relate to long-term funding, the majority of which is fixed to ensure certainty of future interest cash flows.

Foreign Exchange risk – The group does not hedge the translation of its overseas profits, although it does mitigate its currency effect on its reported results by applying average exchange rates each year on reported results. Gains and losses arising on the translation of net overseas investments are not hedged. The group enters into forward currency contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates primarily in respect of US Dollar and Euro receipts.

Liquidity risk – The group maintains strong liquidity through cash balances and deposits (£65.9m at 31 December 2013) and its undrawn £30m committed revolving credit facility which matures in May 2015.

Approved by the Board and signed on its behalf by



P D Shepherd

Secretary

3 March 2014

DIRECTORS' REPORT for the year ended 31 December 2013

The directors present their report and audited financial statements for the year ended 31 December 2013

DIRECTORS

The directors who held office during the year and up to the date of the report were as follows

DG Hall

PD Shepherd

P M Rice

A M Thomson

PROPOSED DIVIDEND

The directors do not recommend the payment of a dividend (2012 £nil)

FUTURE DEVELOPMENTS

No change in the Group's strategy is anticipated in the foreseeable future

FINANCIAL INSTRUMENTS

The group is funded by long-term borrowings (see note 25 to the Financial Statements) The cash cost of servicing the group's net debt (interest only) from operating cash flow was £14.3m during the year

EMPLOYEES

Within the bounds of commercial confidentiality, information is provided to all levels of employees about the performance and prospects of the group as well as anything of interest and concern to them as employees, thereby encouraging their involvement in the group's performance

The group gives every consideration to applications for employment from all persons, regardless of their sex, religion, colour, race, nationality, sexual orientation, marital status or disability, having regard for their aptitude and abilities to adequately cover the job whilst maintaining a safe working environment

Where employees become disabled, the group endeavours to employ them provided there are duties which they can perform, bearing in mind their handicap or disability. As far as possible, training, career development and promotion are available to handicapped and disabled persons where this is in their own as well as the company's best interests

ENVIRONMENT

The group recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable legislation

DIRECTORS' REPORT for the year ended 31 December 2013

POLITICAL CONTRIBUTIONS

The company made no political contributions during the year

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

AUDITORS

A resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by



P D Shepherd

Secretary

3 March 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- present fairly the financial position, financial performance and cash flows of the group,
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance,
- state whether the group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements, and
- make judgements that are reasonable.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMSARD 3054 LIMITED

We have audited the group financial statements of Hamsard 3054 Limited for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMSARD 3054 LIMITED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements

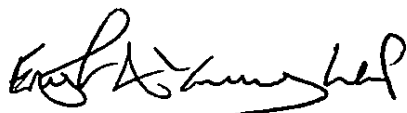
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the parent company financial statements of Hamsard 3054 Limited for the year ended 31 December 2013



Stuart Watson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

3 March 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013

	Notes	2013 £m	2012 £m	2011 £m
Revenue	5	300.8	282.0	286.4
Cost of sales		(188.3)	(176.8)	(190.1)
Gross profit		112.5	105.2	96.3
Selling and distribution costs		(46.9)	(44.0)	(44.1)
Administration expenses		(25.9)	(25.1)	(25.6)
Share of loss in associate		-	-	(0.1)
Group operating profit before operating exceptional items		39.7	36.1	26.5
Operating exceptional items	8	0.1	0.5	(0.3)
Group operating profit	5, 6	39.8	36.6	26.2
Finance revenue	11	0.3	0.1	-
Finance costs	12	(15.5)	(15.7)	(15.5)
Profit before tax		24.6	21.0	10.7
Tax expense	13	(4.6)	(0.4)	(0.9)
Profit for the year		20.0	20.6	9.8

All the profit for the year is attributable to owners of the parent

**Earnings per share (pence)
attributable to equity
holders of the parent**

Basic and diluted	14	26.7	27.7	13.3
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	2013 £m	2012 £m	2011 £m
Profit for the year	20.0	20.6	9.8
Other comprehensive income:			
Items which will be reclassified subsequently to profit and loss:-			
Exchange differences on translation of foreign operations	0.3	(0.4)	(0.5)
Other comprehensive income for the year net of tax	0.3	(0.4)	(0.5)
Total comprehensive income for the year net of tax	20.3	20.2	9.3

All comprehensive income for the year is attributable to owners of the parent

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	<i>Share capital</i>	<i>Share premium</i>	<i>Foreign currency retranslation reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 January 2011	205.4	111.5	-	(135.6)	181.3
Profit for the year	-	-	-	9.8	9.8
Other comprehensive income	-	-	(0.5)	-	(0.5)
Total comprehensive income for the year	-	-	(0.5)	9.8	9.3
Premium arising on reduction in nominal value of shares (Note 23)	(204.2)	204.2	-	-	-
At 31 December 2011	1.2	315.7	(0.5)	(125.8)	190.6
Profit for the year	-	-	-	20.6	20.6
Other comprehensive income	-	-	(0.4)	-	(0.4)
Total comprehensive income for the year	-	-	(0.4)	20.6	20.2
Issue of share capital (Note 23)	0.1	-	-	-	0.1
Premium on shares issued in the year (Note 23)	-	0.2	-	-	0.2
At 31 December 2012	1.3	315.9	(0.9)	(105.2)	211.1
Profit for the year	-	-	-	20.0	20.0
Other comprehensive income	-	-	0.3	-	0.3
Total comprehensive income for the year	-	-	0.3	20.0	20.3
Cancellation of Share Premium (Note 23)	-	(315.9)	-	315.9	-
At 31 December 2013	1.3	-	(0.6)	230.7	231.4

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2013

	Notes	31 December 2013 £m	31 December 2012 £m
Non-Current Assets			
Property, plant and equipment	15	89.0	81.9
Intangible assets	16	234.4	234.4
Total non-current assets		323.4	316.3
Current Assets			
Inventories	19	38.9	37.6
Trade and other receivables	20	21.4	23.1
Financial assets	21	0.4	0.2
Cash and cash equivalents	22	65.9	47.0
Total current assets		126.6	107.9
Total assets		450.0	424.2
Current Liabilities			
Trade and other payables	24	(62.0)	(56.9)
Financial liabilities	25	-	(0.1)
Income tax payable	13	(2.4)	(2.8)
Total current liabilities		(64.4)	(59.8)
Non-Current Liabilities			
Financial liabilities	25	(150.6)	(149.6)
Other liabilities		(2.0)	(2.2)
Deferred tax liability	13	(1.6)	(1.5)
Total non-current liabilities		(154.2)	(153.3)
Total liabilities		(218.6)	(213.1)
Net assets		231.4	211.1

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2013

	Notes	31 December 2013 £m	31 December 2012 £m
Capital and reserves			
Equity share capital	23	1.3	1.3
Share premium	23	-	315.9
Foreign currency retranslation reserve		(0.6)	(0.9)
Retained earnings		230.7	(105.2)
Total equity		231.4	211.1

The financial statements were approved for issue by the board of directors and signed on its behalf by



P D Shepherd

Director

3 March 2014

Company Registration No 06059130

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2013

	Notes	31 December 2011 £m	1 January 2011 £m
Non-Current Assets			
Property, plant and equipment	15	79.0	82.0
Intangible assets	16	234.4	234.4
Investments accounted for under the equity method	18	0.2	0.3
Total non-current assets		313.6	316.7
Current Assets			
Inventories	19	34.9	33.5
Trade and other receivables	20	17.5	18.9
Financial assets	21	0.1	0.2
Cash and cash equivalents	22	37.8	19.3
Total current assets		90.3	71.9
Total assets		403.9	388.6
Current Liabilities			
Trade and other payables	24	(54.3)	(48.4)
Financial liabilities	25	-	-
Income tax payable	13	(2.1)	-
Total current liabilities		(56.4)	(48.4)
Non-Current Liabilities			
Financial liabilities	25	(148.6)	(147.7)
Other liabilities		(2.7)	(4.5)
Deferred tax liability	13	(5.6)	(6.7)
Total non-current liabilities		(156.9)	(158.9)
Total liabilities		(213.3)	(207.3)
Net assets		190.6	181.3

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2013

	Notes	31 December 2011 £m	1 January 2011 £m
Capital and reserves			
Equity share capital	23	1.2	205.4
Share premium	23	315.7	111.5
Foreign currency retranslation reserve		(0.5)	-
Retained earnings		(125.8)	(135.6)
Total equity		190.6	181.3

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Notes	2013 £m	2012 £m	2011 £m
Operating activities				
Profit for the year before tax		24.6	21.0	10.7
Add back net financing costs	11,12	15.2	15.6	15.5
		39.8	36.6	26.2
Adjusted for non cash items				
Gain on disposal of property, plant and equipment		(0.7)	(0.3)	(0.3)
Profit on sale of investments		(0.3)	-	-
Share of loss of associate		-	-	0.1
Depreciation of property, plant and equipment	15	13.9	12.9	13.0
Operating cash flow before movement in working capital		52.7	49.2	39.0
Movement in working capital				
Receivables		1.9	(5.9)	9.7
Payables		4.7	3.0	(2.0)
Inventories		(1.1)	(2.9)	(1.7)
Cash generated from operations		58.2	43.4	45.0
Income tax paid		(4.9)	(3.8)	0.1
Net cash flows from operating activities		53.3	39.6	45.1
Investing Activities				
Interest received		0.3	0.1	-
Proceeds from disposal of property, plant and equipment		0.8	0.4	0.4
Proceeds from sale of investments		0.3	-	-
Purchase of property, plant and equipment		(21.1)	(15.9)	(10.5)
Deferred consideration paid in respect of acquisitions		-	(0.8)	(1.1)
Net cash flow used in investing activities		(19.7)	(16.2)	(11.2)
Financing activities				
Repayment of bank loan		(0.1)	-	-
Proceeds from share issue	23	-	0.3	-
Interest paid		(14.6)	(14.5)	(14.6)
Costs of new bond issue		-	-	(0.8)
Net cash flows from financing activities		(14.7)	(14.2)	(15.4)
Net increase in cash and cash equivalents		18.9	9.2	18.5
Cash and cash equivalents at 1 January	22	47.0	37.8	19.3
Cash and cash equivalents at 31 December	22	65.9	47.0	37.8

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

1. Authorisation of financial statements

The consolidated financial statements of Hamsard 3054 Limited ("the Group") for the year ended 31 December 2013 were authorised for issue by the Board of Directors on the 3 March 2014 and the statement of financial position was signed on the Board's behalf by Peter Shepherd

Hamsard 3054 Limited is a private limited company incorporated and domiciled in the United Kingdom. The principal activity of the Group is the manufacture of plastic pipe systems for the building and construction market.

2. Summary of significant accounting policies

The basis of preparation and accounting policies used in preparing the consolidated historical financial information for the year ended 31 December 2013 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented following adoption of International Financial Reporting Standards (IFRS) as endorsed by the European Union regulations.

2.1 *Basis of Preparation and statement of compliance with IFRS's*

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union regulations as they apply to the financial statements of the Group for the year ended 31 December 2013 and also in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For all periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2013 are the first the Group has prepared in accordance with IFRS. Refer to Note 29 for information on how the Group adopted IFRS, including the permitted exemptions that have been taken from the general requirement to apply IFRSs retrospectively.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2013.

The Group's financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest million (£m) unless otherwise indicated.

The Directors, having considered all relevant risk factors, believe the group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.2 *Basis of Consolidation*

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

2.4 Foreign currency translation

The Group's consolidated financial statements are presented in Pounds Sterling, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured in that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into Pounds sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates prevailing. The resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

2.5 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer (when the goods are delivered). The amount is recognised net of any discounts or rebates payable, which are accrued at the point at which the goods are delivered. As explained in note 3.2, rebates can be complex in nature and may involve judgement and estimation.

Interest income

Interest is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

2.6 Taxes

Current Income Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred Income Tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

For deductible temporary differences associated with investments in subsidiaries, it must additionally be probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2.7 Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on the cost less residual value of property, plant and equipment, and is on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	Over expected economic life not exceeding 50 years
Plant and other equipment	4 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end and where adjustments are required these are made prospectively.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.8 Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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Research and Development costs

Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Group can demonstrate

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

At the reporting date no development costs have met the above criteria

2.9 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there are any indicators that an asset may be impaired

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. The recoverable amount of an asset or cash generating unit (CGU) is the higher of its fair value less costs to sell and its value in use and it is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

The following assets have specific characteristics for impairment testing

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses related to goodwill cannot be reversed in future periods.

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2.10 Leasing

The classification of leases as finance or operating leases requires the Group to determine, based on an evaluation of the terms and conditions, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised on the statement of financial position

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the lease term

2.11 Financial instruments

(i) Financial Assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 Financial instruments Recognition and measurement ('IAS 39') are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Group determines the classification of financial assets at initial recognition

All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit and loss

The Group's financial assets include cash and cash equivalents and trade and other receivables

Subsequent measurement

The subsequent measurement of financial assets depends on their classification The Group does not hold any held to maturity investments or available for sale financial assets

Financial assets at fair value through profit of loss

Financial assets at fair value through profit or loss include financial assets held for trading Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method, less impairment Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate The effective interest rate amortisation is included in finance income in the income statement The losses arising from impairment are recognised in the income statement in finance costs

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when

- The rights to receive cash flows from the asset have expired

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- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of financial liabilities at initial recognition. The Group has trade and other payables, loans classified as loans and borrowings and derivative financial instruments. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

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iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously

iv) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28

v) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles

Any gains or losses arising from changes in the fair value of derivatives are taken to the income statement

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows

- Raw materials - purchase cost on a first-in, first-out basis
- Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

2.13 Cash and Short Term Deposits

Cash and short term deposits consist of cash at bank and in hand

2.14 Pensions

The Group operates a defined contribution pension plan. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Group in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

2.15 Exceptional items

The Group presents as operating exceptional items on the face of the income statement, those items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year. This is to facilitate comparison with prior periods and to assess better trends in financial performance.

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have the most significant effect on amounts recognised in the financial statements:

3.1 Impairment of non financial assets

In accordance with IFRS, the Group considers whether there are any indicators of impairment of assets. Where indicators of impairment are identified, the Group tests the asset for impairment. Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

The Group's impairment test for goodwill is based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget/forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the asset or the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in Note 17.

3.2 Recognition of customer rebates

The Company's pricing structure involves rebate arrangements with several of its direct and indirect customers. These can be complex in nature and may involve judgement and estimation in determining the required level of provision for rebate liabilities.

4. Standards issued but not yet effective and standards which have been early adopted

Standards which have been early adopted

Hamsard 3054 Limited has adopted IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 36 'Impairment of Assets (as amended)' for the year ended 31 December 2013. The standards and amendments were effective for accounting periods beginning on or after 1 January 2013, but for companies preparing financial statements compliant with EU-adopted IFRS, the effective date for the standards and amendments is for financial periods beginning on or after 1 January 2014.

NOTES TO THE FINANCIAL STATEMENTS

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Standards issued but not yet effective

The following standards and interpretations have an effective date after the date of these financial statements but the group has not early adopted them and plans to adopt them from the effective dates adopted by EU. This listing of standards and interpretations issued are those that the group reasonably expect to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments (mandatory effective date to be decided)

IFRS 9 as issued reflects two phases of the IASBs work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, and to hedge accounting. In a subsequent phase, the IASB will address impairment. The Group will quantify the effect of the standard once all phases are complete and the standard has been finalised.

5. Segment information

All group revenues are received for the sale of goods.

The group has two reporting segments - Residential Piping Systems and Commercial and Infrastructure Piping Systems. Several operating segments that have similar economic characteristics have been aggregated into these two reporting segments.

Transactions between reportable segments are conducted on an arm's length basis.

Income Statement

	2013		2012		2011	
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m
Residential Piping Systems	158.7	26.1	152.3	25.4	151.1	19.7
Commercial & Infrastructure Piping Systems	152.6	13.7	140.7	11.2	146.0	6.5
Inter segment sales	(10.5)	-	(11.0)	-	(10.7)	-
Total Group	300.8	39.8	282.0	36.6	286.4	26.2
Net financing costs		(15.2)		(15.6)		(15.5)
Profit before taxation		24.6		21.0		10.7
Taxation		(4.6)		(0.4)		(0.9)
Profit after taxation		20.0		20.6		9.8

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Balance Sheet

	31 December 2013		31 December 2012	
	Total Assets £m	Total Liabilities £m	Total Assets £m	Total Liabilities £m
Residential Piping Systems	228.5	(42.1)	225.5	(40.5)
Commercial & Infrastructure Piping Systems	155.6	(21.5)	151.7	(18.3)
Total segment assets/(liabilities)	384.1	(63.6)	377.2	(58.8)
Taxes	-	(4.0)	-	(4.3)
Net debt	65.9	(151.0)	47.0	(150.0)
Total group	450.0	(218.6)	424.2	(213.1)
Net assets		231.4		211.1

Balance Sheet

	31 December 2011		1 January 2011	
	Total Assets £m	Total Liabilities £m	Total Assets £m	Total Liabilities £m
Residential Piping Systems	222.2	(39.8)	219.2	(29.3)
Commercial & Infrastructure Piping Systems	143.9	(16.8)	150.1	(23.2)
Total segment assets/(liabilities)	366.1	(56.6)	369.3	(52.5)
Taxes	-	(7.7)	-	(6.7)
Net debt	37.8	(149.0)	19.3	(148.1)
Total group	403.9	(213.3)	388.6	(207.3)
Net assets		190.6		181.3

Capital additions

	2013 £m	2012 £m	2011 £m
Residential Piping Systems	9.2	7.3	5.7
Commercial & Infrastructure Piping Systems	11.7	8.7	4.7
Total	20.9	16.0	10.4

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Depreciation of Property, plant and equipment

	2013 £m	2012 £m	2011 £m
Residential Piping Systems	7.3	7.0	7.2
Commercial & Infrastructure Piping Systems	6.6	5.9	5.8
Total	13.9	12.9	13.0

Operating exceptional items

	2013 £m	2012 £m	2011 £m
Residential Piping Systems	(0.2)	(0.4)	0.1
Commercial & Infrastructure Piping Systems	0.1	(0.1)	0.2
Total	(0.1)	(0.5)	0.3

Geographical analysis

	2013 £m	2012 £m	2011 £m
Revenue by destination			
UK	226.2	209.6	207.8
Rest of Europe	61.3	60.6	68.1
Rest of World	13.3	11.8	10.5
Total group	300.8	282.0	286.4

The Group has two customers which individually account for more than 10 per cent of the Group's total revenue. These customers account for 12.9 per cent and 11.0 per cent respectively, and are included in both reporting segments.

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m	1 January 2011 £m
Non-current assets				
UK	300.9	294.5	292.1	294.3
Rest of Europe	22.5	21.8	21.5	22.4
Total group	323.4	316.3	313.6	316.7

Non-current assets for this purpose consist of Property, plant and equipment and goodwill.

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6. Operating profit

	2013 £m	2012 £m	2011 £m
<i>Income statement charges</i>			
Depreciation of property, plant & equipment (owned)	13.9	12.9	13.0
Cost of inventories recognised as an expense	188.3	176.8	190.1
Operating lease payments – minimum lease payments	2.8	2.5	2.4
Research and development costs written off	0.2	0.2	0.2
<i>Income statement credits</i>			
Profit on disposal of non-current assets	0.7	0.3	0.3

7. Auditor's remuneration

The Group paid the following amounts to the company's auditors in respect of the audit of the financial statements and for other services provided to the Group

Auditor's remuneration for audit services

	2013 £m	2012 £m	2011 £m
Audit of the company's annual accounts	-	-	-
Audit of the company's subsidiaries	0.2	0.2	0.2
Total audit fees	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>

Auditor's remuneration for non audit services

	2013 £m	2012 £m	2011 £m
Other services relating to corporate finance transactions	0.1	0.1	0.1
Total non-audit fees	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

8. Operating exceptional items

Operating exceptional items comprised

	2013 £m	2012 £m	2011 £m
Restructuring costs	0.7	0.3	0.3
Amount written off loan to Employee Benefit Trust	-	-	0.3
Aborted acquisition costs	0.2	-	-
Profit on sale of investments	(0.3)	-	-
Amount written off other investments	-	0.2	-
Bad debts	-	0.7	-
Surplus property costs provision no longer required	-	(1.4)	-
Profit on sale of property, plant and equipment	<u>(0.7)</u>	<u>(0.3)</u>	<u>(0.3)</u>
Total credit	<u>(0.1)</u>	<u>(0.5)</u>	<u>0.3</u>

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9. Staff costs and directors emoluments

Staff costs for the year were

	2013 £m	2012 £m	2011 £m
Wages and salaries	55.1	52.8	52.9
Social security costs	7.3	7.1	6.7
Other pension costs	1.0	1.4	0.9
	<u>63.4</u>	<u>61.3</u>	<u>60.5</u>

The average monthly number of persons employed by the Group during the year analysed by segment was as follows

	2013 No.	2012 No.	2011 No.
Residential Piping Systems	1,273	1,250	1,283
Commercial and Infrastructure Piping Systems	812	737	737
	<u>2,085</u>	<u>1,987</u>	<u>2,020</u>

10. Directors' remuneration

Details of the directors remuneration are set out below

	2013 £'000	2012 £'000	2011 £'000
Fees	40	40	40
Emoluments	1,532	1,432	1,337
Company contributions to money purchase pension scheme	80	354	78
	<u>1,652</u>	<u>1,826</u>	<u>1,455</u>
Remuneration of the highest paid director			
- Emoluments	678	521	588
- Company contributions to money purchase pension scheme	34	259	33
	<u>712</u>	<u>780</u>	<u>621</u>
Number of directors who are members of the money purchase pension scheme	<u>3</u>	<u>3</u>	<u>3</u>

11. Finance Revenue

	2013 £m	2012 £m	2011 £m
Bank interest income	<u>0.3</u>	<u>0.1</u>	<u>-</u>

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12. Finance Costs

	2013 £m	2012 £m	2011 £m
Interest on Senior Secured Notes	14.2	14.2	13.8
Debt issue cost amortisation	1.1	1.1	1.1
Bank interest and other finance charges	0.2	0.4	0.6
Total finance costs	15.5	15.7	15.5

13. Taxation

(a) Tax charged in the income statement

	2013 £m	2012 £m	2011 £m
<i>Current income tax</i>			
UK corporation tax	4.3	4.0	1.8
Overseas tax	0.1	0.6	0.3
Current income tax charge	4.4	4.6	2.1
Adjustment in respect of prior years	-	(0.1)	0.1
Total current income tax	4.4	4.5	2.2
<i>Deferred tax</i>			
Origination and reversal of temporary differences	0.5	(3.5)	(0.7)
Effect of changes in tax rates	(0.3)	(0.5)	(0.5)
Overseas taxation	-	(0.1)	(0.1)
Total deferred tax	0.2	(4.1)	(1.3)
Tax expense in the income statement	4.6	0.4	0.9

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(b) Reconciliation of the total tax charge

A reconciliation between the tax expense and the product of accounting profit multiplied by the United Kingdom's standard tax rate for the years ended 31 December 2013 and 2012 is as follows

	2013 £m	2012 £m	2011 £m
Accounting profit before tax	24.6	21.0	10.7
Accounting profit multiplied by the UK standard rate of tax of 23.25% (2012 24.5%, 2011 26.5%)	5.7	5.1	2.8
Expenses not deductible for corporation tax	0.6	1.7	0.8
Non-taxable income	(0.4)	(1.4)	(1.2)
Utilisation of tax losses	(1.3)	(0.4)	-
Adjustments in respect of current income tax of previous years	-	(0.1)	0.1
Deferred tax not previously recognised	0.1	(4.0)	(1.1)
Effects of chargeable gains	0.2	-	-
Effects of changes in tax rate	(0.3)	(0.5)	(0.5)
Total tax expense reported in the income statement	4.6	0.4	0.9

(c) Deferred Tax

The deferred tax included in the Group statement of financial position is as follows

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m	1 January 2011 £m
Deferred tax liability				
Short term timing differences	0.3	0.2	-	-
Capital allowances in excess of depreciation	2.3	2.4	5.6	6.7
Tax losses carried forward	(1.0)	(1.1)	-	-
	1.6	1.5	5.6	6.7

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

A deferred tax asset of £1.0m (2012 £1.1m, 2011 £nil, 2010 £nil) has been recognised in the current year in respect of non-trading losses, the recoverability of which is dependent on the availability of future non-trading profits against which these losses can be used. The asset recognised represents the amount of available losses which it is considered will more than likely be recovered in future, based on the recent history of available taxable profits

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(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 23% which was applied from 1 April 2013, to 20% via a 2% reduction at 1 April 2014 and a 1% reduction at 1 April 2015. The reductions in the corporation tax rates to 21% and 20% were included within the Finance Act that was enacted on 17 July 2013.

Deferred tax has therefore been provided at 20%.

(e) Unrecognised tax losses

A deferred tax asset of £3.5m (2012: £5.4m) in respect of surplus tax losses has not been recognised at 31 December 2013 as its recovery is uncertain.

14. Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share amounts are calculated in the same way as the company has no convertible equity instruments or employee share options at the balance sheet date.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013 £m	2012 £m	2011 £m
Profit for the year attributable to equity holders of the parent	20.0	20.6	9.8
Weighted average number of ordinary shares in issue during the year	75.2 million	74.4 million	73.5 million
Basic and detailed earnings per ordinary share	26.7 pence	27.7 pence	13.3 pence

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The earnings per share is the same for both the D and F classes of ordinary share.

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15. Property, plant and equipment

	<i>Freehold land and buildings £m</i>	<i>Plant and other equipment £m</i>	<i>Total £m</i>
Cost			
At 1 January 2011	41.5	84.6	126.1
Additions	0.5	9.9	10.4
Disposals	-	(1.4)	(1.4)
Exchange adjustment	(0.4)	(0.9)	(1.3)
At 31 December 2011	41.6	92.2	133.8
Additions	1.0	15.0	16.0
Disposals	(0.1)	(1.0)	(1.1)
Exchange adjustment	(0.1)	(0.6)	(0.7)
At 31 December 2012	42.4	105.6	148.0
Additions	1.3	19.6	20.9
Disposals	-	(6.4)	(6.4)
Exchange adjustment	0.1	0.8	0.9
At 31 December 2013	43.8	119.6	163.4
Depreciation			
At 1 January 2011	3.8	40.3	44.1
Provided during the year	1.7	11.3	13.0
Disposals	-	(1.3)	(1.3)
Exchange adjustment	(0.1)	(0.9)	(1.0)
At 31 December 2011	5.4	49.4	54.8
Provided during the year	1.2	11.7	12.9
Disposals	-	(0.9)	(0.9)
Exchange adjustment	(0.1)	(0.6)	(0.7)
At 31 December 2012	6.5	59.6	66.1
Provided during the year	1.4	12.5	13.9
Disposals	-	(6.4)	(6.4)
Exchange adjustment	0.1	0.7	0.8
At 31 December 2013	8.0	66.4	74.4

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	<i>Freehold land and buildings £m</i>	<i>Plant and other equipment £m</i>	<i>Total £m</i>
Net Book Value:			
At 31 December 2013	<u>35.8</u>	<u>53.2</u>	<u>89.0</u>
At 31 December 2012	<u>35.9</u>	<u>46.0</u>	<u>81.9</u>
At 31 December 2011	<u>36.2</u>	<u>42.8</u>	<u>79.0</u>
At 1 January 2011	<u>37.7</u>	<u>44.3</u>	<u>82.0</u>

Included in freehold land and buildings is non-depreciable land of £11.0m (2012: £11.0m)

16. Intangible assets

	<i>Goodwill £m</i>
Opening balance at 1 January 2011	<u>234.4</u>
At 31 December 2011	<u>234.4</u>
At 31 December 2012	<u>234.4</u>
At 31 December 2013	<u>234.4</u>

As from 1 January 2011, the date of transition to IFRS, goodwill was no longer amortised but is subject to annual impairment testing (see note 17)

17. Impairment testing of goodwill

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

Carrying amount of goodwill allocated to each of the cash-generating units

<i>Cash generating unit</i>	<i>31 December 2013 £m</i>	<i>31 December 2012 £m</i>	<i>31 December 2011 £m</i>	<i>1 January 2011 £m</i>
Building Products	146.1	146.1	146.1	146.1
Terrain	31.4	31.4	31.4	31.4
Civils	36.0	36.0	36.0	36.0
Other	20.9	20.9	20.9	20.9
	<u>234.4</u>	<u>234.4</u>	<u>234.4</u>	<u>234.4</u>

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Impairment tests on the carrying values of goodwill are performed by analysing the carrying value allocated to each cash generating unit against its value in use. Value in use is calculated for each cash generating unit as the net present value of that unit's discounted future cash flows. These cash flows are based on budget cash flow information for a period of one year, construction industry forecasts of growth for the following four years and growth of 2 to 3% thereafter.

A pre-tax discount rate of 10.6% has been applied in determining the recoverable amounts of cash generating units. The discount rate is estimated based on the Group's risk adjusted cost of capital.

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements and no such impairments were identified.

18. Investments

(a) Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital at 31 December 2013 are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Pipe Luxembourg Sarl	Luxembourg	Ordinary £1	100%
Pipe Holdings 1 Plc	England & Wales	Ordinary £1	100% *
Pipe Holdings 2 Plc	England & Wales	Ordinary £1	100% *
Pipe Holdings Plc	England & Wales	Ordinary £1	100% *
Polypipe Limited	England & Wales	Ordinary £1	100% *
Polypipe France SA	France	Ordinary 200 EUR	100% *
Polypipe Italy SRL	Italy	Ordinary 0.52 EUR	100% *
Robimatic Limited	England & Wales	Ordinary £1	100% *
Polypipe Holdings Ireland Limited	Ireland	Ordinary £1	100% *

All the companies operate principally in their country of registration and in the same class of business as the group. The shares in the undertakings marked with an asterisk are held by subsidiary undertakings.

b) Investment in associate

The Group had a 26% interest in the Ordinary share capital of Timoleon Limited at 31 December 2011, a company which specialises in custom designed underfloor heating and cooling systems. The Group's investment in Timoleon Limited comprised:

	2013 £m	2012 £m	2011 £m	2010 £m
Goodwill	-	-	0.2	0.2
Share of post acquisition losses	-	-	(0.3)	(0.2)
	-	-	(0.1)	-
Amount due from associate	-	-	0.3	0.3
	-	-	0.2	0.3

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19. Inventories

	31	31	31	1
	December	December	December	January
	2013	2012	2011	2011
	£m	£m	£m	£m
Raw materials	13.1	12.6	9.9	9.2
Work in progress	4.2	3.8	2.3	2.7
Finished goods	21.6	21.2	22.7	21.6
	38.9	37.6	34.9	33.5

All inventories are carried at cost less a provision to take account of slow moving and obsolete items

20. Trade and Other Receivables

	31	31	31	1
	December	December	December	January
	2013	2012	2011	2011
	£m	£m	£m	£m
Trade receivables	14.6	16.4	11.6	13.0
Other receivables	2.2	2.2	1.8	2.0
Prepayments and accrued income	4.6	4.5	4.1	3.9
	21.4	23.1	17.5	18.9

Trade receivables are non-interest bearing and are generally on 30 days credit

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Impairment losses

The Group maintains a substantial level of credit insurance covering the majority of its trade receivables which mitigates against possible impairment losses. Therefore such impairment losses are not significant.

The ageing of trade receivables at the reporting date was

	31 December 2013			31 December 2012		
	<i>Gross £m</i>	<i>Provisions £m</i>	<i>Net £m</i>	<i>Gross £m</i>	<i>Provisions £m</i>	<i>Net £m</i>
Not past due	14.0	-	14.0	13.1	-	13.1
Past due 1-30 days	0.4	-	0.4	0.8	-	0.8
Past due 31-90 days	0.5	(0.3)	0.2	2.9	(0.4)	2.5
Past due more than 90 days	0.4	(0.4)	-	0.3	(0.3)	-
Total	15.3	(0.7)	14.6	17.1	(0.7)	16.4

	31 December 2011			1 January 2011		
	<i>Gross £m</i>	<i>Provisions £m</i>	<i>Net £m</i>	<i>Gross £m</i>	<i>Provisions £m</i>	<i>Net £m</i>
Not past due	11.0	-	11.0	8.5	-	8.5
Past due 1-30 days	0.7	(0.1)	0.6	4.0	-	4.0
Past due 31-90 days	0.3	(0.3)	-	0.8	(0.3)	0.5
Past due more than 90 days	0.3	(0.3)	-	0.5	(0.5)	-
Total	12.3	(0.7)	11.6	13.8	(0.8)	13.0

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The movements in provisions for impairment of trade receivables are as follows

	£m
At 1 January 2011	0.8
Charged to the consolidated income statement during the year	0.1
Utilised during the year	(0.2)
At 31 December 2011	0.7
Charged to the consolidated income statement during the year	0.8
Utilised during the year	(0.8)
At 31 December 2012	0.7
Charged to the consolidated income statement during the year	0.1
Utilised during the year	(0.1)
At 31 December 2013	0.7

21. Financial assets

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m	1 January 2011 £m
Financial assets – current				
Forward currency derivative contracts	0.4	0.2	0.1	0.2

22. Cash and Cash Equivalents

Cash and cash equivalents comprise

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m	1 January 2011 £m
Cash at bank and in hand	65.1	45.0	37.8	19.3
Short term cash deposits	0.8	2.0	-	-
	<u>65.9</u>	<u>47.0</u>	<u>37.8</u>	<u>19.3</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group only deposits cash surpluses with major banks of high quality credit standing. At 31 December 2013, the Group had available £30m (2012, 2011, 2010 £30m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. £nil (2012, 2011, 2010 £nil) of these facilities fall for review within one year and the remainder is available until May 2015.

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23. Share capital and reserves

Authorised Share Capital

	31 December 2013		31 December 2012	
	Number*	£	Number*	£
A ordinary preference shares of £0 00001 each	9169.4	91,694	9169.4	91,694
AA ordinary preference shares of £0 00001 each	4315.8	43,158	4315 8	43,158
AAA ordinary preference shares of £0 00001 each	6978 5	69,785	6978.5	69,785
B ordinary preference shares of £0 005 each	122 4	612,007	122.4	612,007
D ordinary shares of £0 01 each	15.3	152,906	15.3	152,906
F ordinary shares of £0 005 each	61.2	<u>306,003</u>	61.2	<u>306,003</u>
		<u>1,275,553</u>		<u>1,275,553</u>
	31 December 2011		1 January 2011	
	Number*	£	Number*	£
A ordinary preference shares of £0 00001 each	9169.4	91,694	9169.4	91,693,551
AA ordinary preference shares of £0 00001 each	4315.8	43,158	4315.8	43,158,189
AAA ordinary preference shares of £0 00001 each	6978.5	69,785	6978.5	69,785,317
B ordinary preference shares of £0 005 each	122.4	612,007	122.4	612,007
D ordinary shares of £0 01 each	15.3	152,906	15.3	152,906
F ordinary shares of £0 005 each	61.2	<u>306,003</u>	61.2	<u>306,003</u>
		<u>1,275,553</u>		<u>205,707,973</u>

* Millions of shares

NOTES TO THE FINANCIAL STATEMENTS

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Allotted called up and fully paid ordinary share capital

	31 December 2013		31 December 2012	
	Number*	£	Number*	£
A ordinary preference shares of £0 00001 each	9,169.4	91,694	9,169.4	91,694
AA ordinary preference shares of £0 00001 each	4,315.8	43,158	4,315.8	43,158
AAA ordinary preference shares of £0 00001 each	6,978.5	69,785	6,978.5	69,785
B ordinary preference shares of £0 005 each	121.1	605,507	121.1	605,507
D ordinary shares of £0 01 each	15.3	152,906	15.3	152,906
F ordinary shares of £0 005 each	59.9	<u>299,503</u>	59.9	<u>299,503</u>
		<u>1,262,553</u>		<u>1,262,553</u>
	31 December 2011		1 January 2011	
	Number*	£	Number*	£
A ordinary preference shares of £0 00001 each	9,143.6	91,436	9,143.6	91,435,707
AA ordinary preference shares of £0 00001 each	4,315.8	43,158	4,315.8	43,158,189
AAA ordinary preference shares of £0 00001 each	6,978.5	69,785	6,978.5	69,785,317
B ordinary preference shares of £0 005 each	119.4	597,006	119.4	597,006
D ordinary shares of £0 01 each	15.3	152,906	15.3	152,906
F ordinary shares of £0 005 each	58.2	<u>291,003</u>	58.2	<u>291,003</u>
		<u>1,245,294</u>		<u>205,420,128</u>

* Millions of shares

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The A Ordinary Preference shares, the AA Ordinary Preference shares and AAA Ordinary Preference shares are non-voting (except with respect to class matters) non-redeemable shares. The AAA Ordinary Preference shares entitle their holders to a first ranking return on an exit event and in any return of capital on a winding-up, of up to the first £69.8m of proceeds. The AA Ordinary Preference shares are second ranking in respect of on an exit event of up to and in any return of capital on a winding-up, with an entitlement of up to £43.2m following payment to the AAA Ordinary Preference shareholders. The A Ordinary Preference shares are third ranking in respect of an exit event and the return of capital on a wind-up, with an entitlement of up to £91.7m following payment to both the AAA and AA Ordinary Preference shareholders.

The B Ordinary Preference shares are non-voting (except with respect to class matters) non-redeemable shares. The B Ordinary Preference shares carry no additional right to participate in profits. The B Ordinary Preference shares entitle their holders to a fourth ranking return on an exit event and in any return of capital on winding up, of up to £40.0m following payment to the AAA, AA and A Ordinary Preference shareholders.

The D Ordinary shares are voting non-redeemable shares and rank *pari passu* with the other ordinary shares as to dividends, voting rights and right to participate in any exit value or capital on a winding up.

The F Ordinary shares are voting non-redeemable shares and rank *pari passu* with the other ordinary shares as to dividends, voting rights and right to participate in any exit value or capital on a winding up.

Share Premium

	£m
As at 1 January 2011	111.5
Premium arising on reduction in nominal value of shares on 7 September 2011	204.2
As at 31 December 2011	315.7
Increase in share capital on 19 June 2012	0.2
At 31 December 2012	315.9
Cancellation of share premium on 20 December 2013	(315.9)
As at 31 December 2013	-

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure to support its business objectives and maximise shareholder value. The Group regards shareholders' equity and net debt as its capital.

At the year end the Group had senior secured notes of £150.0m, and cash of £65.9m. A key objective was therefore to maintain sufficient cash in order to meet the interest payments due on that debt.

During 2013 the company underwent a capital reduction exercise, whereby £315.9m of share premium account was transferred to distributable reserves.

No changes were made to the objectives, policies or processes during the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

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24. Trade and other payables (current)

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m	1 January 2011 £m
Trade payables	39.8	35.7	31.2	29.5
Other taxes and social security costs	7.9	10.8	7.3	5.7
Accruals	14.3	9.7	13.3	10.8
Other payables	-	0.7	2.5	2.4
	<u>62.0</u>	<u>56.9</u>	<u>54.3</u>	<u>48.4</u>

Trade payables are non-interest bearing and generally settled on 30 to 60 day terms

25. Financial liabilities

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m	1 January 2011 £m
Current loans and borrowings:				
Bank loans	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Non-current loans and borrowings:				
Bank loans ("revolver loan")	-	-	0.1	0.1
Senior secured notes - principal	150.0	150.0	150.0	150.0
- interest	2.4	2.5	2.5	2.5
- unamortised debt issue costs	(1.8)	(2.9)	(4.0)	(4.9)
Total non-current loans and borrowings	<u>150.6</u>	<u>149.6</u>	<u>148.6</u>	<u>147.7</u>
Other liabilities:	<u>2.0</u>	<u>2.2</u>	<u>2.7</u>	<u>4.5</u>

Loans

Senior secured notes

The senior secured notes had a nominal value of £150m at issuance. The rate of interest payable is 9.5% which is fixed and is payable on 1 May and 1 November each year. The senior secured notes are due to be redeemed on 1 November 2015 but can be redeemed at an earlier date subject to Make-Whole provisions.

The security is in the form of liens over substantially all of the assets of Pipe Holdings 2 Limited and its subsidiaries and a charge over the shares of Pipe Holdings 2 Limited.

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Revolver loan

The revolver loan has a facility of £30.0m of which £nil was drawn down at the year end. The loan is secured and accrues interest at a rate of LIBOR + between 2.75% and 3.5% per annum. The revolver facility expires in May 2015.

The Group is subject to a number of covenants in relation to its Revolver Loan which, if breached, would result in the Revolver Loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt as a multiple of EBITDA and asset coverage. At the year end the Group was not in breach of any bank covenants.

26. Commitments and contingencies

Operating lease commitments

The Group has entered into commercial leases on certain properties and plant and equipment. These leases have an average life of between 7 and 15 years.

Future minimum rentals payable under non-cancellable operating leases were as follows:

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m
<i>Land and Buildings</i>			
Within one year	0.1	0.2	0.1
After one year, but not more than five years	0.5	0.2	0.7
More than five years	10.4	12.0	13.2
	<u>11.0</u>	<u>12.4</u>	<u>14.0</u>
	£m	£m	
<i>Other</i>			
Not later than one year	0.2	0.2	-
After one year, but not more than five years	1.8	2.0	1.6
More than five years	1.5	1.2	0.3
	<u>3.5</u>	<u>3.4</u>	<u>1.9</u>

Capital commitments

As at 31 December 2013, the Group had commitments of £0.9m (2012: £3.0m, 2011: £3.3m) relating to plant and equipment purchases.

27. Related party transactions

The company was owed £0.1m (2012: £0.1m, 2011: £0.2m, 2010: £0.5m) by the Polypipe Employee Benefit Trust at 31 December 2013.

The company paid an annual management fee of £0.4m (2012: £0.4m, 2011: £0.4m, 2010: £0.4m) to Cavendish Square Partners Limited Partnership, manager of the Cavendish Square Partners fund which is a shareholder of the company.

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Compensation of key management personnel (including directors)

	2013 £m	2012 £m	2011 £m
Short-term employee benefits	2.4	2.1	1.8
Post-employee benefits	0.1	0.4	0.1
	<u>2.5</u>	<u>2.5</u>	<u>1.9</u>

Key management personnel comprise the executive directors and key divisional managers

28. Financial risk management objectives and policies.

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables and cash that are derived directly from its operations.

The Group is exposed to credit risk and liquidity risk.

The Group's senior management oversees the management of these risks which are summarised below.

Interest rate risk

The interest rate on its senior secured notes is fixed. Whilst fixed rates provide certainty of cashflow, there is a risk that the Group would not benefit from a reduction in market rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.

The group enters into forward currency contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates primarily in respect of US Dollar and Euro receipts.

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Foreign currency sensitivity

The following table demonstrates the sensitivity to a 10% change in the Euro exchange rate versus Pounds Sterling, the presentational currency of the Group used for translation purposes, on the net assets and consolidated net income of the Group. The Group's exposure to foreign currency changes for all other currencies is not material.

Change in exchange rate	Effect on net assets £m	Effect on consolidated income £m
2013		
10% strengthening of Sterling against Euro	(1.6)	-
10% weakening of Sterling against Euro	1.9	-
2012		
10% strengthening of Sterling against Euro	(1.5)	(0.1)
10% weakening of Sterling against Euro	1.9	0.1
2011		
10% strengthening of Sterling against Euro	(1.5)	-
10% weakening of Sterling against Euro	1.8	-

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with bank.

Trade receivables

Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or other forms of credit insurance.

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The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 28.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. At 31 December 2013, 77.6% of net trade receivables were covered by credit insurance which is subject to the normal policy deductibles.

Financial instruments and cash deposits

The group maintains strong liquidity through cash balances and deposits (£65.9m at 31 December 2013) and its undrawn £30m committed revolving credit facility which matures in May 2015.

Credit risk from balances with banks is managed by the Group's finance department. Investments of surplus funds are made only with banks that have as a minimum a single A credit rating. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2013, 31 December 2012 and 31 December 2011 is the carrying amounts as illustrated in Note 28.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group had cash and cash equivalents of £65.9m on 31 December 2013, £30m of undrawn and committed credit facilities and no debt maturities within twelve months.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2013

	< 3 months	3 to 12 months	1 to 5 years	Total
	£m	£m	£m	£m
Interest bearing senior secured notes				
- principal	-	-	150.0	150.0
- interest	-	14.2	14.3	28.5
Trade and other payables	62.0	-	2.0	64.0
	62.0	14.2	166.3	242.5

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Year ended 31 December 2012

	< 3 months	3 to 12 months	1 to 5 years	Total
	£m	£m	£m	£m
Interest bearing senior secured notes				
- principal	-	-	150.0	150.0
- interest	-	14.2	28.5	42.7
Bank loans	-	0.1	-	0.1
Trade and other payables	56.9	-	2.2	59.1
	56.9	14.3	180.7	251.9

Year ended 31 December 2011

	< 3 months	3 to 12 months	1 to 5 years	Total
	£m	£m	£m	£m
Interest bearing senior secured notes				
- principal	-	-	150.0	150.0
- interest	-	14.2	42.8	57.0
Bank loans	-	-	0.1	0.1
Trade and other payables	54.3	-	2.7	57.0
	54.3	14.2	195.6	264.1

At 31 January 2011

	< 3 months	3 to 12 months	1 to 5 years	Total
	£m	£m	£m	£m
Interest bearing senior secured notes				
- principal	-	-	150.0	150.0
- interest	-	14.2	57.0	71.2
Bank loans	-	-	0.1	0.1
Trade and other payables	48.4	-	4.5	52.9
	48.4	14.2	211.6	274.2

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Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements

	<i>Carrying Amount</i>			
	31 December 2013	31 December 2012	31 December 2011	1 January 2011
	£m	£m	£m	£m
Financial assets				
Cash	65.9	47.0	37.8	19.3
Trade and other receivables	21.4	23.1	17.5	18.9
Foreign currency derivative contracts	0.4	0.2	0.1	0.2
Financial liabilities				
Trade and other payables	(62.0)	(56.9)	(54.3)	(48.4)
Other bank loans	-	(0.1)	(0.1)	(0.1)
Senior secured notes	(150.6)	(149.6)	(148.5)	(147.6)
Other liabilities	(2.0)	(2.2)	(2.7)	(4.5)
	(126.9)	(138.5)	(150.2)	(162.2)
	<i>Fair Value</i>			
	31 December 2013	31 December 2012	31 December 2011	1 January 2011
	£m	£m	£m	£m
Financial assets				
Cash	65.9	47.0	37.8	19.3
Trade and other receivables	21.4	23.1	17.5	18.9
Foreign currency derivative contracts	0.4	0.2	0.1	0.2
Financial liabilities				
Trade and other payables	(62.0)	(56.9)	(54.3)	(48.4)
Other bank loans	-	(0.1)	(0.1)	(0.1)
Senior secured notes	(157.5)	(156.7)	(131.3)	(149.0)
Other liabilities	(2.0)	(2.2)	(2.7)	(4.5)
	(133.8)	(145.6)	(133.0)	(163.6)

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Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts

The fair value of the senior secured notes is based on their quoted mid point market value

The carrying value of short term receivables and payables are assumed to approximate to their fair values where discounting is not material

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 all relate to items categorised as Level 1,

As at 31 December 2013, the Group held the following financial instruments measured at fair value

	31 December 2013	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Derivative	0.4	0.4		
Financial assets				

	31 December 2012	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Derivative	0.2	0.2	-	-
Financial assets				

	31 December 2011	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Derivative	0.1	0.1	-	-
Financial assets				

	1 January 2011	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Derivative	0.2	0.2	-	-
Financial assets				

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29. Reconciliation of Equity and profit and loss under UK GAAP and IFRS

For all periods up to and including the year ended 31 December 2012, Hamsard 3054 Limited ("the Group") prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2013 are the first the Group is required to prepare in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The Group has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 1 January 2013 and the significant accounting policies meeting those requirements are described in note 2.

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 January 2011, the Group's date of transition to IFRSs, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRSs. As such, this note explains the principal adjustments made by the Group in restating its UK GAAP balance sheet as at 1 January 2011 and its previously published UK GAAP financial statements for the years ended 31 December 2011 and 31 December 2012.

The remeasurement adjustments relate to

- The reversal of goodwill amortisation charges previously allowed under UK GAAP
- Deferred tax treatment in respect of land and buildings
- The recognition of forward currency contracts as financial assets, not previously recognised under UK GAAP

A number of reclassification adjustments have also been made. Most of these relate to the different presentation requirements of IFRS compared to UK GAAP. A further reclassification has been made in the income statement to reallocate certain costs between expense categories, in order to give what management considers is a fairer presentation.

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRSs as effective for December 2013 year ends retrospectively. The Group has taken the following exemptions:

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS that occurred before 1 January 2011. Use of this exemption means that the local UK GAAP carrying amounts of assets and liabilities, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the UK GAAP carrying amount of goodwill must be used in the opening IFRS Statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2011.

The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquire. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRSs.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Estimates

The estimates at 1 January 2011, 31 December 2011 and 31 December 2012 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies) The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2011, the date of transition to IFRS, and as of 31 December 2011 and 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Group reconciliation of equity as at 31 December 2012

	31 December 2012 UK GAAP £m	IFRS reclass- ifications £m	IFRS remea- surement £m	31 December 2012 IFRS £m
Non-Current Assets				
Intangible assets	204.5	-	29.9	234.4
Property plant and equipment	81.9	-	-	81.9
Total non-current assets	286.4	-	29.9	316.3
Current Assets				
Inventories	37.6	-	-	37.6
Trade and other receivables	23.1	-	-	23.1
Deferred tax assets	3.6	-	(3.6)	-
Financial assets	-	-	0.2	0.2
Cash & cash equivalents	47.0	-	-	47.0
Total current assets	111.3	-	(3.4)	107.9
Total assets	397.7	-	26.5	424.2
Current Liabilities				
Trade and other payables	(56.9)	-	-	(56.9)
Financial liabilities	(2.6)	2.5	-	(0.1)
Income tax payable	(2.8)	-	-	(2.8)
Total current liabilities	(62.3)	2.5	-	(59.8)
Non-Current Liabilities				
Financial liabilities	(147.1)	(2.5)	-	(149.6)
Other payables	(2.2)	-	-	(2.2)
Deferred tax liabilities	-	-	(1.5)	(1.5)
Total non-current liabilities	(149.3)	(2.5)	(1.5)	(153.3)
Total liabilities	(211.6)	-	(1.5)	(213.1)
Net assets	186.1	-	25.0	211.1
Capital and reserves				
Equity share capital	1.3	-	-	1.3
Share premium	315.9	-	-	315.9
Foreign currency retranslation reserve	-	(0.9)	-	(0.9)
Retained earnings	(131.1)	0.9	25.0	(105.2)
Total equity	186.1	-	25.0	211.1

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Group reconciliation of equity as at 31 December 2011

	31 December 2011 UK GAAP £m	IFRS reclass- ifications £m	IFRS remea- surement £m	31 December 2011 IFRS £m
Non-Current Assets				
Intangible assets	219.2	-	15.2	234.4
Property plant and equipment	79.0	-	-	79.0
Investments accounted for using the equity method	0.2	-	-	0.2
Total non-current assets	298.4	-	15.2	313.6
Current Assets				
Inventories	34.9	-	-	34.9
Trade and other receivables	17.5	-	-	17.5
Financial assets	-	-	0.1	0.1
Cash & cash equivalents	37.8	-	-	37.8
Total current assets	90.2	-	0.1	90.3
Total assets	388.6	-	15.3	403.9
Current Liabilities				
Trade and other payables	(54.3)	-	-	(54.3)
Financial liabilities	(2.5)	2.5	-	-
Income tax payable	(2.1)	-	-	(2.1)
Total current liabilities	(58.9)	2.5	-	(56.4)
Non-Current Liabilities				
Financial liabilities	(146.1)	(2.5)	-	(148.6)
Other payables	(2.7)	-	-	(2.7)
Deferred tax liabilities	(0.1)	-	(5.5)	(5.6)
Total non-current liabilities	(148.9)	(2.5)	(5.5)	(156.9)
Total liabilities	(207.8)	-	(5.5)	(213.3)
Net assets	180.8	-	9.8	190.6
Capital and reserves				
Equity share capital	1.2	-	-	1.2
Share premium	315.7	-	-	315.7
Foreign currency retranslation reserve	-	-	(0.5)	(0.5)
Retained earnings	(136.1)	-	10.3	(125.8)
Total equity	180.8	-	9.8	190.6

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Group reconciliation of equity as at 1 January 2011

	1 January 2011 UK GAAP £m	IFRS reclass- ifications £m	IFRS remea- surement £m	1 January 2011 IFRS £m
Non-Current Assets				
Intangible assets	234.4	-	-	234.4
Property plant and equipment	82.0	-	-	82.0
Investments accounted for using the equity method	0.3	-	-	0.3
Total non-current assets	316.7	-	-	316.7
Current Assets				
Inventories	33.5	-	-	33.5
Trade and other receivables	18.9	-	-	18.9
Financial assets	-	-	0.2	0.2
Cash & cash equivalents	19.3	-	-	19.3
Total current assets	71.7	-	0.2	71.9
Total assets	388.4	-	0.2	388.6
Current Liabilities				
Trade and other payables	(48.4)	-	-	(48.4)
Financial liabilities	(2.5)	2.5	-	-
Income tax payable	-	-	-	-
Total current liabilities	(50.9)	2.5	-	(48.4)
Non-Current Liabilities				
Financial liabilities	(145.2)	(2.5)	-	(147.7)
Other payables	(4.5)	-	-	(4.5)
Deferred tax liabilities	-	-	(6.7)	(6.7)
Total non-current liabilities	(149.7)	(2.5)	(6.7)	(158.9)
Total liabilities	(200.6)	-	(6.7)	(207.3)
Net assets	187.8	-	(6.5)	181.3
Capital and reserves				
Equity share capital	205.4	-	-	205.4
Share premium	111.5	-	-	111.5
Foreign currency retranslation reserve	-	-	-	-
Retained earnings	(129.1)	-	(6.5)	(135.6)
Total equity	187.8	-	(6.5)	181.3

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Reconciliation of comprehensive income For the year ended 31 December 2012

	31 December 2012 UK GAAP £m	Reclass- ifications £m	Remea- surement £m	31 December 2012 IFRS £m
Revenue	282.0	-	-	282.0
Cost of sales	(176.9)	-	0.1	(176.8)
Gross profit	105.1	-	0.1	105.2
Selling and distribution costs	(27.3)	(16.7)	-	(44.0)
Administration expenses	(41.8)	16.7	-	(25.1)
Profit on disposal of property, plant and equipment	0.3	(0.3)	-	-
Goodwill amortisation	(14.7)	-	14.7	-
Operating exceptional items	0.2	0.3	-	0.5
Share of post tax profit/(loss) in associate	-	-	-	-
Group operating profit	21.8	-	14.8	36.6
Finance revenue	0.1	-	-	0.1
Finance expense	(15.7)	-	-	(15.7)
Profit before tax	6.2	-	14.8	21.0
Tax expense	(0.8)	-	0.4	(0.4)
Profit for the year	5.4	-	15.2	20.6
Other comprehensive income				
Exchange differences on translation of foreign operations	(0.4)	-	-	(0.4)
Total comprehensive income for the year net of tax	5.0	-	15.2	20.2

Notes to the reconciliation from UK GAAP to IFRS

Remeasurement adjustments comprise:

Movement in unrecognised forward currency contracts	0.1
Reversal of goodwill amortisation	14.7
Deferred taxation	0.4
Total	15.2

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Reconciliation of comprehensive income For the year ended 31 December 2011

	31 December 2011 UK GAAP £m	Reclass- ifications £m	Remea- surement £m	31 December 2011 IFRS £m
Revenue	286.4	-	-	286.4
Cost of sales	(190.0)	-	(0.1)	(190.1)
Gross profit	96.4	-	(0.1)	96.3
Selling and distribution costs	(27.6)	(16.5)	-	(44.1)
Administration expenses	(42.1)	16.5	-	(25.6)
Profit on disposal of property, plant and equipment	0.3	(0.3)	-	-
Goodwill amortisation	(15.2)	-	15.2	-
Operating exceptional items	(0.6)	0.3	-	(0.3)
Share of post tax loss in associate	(0.1)	-	-	(0.1)
Group operating profit	11.1	-	15.1	26.2
Finance expense	(15.5)	-	-	(15.5)
(Loss)/profit before tax	(4.4)	-	15.1	10.7
Tax expense	(2.1)	-	1.2	(0.9)
(Loss)/profit for the year	(6.5)	-	16.3	9.8
Other comprehensive income				
Exchange differences on translation of foreign operations	(0.5)	-	-	(0.5)
Total comprehensive income for the year net of tax	6.0	-	16.3	9.3

Notes to the reconciliation from UK GAAP to IFRS

Remeasurement adjustments comprise:

Movement in unrecognised forward currency contracts	(0.1)
Reversal of goodwill amortisation	15.2
Deferred taxation	1.2
Total	16.3

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

Restatement of cash flow statement from UK GAAP to IFRS

The transition from UK GAAP to IFRS has no effect upon reported cash flows generated by the Group. The IFRS cash flow statement is presented in a different format from that required under UK GAAP with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows in general.