

# Unipart Group of Companies Limited

Annual Report 2014



This publication comprises the full Annual Report and Financial Statements of Unipart Group of Companies Limited for 2014, prepared in accordance with the Companies Act 2006 and United Kingdom Accounting Standards, and includes the Chairman's Statement, the Strategic, Operating and Financial Review, the Directors' Report, the Independent Auditors' Report and the Financial Statements for the year ended 31 December 2014.

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## Chairman's Statement

### 2014 Financial Highlights

Revenue £m (continuing, including joint ventures and associates)	Total operating profit £m (including joint ventures and associates)	Net assets £m (excluding net pension deficit)	Net debt £m
<b>786.8</b>	<b>27.2</b>	<b>84.3</b>	<b>2.6</b>
2013 1,041.5	2013 26.2	2013 76.3	2013 25.2 Net cash

In 2014, the total Group operating profit, including joint ventures' and associates', grew from £26.2m in 2013 to £27.2m, an increase of 3.8%, and it is pleasing to be able to report that we have made a profit before interest and tax of £27.2m (2013 – loss of £6.1m), the highest profit before interest and tax reported for the Group since 2005.

Since the founding of the Group, our guiding philosophy has been to understand the real and perceived needs of our customers better than anyone else and to serve them better than anyone else.

In 2014, the reported Group turnover including joint ventures' and associates' shows a reduction year on year, to £786.8m. This is a result of working closely with a key customer to adapt the global supply chain solution provided, in order to meet their changing needs and strategy by moving away from a revenue-based model where Unipart owned the clients inventory to a third party logistics model where the Group earns fees based on the services provided. On a like-for-like basis, adjusting for the impact of this change and using constant foreign exchange rates, total Group revenue is actually ahead of 2013 levels.

Opportunities for growth across the Group continue to be strong, with new contracts and long-term extensions with existing clients across all sectors. In particular we have established a strong reputation as more than a basic transactional supplier by building on our engineering heritage to offer a far wider range of services to clients, such as Sky, and with new clients in the rail and automotive sectors.

The Unipart Way continues to provide our clients with strategic benefits as well as with significant improvements in cost, quality and delivery performance. Two of our newest clients, HSS, the UK and Ireland's national supplier of tool and equipment hire and specialist services, and international electricity and gas company National Grid, have implemented coaching and training programmes based on The Unipart Way led by our expert practitioners in the UK and in the USA.

We also continue to expand our core business in terms of new customers, products and markets. During the

year, we have established new logistics centres in both China and India and have developed IT systems to support our clients in these fast-paced markets, reflecting our dedication to remaining a leading provider of technology-led supply chain solutions.

We remain committed to our engineering and manufacturing heritage, as evidenced by the opening of new manufacturing facilities in the Midlands providing advanced engineering and 'next generation' technologies for the automotive sector.

We recognise that any successful Group must continue to find new ways 'to serve our customers better than anyone else'. Unipart is in a prime position to deliver such leading edge initiatives, with a strong culture of problem solving and continuous improvement at all levels of the business. Businesses within the UK are starting to realise the importance of organisational culture to drive operational excellence forward, but this is something that Unipart has been working on for over

## Chairman's Statement

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25 years and we use it as the basis for everything that we do.

An example of this innovation is our collaboration with Coventry University to design and develop a World-class Advanced Manufacturing & Engineering Institute. I am pleased to report that the facility was opened in 2014 and is already training engineering graduates that will go on to drive innovation in the next generation. This is the first time that a UK University has created such a facility within an operational manufacturing site and all concerned are pleased that the Institute has already won its first order from a high performance vehicle manufacturer.

It is important to us to not only develop new products and new markets, but also to ensure that we maintain the highest level of customer service within our existing operations. Unipart's philosophy of working, The Unipart Way, has acted as a platform to nurture levels of employee engagement which are amongst the best in the World. This, in turn, has provided the foundation for growth and has driven tangible results and benefits for our clients, along with their own customers.

In order to serve our customers' needs better than anyone else, the Group relies on its most important asset; its people. The Unipart Way is at the core of our strategy and unlocks hidden potential in people, inspiring innovation and building class leading employee engagement levels. We rely on our people to use the skills acquired on their personal Gate to Great journeys to increase productivity, as evidenced with another year of strong profits for the Group.

We have won various awards during the year, which affirms our commitment to our employees and to the operational excellence that they have delivered both for our clients and internally. We continue to develop and expand, with new partnerships and into new markets, giving us increasing opportunities to work on our long

standing goal of 'delivering outstanding personal customer service' to all of our clients.

We have again been recognised within our core logistics industry in 2014, with external awards across the business, including double success in the prestigious European Supply Chain Excellence Awards, namely the Consumer Products Award in conjunction with Kimberly-Clark and the Rising Star Award for one of our Business Solutions Managers who joined us as a graduate trainee. Additionally, Unipart was one of only four organisations Worldwide to achieve a double award of the British Safety Council Sword of Honour and Globe of Honour, highlighting us amongst the World's safest companies to work for.

I concluded last year's statement by thanking all of our employees for their dedication to The Unipart Way and for the contribution that they have made to our business. This is just as important this year, for without their hard work and passion to progress on their personal Gate to Great journeys, we would not be able to continuously achieve our long-standing objective of delivering outstanding personal customer service to all of our clients. This is evidenced by the continuing Mark in Action awards, with 2,768 people being recognised since the commencement of the awards in 1987 for going above and beyond to deliver this philosophy.

Finally, we recently received the very sad news that Lord Sheppard, Unipart's honorary president and former chairman has passed away. We owe a deep sense of gratitude to Lord Sheppard for his wise counsel and values-based leadership over many years. He generously gave our company his knowledge, his expertise and his skill to help Unipart Group become the success story it is today. He will be deeply missed.

## Strategic, Operating and Financial Review

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### Strategy

Unipart has had a consistent strategy for nearly 30 years. Its foundation is in our guiding philosophy; “To understand the real and perceived needs of our customers better than anyone else, and to serve them better than anyone else.”

For Unipart to deliver outstanding levels of performance to our customers, we need to challenge and inspire our people to progress on their personal Gate to Great journeys, a concept designed to empower our people to master The Unipart Way, our own philosophy of working that is underpinned by a set of tools and techniques necessary to solve problems every day. This requires us to build and sustain a culture in which we create leaders at every level in the business. Their role is pivotal in driving and sustaining employee engagement and continuous improvement.

Culture change is not rocket science ... it's harder than that, and it takes many years of strategic commitment to develop people to levels of mastery that exceed even their own expectation. The Unipart Way is based on a profound belief in people and we remain committed to helping them unlock their potential through various initiatives that have been implemented globally, including:

- The Unipart U – This is one of the longest established corporate universities in the UK. It was opened in 1993 with the Mission Statement: ‘to train and inspire Unipart’s people to achieve World-class performance within the Company and amongst its stakeholders’.
- Faculties on the Floor – This concept has been developed as a direct extension of the Unipart U, to bring learning directly on to the shop floor. It enables individual employees to develop the key knowledge and skills that are required to improve quality and productivity in their day-to-day jobs. It also enables teams to tackle production issues in real-time using proven problem solving tools and techniques within the faculty and then immediately prove their learning by implementing solutions directly on the production line.
- eCoaching – Our electronic coaching system is a comprehensive, cost effective system that enables our expert practitioners to train and coach people anywhere in the World. They can provide coaching in the moment by using technology to create a virtual ‘go and see’ to help people apply the right tools in the right sequence at the right time.

This continuing strategy for Unipart’s development is based on the knowledge and confidence that we can extend The Unipart Way to people working in virtually any sector and in any geography. The Unipart Way unlocks hidden potential in people. It is in harmony with the human spirit in which people have a desire to learn, to achieve, to be recognised and to develop others.

It is our investment in this strategy that has led to global brands trusting us with their business. The success of our Unipart Way toolkits are increasingly becoming product offerings in their own right and are providing our clients with a proven platform for building employee engagement and driving continuous improvement and innovation in any workplace environment.

Our growth has been strong in the UK; we have long-term, enduring relationships with some of the World’s most prestigious and challenging blue chip companies. We have supported these clients as they expand their opportunities across the globe, which in turn has contributed to our own strategy for international growth.

We have invested nearly 30 years in building The Unipart Way and we will continue to strive to make this philosophy of working second nature, not only in our own companies but also for our growing number of clients, driving productivity and delivering operational excellence. In 2014 in particular, we have welcomed a number of new clients across a wide variety of sectors including Automotive, Technology, Rail and Consultancy.

The words of our philosophy may be replicated by other organisations, but the investment, commitment and knowledge that turns that statement into a unique culture within Unipart cannot be copied. It continues to be our strategic advantage and our cornerstone for growth.

## Strategic, Operating and Financial Review

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### Operating Review

The Unipart group of companies ("the Group") provides supply chain and logistics solutions to its clients across a diverse range of customer market sectors, the nature of which does not significantly affect the type and breadth of the Group's services provided. The main market sectors of the Group's customers are considered below.

#### Automotive

The Group has continued to grow its partnerships with automotive clients during 2014 and is pleased to have been awarded a number of new logistics' contracts.

Construction, agricultural, ground care machinery, and engine manufacturer, Kubota UK appointed Unipart to manage its national parts distribution and logistics function from our Oxford distribution centre. The contract, initially awarded for five years, coincides with Kubota's push in to the mainstream agricultural sector positioning Unipart as its strategic partner for growth.

Clients choose Unipart not only because of our in-depth logistical expertise and experience of managing complex global supply chains, but also because of our IT system capability and ability to engineer and transform businesses. During the year, the Group has developed an innovative Global Logistics Application Suite (GLAS), which provides clients with fingertip control of their Worldwide inventory and logistics, driving improvements in productivity and customer service.

Unipart established new logistics centres for Qoros Automotive in China, implementing our own end-to-end aftermarket IT systems to support our clients' growth in such a fast-paced market. The Group also developed new logistics centres in both China and India for global automotive clients such as Toyota.

In addition, the long-term partnership that Unipart enjoys with Jaguar Land Rover has been extended by the establishment of a new logistics centre and IT system for their Indian operations.

Within the UK our contract with Mobis, the parts operation of Kia and Hyundai cars continues to grow providing parts and accessories to over 350 UK dealers.

The Group's principally commercial vehicle business has been rebranded Unipart Autoparts and is building a combined commercial vehicle and car parts proposition for both B2B and B2C. Following the collapse of the aftermarket branch operations business (which was sold in 2011), a supply contract has been agreed with Andrew Page, one of the UK's largest distributors for auto parts, for Unipart branded car parts. As the Group's residual investment in the Unipart Automotive business was fully written off in 2013, the administration of the business did not have a material impact on the Group's result for the year.

The wide variety of aftermarkets' products offered through the Group's Van Wezel and Intertruck brands continue to be a success, with these sectors recording their highest sales to date in 2014. The Group has revamped catalogues and concepts, adding 4,000 products lines to the Intertruck brand during the year. Products are reaching increasingly diverse geographical markets in Eastern Europe, the Middle East and Africa, leaving the Group in a strong position.

#### Technology

Unipart continues to deliver sector-leading service levels to global technology clients, successfully delivering innovation and significant cost down initiatives, resulting in the Group celebrating the recognition of their award-winning service during the year.

In particular, Unipart has continued to pursue innovation across the mobile phone sector, developing ways of keeping devices in customers' hands with a focus on customer experience and, as a result, Unipart won the award for Best Returns Avoidance and Repair Service at the 2014 Mobile Industry Awards.

Unipart strengthened ties and achieved growth with one of the World's leading technology brands, with the services being extended to include technical screening activities and creating 180 new jobs in the Midlands.

## Strategic, Operating and Financial Review

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### Technology (continued)

The Group's long-term partnership with Sky also continues to develop. Our journey began in 2004 as a fulfilment operation, providing delivery of Sky set top boxes to its national workforce of field engineers. Unipart was subsequently awarded Sky's set top box repair business, but aspired to be much more than a basic transactional repair supplier and saw the opportunity to reduce the need for this process by capturing the root causes of failure. The solution quickly realised huge benefits for Sky, generating significant annual savings and reducing fault diagnosis times by 90%. In 2014, building on the strength and success of our 10 year partnership, Sky awarded Unipart a contract extension across all service areas, including forward and reverse logistics, set top box repair and Fleet management, supporting over 2,800 Sky engineers.

In addition to engineer fulfilment and repair services, our position at the heart of Sky's supply chain enables us to play a fundamental role in the shared vision to have a more environmentally friendly supply chain. The Group is committed to playing an active part in achieving Sky's target to reuse or recycle 100% of all returned products by 2020 and has delivered significant benefits over the years, with Unipart and Sky being jointly awarded the European Supply Chain Excellence Award for Environmental Improvement and Recycling in 2012. To date, Unipart has recycled or reused over 13 tonnes of waste for Sky.

### Rail

Unipart provides a wide range of products as well as a full spectrum of logistics and distribution services to almost all of the rail operators and contractors in the UK rail market and has a growing presence internationally. In addition to providing clients with solutions to a complex supply chain, Unipart also offer a comprehensive product reconditioning, repair and manufacturing operations.

Sales growth was achieved across the business and it was particularly pleasing to see record levels in all of the manufacturing and overhaul operations, these being UK based and enhancing the UK's manufacturing growth. More rapid and focussed product innovation has also contributed well to the growth.

International development saw further success in Australia, Hong Kong, South Africa, Canada, the USA and Ireland. Importantly, relationships are being built that will enable longer term growth to be achieved and sustained.

In 2014, the business reviewed and relaunched its market offering under seven key propositions, which demonstrate the breadth of the Group's capability. The propositions are products; supply chain services; manufacturing; overhaul and repair services; product innovation; consultancy and technical support.

In the UK, the business has continued to achieve high contract retention rates with train operators, even with the high level of franchising that is taking place. The Infrastructure market is seeing high levels of investment and we are actively supporting this whilst also responding to the ongoing industry challenges to reduce costs.

Close engagement with clients remains a key part of doing business. The Unipart Way and the Group was pleased to be one of the first in the rail industry to gain the BS11000 accreditation that recognises Business Collaboration.

The Australia associate has completed its second full year of operation to provide inventory management and purchasing expertise to the operator of passenger fleets in New South Wales in conjunction with a partner (United Group) who provide vehicle maintenance and has once again exceeded expectations.

### Retail

HSS Group recognised our logistics capability when they chose Unipart as their partner to operate a national distribution centre for parts provision and to instigate a unique version of The Unipart Way management system to drive engineering excellence throughout its operation. Whilst HSS were initially interested in Unipart because of their capabilities to implement The Unipart Way over multiple sites, as they began to learn more about The Unipart Way and the wider capabilities of the Group, they understand that working in partnership we can drive operational excellence across their business.

HSS operates a nationwide network of more than 265 distribution centres and branches, and a UK and Eire logistics operation that ensures easy access to an extensive range of tools and equipment. Unipart will help to optimise HSS Group's engineering service capabilities and improve their logistics operations whilst operating a national distribution centre in Honeybourne, consolidating HSS' replacement parts provision through Unipart and employing Unipart Way practitioners to drive class leading engineering standards throughout its network, as the basis for an effective long-term partnership.

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### Retail (continued)

Unipart has spent decades developing The Unipart Way and building the systems, processes and skills to get any item from anywhere in the World to anywhere in the World under total process control, while continuously shortening cycle times. Our partnership with HSS will continuously improve the great service they give their customers.

Unipart was pleased to secure a new contract with Kimberly-Clark and now operates three UK sites covering 1.2 million square feet of warehousing, including two automated Regional Distribution Centres. During the year, Unipart was awarded the Consumer Products Award at the prestigious European Supply Chain Excellence Awards, with a project that saw us work in partnership with Kimberly-Clark to successfully merge two of their Italian sites.

Our achievements would not have been possible without a talented and dedicated workforce. Reflecting our commitment to employee engagement, 32 members of Unipart staff, working on the Waterstones contract in Burton on Trent, have recently achieved an Apprenticeship in Logistics & Warehousing, accredited through Burton and South Derbyshire College.

In the early part of 2014, Unipart renewed its contract with the Royal Society for the Protection of Birds. The contract will see Unipart continue to handle all of the charity's e-retail, trade, and retail logistics, serviced from the company's shared user eFulfilment hub.

### Security, Aerospace & Defence

Unipart delivers complex supply chain solutions based on over 20 years of deliberate practice within our own businesses and continues to be a partner on the largest Aerospace & Nuclear supply chain development programme in the UK.

Throughout 2014, the Group has delivered a number of major projects and programmes, ranging from strategic transformation, business process re-design & improvements through to process recovery and turnaround, including our support of a major UK based automotive manufacturer with their supplier development and the management, redesign and implementation of business processes for a major infrastructure services client.

### Consulting

2014 has been a highly successful year for Unipart's consultancy business. Building on the 2013 recovery from a period of downturn and extremely difficult market conditions, 2014 revenues were the highest they have been since the Group bought its proposition to market in 2006, and were more than double those of 2013; the reassuring signs of a steady return to health are prevalent.

In 2014, the practice enjoyed particular success with international electricity and gas company National Grid, where Unipart has supported a major training and coaching programme in both the U.K. and the USA.

Unipart began its work with National Grid in the UK where Unipart is helping the company to implement a programme called Performance Excellence, a way to engage people at every level of the organisation in making improvements using The Unipart Way tools and techniques. The aim is to help improve the service that National Grid's customers, communities and other stakeholders continue to receive.

Unipart is now working across National Grid's operations in the US providing practical training and coaching at all levels. It extends from front line operational teams, who are aiming to respond to customer needs as quickly and effectively as possible, to support areas of the business such as procurement, finance and HR.

In addition, the practice continues to support major clients in Infrastructure, Automotive, Aerospace and, in particular, the Health sector, where the Group has delivered valuable improvements across multiple Trusts, hospitals and other health-related organisations. Having built strong relationships and compelling case studies, along with our proven capability for delivering significant improvements, the strategy for the Health sector supports exciting opportunities for growth.

The Financial Services sector, however, had another difficult year; whilst Unipart has maintained strong client relationships and continued to develop its proposition, many major transformational programmes in the sector were halted in 2014 as clients focused on major restructures and reorganisation programmes following changes such as regulatory demands, ownership models and external intervention in the banking sector.



## Strategic, Operating and Financial Review

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### Consulting (continued)

Much of the focus in 2014 was placed on building an infrastructure to further develop and standardise the deployment of The Unipart Way, both within the Group's operations and to our consultancy clients with the reassuring return of tenders and proposal requests for multi-year, high revenue major transformation programmes, these efforts leave Unipart in a strong position looking forward to 2015 and beyond.

### Manufacturing

Unipart continues to be a leading provider of technology-led, high quality, innovative products that fulfil the needs of customers in the manufacturing and engineering sectors. In addition, the Group also offers manufacturing and overhaul operations to clients in the Rail sector.

Through the manufacturing operations, including a joint venture with Kautex Textron Inc., the Group supply advanced plastic fuel tank systems and complete exhaust systems, steel fuel tank systems and high pressure fuel rail systems, respectively. All of these components are central to our customer's goals of achieving lower weight, reduced emissions and improved fuel economy, at lower cost.

Our manufacturing sites achieved their highest output to date, at the equivalent of just under 700,000 vehicles, during 2014. This was a result of our use of The Unipart Way to deliver productivity improvement, mirrored with investments in new manufacturing capacity. New factories were opened during the year, each equipped with new production technologies. The success of 2014 has resulted in a strong platform from which further expansion of capacity and the introduction of new technologies is planned for 2015, to come into production during 2016.

The Group also provides a full range of heat exchanger and pressure vessel related products and services including maintenance and refurbishment, design and manufacture, installation and consultancy. Our capability is recognised globally, with operations in the Middle East and US as well as the UK, and services a wide range of sectors, including power generation, oil and gas, marine, utilities, rail and steel. The broad customer base includes FTSE 100 and global blue chip companies and the Group also supplies a range of advanced products and services to the Automotive and Motor Sport sectors, where customers include a number of Formula 1 racing teams.

The Group's strategy to deliver engineering innovation and development of workforce skills was further enabled during the 2014 with the opening of the Advance Manufacturing & Engineering Institute (AME) in collaboration with Coventry University on the Unipart site in Coventry. Whilst academic skills are learnt in a University, to truly learn and build teamwork, it has to be on the shop floor and this is the basis for AME. This is the first time that a university in the UK has created such a facility within an operational manufacturing site and it aims to develop industry-ready, World-class engineering graduates, accelerating next generation technologies for automotive, aerospace, oil and gas, rail and renewables sectors. During the year, the Institute won an initial development programme order to design, prove and manufacture a new concept for light-weight exhaust systems during 2015 for a high-performance vehicle manufacturer.

## Strategic, Operating and Financial Review

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### Corporate Responsibility

In 2014, Unipart achieved was recognised as one of the top 10 performing companies in the UK in Business in the Community's 2014 Corporate Responsibility Index, the UK's leading benchmark of responsible business. This outstanding achievement rates Unipart amongst the top companies in the World for environmental, community, workplace and business practices.

Engaging our employees is part of Unipart's day to day activity, is embedded in our value set and is intrinsically linked with The Unipart Way. In addition, for many years we've been pursuing a wellbeing strategy with one of the best safety records in the country, leading edge health and fitness provision like the 'Lean Machine' gym and a wide range of policies for looking after our people. This was recognised with a big tick and a place in the national shortlist at the highly regarded Business in the Community Responsible Business Awards.

During 2014 we have taken this a step further and developed our approach to employee wellbeing in a comprehensive strategy and programme called 'Unipart Workwell' which was launched towards the end of the year. Unipart Workwell encompasses emotional wellbeing, safety, financial health and personal health and will be further developed during 2015.

The Group's 'Emerging Talent' programmes continue to be key to the future of our business. Through these programmes we provide work experience, training, support, development and, in some cases, employment to young people from school age up to graduates and post graduates. In 2014, in an exciting development to these programmes, we were immensely proud to open the Institute for Advanced Manufacturing and Engineering (AME) a venture in partnership with Coventry University and the UK's first 'university on the Factory Floor'.

Youth unemployment continues to be an issue across the whole of UK and in response we worked closely with Job Centre Plus staff and designed, piloted and launched 'Unipart Inspires', a training programme which brings together work experience and training in job-hunting skills such as interview practice, CV writing and using social media to search for jobs. We were delighted that, of the 18 delegates on our pilot programme, 17 went on to secure full time work, 5 of those with us.

Unipart understands that our employees enjoy raising money for charity and volunteering in community projects; and we recognise the positive impact that such activities have on employee engagement. We also understand that, for such activities to make a genuine and lasting impact on our communities, they need to be linked to an overall strategy that reflects prevailing societal issues both nationally and locally.

Consequently we have developed a clear Community Strategy which has been shared across our Group of Companies and set up appropriate structures at a local level to ensure a balance between the Group strategy and local needs. Our overall approach aims to enhance the sense of 'fun' and satisfaction that our people derive from community activity whilst establishing formal partnerships in our communities. We have a well-established community audit process to encourage consistency and share best practice. As such, in 2014 community partnerships were incorporated into our prestigious Unipart Way Awards.

Unipart also led the development of a 'Business Class' programme within Oxford. Business Class is a structured programme that links individual companies with a partner school. The Oxford cluster grew to some seven companies providing mentoring and other activities within secondary schools. It is estimated that some 3,000 pupils will have benefited from the programme.

The constant drive to reduce our energy use and emissions can be at odds with our on-going drive to grow our business and create jobs, particularly in the manufacturing sector; and this presents us with a particular challenge. We are particularly proud, therefore, that our approach of putting 'creativity before capital' has continued to deliver results and our environmental performance as a Group has continued to improve

Our clients have their own, challenging, environmental objectives and we work closely with them to seek new ways of reducing costs and turning environmental risk into opportunity. As a result we have developed a suite of sustainable products and services including repair and repair avoidance, reverse logistics and disposition, fleet services and recovery and recycling.

The Group has an unrelenting focus on ensuring safety in the workplace, and we were proud to be recognised at all of our major UK sites with the highly prestigious British Safety Council Sword of Honour Award 2014. The Oxford Distribution Centre again achieved a double award, earning both the Sword of Honour and the Globe of Honour Award; one of only four organisations Worldwide to do so. This performance in the area of Health, Safety and Environment puts Unipart amongst the World's safest companies to work for.

## Strategic, Operating and Financial Review

### Financial Review

#### Key performance indicators

	2014	2013	Variance	2012 (restated)	Variance
Revenue from continuing operations, including joint ventures and associates	786.8	1,041.5	-24.5%	978.2	+6.5%
Total operating profit including joint ventures and associates	27.2	26.2	+3.8%	28.8	-9.0%
Profit before interest and tax	27.2	(6.1)		15.8	
Net debt/(cash)	2.6	(25.2)		16.8	
Net assets excluding net pension deficit	84.3	76.3	+10.4%	97.5	-21.7%
Return on net assets using total operating profit and net assets excluding pension liabilities	32.3%	34.3%	-2.0%	29.5%	+4.8%

#### Turnover

Group turnover from continuing operations, including share of joint ventures and associates, reduced to £786.8m from £1,041.5m. The drop in turnover is purely due to a change in the basis of a key customer contract whereby the Group was previously responsible for inventory ownership to a third party logistics services basis, this change was effective from 1 January 2014. This reduction is not a true reflection of the activity levels of the Group with its customers, since underlying sales, excluding the impact of this contract and at a constant foreign exchange rate, have actually increased in 2014.

#### Operating profit

Total operating profit was £27.2m (2013 - £26.2m), an increase on prior year performance of 3.8%, illustrating that the reduction in reported turnover has not impacted underlying performance throughout the Group.

#### Profit/(loss) before interest and tax

PBIT was £27.2m, compared to a loss in 2013 of £(6.1)m due to the exceptional items incurred in the prior year.

#### Interest and other financial income and charges

Net interest payable for the year reduced from £3.1m in 2013 to £2.7m. The net other finance charge of £7.6m reflects the net financing charge on pension schemes of £7.1m (2013 - £5.0m), resulting from the net of the return of the pension schemes' assets compared (which actually performed better than expected in 2014) with the interest on liabilities, as prescribed by FRS 17, together with the charge on unwinding of discounting on provisions and accruals of £0.5m (2013 - £0.6m).

#### Tax

The overall tax charge for the year is £7.5m (2013 - £3.6m), an increase on 2013 due to the increased profit before tax and higher deferred tax charge relating to the reassessment of brought forward trading losses and capital allowances available to offset future trading profits.

#### Funding position

The Group reports a net debt position as at 31 December 2014 of £2.6m. The net cash position of £25.2m reported as at 31 December 2013 was the result of the successful renewal of a key contract that impacted turnover in 2014. Due to the move away from a full inventory management and ownership model, there was a cash inflow from the movement in inventory in 2013 (note 24) and, as expected, there was a reversal of this working capital benefit in 2014 as the associated liabilities were settled. The Group has significant borrowing facilities available and there is sufficient headroom available under these facilities to finance the on-going activities of the Group.

#### Shareholders' funds

The net assets of the Group, excluding the net pension deficit, have increased to £84.3m, from £76.3m. The total deficit in shareholders' funds at 31 December 2013, of £228.7m, has increased from £202.2m, reflecting increase in the deficit on the pension schemes.

## Strategic, Operating and Financial Review

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### Pensions

Future accruals to the Group's two main defined benefit schemes ceased in 2005. Since then, the Group has undertaken significant activity to address its obligations to these schemes. A Scheme Specific Funding Plan for the Group's two largest schemes was agreed with the Trustees and implemented based on the 31 January 2010 actuarial valuation.

As at 31 December 2014, the net deficit under FRS 17 on the Group's defined benefit pension schemes had risen to £313.0m (2013 - £278.5m). Whilst returns on the assets held by the pension schemes during 2014 were positive, the increase in liabilities led to the overall increase in net deficit. The difference between the discount rate and inflation rate assumptions had reduced to 0.89%, compared to 1.41% in 2013. This, along with the impact of current market conditions, gives rise to an increased deficit in 2014.

### Going concern

The Group accounts have been prepared on a going concern basis. Account has been taken for the deficit on shareholders' funds set out above, however the Group remains profitable. The Group continues to have significant borrowing facilities available and sufficient headroom is available in respect of these combined facilities to finance the on-going activities of the Group.

### Dividends

The Board is not proposing a dividend for the year, but further investments are being made to consolidate the Group's position, to enable the Group to develop and grow the business as opportunities arise in the forthcoming year.

### Treasury policies

The Group's financial risks are managed centrally by Group Treasury, with policies that are approved by the Board.

#### (a) Interest rate risk

Interest rate risk in respect of debt is reviewed on a regular basis. In order to protect against the volatility of interest charges, interest rate swaps and interest 'Caps' and 'Collars' are used for appropriate proportions of the debt as required.

#### (b) Foreign currency risk

The Group's net transactional currency exposures, arising principally in U.S. Dollar, Euro and Japanese Yen, are hedged to 'protect' forecast gross profits and cover short term currency exposure. The hedges are enacted through forward and spot currency contracts and options entered into by Group Treasury on the basis of trading projections.

The Group enters into foreign exchange and interest rate contracts as part of its normal course of trading when material. The resulting derivatives are not included at fair value in the Group Balance Sheet at 31 December 2013. The extent and fair value of these derivatives is of such a level that it does not materially affect the reported results and, as a result, has not been disclosed.

#### (c) Liquidity risk

The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group. In the context of the current banking environment the Group is pleased to have secured medium-term banking facilities and continues to maintain strong control over working capital.

#### (d) Counterparty risk

The investment management of liquid funds aims to maximise the return on net funds subject to the security of the principal and the liquidity of the Group. The Group has identified counterparties of suitable creditworthiness.

### Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. A summary of the key business risks affecting the Group is set out below:

#### (a) Competition

Across the various areas of its logistics services, the Group operates in a highly competitive market which applies pressure to the sales and margins that can be achieved. Through the thorough application of The Unipart Way, the Group seeks to differentiate itself from its competitors by offering superior levels of quality, service and availability to its customers. The Group also differentiates itself through the broad spectrum of supply chain solutions it can provide and tailor for its customers.

#### (b) Customer contracts

Over a number of years, the Group has developed a significant number of long-term partnerships with its clients, with both sides investing in the relationship for mutual benefit. As a result, the loss of any major clients would represent a risk to the Group. However, this risk is mitigated through continued diversification with new clients, close client management at various levels and long-term contractual relationships. The Group manages varying degrees of its clients' supply chains, including holding inventory at the Group's Worldwide warehouses. Through tight controls and continuous improvement processes, the Group minimises the risk of loss of its own or clients' inventory.

## Strategic, Operating and Financial Review

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### (c) Pension deficit

The Group's risks in the pensions' deficit in the defined benefit schemes remain the exposure to external factors such as discount rates, rates of inflation, market returns and mortality rates as these factors can have a significant impact on the Group's pension schemes' financial position. Further details of the position of the pensions schemes is set out in note 28.

### (d) Global recession

In recent years, the recession has had a pervasive effect on the economy as a whole, and on the automotive market in particular. The Group is well diversified in both the products and markets it operates in and also in the long-term customer relationships it has developed, therefore the risk it is exposed to is reduced. In addition, having secured medium-term funding arrangements, the Group continues to maintain sufficient banking headroom for future investments.

### (e) Political and economic

Political, regulatory, economic and legal systems in emerging markets may be less predictable than in countries with more stable institutional structures. Since Unipart operates in, and are exposed to, emerging markets, our local operations in these markets may be adversely affected by political, regulatory, economic, tax and legal developments which are beyond our control. Unipart consults with professional advisors in all markets in which the Group operates in to ensure compliance with local regulations to minimise this risk, and periodically review the level of investments maintained in overseas territories.

### (f) IT vulnerability

The risk of breaches to IT security, which can lead to the loss or corruption of controlled data due to unauthorised access, is mitigated by the deployment of multiple layers of software and processes, including web and mail gateways, filtering, firewalls, intrusion detection and vulnerability assessment. The Group has established multi-modal security awareness campaigns and bases its security and risk regime on enterprise policy. The Group also recognises the growing risk and increasing severity of cyber attacks and continue to monitor and focus on such risks as they emerge.

The Strategic, Operating and Financial Review was approved by the Board and signed on its behalf.



**J.M. Neill CBE**

Chairman & Group Chief Executive

27 March 2015

## Board of Directors

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### **J M Neill CBE**

#### **Chairman & Group Chief Executive**

John Neill was appointed Chief Executive of the Group in 1987, having led the management buyout from British Leyland. John joined Unipart in 1974, becoming Managing Director in 1977. Together with the Board members and members of the Group Executive Committee, he is responsible for the day-to-day management and overall performance of the Group. He was appointed Chairman in July 2012.

He holds a number of key positions within the motor industry, including Vice President of the Society of Motor Manufacturers and Traders (SMMT), as well as being a Board member of the SMMT Industry Forum. He is also a non-executive director of Rolls-Royce Plc and the non-executive Chairman of Atlantis Resources Limited. He is a former director of the Court of the Bank of England and formerly a non-executive director of Charter International Plc and The Royal Mail. He has been awarded honorary Doctorates in Business Administration from several universities, including Oxford Brookes, De Montfort and Middlesex. He was also awarded the Honorary Degree of Doctor of the University of Strathclyde in recognition of the success of Unipart, its growth and expansion and, in particular, the implementation of The Unipart Way as a model for creating exceptional levels of performance through employee engagement.

### **A J Mourgue**

#### **Group Finance Director**

Tony Mourgue was appointed Group Finance Director in 1986, having joined Unipart in 1983. Prior to that, Tony worked with Black & Decker in the UK, with responsibilities in Europe, the Middle East and Africa, having qualified as a chartered accountant with Ernst & Young in London and Paris.

As well as managing the internal financial control of the Group, he has been responsible for executing the numerous acquisitions and disposals the Group has undertaken and has been closely involved with relationships with investors, including the original buyout, a share buy back and share transactions between institutional shareholders. He is also responsible for banking relationships and, having led the process to reduce Group debt, has put in place appropriate banking facilities for the Group.

### **J D Clayton**

#### **Managing Director**

John Clayton manages the Group's interests in the Rail and Autoparts sectors. This includes Board responsibility for the Rail associate in Australia. He is a member of the Group Executive Committee. Since joining Unipart in 1983, he has held senior financial and general management roles in the Group. John is a Council Member of the Railway Industry Association (RIA) which is the Trade Association for UK based suppliers.

In his earlier career, he qualified as a Chartered Accountant with Ernst & Young in Newcastle-upon-Tyne before joining Black & Decker, from where he moved to Unipart.

### **F W Burns**

#### **Managing Director**

Frank Burns manages the Group's interests across a range of sectors, including Automotive, Aerospace, Defence, Technology and Retail. Frank also has Board responsibility for the Group's Manufacturing Joint Venture interests, along with the Group's Consultancy Practices.

He started his career at Unipart in 1988, where he held a number of positions including specialising as the Managing Director of the Group's Manufacturing interests. In 1999 he moved into the Logistics arena and was appointed Managing Director during 2006. During the year, Frank was appointed as a Major in the Engineer and Logistics Staff Corps RE(V), which is a group of industry advisors to the MOD.

### **B S Jackson CBE**

#### **Non-executive Director**

Bryan Jackson was appointed to the Board in April 2013. He is also Chairman of Wesleyan Assurance Society, Chairman of Sharing in Growth and Chairman of John Smedley Limited. He was the Managing Director of Toyota Motor Manufacturing (UK) Limited until his retirement in 2004. Between 2004 and 2009 he was an advisor to Toyota in Europe. He is a past Chairman of the East Midlands Development Agency and the East Midlands CBI.

He received an OBE in 2000 for services to manufacturing and a CBE for services to economic development and manufacturing in the 2012 New Year Honours.

## Directors' Report

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The directors present their report and the consolidated financial statements for the year ended 31 December 2014.

### Results and dividends

The Group reports an operating profit of £27.2m (2013 - £26.2m). The Company has not paid, nor is it proposing to pay, any dividends in respect of the financial year ended 31 December 2014 (2013 - £nil). A more detailed review of the results can be found in the Strategic, Operating and Financial Review.

### Business review

Details of the Group's principal activities and an indication of likely future developments are described in the Chairman's Statement and the Strategic, Operating and Financial Review.

### Directors and directors' interests

The current directors served throughout the year and up to the date of signing of the report, with the exception of A M Vinton and S R Johnson, who both resigned on 16 May 2014. The biographical details of the current directors are listed on page 12. The beneficial interests of the current directors in the share capital of the Company at the year end are shown below.

Ordinary shares (A, D and E) of 1/2p each	31 December 2014 Number	1 January 2014 Number
<b>Beneficial holdings</b>		
J M Neill	7,767,082	7,767,082
A J Mourgue	1,397,324	1,397,324
J D Clayton	282,583	282,583
F W Burns	112,002	112,002
<b>Non-Beneficial holdings</b>		
J M Neill	898,020	898,020
<b>Ordinary 'A' shares under option in the Company</b>		
J D Clayton	145,000	145,000
F W Burns	395,000	395,000

No options were granted or exercised during the year.

There was no contract subsisting during or at the date of approval of the financial statements in which any director of the Company had a material interest; however, during the year and at the date of approval of the financial statements, a qualifying third party indemnity from the Company was available to the directors against liabilities incurred by them in defending proceedings against them in relation to the affairs of the Company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association.

### Financial risk management

The Group's operations expose it to a variety of financial risks that include the effect of changes in price risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk and cash flow risk. The Group enters into interest rate and foreign exchange contracts to reduce the level of risk that it faces. These policies are approved by the Board and are managed centrally by the Group's treasury department. Further details of the financial risks are disclosed in the Strategic, Operating and Financial Review.

## Directors' Report

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### Employees

The Group continues to involve employees in the decision-making process and communicates with all staff on various areas, including the economic and financial factors affecting the Group, via regular briefings, on-site training, employee forums and through our in-house news programme, Grapevine, which is available online and via DVD. Staff involvement in the Group's performance is encouraged through employee bonus and share schemes, and this involvement extends to the board of trustees of the main pension scheme, on which there are employee representatives. The Group's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative. The same principles are applied when an employee is affected by long-term illness, where the Group has a strong track record of supporting and rehabilitating our employees back to work. The Group applies an increased focus on 'prevention' through the introduction of Unipart Workwell, our Employee Health and Wellbeing Programme.

### Corporate Responsibility

The Group is fully committed to forming a culture based in responsible business. Details are described in the Strategic, Operating and Financial Review.

### Group Share Trust

In order to enable employees to buy shares and have an interest in the Group, a Group Share Trust was set up at the time of the original buyout in January 1987. It has independent trustees and, during dealing periods, it can offer to buy and sell shares. Periodically, it may also participate in schemes that enable employees to acquire shares and share options. It is not considered appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the Trust deeds governing the Group Share Trust, which prevent the Group from having de facto control over the Trust.

### Overseas branches

Details are set out in note 32 to the financial statements.

### Going concern

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Although the movement in the deficit on the pension schemes has resulted in a deficit on shareholders' funds, the Group reports £27.2m operating profit and has the benefit of medium-term borrowing facilities, as disclosed in note 17, and continues to maintain sufficient borrowing headroom for future investments. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.



## Directors' Report

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### Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have prepared the Group and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Company and of the profit or loss of the Group for that period. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

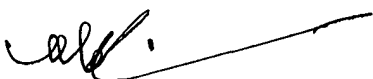
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the consolidated financial statements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

### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Group and the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group and the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf.



**M D Rimmer**  
Company secretary

Oxford, 27 March 2015

## Independent Auditors' Report to the Members of Unipart Group of Companies Limited

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### Report on the financial statements

#### Our opinion

In our opinion, Unipart Group of Companies Limited's financial statements ("the financial statements"):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2014 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

Unipart Group of Companies Limited's financial statements comprise:

- the Consolidated and Company Balance Sheet as at 31 December 2014;
- the Group Profit and Loss Account and Group Statement of Total Recognised Gains and Losses for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Operating, Strategic and Financial Review and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Independent Auditors' Report to the Members of Unipart Group of Companies Limited

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### Responsibilities for the financial statements

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

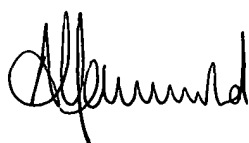
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Company'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.

We primarily focus our work in these areas by assessing the directors' judgments against available evidence, forming our own judgments, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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.



Andrew Hammond (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

Birmingham, 27 March 2015

## Group Profit and Loss Account

### For the Year Ended 31 December 2014

	Note	2014 Total £M	Continuing £M	Discontinued £M	2013 Total £M
<b>Turnover</b>					
Total turnover		<b>786.8</b>	1,041.5	14.8	1,056.3
Less: Share of joint ventures and associates		<b>(127.6)</b>	(132.2)	-	(132.2)
<b>Group turnover</b>	<b>2</b>	<b>659.2</b>	909.3	14.8	924.1
<b>Operating profit/(loss)</b>					
Group operating profit/(loss)	<b>3</b>	<b>20.3</b>	20.5	(1.0)	19.5
Share of operating profit in joint ventures		<b>3.2</b>	3.2	-	3.2
Share of operating profit in associates		<b>3.7</b>	3.5	-	3.5
<b>Total operating profit/(loss)</b>		<b>27.2</b>	27.2	(1.0)	26.2
Loss on disposal or termination of business	<b>4</b>	-	-	(11.2)	(11.2)
Amounts written off investments	<b>12</b>	-	-	(21.1)	(21.1)
<b>Profit/(loss) on ordinary activities before interest and taxation</b>		<b>27.2</b>	27.2	(33.3)	(6.1)
Group net interest payable		<b>(2.5)</b>			(3.0)
Share of joint ventures		<b>(0.2)</b>			(0.1)
Net interest payable and similar charges	<b>5</b>	<b>(2.7)</b>			(3.1)
Net other finance charge	<b>6</b>	<b>(7.6)</b>			(5.6)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>16.9</b>			(14.8)
Tax on profit/(loss) on ordinary activities	<b>7</b>	<b>(7.5)</b>			(3.6)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>9.4</b>			(18.4)
Equity minority interests	<b>22</b>	<b>(0.4)</b>			(0.4)
<b>Profit/(loss) for the financial year</b>		<b>9.0</b>			(18.8)

**Group Statement of Total Recognised Gains and Losses**  
**For the Year Ended 31 December 2014**

	Note	2014 £M	2013 £M
<b>Profit/(loss) for the financial year</b>			
Group		4.0	(23.7)
Share of joint ventures and associates		5.0	4.9
	22	<u>9.0</u>	<u>(18.8)</u>
Actuarial loss recognised on Group pension schemes	22,27	(44.1)	(79.3)
Deferred tax relating to actuarial loss on Group pension schemes	22	8.7	15.9
Effect of change in tax rate on deferred tax relating to Group pension schemes	22	-	(10.5)
Unrecognised asset relating to Group pension schemes	22,27	0.2	(0.4)
Deferred tax on unrecognised asset relating to Group pension schemes	22	-	0.1
Deferred tax on contributions to Group pension schemes	22	(0.8)	-
Actuarial loss recognised on joint ventures' pension schemes	22	(0.5)	(0.5)
Revaluation of freehold land and buildings	11,22	2.6	(1.8)
Foreign exchange adjustments		(1.7)	(0.7)
<b>Total losses recognised relating to the year</b>		<u><u>(26.6)</u></u>	<u><u>(96.0)</u></u>

**Note of Group Historical Cost Profits and Losses**  
**For the Year Ended 31 December 2014**

	2014 £M	2013 £M
Profit/(loss) on ordinary activities before taxation	16.9	(14.8)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	0.3	0.4
<b>Historical cost profit/(loss) on ordinary activities</b>	<u>17.2</u>	<u>(14.4)</u>
<b>Historical profit/(loss) for the year</b>	<u><u>9.3</u></u>	<u><u>(18.4)</u></u>

The notes on pages 23 to 50 form part of these financial statements.

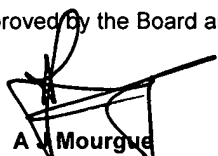
**Consolidated Balance Sheet**  
**As at 31 December 2014**

	Note	£M	2014 £M	£M	2013 £M
<b>Fixed assets</b>					
Intangible assets	10		0.7		0.9
Tangible assets	11		42.6		39.2
Investments in joint ventures					
-Share of gross assets		39.9		32.0	
-Share of gross liabilities		(26.9)		(19.2)	
	12		13.0		12.8
Investments in associates	12		5.3		5.0
			61.6		57.9
<b>Current assets</b>					
Stocks	13	74.2		71.8	
Debtors: amounts falling due after more than one year	14	11.0		17.8	
Debtors: amounts falling due within one year	14	120.2		143.6	
Cash at bank and in hand		28.4		47.6	
		233.8		280.8	
<b>Creditors: amounts falling due within one year</b>	15	(159.2)		(221.1)	
<b>Net current assets</b>			74.6		59.7
<b>Total assets less current liabilities</b>			136.2		117.6
<b>Creditors: amounts falling due after more than one year</b>	16		(32.4)		(17.0)
Provisions for liabilities	19		(19.5)		(24.3)
<b>Total net assets (excluding pension scheme liabilities)</b>			84.3		76.3
Net pension deficit	27		(313.0)		(278.5)
<b>Total net liabilities including pension scheme liabilities</b>			(228.7)		(202.2)
<b>Capital and reserves</b>					
Called up share capital	20		0.4		0.4
Share premium account	22		4.4		4.4
Revaluation reserve	22		19.8		17.6
Capital redemption reserve	22		11.5		11.5
Profit and loss account	22		(265.4)		(236.6)
<b>Total shareholders' deficit</b>	23		(229.3)		(202.7)
<b>Equity minority interests</b>	22		0.6		0.5
			(228.7)		(202.2)

The financial statements on pages 18 to 50 were approved by the Board and signed on its behalf on 27 March 2015.



M. Neil CBE  
Chairman & Group Chief Executive



A. Mourgue  
Group Finance Director

Registered No. 01994997

**Company Balance Sheet**  
**As at 31 December 2014**

	Note	£M	2014 £M	£M	2013 £M
<b>Fixed assets</b>					
Investments	12		41.6		58.6
<b>Current assets</b>					
Debtors: amounts falling due after more than one year	14	2.3		1.8	
Debtors: amounts falling due within one year	14	10.7		14.0	
Cash at bank and in hand		5.8		0.4	
		18.8		16.2	
<b>Creditors: amounts falling due within one year</b>	15	(0.8)		(20.0)	
<b>Net current assets/(liabilities)</b>			18.0		(3.8)
<b>Total assets less current liabilities</b>			59.6		54.8
<b>Creditors: amounts falling due after more than one year</b>	16		(2.6)		-
<b>Net assets</b>			57.0		54.8
<b>Capital and Reserves</b>					
Called up share capital	20		0.4		0.4
Share premium account	22		4.4		4.4
Capital redemption reserve	22		11.5		11.5
Profit and loss account	22		40.7		38.5
<b>Total shareholders' funds</b>	23		57.0		54.8

The financial statements on pages 18 to 50 were approved by the Board and signed on its behalf on 27 March 2015.



**J M Neill CBE**  
Chairman & Group Chief Executive



**A J Mourgue**  
Group Finance Director

Registered No. 01994997

## Consolidated Cash Flow Statement

### For the Year Ended 31 December 2014

	Note	2014 £M	2013 £M
Net cash flow from operating activities	24	(24.9)	61.3
Dividends received from joint ventures and associates		3.4	1.8
Returns on investments and servicing of finance	25	(3.4)	(2.9)
Taxation		(1.9)	(1.8)
Capital expenditure and financial investment	25	(4.7)	(5.6)
Acquisitions and disposals	25	-	(10.9)
<b>Cash (outflow)/inflow before financing</b>		<b>(31.5)</b>	<b>41.9</b>
Financing	25	11.8	(25.7)
<b>(Decrease)/Increase in cash in the year</b>		<b>(19.7)</b>	<b>16.2</b>

## Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds

### For the Year Ended 31 December 2014

		2014 £M	2013 £M
(Decrease)/Increase in cash in the year	26	(19.7)	16.2
Cash (outflow)/inflow from movement in debt and lease financing	26	(11.8)	25.7
<b>Change in net (debt)/funds resulting from cash flows</b>		<b>(31.5)</b>	<b>41.9</b>
Currency translation differences		0.2	(0.2)
Net amortisation/(capitalisation) of bank fees		(0.4)	0.3
Reanalysis of non-cash balances		3.9	-
<b>Movement in net funds/(debt) in the year</b>		<b>(27.8)</b>	<b>42.0</b>
Net funds/(debt) at 1 January	26	25.2	(16.8)
<b>Net (debt)/funds at 31 December</b>	26	<b>(2.6)</b>	<b>25.2</b>

The notes on pages 23 to 50 form part of these financial statements.



## Notes to the Financial Statements

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### 1. Accounting Policies

A summary of the significant accounting policies adopted by the Group and the Company is given in the following paragraphs. The policies are consistent with the previous year.

#### 1.1 Basis of accounting

The financial statements have been prepared on the going concern basis, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. Although the deficit on the pension schemes has resulted in a deficit on shareholders' funds, the Group has significant borrowing facilities available, as disclosed in note 17, with sufficient headroom in respect of these facilities to finance the ongoing activities of the Group. The financial statements are prepared on the historical cost basis of accounting, modified to include the valuation of freehold land and buildings.

#### 1.2 Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all of its subsidiary undertakings, except where control is subject to severe long term restrictions, and incorporate its share of the results of all joint ventures and associates via equity accounting principles. The results and fair value of the assets and liabilities of undertakings acquired are consolidated from the date the Group gains control. The results from discontinued operations are included up until the date they are disposed of or terminated. Where, in the view of the directors, the Group does not have de facto control over the related entities, these entities are excluded from the consolidation in the Group's financial statements. No Profit and Loss Account is presented for the Company, as permitted by Section 408 (3) of the Companies Act 2006. Uniform accounting policies are applied across the Group. Intragroup transactions are eliminated on consolidation.

#### 1.3 Revenue

Income is recognised on the invoiced and accrued value of goods and services supplied during the year, including amounts received and receivable on management fee contracts. The sales of goods are recognised at the point at which the risks and rewards of ownership are transferred, in accordance with the individual sales' contracts. The sales of services are recognised in the accounting period in which the services are rendered, by reference to the agreed contractual arrangements. Turnover is reported net of conditional discounts, VAT and other sales taxes. Income derived from gain share arrangements is recognised when the benefits are agreed with customers and are certain.

#### 1.4 Pension costs

The Group accounts for pension and other post retirement benefits schemes in accordance with FRS 17 Revised 'Retirement benefits'. For defined contribution schemes, contributions are charged to the Group Profit and Loss Account as payable in respect of the accounting year.

For defined benefit schemes, the amounts charged to operating profit are the current service costs, excluding the costs of servicing the investments, and gains and losses on settlements and curtailments. They are included within staff costs and charged or credited to the statutory Profit and Loss Account headings to which they relate. Past service costs are recognised immediately in the Group Profit and Loss Account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost, the cost of servicing the investments and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Group Statement of Total Recognised Gains and Losses.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Group, in separate, trustee administered funds. Pension scheme assets are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The resulting defined benefit asset or liability, net of related deferred taxation, is presented separately after other net assets on the face of the Balance Sheet.

Where it is not possible to split the scheme assets and liabilities between individual subsidiary companies, the relevant subsidiary companies account for pensions on a contributions basis.

## Notes to the Financial Statements

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### 1. Accounting Policies (continued)

#### 1.5 Goodwill

Goodwill, being the excess of the fair value of purchase consideration of businesses acquired over the Group's share of the fair value of assets and liabilities acquired, is written off to the Group Profit and Loss Account on a straight line basis over periods that represent the useful economic lives of those assets, which are all between 8 and 20 years. All goodwill arising prior to the adoption of FRS 10 'Goodwill and intangible assets' remains written off to reserves and will be charged to the Group Profit and Loss Account on subsequent disposal or termination of the business to which it relates.

#### 1.6 Intangible assets

Expenditure incurred to acquire licences to manufacture certain products are capitalised and amortised on a straight line basis over the shorter of the estimated economic life of the manufacturing activity, the life of the licence or 20 years. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and are amortised in line with the expected sales arising from the projects.

#### 1.7 Tangible fixed assets

All tangible fixed assets, with the exception of freehold land and buildings, are carried at cost less depreciation and provision for impairment. The cost of purchased assets is the value of consideration given to acquire the assets and the value of other, directly attributable costs that are incurred in bringing the assets to the location and condition necessary for their intended use.

Freehold land and buildings are carried at valuation (open market value for existing use). As the Group's portfolio of freehold land and buildings consists of a number of broadly similar properties, whose characteristics are such that their values are likely to be affected by the same market factors, a full valuation will be performed on a rolling basis to cover all the properties over a five-year cycle, together with an interim valuation on the remaining four-fifths of the portfolio where it is likely that there has been a material change in value.

With the exception of freehold land, which is not depreciated, depreciation on the cost or valuation of tangible fixed assets is charged evenly to write off the assets to their residual value over their estimated useful lives as follows:

Freehold and long leasehold investment properties	-	Not depreciated
Freehold land and buildings	-	35 to 50 years
Long leasehold land and buildings	-	35 to 50 years
Short leasehold land and buildings	-	Over the lease term
Plant and machinery	-	1 to 10 years
Assets in the course of construction	-	Not depreciated

The Group's policy is to capitalise as tangible fixed assets computer software expenditure only in respect of major system changes.

#### 1.8 Impairment of fixed assets and goodwill

Fixed and intangible assets are reviewed annually for indicators of impairment. Impairment provisions are calculated by comparing the net book value of fixed assets or goodwill with the higher of the net realisable value and the value in use of those assets. The value in use is calculated using forecast, risk adjusted, discounted, post tax cash flows over the economic life of the related fixed asset or goodwill.

#### 1.9 Investment properties

Investment properties are included in the Balance Sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the the Group.

## Notes to the Financial Statements

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### 1. Accounting Policies (continued)

#### 1.10 Joint ventures and associates

The Group's share of the profits or losses of joint ventures and associates are included in the Group Profit and Loss Account on the equity accounting basis. The holding value of joint ventures and associates in the Group Balance Sheet is calculated by reference to the Group's equity in the net assets of such joint ventures and associates.

#### 1.11 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost of finished products and work in progress includes, where appropriate, direct labour and materials and a proportion of factory overheads. Net realisable value is calculated after taking into account provisions for obsolescence, as the actual selling price, net of trade discounts, less costs to completion and all related marketing, selling and distribution costs.

#### 1.12 Warranties

Provision is made for the best estimate of the costs of making good under warranty products sold before the Balance Sheet date and is discounted, where material.

#### 1.13 Onerous contracts

When a contract becomes onerous, provision is made for the best estimate of the unavoidable losses that are expected to be incurred under the remainder of the contract term.

#### 1.14 Property provisions

Provision is made for the best estimate of the unavoidable future lease payments, on a discounted basis, where material, when the lease becomes onerous, net of amounts that can be reasonably expected to be recovered from subtenants to which the respective property is expected to be sublet.

Provision is made for the best estimate of dilapidation costs, on a discounted basis, where material, at the date the obligation arises. The unwinding of the discount is included within interest expense. The provision is net of amounts recoverable in respect of dilapidation costs for properties that have been sublet to unrelated third parties.

#### 1.15 Deferred tax

Deferred tax is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes, in accordance with FRS 19 'Deferred tax'. A deferred tax liability is recognised if transactions, or events, result in the Group having an obligation to pay more tax in future periods. A deferred tax asset is only recognised where transactions, or events, that have occurred before the Balance Sheet date give the Group the right to pay less tax in the future and it is considered reasonable to forecast that there will be future profits against which the deferred tax assets can be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantively enacted, by the Balance Sheet date. Deferred tax balances are not discounted.

#### 1.16 Share based payments

The fair value of share plans, where material, is recognised as an expense in the Group Profit and Loss Account over their expected vesting periods. The fair value of share plans is determined at the date of the grant, taking into account any market based vesting conditions attached to the award. Non market based vesting conditions are taken into account in estimating the number of awards that are likely to vest; these estimates are reviewed regularly and the expense charge adjusted accordingly.

## Notes to the Financial Statements

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### 1. Accounting Policies (continued)

#### 1.17 Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases where the Group acts as the lessor are presented as a receivable at an amount equal to the net investment in the lease. Rental payments received by the Group under the finance leases are apportioned between the finance charge and the reduction of the outstanding obligation.

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The finance charge from the lease is recognised within interest receivable in each accounting period. Rentals relating to the reduction of the outstanding obligation are recognised through revenue over the term of the lease. Normal selling losses are recognised through costs of sales on inception of the lease.

For assets held under finance leases when the Group acts as a lessee, the capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Group Profit and Loss Account in proportion to the reducing capital element.

#### 1.18 Operating leases

Operating lease rentals are charged to the Group Profit and Loss Account on a straight line basis over the lease term.

#### 1.19 Finance costs

Costs incurred in respect of obtaining new debt instruments are capitalised and reported against the respective debt within liabilities and amortised to the Group Profit and Loss Account over the term of the facility.

#### 1.20 Foreign currency

The Profit and Loss Accounts of overseas activities are translated into Sterling at average rates of exchange. Balance Sheets are translated at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising on the retranslation at closing rates of the opening Balance Sheets of overseas activities, together with the year end adjustment to closing rates of Profit and Loss Accounts translated at average rates, are taken to reserves.

Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are taken through the Group Profit and Loss Account. Differences arising on the translation of foreign currency borrowings are taken directly to reserves where there is a corresponding exchange difference on the translation of the related net investment.

#### 1.21 Significant estimation techniques

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure in the reporting period. Actual results could differ from those estimates. Estimates are principally used when accounting for pension costs, the valuation of freehold land and buildings, the useful economic lives of fixed tangible and intangible assets, provisions and, in certain instances, in revenue recognition.

## Notes to the Financial Statements

### 1. Accounting Policies (continued)

#### 1.22 Financial instruments

The Group uses various derivative financial instruments to reduce exposure of foreign exchange risks. Authorised instruments include forward currency contracts and currency options. The Group also uses interest rate swaps and options to manage its interest rate exposure.

As permitted under the Standard, the Group has not adopted FRS 23 'The effects of changes in foreign exchange rates' and, therefore, forward currency contracts used to hedge transaction exposures are not revalued. Transactions to hedge translation exposures are revalued and the net unrealised difference taken to trading profit. All realised gains and losses are taken to operating profit.

Currency option premia are recognised at their historical cost in the Group Balance Sheet as other receivables. At maturity, the option premia, together with any realised foreign exchange differences on exercise, are taken to operating profit.

Interest rate option premia paid are recognised at their historical cost in the Group Balance Sheet as other receivables. Option premia are taken to net interest payable, spread over the interest period covered by the relevant options.

Amounts payable or receivable in respect of interest rate swap agreements used to manage interest rate exposure are recognised as adjustments to periodic interest expense over the duration of the contracts.

### 2. Segmental analysis

It is the directors' judgment that the Group operates principally in one business segment, that of distribution and logistics management.

An analysis of turnover by location of external customer is as follows:

	2014 £M	Group turnover 2013 £M
Continuing operations		
United Kingdom	497.4	556.9
Other Europe	80.5	159.1
Rest of the World	81.3	194.0
Group turnover on continuing operations	659.2	910.0
Group turnover on discontinued operations (United Kingdom)	-	14.1
Group turnover	659.2	924.1
Share of joint ventures (United Kingdom)	72.2	66.4
Share of joint venture and associate (Other Europe)	9.1	10.4
Share of associate (Rest of the World)	46.3	55.4
<b>Total turnover including share of joint ventures and associates</b>	<b>786.8</b>	<b>1,056.3</b>

## Notes to the Financial Statements

## 2. Segmental analysis (continued)

The geographical analysis of turnover, profit before tax and net liabilities by origin is as follows:

	2014 £M	Group turnover 2013 £M
Continuing operations		
United Kingdom	517.8	773.4
Other Europe	75.7	78.4
Rest of the World	65.7	58.2
Group turnover from continuing operations	659.2	910.0
Group turnover from discontinued operations (United Kingdom)	-	14.1
Group turnover	659.2	924.1
Share of joint ventures (United Kingdom)	74.2	69.1
Share of joint venture and associate (Other Europe)	7.1	7.9
Share of associate (Rest of the World)	46.3	55.2
<b>Total turnover including joint ventures and associates</b>	<b>786.8</b>	<b>1,056.3</b>
	2014 £M	Profit/(loss) before tax 2013 £M
United Kingdom	10.8	4.5
Other Europe	3.7	8.8
Rest of the World	3.3	3.2
	17.8	16.5
Loss on disposal or termination of businesses (United Kingdom)	-	(11.2)
Amounts written off investments (United Kingdom)	-	(21.1)
Net finance charge	(7.6)	(5.6)
Total (before joint ventures and associates)	10.2	(21.4)
Share of joint ventures (United Kingdom)	3.0	3.0
Share of joint venture and associate (Other Europe)	0.3	0.3
Share of associate (Rest of the World)	3.4	3.3
<b>Total (including joint ventures and associates)</b>	<b>16.9</b>	<b>(14.8)</b>

## Notes to the Financial Statements

## 2. Segmental analysis (continued)

	2014 £M	Net liabilities 2013 £M
United Kingdom	13.1	(27.7)
Other Europe	57.8	65.2
Rest of the World	16.0	13.6
	<u>86.9</u>	<u>51.1</u>
Net (debt)/cash	(2.6)	25.2
	<u>84.3</u>	<u>76.3</u>
<b>Total net assets (excluding pension scheme liabilities)</b>	<b>84.3</b>	<b>76.3</b>
Net pension deficit	(313.0)	(278.5)
	<u>(228.7)</u>	<u>(202.2)</u>
<b>Total net liabilities including pension scheme liabilities</b>	<b>(228.7)</b>	<b>(202.2)</b>

## 3. Group operating profit/(loss)

	2014 Total £M	Continuing £M	Discontinued £M	2013 Total £M
Group turnover	659.2	909.3	14.8	924.1
Cost of sales	(504.3)	(658.0)	(11.9)	(669.9)
	<u>154.9</u>	<u>251.3</u>	<u>2.9</u>	<u>254.2</u>
Gross profit	154.9	251.3	2.9	254.2
Distribution costs	(30.6)	(115.0)	(2.9)	(117.9)
Administrative expenses	(104.0)	(115.8)	(1.0)	(116.8)
	<u>20.3</u>	<u>20.5</u>	<u>(1.0)</u>	<u>19.5</u>
<b>Group operating profit/(loss)</b>	<b>20.3</b>	<b>20.5</b>	<b>(1.0)</b>	<b>19.5</b>

The profit is stated after charging/(crediting):

	2014 £M	2013 £M
Amortisation of goodwill and other intangible fixed assets	0.2	0.2
Depreciation of tangible fixed assets owned by the Group	3.6	4.1
Operating lease rentals:		
- other	6.9	8.8
- land and buildings	23.9	23.9
Sublet income from land and buildings	(1.6)	(2.5)
Loss on disposal of tangible fixed assets	-	0.1
	<u>32.0</u>	<u>34.5</u>

## Notes to the Financial Statements

### 3. Group operating profit/(loss)

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors:

	2014 £M	2013 £M
Audit of Group and Company financial statements	0.1	0.1
Other services to the Group		
Audit of the Company's subsidiary financial statements pursuant to legislation	0.3	0.3
Taxation compliance services	0.3	0.5
Taxation advisory services	0.4	0.1
Other non-audit services	0.8	0.5

### 4. Loss on termination or disposal of business

	2014 £M	2013 £M
Recognised after arriving at operating profit		
Discontinued operations		
Loss on termination of business (i)	-	(4.2)
Loss on disposal of businesses sold in prior years (ii)	-	(7.0)
	-	(11.2)

(i) During the prior year, the Group incurred a loss on the strategic decision to exit certain product markets. This loss has been treated as allowable for corporation tax purposes.

(iii) During the prior year, total charges of £7.0m arose as a result of a reassessment of the estimates made for costs in relation to businesses sold in previous years. These charges were treated as disallowable for corporation tax purposes.

### 5. Net interest payable and similar charges

	2014 £M	2013 £M
Interest payable and similar charges		
Bank loans and overdrafts	2.3	3.0
Share of joint ventures' interest	0.2	0.1
Amortisation of issue costs on bank facilities	0.4	0.5
	2.9	3.6
Interest receivable and similar income	(0.2)	(0.5)
Net interest payable	2.7	3.1



## Notes to the Financial Statements

**6. Net other finance charge**

	2014 £M	2013 £M
<b>Net finance charge on pension schemes (note 27)</b>		
Expected return on pension scheme assets	(31.1)	(29.0)
Interest on pension scheme liabilities	38.2	34.0
	<u>7.1</u>	<u>5.0</u>
Unwinding of discounting of provisions (note 19)	0.4	0.4
Unwinding of discounting of accruals and long term creditors	0.1	0.2
	<u>0.5</u>	<u>0.6</u>
<b>Net other finance charge</b>	<u><u>7.6</u></u>	<u><u>5.6</u></u>

**7. Tax on profit/(loss) on ordinary activities**

	2014 £M	2013 £M
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax credit on profit/(loss) for the year	(0.3)	(0.6)
Adjustments in respect of prior years	0.1	0.1
	<u>(0.2)</u>	<u>(0.5)</u>
Foreign corporation tax	1.9	2.3
	<u>1.7</u>	<u>1.8</u>
Share of joint ventures' current tax	0.6	0.7
Share of associates' current tax	1.1	1.0
	<u>1.7</u>	<u>1.7</u>
<b>Total current tax</b>	<u><u>3.4</u></u>	<u><u>3.5</u></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	5.8	(0.8)
Effect of change in tax rate	-	0.7
Adjustments in respect of prior periods	(1.7)	0.2
	<u>4.1</u>	<u>0.1</u>
<b>Total deferred tax</b>	<u><u>4.1</u></u>	<u><u>0.1</u></u>
<b>Tax on profit/(loss) on ordinary activities</b>	<u><u>7.5</u></u>	<u><u>3.6</u></u>

## Notes to the Financial Statements

### 7. Tax on profit/(loss) on ordinary activities (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - higher than) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £M	2013 £M
Profit/(loss) on ordinary activities before tax	<u>16.9</u>	<u>(14.8)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	3.6	(3.4)
Effects of:		
Expenses not deductible for tax purposes	1.1	6.7
Difference between capital allowances and depreciation	(1.9)	(1.4)
Adjustments to tax charge in respect of prior years	0.1	0.1
Pension related items subject to deferred tax	-	1.2
Effect of foreign taxation rates	0.6	0.1
Utilisation of tax losses	(0.5)	-
Other timing differences	0.4	0.2
	<u>3.4</u>	<u>3.5</u>
<b>Current tax charge for the year (see note above)</b>	<b>3.4</b>	<b>3.5</b>

#### Factors that may affect future tax charges

The Group has generated significant UK capital losses from disposals in previous years. Such losses will only be available to offset UK capital profits arising in future periods, such as gains arising on the future sale of freehold properties, and it is expected to be some time before these losses are relieved. Accordingly, the Group has not recognised a deferred tax asset in respect of these losses. As a consequence, the Group does not expect to incur any significant tax charges in respect of capital gains within the foreseeable future.

During the year, the UK corporation tax rate was reduced from 23% to 21%. Furthermore, the UK corporation tax rate will be reduced by an additional 1%, to 20%, with effect from 1 April 2015. The relevant deferred tax balances have been measured at the substantively enacted rate of 20%.

## Notes to the Financial Statements

### 8. Employees

Staff costs were as follows:

	2014 £M	2013 £M
Wages and salaries	155.5	174.8
Social security costs	16.1	16.8
Other pension costs (Note 27)	7.1	7.3
	<u>178.7</u>	<u>198.9</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2014 Number	2013 Number
Direct production	847.0	796.0
Indirect production and warehousing	2,390.0	3,266.0
Sales, marketing and administration	2,816.0	2,869.0
	<u>6,053.0</u>	<u>6,931.0</u>

### 9. Directors' emoluments

The aggregate emoluments of the directors during the year totalled £3,290,911 (2013 - £3,428,820). No directors (2013 - nil) accrued retirement benefits under a defined benefit scheme or under a money purchase scheme. The highest paid director received aggregate emoluments during the year of £1,196,738 (2013 - £1,264,131).

Also included in aggregate emoluments were fees of £70,656 (2013 - £110,000), which were paid in the year in respect of the 3 (2013 - 3) non-executive directors that served during the year.

### 10. Intangible fixed assets

Group	Goodwill £M	Licences/ Other £M	Total £M
<b>Cost</b>			
At 1 January 2014 and 31 December 2014	21.5	1.0	22.5
<b>Accumulated amortisation</b>			
At 1 January 2014	20.7	0.9	21.6
Charge for the year	0.2	-	0.2
At 31 December 2014	20.9	0.9	21.8
<b>Net book value</b>			
At 31 December 2014	0.6	0.1	0.7
At 31 December 2013	0.8	0.1	0.9

## Notes to the Financial Statements

## 11. Tangible fixed assets

Group	Freehold and long leasehold investment properties £M	Freehold land and buildings £M	Long leasehold land and buildings £M	Short leasehold land and buildings £M
<b>Cost or valuation</b>				
At 1 January 2014	11.6	20.0	2.4	2.9
Additions	-	0.4	0.1	-
Disposals	(1.1)	-	-	(0.3)
Revaluation	-	1.6	-	-
Exchange adjustment	-	(0.3)	-	-
At 31 December 2014	10.5	21.7	2.5	2.6
<b>Accumulated depreciation</b>				
At 1 January 2014	-	1.5	1.5	2.3
Charge for the year	-	0.3	-	0.1
Disposals	-	(0.1)	-	(0.2)
Revaluation	-	(1.0)	-	-
Exchange adjustment	-	-	-	-
At 31 December 2014	-	0.7	1.5	2.2
<b>Net book value</b>				
At 31 December 2014	10.5	21.0	1.0	0.4
At 31 December 2013	11.6	18.5	0.9	0.6

Group	Plant and machinery £M	Assets in course of construction £M	Total £M
<b>Cost or valuation</b>			
At 1 January 2014	41.9	-	78.8
Additions	4.8	1.0	6.3
Disposals	(2.4)	-	(3.8)
Revaluation	-	-	1.6
Exchange adjustment	(0.1)	-	(0.4)
At 31 December 2014	44.2	1.0	82.5
<b>Accumulated depreciation</b>			
At 1 January 2014	34.3	-	39.6
Charge for the year	3.2	-	3.6
Disposals	(1.9)	-	(2.2)
Revaluation	-	-	(1.0)
Exchange adjustment	(0.1)	-	(0.1)
At 31 December 2014	35.5	-	39.9
<b>Net book value</b>			
At 31 December 2014	8.7	1.0	42.6
At 31 December 2013	7.6	-	39.2

## Notes to the Financial Statements

### 11. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

Group	2014 £M	2013 £M
Cost	20.8	21.0
Accumulated depreciation	(9.5)	(9.0)
Net book value	11.3	12.0

At 31 December 2014, some of the portfolio of properties were revalued, on the basis of existing use, as part of the five year cycle and interim valuations were performed on some of the properties, giving a total aggregate value of £30.2m (2013 - £29.7m).

The freehold properties, including overseas properties, were valued by external valuers DTZ and DTZ Zadelhoff, both being qualified valuers and members of the Royal Institution of Chartered Surveyors (RICS) or equivalent professional bodies in the case of the overseas valuer. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards.

No deferred tax is recognised on the revaluation of fixed assets (2013 - £nil).

### 12. Fixed asset investments

Group	Net asset investments in joint ventures £M	Investments in associates £M	Total £M
<b>Cost or valuation</b>			
At 1 January 2014	12.8	5.0	17.8
Foreign exchange movement	-	(0.1)	(0.1)
Dividends	(1.5)	(1.8)	(3.3)
Share of profits retained	1.7	2.2	3.9
At 31 December 2014	13.0	5.3	18.3
<b>Net book value</b>			
At 31 December 2014	13.0	5.3	18.3
At 31 December 2013	12.8	5.0	17.8

## Notes to the Financial Statements

### 12. Fixed asset investments (continued)

The Group's interests in its principal joint ventures are 50% of the ordinary share capital of each of Kautex Unipart Limited, Unipart Eberspächer Exhaust Systems Limited and Van Wezel Austria GmbH. The Group provides certain services to its joint ventures, the transactions being disclosed in note 31.

Post year end, the Group acquired the remaining 50% of the ordinary share capital of Unipart Eberspächer Exhaust Systems Limited.

Associated undertakings represent the Group's 29% ordinary shareholding of ACI Auto Components International SRO and the Group's 30% ordinary shareholding of UGL Unipart Rail Services Pty Limited, both of which have been included in the consolidated financial statements using the equity method of accounting.

During the prior year, trade investments of £21.1m were written off as the directors did not expect the investment to be recovered.

Company	Investments in subsidiary companies £M	Investments in joint ventures £M	Total £M
<b>Cost or valuation</b>			
At 1 January 2014 and 31 December 2014	72.0	6.6	78.6
<b>Impairment</b>			
At 1 January 2014	20.0	-	20.0
Charge for the year	17.0	-	17.0
At 31 December 2014	37.0	-	37.0
<b>Net book value</b>			
At 31 December 2014	35.0	6.6	41.6
At 31 December 2013	52.0	6.6	58.6

During the year, certain investments in non-trading subsidiary undertakings of the Company were impaired to their underlying net asset value as a result of an intercompany restructuring exercise, which does not impact the Group's financial position.

The directors believe that the carrying value of the investments is supported by either their underlying net assets or their value in use.

Details of the undertakings whose results or financial position principally affect the Group's financial statements and the investments of the Company are shown in note 32.

### 13. Stocks

	<b>Group</b>	
	2014 £M	2013 £M
Raw materials and consumables	6.9	5.6
Work in progress	3.6	3.2
Finished goods and goods for resale	63.7	63.0
	<b>74.2</b>	<b>71.8</b>

There is no material difference between carrying value and replacement cost.

The Company has £nil stocks (2013 - £nil).

## Notes to the Financial Statements

## 14. Debtors

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Due after more than one year</b>				
Amounts receivable under finance lease	1.3	1.8	-	-
Deferred tax (note 18)	9.7	16.0	2.3	1.8
	<b>11.0</b>	<b>17.8</b>	<b>2.3</b>	<b>1.8</b>
	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Due within one year</b>				
Trade debtors and bills receivable	78.9	95.8	-	-
Amounts owed by Group undertakings	-	-	1.1	5.6
Amounts owed by joint ventures and associates	1.5	1.7	-	-
Deferred tax (note 18)	5.2	3.7	-	-
Corporation tax	0.3	0.3	1.9	0.8
Other debtors	11.9	17.4	7.7	7.6
Prepayments and accrued income	21.8	24.1	-	-
Amounts receivable under finance lease	0.6	0.6	-	-
	<b>120.2</b>	<b>143.6</b>	<b>10.7</b>	<b>14.0</b>

Amounts receivable under finance leases due after more than one year are due within one and five years.

Amounts owed by Group undertakings and joint ventures are unsecured and have no fixed repayment date. Certain amounts owed by Group undertakings and joint ventures bear interest.

15. Creditors:  
Amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Bank loans and overdrafts (note 17)	7.4	12.7	-	-
Finance leases (note 16)	0.4	0.1	-	-
Trade creditors	61.4	78.3	-	-
Amounts owed to Group undertakings	-	-	0.8	18.0
Amounts owed to joint ventures	0.7	0.7	-	-
Corporation tax	0.7	0.9	-	-
Other taxation and social security	11.6	18.9	-	-
Deferred tax (note 18)	0.6	0.6	-	-
Other creditors	11.5	21.0	-	-
Accruals and deferred income	64.9	87.9	-	2.0
	<b>159.2</b>	<b>221.1</b>	<b>0.8</b>	<b>20.0</b>

Amounts owed to Group undertakings and joint ventures are unsecured and have no fixed repayment date. Certain amounts owed to Group undertakings and joint ventures bear interest.

## Notes to the Financial Statements

**16. Creditors:**  
**Amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Bank loans and overdrafts (note 17)	<b>22.2</b>	9.6	-	-
Finance leases	<b>1.0</b>	0.1	-	-
Accruals and deferred income	<b>9.2</b>	7.3	<b>2.6</b>	-
	<b>32.4</b>	17.0	<b>2.6</b>	-

Future minimum payments under finance leases are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Less than one year	<b>(0.4)</b>	(0.1)	-	-
Between one and five years	<b>(1.0)</b>	(0.1)	-	-
	<b>(1.4)</b>	(0.2)	-	-

**17. Borrowings**

	<b>Group 2014 £M</b>	<b>Group 2013 £M</b>
<b>Amounts falling due within one year</b>		
Bank overdrafts	<b>(2.3)</b>	(2.2)
Term loan committed until April 2016	<b>(3.4)</b>	(8.7)
Term loan committed until March 2018	<b>(1.7)</b>	(1.8)
	<b>(7.4)</b>	(12.7)
<b>Amounts falling due after more than one year</b>		
Term and credit facility committed until April 2016	<b>(18.5)</b>	(3.9)
Term loan committed until March 2018	<b>(3.7)</b>	(5.7)
	<b>(22.2)</b>	(9.6)

The bank loans and overdrafts bear interest based on LIBOR and are secured by fixed and floating charges over certain of the Group's assets. The term and credit facility falling due within one year is stated net of unamortised issue costs of £0.4m (2013 - £0.2m). The term and credit facility falling due in more than one year is stated net of unamortised issue costs of £0.1m (2013 - £0.7m). The costs are allocated to the Group Profit and Loss Account over the terms of the respective facilities at a constant rate.

The Group has various borrowings facilities available, including a working capital facility of up to £68.0m (2013 - £68.0m) committed until December 2015, a revolving facility of up to £30.0m (2013 - £30.0m) committed until April 2016, a term and credit facility of £4.2m (2013 - £7.5m) repayable in quarterly instalments until April 2016 and a term loan of €6.8m (2013 - €10.0m) repayable in quarterly installments until March 2018.



## Notes to the Financial Statements

## 18. Deferred tax

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Accelerated capital allowances	12.7	10.4	-	-
Trading losses and timing differences	1.6	8.7	2.3	1.8
	<b>14.3</b>	<b>19.1</b>	<b>2.3</b>	<b>1.8</b>
Related deferred tax asset included within the net pension deficit (note 27)	78.2	69.6	-	-
	<b>92.5</b>	<b>88.7</b>	<b>2.3</b>	<b>1.8</b>

The Group and the Company do not recognise an asset in respect of UK capital losses generated from disposals in previous years as such losses will only be available to offset UK capital profits arising in future periods and it is expected to be some time before these losses can be relieved.

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
At 1 January	88.7	83.3	1.8	2.6
Amounts (charged)/credited to the Profit and Loss Account	(4.1)	(0.1)	0.5	(0.8)
Amounts credited to the Statement of Total Recognised Gains and Losses	7.9	5.5	-	-
At 31 December	<b>92.5</b>	<b>88.7</b>	<b>2.3</b>	<b>1.8</b>
<b>Representing:</b>				
Deferred tax included within debtors falling due within one year (note 14)	5.2	3.7	-	-
Deferred tax asset included within debtors falling due in more than one year (note 14)	9.7	16.0	2.3	1.8
Deferred tax liability included within creditors falling due within one year (note 15)	(0.6)	(0.6)	-	-
	<b>14.3</b>	<b>19.1</b>	<b>2.3</b>	<b>1.8</b>
Related deferred tax asset included within the net pension deficit (note 27)	78.2	69.6	-	-
	<b>92.5</b>	<b>88.7</b>	<b>2.3</b>	<b>1.8</b>

## Notes to the Financial Statements

## 19. Provisions for liabilities

Group	Warranties £M	Property £M	Total £M
At 1 January 2014	0.5	23.8	24.3
Charge in the year	(0.1)	3.3	3.2
Utilised in the year	-	(5.2)	(5.2)
Reversed and reclassified in the year	(0.1)	(3.1)	(3.2)
Unwinding of discount	-	0.4	0.4
At 31 December 2014	0.3	19.2	19.5

**Warranties**

The Group supplies product to customers on which it offers a warranty for a period of up to three years. The cost of warranties on sales made prior to the year end has been estimated based on past experience of warranty settlements. It is anticipated that the existing provision will be utilised within the next one to two years.

**Property**

The property provision is in respect of contractual obligations primarily in relation to onerous leases on vacant properties and in relation to dilapidations. The charge in respect of the unwinding of discounting of provisions is included in net other finance charge (note 6). Where it is probable that the Group will not be required to settle a provision, the provision is released. These provisions are expected to be fully utilised at the end of the respective leases, which vary between 1 and 50 years. A discount rate of 0.0% - 1.8% has been applied (2013: 1.0% - 3.0%).

## 20. Called up share capital

The share capital comprises 'A', 'D' and 'E' Ordinary shares of ½p each and each share, irrespective of class, has the same dividend entitlement and has one vote at a general meeting. On a return of capital on liquidation or otherwise, the assets of the Company available for distribution amongst shareholders shall be applied in paying pro-rata to the holders of the 'A' Ordinary shares the sum of ½p per share and to the holders of the 'D' Ordinary shares and the 'E' Ordinary shares the sum of 1p per share and thereafter, pro-rata to the nominal value of shares held by them.

	2014 £M	2013 £M
<b>Allotted, called up and fully paid</b>		
72.3 million (2013 - 72.3 million) 'A' Ordinary shares of ½p each	0.4	0.4
7.0 million (2013 - 7.0 million) 'D' Ordinary shares of ½p each	-	-
2.3 million (2013 - 2.3 million) 'E' Ordinary shares of ½p each	-	-
	0.4	0.4

No individual shareholder is able to exercise control and, as a result, the directors do not consider there to be an ultimate controlling party.

## Notes to the Financial Statements

### 21. Share option schemes

The Group Share Trust has granted options to employees over a number of shares which have already been issued and are owned by the Group Share Trust. It is not considered appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the Trust deeds governing the Group Share Trust, which prevent the Group from having de facto control over the trust.

The vesting requirements associated with the share options are a combination of criteria based on financial and personal performances. The share options issued between February 2005 and September 2010 have all been issued at an exercise price of 45p per share and have a vesting period of 3 years and a total option length of 10 years. All options exercised are to be settled with ordinary shares of the Company.

No share-based payment charge has been recognised in relation to the options issued since November 2002 on the basis that any charge would be immaterial. At the date the options were granted, the exercise price was greater than the share valuation.

### 22. Reserves

	Profit and loss account £M	Share premium account £M	Capital redemption reserve £M	Revaluation reserve £M	Equity Minority interests £M
<b>Group</b>					
As at 31 December 2013	(236.6)	4.4	11.5	17.6	0.5
Profit for the financial year	9.0	-	-	-	0.4
Revaluations of freehold land and buildings	-	-	-	2.6	-
Transfer from revaluation reserve to profit and loss account	0.4	-	-	(0.4)	-
Actuarial loss recognised on pension schemes	(44.1)	-	-	-	-
Deferred tax relating to actuarial loss on pension schemes	8.7	-	-	-	-
Unrecognised asset on pension schemes	0.2	-	-	-	-
Deferred tax on contributions to Group pension schemes	(0.8)	-	-	-	-
Actuarial loss recognised on joint ventures' pension schemes	(0.5)	-	-	-	-
Foreign exchange adjustments	(1.7)	-	-	-	0.1
Dividends paid to minority shareholders	-	-	-	-	(0.4)
<b>As at 31 December 2014</b>	<b>(265.4)</b>	<b>4.4</b>	<b>11.5</b>	<b>19.8</b>	<b>0.6</b>
Net pension deficit	313.0				
<b>Profit and loss account excluding pension deficit</b>	<b>47.6</b>				

The cumulative amount of goodwill written off directly to reserves prior to the implementation of FRS 10 'Goodwill and intangible assets' is £17.6m (2013 - £17.6m) in respect of the acquisition of businesses.

The £0.4m transferred between the profit and loss account and the revaluation reserve is comprised of additional depreciation due to the revaluation of property and the revaluation surplus realised on the disposal of property.

## Notes to the Financial Statements

## 22. Reserves (continued)

	Share premium account £M	Capital redemption account £M	Profit and loss account £M
<b>Company</b>			
At 1 January 2014	4.4	11.5	38.5
Profit for the financial year	-	-	2.2
	<u>4.4</u>	<u>11.5</u>	<u>40.7</u>
At 31 December 2014	<u>4.4</u>	<u>11.5</u>	<u>40.7</u>

The Company has not presented its own Profit and Loss Account, as permitted by Section 408 (3) of the Companies Act 2006. The Company's profit for the financial year was £2.2m (2013 - £0.1m).

## 23. Reconciliation of movements in total shareholders' (deficit)/funds

	<b>Group</b>		<b>Company</b>	
	2014 £M	2013 £M	2014 £M	2013 £M
Profit/(loss) for the financial year	9.0	(18.8)	2.2	0.1
Other net recognised gains and losses for the financial year	(35.6)	(77.2)	-	-
Movement in total shareholders' (deficit)/funds	<u>(26.6)</u>	<u>(96.0)</u>	<u>2.2</u>	<u>0.1</u>
At 1 January	(202.7)	(106.7)	54.8	54.7
At 31 December	<u>(229.3)</u>	<u>(202.7)</u>	<u>57.0</u>	<u>54.8</u>

## 24. Net cash flow from operating activities

	2014 £M	2013 £M
Operating profit	20.3	19.5
Amortisation of intangible fixed assets	0.2	0.2
Depreciation of tangible fixed assets	3.6	4.1
Loss on disposal of tangible fixed assets	-	0.1
(Increase)/decrease in stocks	(3.3)	29.1
Decrease/(increase) in debtors	23.9	(20.5)
(Decrease)/increase in creditors	(56.8)	26.6
(Decrease)/increase in provisions	(4.8)	3.1
Difference between pension service charge and cash contributions	(8.0)	(0.9)
Net cash (outflow)/inflow from operating activities	<u>(24.9)</u>	<u>61.3</u>

## Notes to the Financial Statements

## 25. Analysis of cash flows for headings netted in cash flow statement

	2014 £M	2013 £M
<b>Returns on investments and servicing of finance</b>		
Interest received	0.2	0.5
Interest paid	(3.2)	(3.0)
Dividends paid to minority interests	(0.4)	(0.4)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(3.4)</b>	<b>(2.9)</b>
	<b>2014 £M</b>	<b>2013 £M</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(6.3)	(3.2)
Sale of tangible fixed assets	1.6	0.1
Issue of loan notes receivable	-	(2.5)
<b>Net cash outflow from capital expenditure</b>	<b>(4.7)</b>	<b>(5.6)</b>
	<b>2014 £M</b>	<b>2013 £M</b>
<b>Acquisitions and disposals</b>		
Investment in joint venture	-	(0.8)
Costs in relation to sale of businesses in prior year	-	(10.1)
<b>Net cash from acquisitions and disposals</b>	<b>-</b>	<b>(10.9)</b>
	<b>2014 £M</b>	<b>2013 £M</b>
<b>Financing</b>		
Decrease in debt due within one year	(4.3)	(13.1)
Increase/(decrease) in debt due in more than one year	14.8	(12.1)
Capital element in finance lease payments	1.3	(0.5)
<b>Net cash inflow/(outflow) from financing</b>	<b>11.8</b>	<b>(25.7)</b>

## Notes to the Financial Statements

## 26. Analysis of changes in net funds/(debt)

	1 January 2014 £M	Cash flow £M	Non-cash movement £M	31 December 2014 £M
Cash at bank and in hand	47.6	(19.6)	0.4	28.4
Bank overdraft	(2.2)	(0.1)		(2.3)
	<u>45.4</u>	<u>(19.7)</u>	<u>0.4</u>	<u>26.1</u>
<b>Debt:</b>				
Finance leases	(0.1)	(1.3)	-	(1.4)
Debts due within one year	(10.5)	4.3	1.1	(5.1)
Debts falling due after more than one year	(9.6)	(14.8)	2.2	(22.2)
	<u>(20.2)</u>	<u>(11.8)</u>	<u>3.3</u>	<u>(28.7)</u>
<b>Total debt excluding cash and overdrafts</b>				
	<u>(20.2)</u>	<u>(11.8)</u>	<u>3.3</u>	<u>(28.7)</u>
<b>Net funds/(debt)</b>	<u>25.2</u>	<u>(31.5)</u>	<u>3.7</u>	<u>(2.6)</u>

Non-cash movements relate to the amortisation of issue costs, foreign exchange movements and the reanalysis of non-cash balances.

## 27. Pension commitments

The Group operates several pension schemes in the United Kingdom, the largest being the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme. The assets of these pension schemes are held separately from those of the Group in trustee administered funds. The schemes are principally funded defined benefit schemes. Contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method, where applicable, and as agreed with the Trustees of the schemes. Contributions are payable in accordance with the long term schedules of contributions agreed with the Trustees of the pension schemes and these schedules will be reviewed in the light of the results of the next actuarial valuations. Total contributions to these two schemes made in the year were £8.9m (2013 - £1.1m).

With effect from 31 December 2005, defined benefit accrual ceased in the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme and members had the option of continuing to accrue benefits under new defined contribution sections of the schemes.

The latest available formal actuarial valuations of the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme were carried out as at 31 January 2010 by AON Hewitt Limited. Based on this data, as reviewed in preparation for the actuarial valuation as at 31 January 2013, the value of the schemes' liabilities has been updated by AON Hewitt Limited to assess the liabilities of the schemes at 31 December 2014 for the purposes of FRS 17. Scheme assets are stated at their market value at 31 December 2014.

The disclosures for all of the Group's defined benefit arrangements are aggregated below. Estimated contributions to be paid into the Group schemes in the coming year are £5.7m.

Total contributions made in the year to defined contribution sections of the Group's schemes were £4.7m (2013 - £5.1m). At the year end there was an accrual for unpaid pension contributions of £0.3m (2013 - £0.4m).

As with previous years, the Company accounts for contributions into the defined benefit sections as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the schemes. The Company cannot identify its share of assets and liabilities because the two pension schemes operated by the Group are managed on a total basis with neither the liabilities nor the assets segregated between members who have worked for the Company and other Group subsidiaries which have had employees in the defined benefit sections. The Company will be expected to continue its contributions based on the results of the triennial actuarial valuation. The amount of such contributions will depend on the actual actuarial experience and the investment returns achieved.

## Notes to the Financial Statements

### 27. Pension commitments (continued)

The key financial and other assumptions used to calculate the scheme liabilities are:

	2014	2013
Rate of general increase in salaries	2.87%	3.22%
Rate of increase in pensions in payment	2.75%	2.99%
Rate of increase in deferred pensions	2.02%	2.37%
RPI inflation rate	2.87%	3.22%
Discount rate	3.76%	4.63%

A review of mortality for scheme members was conducted in preparation for the actuarial valuations as at 31 January 2013 and the demographic assumptions used in assessing the FRS 17 liabilities reflect this review. For these schemes, the following life expectancies have been used:

Retirement in this year for male pensioners at age 65	22 years
Retirement in 2034 for male pensioners at age 65	23 years
Retirement in this year for female pensioners at age 65	24 years
Retirement in 2034 for female pensioners at age 65	25 years

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Group's UK schemes have been calculated by adjusting the standard mortality tables to reflect the characteristics of the workforce.

In line with prior years, it has been assumed that at retirement, members commute some of their pension for cash, being some three-quarters of the maximum amount of the commutable pension, based on the schemes' current commutation factors.

Minor changes in key assumptions may have a material impact on the quantum of the pension deficit.

The assets in the schemes and the expected rates of return were:

	Long term rate of expected return	2014 £M	Long term rate of expected return	2013 £M
Equities/absolute return funds	8.5%	334.4	8.5%	312.6
Government bonds	3.0%	10.6	3.5%	9.8
Corporate bonds	4.5%	75.0	4.5%	47.3
Property/infrastructure	7.0%	76.6	7.0%	76.7
Other	4.0%	88.7	4.0%	82.0
Total market value of assets		585.3		528.4
Present value of funded pension plans' liabilities		(976.0)		(876.0)
Deficit in funded plans		(390.7)		(347.6)
Unrecognised asset due to surplus restriction		(0.5)		(0.5)
Total deficit in plans		(391.2)		(348.1)
Related deferred tax asset		78.2		69.6
Net pension deficit		(313.0)		(278.5)

The Group net pension deficit of £313.0m (2013 - £278.5m) includes £11.7m (2013 - £7.8m) in respect of the employers' share of the deficit under sections of the Railways Pension Scheme, which is a 'shared cost' scheme, whereby costs are split 60:40 between employers and members.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The movements in the present value of scheme liabilities during the year were:

The movements in the fair value of scheme assets in plans during the year were:

Scheme assets include an interest in shares in the Company valued at £14.2m (2013 - £4.9m). Scheme assets do not include any property occupied by any members of the Group. The actual return on scheme assets in the year was a gain of £76.3m (2013 - £45.8m).

	2014 £M	2013 £M
<b>Amounts charged to operating profit</b>		
Current cost	(2.4)	(2.2)
Defined contribution schemes	(4.7)	-
	<hr/>	<hr/>
<b>Total operating charge</b>	<b>(7.1)</b>	<b>(2.2)</b>
	<hr/>	<hr/>

	2014 £M	2013 £M
<b>Analysis of amounts charged to other finance charge</b>		
Expected return on pension scheme assets	31.1	29.0
Interest on pension scheme liabilities	(38.2)	(34.0)
	<hr/>	<hr/>
Net return	(7.1)	(5.0)



## Notes to the Financial Statements

## 27. Pension commitments (continued)

	2014 £M	2013 £M
<b>Amounts included within the Group Statement of Total Recognised Gains and Losses</b>		
Actual return less expected return on pension scheme assets	45.2	16.8
Experience gains and losses arising on the scheme liabilities	(5.5)	(29.4)
Changes in assumptions underlying the present value of the scheme liabilities	(83.8)	(66.7)
Restriction of pension asset	0.2	(0.4)
	<u>(43.9)</u>	<u>(79.7)</u>
Actuarial loss recognised in the Group Statement of Total Recognised Gains and Losses		
	<u>(43.9)</u>	<u>(79.7)</u>

	2014 £M	2013 £M	2012 £M	2011 £M	2010 £M
<b>History of experienced gains and losses</b>					
Liabilities	(976.0)	(876.0)	(769.2)	(693.9)	(639.6)
Plan assets	585.3	528.4	505.0	492.0	537.0
Scheme deficit	<u>(390.7)</u>	<u>(347.6)</u>	<u>(264.2)</u>	<u>(201.9)</u>	<u>(102.6)</u>
Experience gains and losses on scheme assets	45.2	16.8	9.8	(61.4)	13.2
Experience gains and losses on scheme liabilities	(5.5)	(29.4)	(4.6)	(5.7)	8.3
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	<u>(43.9)</u>	<u>(79.7)</u>	<u>(56.3)</u>	<u>(104.7)</u>	<u>37.3</u>

## 28. Capital commitments

At 31 December 2014 the Group had capital commitments as follows:

	Group	
	2014 £M	2013 £M
Contracted as at the year end but not provided for in the financial statements	<u>0.6</u>	<u>0.1</u>

## 29. Contingent liabilities and financial commitments

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Guarantees for export trading and loan facilities	<u>1.8</u>	<u>1.4</u>	<u>-</u>	<u>-</u>

Under the Group's banking arrangements, the Company, together with certain of its subsidiary undertakings, has given security, by way of fixed charges over certain assets, to guarantee bank loans provided to the Group. The amount guaranteed by the Company outstanding at 31 December 2014 was £3.9m (2013 - £nil).

## Notes to the Financial Statements

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### 30. Operating lease commitments

At 31 December 2014 the Group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings		2014 £M	Other 2013 £M
	2014 £M	2013 £M		
<b>Expiry date:</b>				
Within 1 year	2.1	2.0	1.4	1.8
Between 2 and 5 years	8.6	8.5	3.9	4.7
After more than 5 years	12.2	11.6	-	-

The Company had no operating lease commitments at 31 December 2014 (2013 - £nil).

### 31. Related party transactions

The Group has taken the exemption available under FRS 8, 'Related party disclosures', from disclosing related party transactions between entities within the Group. The Group and its joint ventures provide certain services on behalf of each other which involve making payments on each other's behalf.

During the year, the total payments made on behalf of Kautex Unipart Limited amounted to £10.1m (2013 - £9.3m) and amounts owed to the Group at 31 December 2014 were £nil (2013 - £0.2m).

During the year, the total payments made on behalf of Unipart Eberspächer Exhaust Systems Limited amounted to £3.3m (2013 - £2.3m), sales made to Unipart Eberspächer Exhaust Systems Limited amounted to £0.4m (2013 - £nil) and amounts owed to the Group at 31 December 2014 were £1.5m (2013 - £1.5m). The total payments made by Unipart Eberspächer Exhaust Systems Limited on behalf of the Group amounted to £5.5m (2013 - £1.9m) and amounts owed to Unipart Eberspächer Exhaust Systems Limited by the Group were £0.7m (2013 - £0.7m).

## Notes to the Financial Statements

### 32. Undertakings whose results or financial position principally affect the Group

At the year end, the Group's principal subsidiary undertakings were as set out below. Unless otherwise stated, the holdings are 100% of the voting rights and ordinary shares.

#### **Distribution and logistics management**

##### ***Europe and the Middle East***

Serck Services (Bahrain) EC	Bahrain
Van Wezel Autoparts NV	Belgium
Unipart NV	Belgium
Unipart Accelerated Logistics Limited	England
Unipart Rail Limited	England
Unipart Exports Limited	England
Unipart Group Limited (i)	England
Unipart Logistics Limited	England
Unipart North America Limited	England
Unipart Rail Logistics Limited	England
Unipart Leisure and Marine Limited	England
Unipart Security Solutions Limited	England
Unipart Security Limited	England
Unipart DCM Service GmbH	Germany
Van Wezel GmbH	Germany
Intertruck Deutschland GmbH	Germany
Intertruck Benelux BV	Netherlands
Van Wezel Nederland BV	Netherlands
Serck Services (Oman) LLC (49%) (ii)	Oman
Unipart Services Spain, S.L.	Spain
Intertruck Holding Limited	UAE
Intertruck MENA LLC (49%) (ii)	UAE
Serck Services (Gulf) Limited (49%) (ii)	UAE
Serck Services Company LLC (49%) (ii)	UAE

##### ***Africa, Americas and Rest of the World***

Unipart Group Australia Pty Limited	Australia
Unipart Services Canada Inc	Canada
Unipart Logistics (Suzhou) Trading Co., Limited	China
Unipart (Suzhou) Logistics Co., Limited	China
Unipart Kabushiki Kaisha	Japan
Unipart Services India Private Limited	India
Intertruck Africa Limited	Kenya
Unipart Korea Yuhan Hoesa	Korea
U Logistics OOO	Russia
UL Logistics Pty Ltd	South Africa
Unipart Services America Inc	USA
Serck Services Inc	USA
Intertruck Africa Limited	Zambia

#### **Group vehicle and property holding companies**

Gresty Road 2005 Holdings Limited	England
Gresty Road Supplies Limited	England
Unipart Fleet Services Limited	England
UGC Properties Limited (i)	England

#### **Intermediate holding companies**

Unipart Rail Holdings Limited (i)	England
Gresty Road 2005 Limited	England
Unipart International Holdings Limited	England
UGC Holdings BV	Netherlands

(i) Shares held directly by the Company.

(ii) These companies have been treated as subsidiaries under section 1162(4) of the Companies Act 2006. The investments are held for the long term and the Group's management takes an active role in the operational and strategic management of these companies. These operations are effectively controlled by the Group with a dominant influence being exercised over their activities.

## Notes to the Financial Statements

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### 32. Undertakings whose results or financial position principally affect the Group (continued)

The Group's principal interests in joint ventures and associates are set out below. Unless otherwise stated, the holdings are 50% of the voting rights and shares.

#### **Distribution and logistics management**

Van Wezel Austria GmbH

Austria

ACI Auto Components International SRO (29%)

Czech Republic

UGL Unipart Rail Services Pty Limited (30%)

Australia

#### **Manufacture of automotive components**

Kautex Unipart Limited (i)

England

Unipart Eberspächer Exhaust Systems Limited (i)

England

(i) Shares held directly by the Company.

As well as those undertakings listed above, the Group also has branches in Australia, China and Japan.

A complete list of Group undertakings is filed with the Annual Return.

<b>Company secretary</b>	M D Rimmer
<b>Registered number</b>	01994997
<b>Registered office</b>	Unipart House Cowley Oxford OX4 2PG
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT
<b>Registrar</b>	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6ZX

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