



TATE & LYLE

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1.0 Introduction

1.1 Definition of Strategic Financial Analysis and importance of financial analysis

According to researchers, **Williamson, Mayo, Casson, (2005)**, strategic financial analysis is a method used to measure how business is performing for an organization or company per say. The same researchers mentioned that they are few methods or techniques in Strategic Financial Analysis where it consists of ratio analysis, trending analysis, cash flow statements, asset and liability statement and many more (**Williamson, Mayo, Casson, 2005**). The main reason behind why the organization spend more time in doing financial analysis is to gauge the future trends of an organization from a financial stand point of view (**Brigham & Ehrhardt 2013**).

1.2 Objectives of this assignment

The purpose of this assignment is to analyze and compare **Wolseley PLC** and **Tate & Lyle PLC** financial statement with multiple financial analysis techniques to understand the strength and weakness of both organization for future investment opportunity. This assignment will cover the finance aspect where it will discuss ratio analysis, common size analysis and Du Pont analysis. This assignment will also discuss the contemporary analysis method to avoid any shortcomings.

2.0 Brief intro of the 2 companies

As highlighted in the objective of the assignment, two London Stock Exchange (LSE) listed company were selected. They are none other than **Wolseley PLC** and **Tate & Lyle PLC**.

Wolseley PLC founded back in 1887 in Melbourne Australia. The company started with purchases of some machinery to build cars and eventually expanded by acquiring both manufacturing and distribution businesses in 1984. The company has footprint in the United Kingdom, the United States and Europe. In 2017, Wolseley rebranded and now called Ferguson and the prime reason of the name change is due to market growth in the US. Wolseley remained know as Wolseley in the UK and Canada businesses (**Wolseley.com, 2018**).

Tate & Lyle PLC founded in 1921 by the merger of Henry Tate & Sons and Abram Lyle & Sons. The company is a British headquartered where they are known as a global food and beverage ingredients suppliers to the industrial market place. When the company first started, they were only known as sugar refining however effective 1970s, the company expanded and diversified they business to a specialized raw material like corn, tapioca, and oats into ingredients that add taste, texture, and nutrients to food and beverages (**Tate&Lyle.com, 2018**).

Company Logo		TATE & LYLE
Trade as	LSE and FTSE	LSE
Industry	Building materials	Food processing
Revenue (2017)	£15,224 million	£2,753 million
Number of employees	35,000	4151
CEO	John Martin	Nick Hampton

Figure 1: About Wolseley & Tate&Lyle

3.0 Brief intro of methods of analysis

In this section of the assignment, we will briefly discuss and provide an introduction on the method adopted in to further analyst the financial status of both the selected companies. As described in the objective of this assignment, researcher has adopted ratio analysis, common size analysis (vertical and horizontal) and Du Pont analysis.

- **Ratio Analysis**

According to **Dahir (2016)**, ratio analysis is basically the ability to perform assessment on the financial situation and performance of a company/organization. It helps the organization to analyze and make assumption the multiple types of ratio. In nutshell, ratio analysis helps to gauge on how the organization is performing.

- **Vertical Analysis**

In financial interpretation, vertical analysis is also known as common size analysis where the understanding method of is performed in a single financial statement the dominator and aggregated values are explained in percentages (**Ganbaatar, 2010**).

- **Horizontal Analysis**

Horizontal Analysis is also called or known as trending analysis where the reason organization performs or study this is to analyst several financial related data of a certain duration of time. It basically provides a view if it's trending up or down (**Ganbaatar, 2010**).

- **Du Point**

Financial researcher, **Kim (2016)** found quoting that Du Pont is one of the famously used method when organization is performing financial analysis. It comprises net profit margin, Asset turnover and Equity Multiplier to further assess the impact of each items.

3.1 Ratio analysis - 5 year-on-year/trend and benchmarking

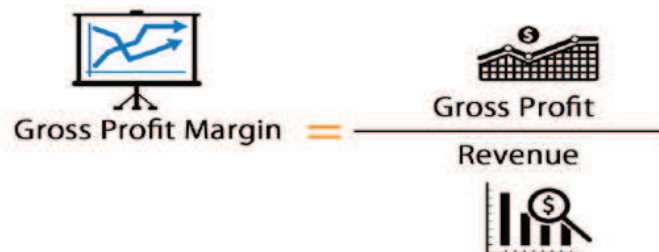
For a non-financial background individual, listening the word ratio it's will make the individual worried where it provides an impression on how complicated it could be. Based on research conducted by **Utah and Idaho (2011)**, it's not as difficult as we believe so. In their findings, majority of organization uses this method to gauge the company's historical performances to identify and assist to avoid a re-occurrence of an issue if there is any. **Ali (2017)** found mentioning where ratio analysis consists of Profitability, Liquidity, Efficiency and Investor in the company financial report or statement which allows the organization to interpret on how the company had performed. It provides a simplified accounting numbers and it's easy to understand. In nutshell, researchers like **Needles et al (1996)** and **Lasher (1997)** concluded that ratio analysis is all about connecting financial statement and further perform comparison to determine organization performances.

3.1.1 Profitability

Tulsian (2014) stated that Profitability Ratio are basically used to calculate the organizations productivity in gaining profits is a span of return of investments. Most of the time, most organization uses Gross Profit Margin (GPM) and Net Profit Margin (NPM) therefore this assignment also opted the same to gauge Wolseley and Tate&Lyle performances.

3.1.1.1 Gross Profit Margin (GPM)

Tulsian (2014) found to be quoting that to prove a good grip on the management, the higher the gross profit the better and the primary purpose of performing GPM is to gauge how efficient the organization is in the buying and selling operations.



$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

Figure 2: GPM Formula

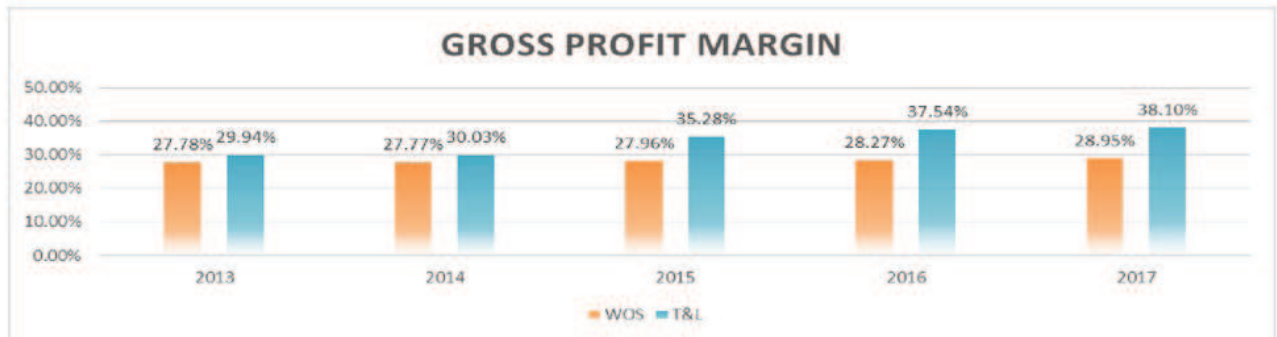


Figure 3: GPM for WOS and T&L

As the above figure shows, both the company based on the 5 years trends, shows that the company had a sustainable GPM. For Wolseley, despite facing challengers in the economic climates, they had scored GPM between 27% and 28% (Wolseley, 2017). Tate&Lyle on the other hand had some realignment in the business primarily in Singapore by shutdown and merge with the US for cost effective and saving purposes (Tate&Lyle, 2016). To summarized, GPM for T&L had a steady growth expect for the 2015 due to the company shifted focus on transforming and realigning the business to further gain grip in the market (Tate&Lyle, 2015).

3.1.1.2 Net Profit Margin (NPM)

Kishore (2005) in his research mentioned that, NPM is a relationship between net profit and net sales where it indicated how efficient is the management from end to end perspective, manufacturing to selling a product.



$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

Figure 4: NPM Formula



Figure 5: NPM for WOS and T&L

The figure above shows that how both the selected company performed in their respective NPM. From the graph we can see that aside 2015, the other years shows a sustainable growth in the NPM which means the company had a good grip in the market. For the 2015, Wolseley due to the restricting and realigning business strategic caused them some profit and for T&L, due to the winter in the States and shutting down Singapore had caused them dear for that year (Wolseley, Tate&Lyle, 2015)

3.1.2 Liquidity Ratio

Liquidity Ratio is all about how the organization/company manages to repay their debts or loan commitments within the agreed timelines. Low current ratio means that the organization is using the short-term loans to it fixed assets (Durrah et al, 2016). This assignment will cover current ratio (CR) and quick ratio (QR) to perform efficiency analysis for Wolseley and Tate&Lyle.

3.1.2.1 Current Ratio (CR)

Current ratio helps to gauge the current liability of an organization. In nutshell, the higher the amount of current asset to the current liability, the better the assurances that will be paid. It also helps to measure buffer against losses (Emery et. al., 2004).

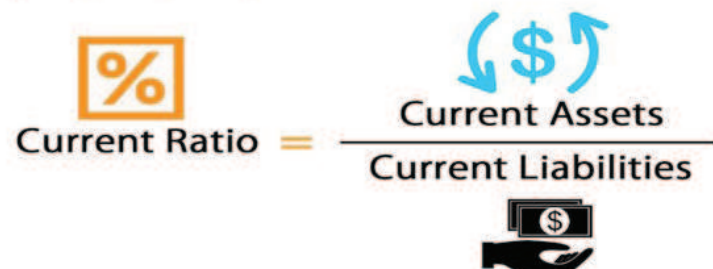
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$


Figure 6: CR Formula

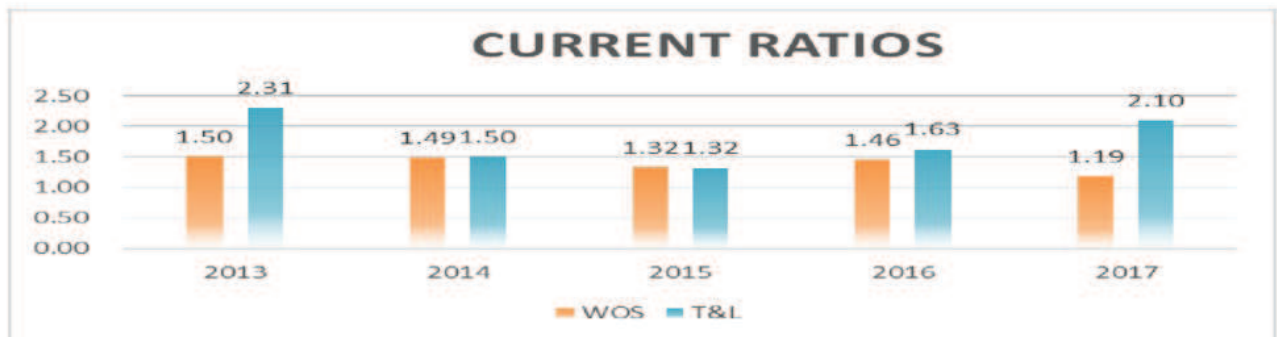


Figure 7: CR for WOS and T&L

The current ratio values for Wolseley seems to be in an acceptable level despite not meeting the 2.0 mark. This shows that the company isn't doing that bad where their current asset is still higher than their current liabilities. As for Tate&Lyle, similar observation was noticed but for the year 2013 and 2017, they did very well as they hit the 2.0 mark which means operationally they are in control and managing well.

3.1.2.2 Quick Ratio (QR)

Is known as a restrictive method to calculate liquidity. Quick ratio helps in performing acid test where it includes convertible in cash, short term investments and account receivables (Emery et. al., 2004).



$$\text{Quick Ratio} = \frac{\text{(Cash + Shortterm Marketable Securities + Accounts Receivable)}}{\text{Current Liabilities}}$$

Figure 8: QR Formula

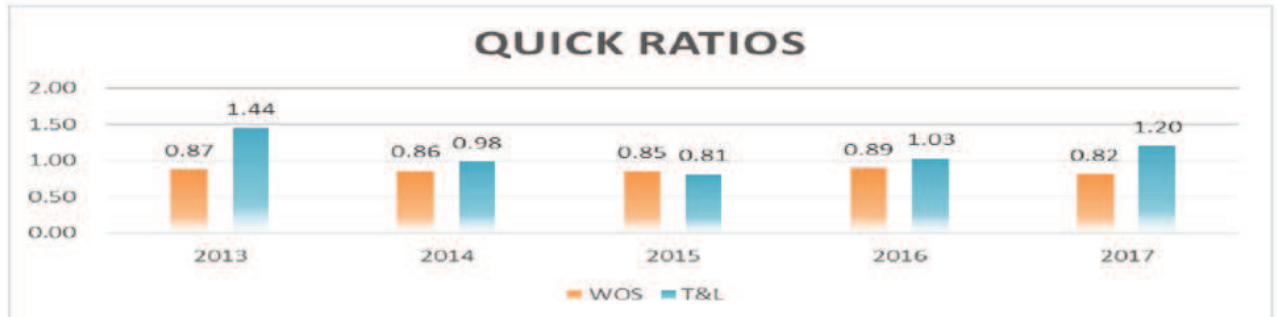


Figure 9: QR for WOS and T&L

The above figure shows that Tate&Lyle have a better edge in their QR compare to Wolseley where Tate&Lyle have the better grip on their short-term liquidity to pay up their current liabilities. According to Wolseley, 2017, and average cash in hand is done with 50 days which means that their turn over is quick (Wolseley, 2017). As for T&L, they are doing just fine. Also noted by researcher like Borad (2018), QR is not so user friendly for all types of business model therefore it may work on some and some not.

3.1.3 Working Capital Management Ratios

3.1.3.1 Days of Sales Outstanding (DSO)

DSO is all about how quickly an organization takes to convert receivables account into cash. In short it translates on days taken to receive the cash. The longer the DSO means the higher working capital for the organization (Emery et. al., 2004)

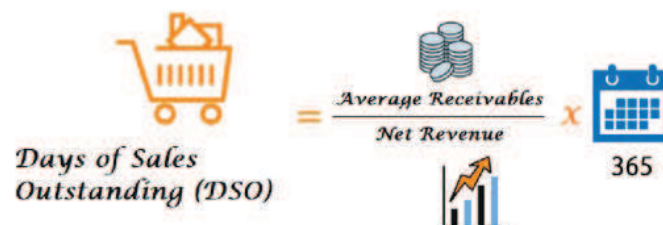
$$\text{Days of Sales Outstanding (DSO)} = \frac{\text{Average Receivables}}{\text{Net Revenue}} \times 365$$


Figure 10: Days of Sales Outstanding Formula



Figure 11: DSO for WOS and T&L

As per figure 11, **Wolseley (2017)** with the effectiveness of implementing the rewarding and numerating formula in their organization, it helps the organization to quickly gain access to cash. T&L also have a very good grip cash returns where in 2017, they set a new number with 32 days.

3.1.3.2 Days of Inventory on Hand (DOI)

DOI helps to measure the inventories efficiencies. To gain the upper hand here, an organization must have a smaller inventory where quicker selling is made possible (Santosuosso, 2014).

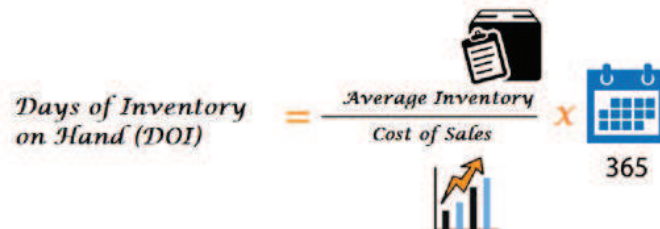
$$\text{Days of Inventory on Hand (DOI)} = \frac{\text{Average Inventory}}{\text{Cost of Sales}} \times 365$$


Figure 12: Days of Inventory on Hand Formula

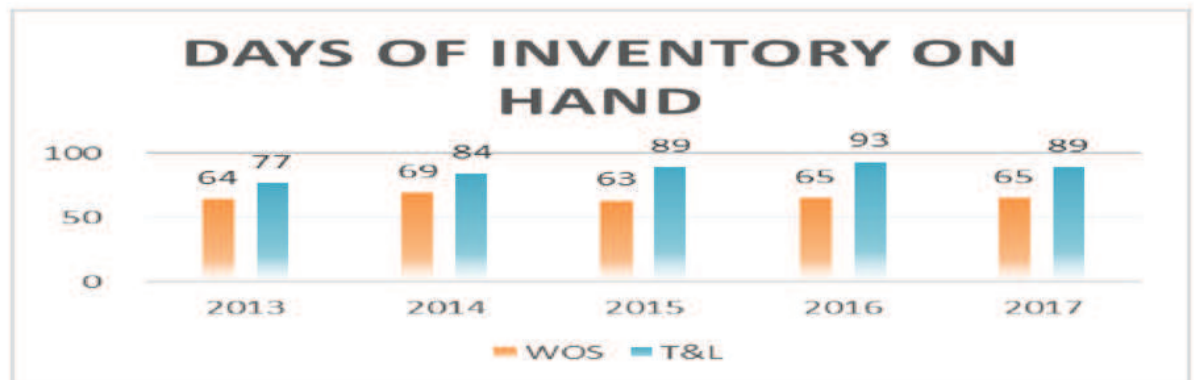


Figure 13: DOI for WOS and T&L

Based on the company Annual report T&L faced some challengers with their over harvesting of corns from 2015 to 2017 which resulted to high increase of inventory in the States where price was set at \$4 (Tate&Lyle, 2017). As for Wolseley, they have a low DOI primarily due to rewards mechanism that they have introduced. Wolseley had their employees to help to reduce no work time and convert it into cash (Wolseley, 2017)

3.1.4 Investors Ratio

According to Asiri (2015), investors ratio is key source of data in obtaining how the organization or a company is performing against their financials by gauging the health state to further decide future investments. For this assignment, research has opted for EPS (Pense) and Dividend Payout ratios for the selected companies.

3.1.4.1 Earnings Per Share Ratio

Graham, Harvey and Rajgopal (2004) mentioned that EPS is very well known to be the most popular financial benchmark for an organization. They also found to be quoting that EPS helps in strategic decision making for share valuations, management performance incentive schemes and merger and acquisition negotiations.

The diagram illustrates the Earnings Per Share (EPS) ratio formula. On the left, the text "Earnings Per Share" is accompanied by a bar chart icon with an upward arrow. This is followed by an equals sign and a fraction. The numerator of the fraction is "(Net income - Preferred dividends)" with a fan-of-money icon above it. The denominator is "Average Common Shares Outstanding" with a smartphone icon showing a bar chart and a dollar sign below it.

$$\text{Earnings Per Share} = \frac{(\text{Net income} - \text{Preferred dividends})}{\text{Average Common Shares Outstanding}}$$

Figure 14: Earnings Per Share Ratio Formula

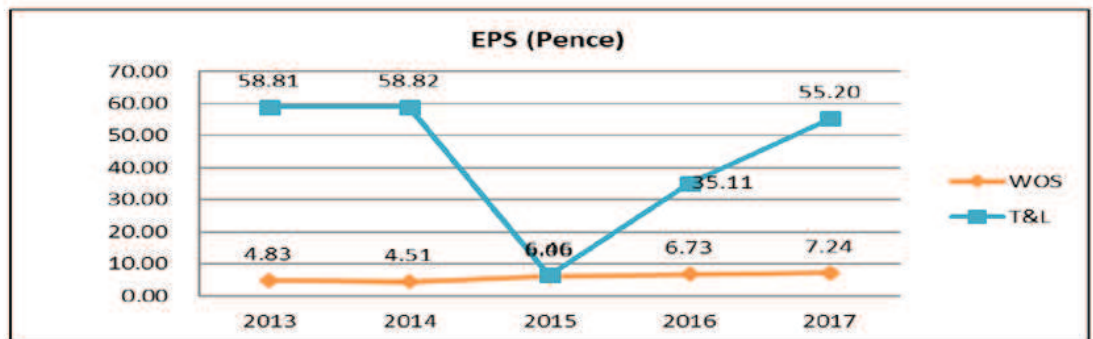


Figure 15: EPS for WOS and T&L

Wolseley did extremely well in 2013, 2014 and had a slump in 2015 but further regained their fit in 2016 and 2017. The fact of the deep in EPS in 2015 was due to the company decision the discontinues the operations in French (**Wolseley, 2015**). Tate&Lyle on the other hand can't compete with Wolseley but they are doing fine to grown and attract investors by providing and innovative as much as possible to gain grip in the market (**Tate&Lyle, 2017**).

3.1.4.2 Dividend Pay-out Ratio

Arslan & Zaman (2014) mentioned that dividend payout is a form of a source of income to the investors. In nutshell, it is a set of guidance where it helps to point the management of a company how to reward the investors by sharing the earning and the same time keeping for future investments.

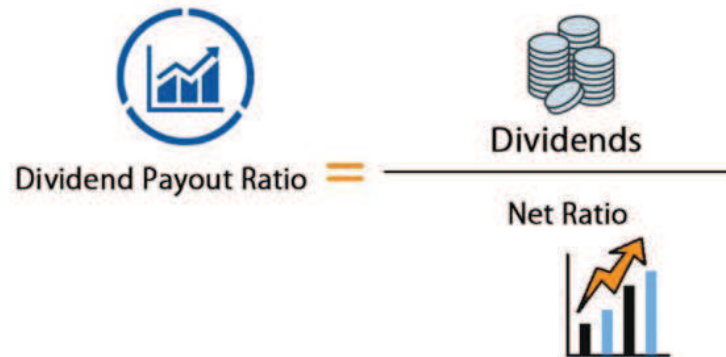


Figure 16: Dividend Pay-out Ratio Formula

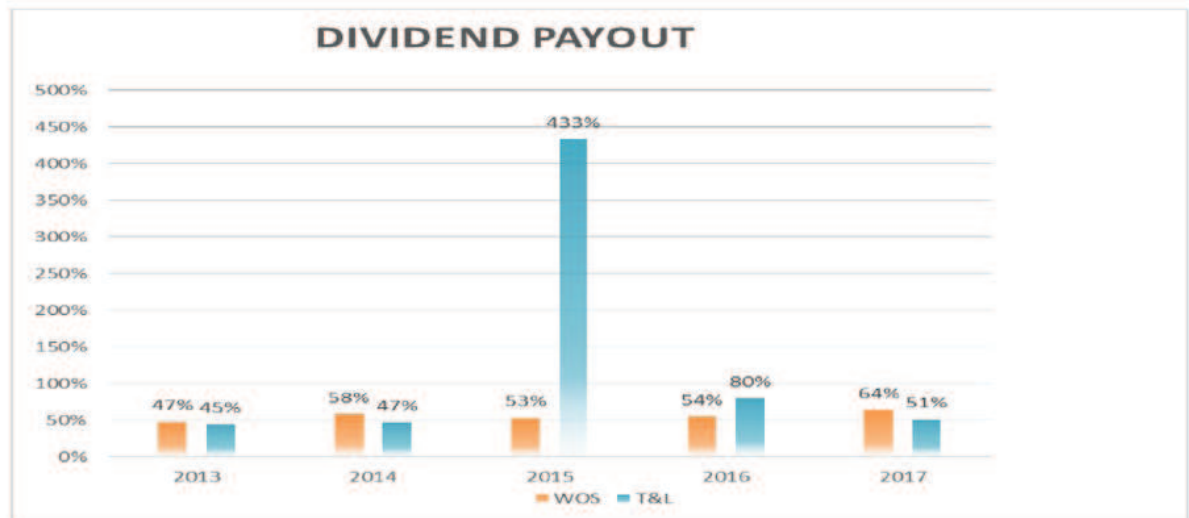


Figure 17: Dividend payout for WOS and T&L

The above graph shows that T&L had their highest dividend payout in the last 5 years where the board recognized the importance of their shareholders and committed to their agreed policies in 2009 (Tate&Lyle, 2015). On their other hand for Wolseley, they had a steady dividend payout for the last 5 years which means they are rewarding their investors accordingly with consistency.

3.2 Common-size analysis (Vertical and Horizontal)

According to Szramiak (2017), common size is also known as vertical analysis where it applies focus on comparing multiple size of lines items within the company financial statement. It helps to ease in the comparing the statement, both income and balance sheet for multiple companies regardless their sizes (Saxena, 2016).

As for Horizontal analysis, it's commonly known as trending analysis in financial world when it helps to gauge how the financial statement is performing for a period of time (Ganbaatar, 2010). In nutshell, trend analysis is usually a trusted source where it's validated and endorsed.

For this assignment, we will discuss further, and in the appendix, we will have the 5-year running company financial statement, income statement and balance sheet where it will be used to discussed how both Wolseley and Tate&Lyle performed.

3.2.1 Vertical Analysis

Statement of profit/lost (SOPL)

Based on the statements (Appendix V, Table 1 and Table 2), we can clearly see that both the company have a consistence gross profit between 28% to 29% for Wolseley and 30% to 38% for Tate&Lyle. Wolseley has been consistent due to the company new direction and value-added services provided to serve their customers (Wolseley, 2017). As for Tate&Lyle due to the fact where the company has what the consumer needs where variety of products with the right direction from the management saw an increased in the 2017 (Tate&Lyle, 2017).

Statement of financial position (SOFP)

Based on the (Appendix V, Table 3 and Table 4), we can derive that Wolseley has an average of 50% asset in hand compared to Tate&Lyle who has an approximately 41.7%. With regards to noncurrent assets stands at 35.6% and 58.2% for Wolseley and T&L respectively. Wolseley had a decreased in noncurrent asset which means reduction in revenue from 2015 to 2017 whereas T&L showed a consistent trend.

Statement of cash flow (SOCF)

Based on the (Appendix V, Table 5 and Table 6), both companies show surplus when it comes to net cash flow for the 5 years running. Adjusted operating cash flow increased to £273 million for T&L where it was converted into cash (Tate&Lyle, 2017). Wolseley (2017) mentioned that maintaining a strong cash flow allows the organization to increase their dividend payouts on a yearly basis.

3.2.2 Horizontal Analysis

Statement of profit/lost (SOPL)

Based on the statements (*Appendix H, Table 1 and Table 2*), the horizontal statement analysis shows that average 5-years running gross profit for Wolseley and T&L stands at 174% and 69% respectively. Wolseley due to a merger with Ferguson to increase visibility in the United States had really brought them to where they wished to be. Profit for that very year were 313%. As for Tate&Lyle, they had a challenging year in 2015 where they had a declined revenue of 30% due to winter weather in US and shutting down Singapore branch.

Statement of financial position (SOPF)

Based on the (*Appendix H, Table 3 and Table 4*), Wolseley current asset is at an average of 115% whereas T&L is at 80%. According to Tate&Lyle (2017), The return we generate on our assets decreased during the year due to lower earnings with a return on capital employed of 13.9% (2014 – 19.2%), although this remains well ahead of T&L weighted average cost of capital. As far as T&L is concerned, current assets and liabilities have either a short maturity or a fluctuating interest rate and their fair values approximate book values. Senior unsecured loan notes with a book value of £ 952 million (2016: £ 959 million) and a fair value (level 2) of £ 991 million (2016: £ 1027 million) are the only non - current financial assets or liabilities for which the book value is not approximate.

Statement of cash flow (SOCF)

Based on the (*Appendix H, Table 5 and Table 6*), Wolseley seems to have a decline year over year which takes them to an average 93%. If we were to look at the individual item from the annual reports, the company had profit in 2017. This was due to the merge with Ferguson in the States. The similar was seen with T&L where average cash flow for 5-year was 130%. Comparing both the companies, T&L is doing better in generating profits where maintaining and focusing on their growth is seen.

3.3 Du Pont analysis

DuPont Analysis is a performance measurement method initiated in 1920 by the DuPont Corporation. This method measures assets at their gross book value instead of at the net book value to generate a higher return on equity (ROE). Also referred to as DuPont identity. The elegance of ROA, which is affected by a measure of profitability and an efficiency measure, has made the DuPont method a widely used tool for financial analysis (Kim, 2016).



Figure 18: ROE Formula

According to researcher Kamar (2017), ROE often used by the potential investors to gauge or assess how the organization is performing from the profitability growth perspectives. Similarly, Kijewska, A (2016) found quoting that ROE is taken very seriously to measure company's earnings and to show the investors how their investments are being used effectively.

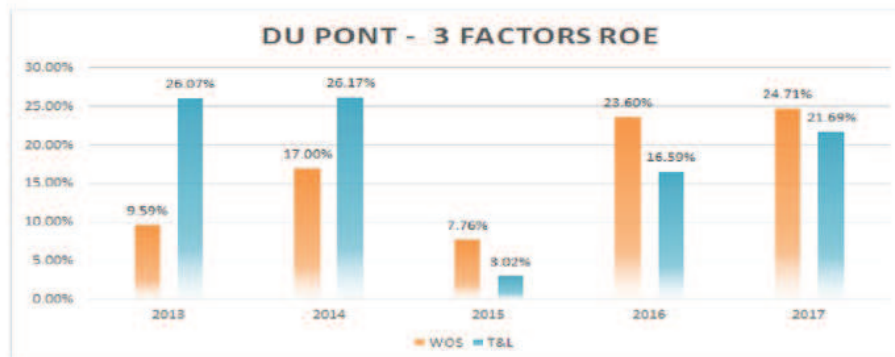


Figure 19: ROE for WOS and T&L

As per figure 19 above, Wolseley had a relative poor show of ROE in 2015 however picked up in 2016 and 2017 due to the acquisition to step further in the United States market. Primary reason of the deep in 2015 were due to realignment of business strategy where discontinuing French and Singapore operation and refocus in the gaining countries (Wolseley, 2017). As for Tate&Lyle, they too had a severe deep in ROE in 2015 due to oversupply of corn due to winter season in States (Tate&Lyle, 2015). As overall conclusion, both the company are doing good in the ROE space and strategy is working in regaining continues investors confidences.



$$\text{Return On Assets Formula} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

Figure 20: ROA Formula

Heikal et, al., (2014), ROA is often used to measure how effective is the organization can generate profit from their existing assets. According to Brigham (2001) the higher the ROA is better and good for an organization after minusing interest and taxes.

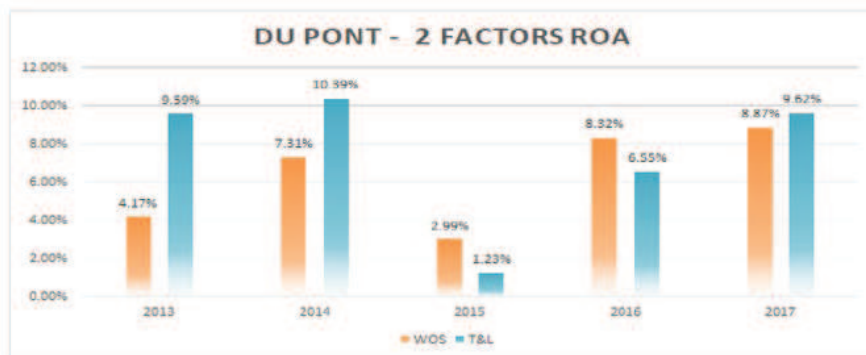


Figure 21: ROA for WOS and T&L

Based on the above Figure 21, we can see that both the company have a good ROA. The ability to generate profit based on their available assets shows that the company has a strategy to remain relevant. As for Wolseley, change name to Ferguson while Tate&Lyle reconsidering their business operation in French and Singapore allowed them to succeed in their respective fields.

4.0 Merits and Demerits:

4.1 Ratio analysis

Ratio Analysis	Merits	<p>1) Financial ratio provides a simplified view which isn't complicated. It helps to perform a straightforward financial analysis and help to ease for comparison between multiple companies (Ozyasar, 2018) <i>Proven in this report based on the Fig 3,5,7,9,11,13,15,17, it clearly showed that the above statement is true where it's very easy to compare both companies with different field and sizes.</i></p> <p>2) Allows and help organization to gauge the efficiency (Singh, 2016). <i>As per fig 11 and 13, indeed the statistics are clearly helps to understand how the efficiency is measured.</i></p> <p>3) According to Wirth (2017), it allows a simple comparison between two companies with past trending's. <i>Proven in this report based on the Fig 3,5,7,9,11,13,15,17, it clearly showed that the above statement is true where it's very easy to compare both companies with different field and sizes.</i></p> <p>4) Financial Ratio Analysis has the ability to link multiple financial statement and can tabulate it in a simple view which can help to perform further analysis (Lan, 2012). <i>Proven in this report based on the Fig 3,5,7,9,11,13,15,17, it clearly showed that the above statement is true where it's very easy to compare both companies with different field and sizes.</i></p>
	Demerit	<p>1) According to Ali (2017), financial ratio analysis unable to provide a good forecast or benchmark as it's all is historical data. <i>The above statement is proven with the all the data we have discussed in this report are based on historical.</i></p> <p>2) Ali (2017) also found to be quoting that it's a reactive rather proactive mechanism where it is unable to showcase human capitals which can be key to financial aspect of an organization. <i>Since the data points are all historical base, it's rather reactive then proactive therefore it can only provide the organization an indication on how the future looks like.</i></p> <p>3) Company Financial report are made public hence the possibility of data integrity and accuracy at stake (Daniel, 2015) <i>The above point is very true. All the financial related statement was retrieve via the company published annual reports.</i></p>

4.1.1 Contemporary Methods Evolution on Ratio Analysis

To address the issues with the future forecast, EVA can help and assist with that. According to **Costin (2017)**, EVA helps to summarized and able to provide clear directions for future improvements. As for the proactive measurements, CAPM can directly overcome that challengers where CAPM can help to compute and calculate future returns (**Subho, 2018**). Last but the not the least to address **the data** integrity concerns, EMH can help to resolve those doubts where it can override the older methods (**Subho, 2018**).

4.2 Horizontal analysis

Horizontal Analysis	Merits	<p>1) Ability to perform past trends to gauge future performances (Anastasia, 2015) <i>Proven by the appendix H1 and H2 where the past trending was made available to forecast future company growth.</i></p> <p>2) Provide an insight for the organization to perform a deep dive analysis for internal departments (Subho, 2018) <i>The above statement was proven correct where the financial statements allows the organization to perform a deep dive.</i></p> <p>3) Provide effective and periodic data from the within the statements (Ravinder & Anitha, 2013) <i>The above statement was proven correct where the financial statements allows the organization to retrieve all the required information.</i></p>
	Demerit	<p>1) According to Ganbaatar (2010), potential negative de-nominator leads to confusion where inaccurate information of past data may lead to incorrect future predication. <i>As per H3 and H4, there were confusion while interpreting based on the annual report could lead to inferable predictions</i></p> <p>2) Anastasia (2015) found quoting that potential of data manipulation to showcase profitability rather decline. <i>The above observation is correct where when the data shows trends down but in fact, the company is gaining profits (H1 and H2)</i></p> <p>3) Metcalf (2018) mention that investigation past trends may not necessarily reflect the actual situation due to volatile of the environment. <i>The above statement means that due to economics movements, past trending may not give the right impressions for the future.</i></p>

4.2.1 Contemporary Methods Evolution on Horizontal Analysis

To address the first disadvantage of horizontal analysis, EVA can help to address them as it has the ability to focus on real time and that help to provide a better forecast (Stewart, 1994). As for the data manipulation concerns, it can also be addressed by EVA. EVA has the ability to reflect the actual values and helps to provide a better judgement for the organization for further improvements (Stewart, 1994). To overcome the volatile environment, EMH can help to address them since it the most favored method which are related to environment (Stewart, 1994).

4.3 Vertical analysis

Vertical Analysis	Merits	<p>1) Vertical analysis is meant for one financial report. It helps to provide a comparison with an organization for their own consumptions (Anastasia, 2015). <i>Proven in this report via table V1 to V4, easy consumptions to understand how companies are performing.</i></p> <p>2) According to Ganbaatar (2010), it provides a clear indicative of profit, revenue and it helps to relate to expenses. <i>Proven in this report via table V1 to V4, easy consumptions to understand how companies are performing.</i></p> <p>3) Subho (2018) mentioned that vertical analysis provides an assistance in the event of a change in the behavior. <i>Proven in this report via table V1 to V4, data movements are easily understanding and helps to show if there is a decreased or increase.</i></p>
	Demerit	<p>1) Unable to gauge real time information in the statement in the event of fluctuation is found (Subho, 2018) <i>The above statement is true as change of direction like what T&T and Wolseley did will not be present in the report therefore future forecast will be not correct.</i></p> <p>2) Doesn't really helps organization in the decision making due to no standards (Subho, 2018) <i>Shown in the table V2, it's difficult to gauge the data to justify decision as it doesn't provide any indications.</i></p> <p>3) Potential data integrity due to financial report made publicly available (Subho, 2018) <i>Since data are all published online, data can be manipulated, and figures can be tempted.</i></p>

4.3.1 Contemporary Methods Evolution on Vertical Analysis

The concerns around the ability to tap to better forecast future trends can be addressed by using EVA as it consists a tool called Nopat where it has the ability to provide an accurate assumption (Kamieniecki, 2016). According to Subho (2018), CAPM addresses those concerns and doubts. It actually helps to provide a detailed statement to help organizations to perform a better analysis. (Stewart, 1994) found mentioning that CAPM also has the ability to overcome potential data integrity concerns and its always known to be a risk free or error free.

4.4 Du Pont analysis

Du Pont Analysis	Merits	<p>1) Guidotti (2013) mentioned that based on the research conducted, Du Pont summarized complicated information into a simple understandable format.</p> <p>2) Botika (2012) agree on the above statement as well where data is presented in a format for easy to understand from the more complex statement.</p> <p>3) Dodge (2017) stated that Du Pont helps to identify a level of strategic decision for the organization to make based on the business needs.</p>
	Demerit	<p>1) ROE can sometime mislead or misinterpret when leverage ratio is concerned (Doorasamy, 2016) <i>As seen in the Fig 19, the graph shows T&L has better margin compare to Wolseley but in actual fact, it's the other way around.</i></p> <p>2) Potential use of manual efforts to identify risk or any adhoc situations (Guidotti, 2013) <i>As proven in the Fig 19 and 20, equity is high but it's not carefully analyst, it will give a wrong impression.</i></p> <p>3) Despite providing a very detailed statement, it somehow has the potential of missing some key issues for financial decision-making purposes (Doorasamy, 2016) <i>As shared in the Fig 19 and 20, it's difficult to provide the linkages between ROE and ROA.</i></p>

4.4.1 Contemporary Methods Evolution on Du Pont Analysis

To address misleading and misunderstanding of leverage ratio, (Stewart, 1994) suggests using CAPM as it helps to outline directly to the point rather leaving a lot of assumptions to derive a conclusion. To address the adhoc situations concerns, it's suggested CAPM as it can able to help organizations to elevate confusions (Ansari, 2000). Finally, with regards to the concerns with missing key financial data points, it's suggested to use EVA where it helps to overcome all the doubts and conflicts in the financial statements (Kamieniecki, 2016)

5.0 Conclusion and Recommendation

As for the conclusion of this assignment, the researcher has met the prime objective where analyzing two companies with different size and fields with traditional analysis method and how the contemporary may address them to obtain a better grip on the available financial statement and balance sheet. Based on the research conducted, despite limitations of the traditional analysis method like Ratio, Horizontal, Vertical and DuPont analysis, it's still remained as one of the most used analysis method globally. It's never going to be easy to distinguish two different company in size and field but with the data and knowledge provided, researcher tried to provide a comprehensive analysis.

Going forward as part of this research, it's high recommended that aside using traditional analysis method, organizations should start to embark on also using contemporary analysis method to gain the fullest value of financial analysis. Indeed it may more time than expected but it provide a check and balance which assures a better grip of the financial statements for future company investments and growth.

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7.0 Appendix

7.1 Vertical (V)

Wolseley PLC					
Common Size Income Statement (as a % of sales)					
	2013	2014	2015	2016	2017
Total Revenue	100%	100%	100%	100%	100%
Cost of Sales	-72%	-72%	-72%	-72%	-71%
Gross Profit	28%	28%	28%	28%	29%
<u>Operating Expenses</u>					
Administrative and general Expenses	-24%	-22%	-24%	-23%	-21%
Other Operating Expenses	0%	0%	0%	0%	0%
Operating Income or Loss	4%	6%	4%	5%	8%
Finance Income	0%	0%	0%	0%	0%
Earnings Before Interest And Taxes	4%	6%	4%	5%	8%
Finance Cost	0%	0%	0%	0%	0%
Profit Before Tax	3%	6%	4%	5%	8%
Income Tax Expenses	-1%	-2%	-1%	-2%	-2%
Profit (loss) for the year	2%	4%	2%	3%	6%
Profit Attributable to the owners of the Group	2%	4%	2%	5%	5%

Table 1: V1 Wolseley Income Statement

TATE & LYLE					
Common Size Income Statement (as a % of sales)					
	2013	2014	2015	2016	2017
	0	0	0	0	0
Total Revenue	100%	100%	100%	100%	100%
Cost of Sales	-70%	-70%	-65%	-62%	-62%
Gross Profit	30%	30%	35%	38%	38%
<u>Operating Expenses</u>					
Other operating & Selling Expenses	-13%	-14%	-20%	-20%	-18%
Other Operating Expenses	-7%	-7%	-14%	-12%	-12%
Operating Income or Loss	10%	9%	1%	5%	8%
Finance income	0%	0%	0%	0%	0%
Earnings Before Interest And Taxes	10%	9%	1%	5%	9%
Finance Cost	-1%	-1%	-1%	-1%	-1%
Profit Before Tax	9%	10%	1%	5%	8%
Income Tax Expense	-1%	-1%	-1%	0%	1%
Profit for the year from continuing operation	8%	9%	0%	5%	9%
Profit for the year from discontinued operations	1%	1%	1%	2%	0%
Profit Attributable to T&L Shareholders	8%	10%	1%	7%	9%

Table 2: V2 Tate&Lyle Income Statement



Wolseley PLC					
Common Size Statements of financial position (as a % of total assets)					
	2013	2014	2015	2016	2017
Assets					
Current Assets					
Inventories	24.45%	24.27%	22.56%	24.75%	19.11%
Trade Receivables, Net	24.75%	24.24%	22.00%	23.24%	18.64%
Other Receivables	4.13%	4.88%	3.60%	3.84%	3.39%
Other Current Assets	0.14%	0.24%	0.05%	0.00%	0.02%
Available-for-sale financial assets	0.00%	0.00%	0.00%	0.00%	0.00%
Derivative financial instruments	0.23%	0.16%	0.13%	0.13%	0.05%
Other financial assets	0.00%	0.00%	0.00%	0.00%	0.00%
Cash And Cash Equivalents	4.81%	3.56%	14.77%	11.53%	20.11%
Total current asset	58.52%	57.35%	63.11%	63.49%	61.32%
Non-Current Assets					
Property Plant and Equipment	17.94%	18.17%	15.56%	17.59%	8.50%
Available for sale financial assets	0.03%	0.25%	0.21%	0.28%	0.12%
Derivative financial instruments	0.65%	0.46%	0.32%	0.25%	0.16%
Intangible Asset	17.69%	17.75%	13.51%	13.54%	11.26%
Trade and other receivables	2.17%	2.40%	2.30%	2.60%	2.38%
Retirement benefit surplus	0.00%	1.42%	0.76%	0.00%	0.03%
Investment In Associates	0.00%	0.00%	0.00%	0.00%	1.30%
Investment In Joint Venture	0.00%	0.00%	0.00%	0.00%	0.00%
Other Investment	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred Tax Assets	2.24%	1.76%	1.54%	1.56%	1.27%
Total non-current asset	40.73%	42.22%	34.20%	35.82%	25.02%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities					
Current Liabilities					
Trade Payables	26.36%	25.87%	24.45%	26.02%	18.59%
Other Payables	8.39%	7.60%	6.04%	6.29%	5.39%
Loans And Borrowings	0.71%	2.36%	13.38%	8.60%	17.12%
Tax Liabilities	0.95%	1.02%	0.78%	1.24%	0.93%
	38.97%	38.54%	47.67%	43.54%	51.64%
Non-Current Liabilities					
Loans and Borrowings	10.01%	11.72%	12.20%	14.42%	8.74%
Other payables	1.46%	1.64%	1.67%	2.00%	1.89%
Derivative financial instrument	0.62%	0.53%	0.33%	0.33%	0.04%
Retirement benefit liabilities	1.48%	1.20%	0.86%	1.69%	0.17%
Provisions	2.09%	2.21%	1.71%	1.63%	1.26%
Deferred Tax Liabilities	7.65%	5.33%	2.90%	3.06%	0.51%
	17.68%	18.69%	17.48%	20.87%	12.21%
Total Liability	56.65%	57.23%	65.16%	64.41%	63.84%
Equity					
Share capital	0.40%	0.43%	0.39%	0.36%	0.31%
Share premium	0.38%	0.61%	0.56%	0.52%	0.44%
Merger reserve	42.43%	41.73%	33.80%	34.74%	35.43%
Capital redemption reserve	0.00%	0.00%	0.00%	0.00%	0.00%
Other reserves	0.00%	0.00%	0.00%	0.00%	0.00%
Share option reserve	0.00%	0.00%	0.00%	0.00%	0.00%
Retained earnings	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity	43.21%	42.77%	34.84%	35.59%	36.16%
TOTAL LIABILITIES & EQUITY	99.86%	100.00%	100.00%	100.00%	100.00%

Table 3: V3 Wolseley Financial Statements



TATE & LYLE					
Common Size Statements of financial position (as a % of total assets)					
	2013	2014	2015	2016	2017
Assets					
Current Assets					
Inventories	18.30%	15.07%	14.98%	16.05%	18.20%
Trade Receivables, Net	11.84%	9.36%	10.24%	9.82%	10.32%
Other Receivables	1.90%	1.38%	1.73%	2.60%	1.69%
Current Tax Assets	0.14%	0.04%	0.08%	0.12%	0.04%
Available-for-sale financial assets	0.00%	0.00%	0.66%	0.17%	0.00%
Derivative financial instruments	3.09%	3.16%	2.56%	1.77%	1.28%
Other financial assets	0.00%	0.00%	0.08%	0.00%	0.00%
Cash And cash equivalent	13.60%	14.02%	8.05%	12.41%	9.42%
Total current asset	48.87%	43.03%	38.38%	41.39%	36.99%
Asset held for sale	0.04%	0.00%	0.00%	0.27%	0.00%
Non-Current Assets					
Property Plant and Equipment	34.37%	29.66%	30.95%	36.26%	38.29%
Available for sale financial assets	0.97%	1.13%	0.62%	0.74%	1.08%
Derivative financial instruments	1.94%	0.93%	1.24%	0.82%	0.54%
Goodwill & Intangible Asset	12.77%	12.44%	14.03%	15.27%	14.47%
Trade and other receivables	0.11%	0.00%	0.08%	0.04%	0.04%
Retirement benefit surplus	0.43%	0.00%	1.03%	1.76%	4.33%
Investment In Associates	0.22%	0.16%	0.17%	0.12%	0.14%
Investment In Joint Venture	0.00%	12.48%	13.33%	3.21%	3.32%
Other Investment	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred Tax Assets	0.29%	0.16%	0.17%	0.12%	0.79%
Total non-current asset	51.09%	56.97%	61.62%	58.34%	63.01%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities					
Current Liabilities					
Trade Payables	9.47%	8.02%	9.41%	8.54%	6.68%
Other Payables	4.23%	3.44%	3.63%	4.66%	4.69%
Loans And Borrowings	2.69%	13.09%	12.59%	7.83%	3.18%
Tax Liabilities	1.90%	1.54%	1.86%	2.58%	2.06%
	21.17%	28.61%	29.05%	25.45%	17.57%
Non-Current Liabilities					
Loans and Borrowings	29.46%	17.71%	19.11%	21.77%	21.80%
Other Liabilities	0.11%	0.08%	0.54%	0.51%	0.36%
Derivative financial instrument	0.75%	0.08%	0.62%	0.74%	1.34%
Retirement benefit deficit	9.94%	8.91%	10.40%	9.91%	9.35%
Provision for others liability and charges	0.54%	0.36%	0.33%	0.51%	0.61%
Deferred Tax Liabilities	0.86%	1.70%	1.32%	0.82%	0.90%
	41.66%	28.85%	32.32%	34.26%	34.36%
Total Liability	62.83%	57.46%	61.37%	59.71%	51.93%
Equity					
Share Capital	4.20%	4.74%	4.83%	4.58%	4.22%
Share premium	14.57%	16.45%	16.76%	15.90%	14.65%
Merger reserve	0.00%	0.00%	0.00%	0.00%	0.00%
Capital redemption interest	0.29%	0.32%	0.33%	0.31%	0.29%
Other reserves	4.99%	2.35%	2.52%	4.97%	9.13%
Share option reserve	0.00%	0.00%	0.00%	0.00%	0.00%
Retained earnings	13.13%	18.64%	14.16%	14.49%	19.78%
Non controlling interest	0.00%	0.04%	0.04%	0.04%	0.00%
Total Equity	37.17%	42.54%	38.63%	40.29%	48.07%
TOTAL LIABILITIES & EQUITY	100.00%	100.00%	100.00%	100.00%	100.00%

Table 4: V4 Tate&Lyle Financial Statements



Wolseley PLC					
Common Size Cash Flow Statement (as a % of operating Cash flow)					
	2013	2014	2015	2016	2017
Net cash provided by (used in) operating activities	100%	100%	100%	100%	100%
Net cash provided by (used in) investment activities	-50%	-72%	-37%	-34%	-22%
Net cash provided by (used in) financing activities	-161%	-56%	-39%	-70%	-50%
Increase (decrease) in cash and cash equivalents	-111%	-27%	24%	-3%	28%
Cash and cash equivalents at beginning of year	0%	-102%	-85%	-53%	-59%
Cash and cash equivalents at end of year	-111%	-129%	-61%	-56%	-31%

Table 5: V5 Wolseley Cash Flow Statements

TATE & LYLE					
Common Size Cash Flow Statement (as a % of operating Cash flow)					
	2013	2014	2015	2016	2017
Net cash provided by (used in) operating activities	100%	100%	100%	100%	100%
Net cash provided by (used in) investment activities	-33%	-7%	-92%	46%	-38%
Net cash provided by (used in) financing activities	-94%	-69%	-103%	-88%	-91%
Increase (decrease) in cash and cash equivalents	-27%	24%	-95%	57%	-30%
Cash and cash equivalents at beginning of year	0%	-23%	-15%	-94%	-18%
Effect of changes in foreign exchange	0%	-9%	11%	7%	11%
Cash and cash equivalents at end of year	-27%	-9%	-99%	-29%	-37%

Table 6: V6 Tate&Lyle Cash Flow Statements

7.2 Horizontal (H)

Common Size Income Statement (2013 as the base year)					
	2013	2014	2015	2016	2017
Total Revenue	100%	93%	101%	110%	116%
Cost of Sales	100%	93%	101%	109%	114%
Gross Profit	100%	93%	102%	112%	121%
<u>Operating Expenses</u>					
Administrative and general Expenses	100%	86%	100%	105%	101%
Other Operating Expenses					
Operating Income or Loss	100%	142%	112%	155%	247%
Finance Income	100%	33%	33%	0%	0%
Earnings Before Interest And Taxes	100%	141%	111%	154%	245%
Finance Cost	100%	77%	126%	103%	110%
Profit Before Tax	100%	147%	110%	158%	257%
Income Tax Expenses	100%	110%	106%	131%	166%
Profit (loss) for the year	100%	170%	113%	175%	313%
Profit Attributable to the owners of the Group	100%	170%	72%	220%	265%

Table 7: H1 - Wolsley Income Statement

Common Size Income Statement (2013 as the base year)					
	2013	2014	2015	2016	2017
Total Revenue	100%	85%	72%	72%	85%
Cost of Sales	100%	84%	66%	64%	75%
Gross Profit	100%	85%	85%	91%	108%
<u>Operating Expenses</u>					
Administrative and general Expenses	100%	90%	111%	112%	116%
Other Operating Expenses	100%	89%	150%	131%	151%
Operating Income or Loss	100%	75%	10%	38%	70%
Finance Income	100%	200%	100%	100%	200%
Earnings Before Interest And Taxes	100%	76%	10%	38%	70%
Finance Cost	100%	109%	94%	88%	100%
Profit Before Tax	100%	92%	8%	42%	77%
Income Tax Expenses	100%	70%	46%	11%	-48%
Profit (loss) for the year	100%	96%	2%	47%	100%
Profit for the year from discontinued operations	100%	100%	100%	100%	100%
Profit Attributable to the owners of the Group	100%	100%	11%	60%	94%

Table 8: H2 - Tate&Lyle Income Statement



Common Size Statements of financial position (2013 as the base year)						
	2013	2014	2015	2016	2017	
Assets						
Current Assets						
Inventories	100%	95%	98%	117%	105%	
Trade Receivables, Net	100%	94%	94%	109%	102%	
Other Receivables	100%	113%	92%	108%	111%	
Other Current Assets						
Available for sale financial assets						
Derivative financial instruments						
Other financial assets						
Cash And Cash Equivalents	100%	71%	326%	277%	564%	
Total current asset	100%	94%	115%	126%	141%	
Non Current Assets						
Property Plant and Equipment	100%	97%	92%	114%	64%	
Available for sale financial assets						
Derivative financial instruments						
Intangible Asset	100%	96%	81%	89%	86%	
Trade and other receivables						
Retirement benefit surplus						
Investment in Associates						
Other Investment						
Deferred Tax Assets	100%	75%	73%	80%	77%	
Total non-current asset	100%	99%	89%	102%	83%	
TOTAL ASSETS	100%	96%	106%	116%	135%	
Liabilities						
Current Liabilities						
Trade Payables	100%	94%	99%	114%	95%	
Other Payables	100%	87%	76%	87%	87%	
Loans And Borrowings	100%	318%	2002%	1402%	3254%	
Tax Liabilities	100%	103%	87%	151%	131%	
Total current liability	100%	95%	130%	129%	179%	
Non Current Liabilities						
Loans and Borrowings						
Other payables	100%	108%	121%	158%	175%	
Derivative financial instrument						
Retirement benefit liabilities	100%	78%	62%	133%	15%	
Deferred Tax Liabilities	100%	101%	87%	90%	82%	
Total Non-current liability	100%	101%	105%	137%	93%	
Total Liability	100%	97%	122%	132%	152%	
Equity						
Share capital	100%	104%	104%	104%	104%	
Share premium	100%	152%	156%	156%	156%	
Merger reserve	100%	94%	85%	95%	113%	
Total Equity	100%	95%	86%	95%	113%	
TOTAL LIABILITIES & EQUITY	100%	96%	106%	116%	135%	

Table 9: H3 - Wolsley Financial Statement



Common Size Statements of financial position (2013 as the base year)					
	2013	2014	2015	2016	2017
Assets					
Current Assets					
Inventories	100%	73%	71%	76%	86%
Trade Receivables, Net	100%	70%	75%	72%	76%
Other Receivables	100%	64%	79%	119%	77%
Other Current Assets	100%	25%	50%	75%	25%
Available for sale financial assets					
Derivative financial instruments	100%	91%	72%	50%	36%
Other financial assets					
Cash And Cash Equivalents	100%	91%	51%	84%	69%
Total current asset	100%	78%	68%	78%	75%
Asset held for sale	100%	0%	0%	700%	0%
Non-Current Assets					
Property Plant and Equipment	100%	76%	78%	97%	111%
Available for sale financial assets	100%	104%	56%	70%	111%
Derivative financial instruments	100%	43%	56%	39%	28%
Intangible Asset	100%	86%	96%	110%	113%
Trade and other receivables	100%	0%	67%	33%	33%
Retirement benefit surplus	100%	0%	208%	375%	1000%
Investment in Associates	100%	67%	67%	50%	67%
Investment in Joint Venture					
Other Investment					
Deferred Tax Assets	100%	50%	50%	38%	275%
Total non-current asset	100%	99%	105%	105%	123%
TOTAL ASSETS	100%	89%	87%	92%	99%
Liabilities					
Current Liabilities					
Trade Payables	100%	75%	86%	83%	70%
Other Payables	100%	72%	75%	101%	110%
Loans And Borrowings	100%	431%	407%	267%	117%
Derivative financial instruments	100%	82%	42%	37%	28%
Provisions for other liabilities and charges	100%	65%	65%	115%	50%
Tax Liabilities	100%	72%	85%	125%	108%
	100%	120%	119%	110%	83%
Total current liability	100%	120%	119%	110%	83%
Non-Current Liabilities					
Loans and Borrowings	100%	53%	56%	68%	74%
Other Liabilities	100%	67%	433%	433%	333%
Derivative financial instrument	100%	10%	71%	90%	176%
Retirement benefit deficit	100%	79%	91%	91%	94%
Provision for others liability and charges	100%	60%	53%	87%	113%
Deferred Tax Liabilities	100%	175%	133%	88%	104%
	100%	61%	67%	75%	82%
Total Liability	100%	81%	85%	87%	82%
Equity					
Share Capital	100%	100%	100%	100%	100%
Share premium	100%	100%	100%	100%	100%
Capital redemption interest	100%	100%	100%	100%	100%
Other reserves	100%	42%	44%	91%	182%
Retained earnings	100%	126%	94%	101%	150%
Total Equity	100%	101%	90%	99%	129%
TOTAL LIABILITIES & EQUITY	100%	89%	87%	92%	99%

Table 10: H4 - Tate&Lyle Financial Statement



Common Size Cash Flow Statement (2013 as the base year)					
	2013	2014	2015	2016	2017
Net cash provided by (used in) operating activities	100%	109%	165%	190%	182%
Net cash provided by (used in) investment activities	100%	157%	121%	129%	81%
Net cash provided by (used in) financing activities	100%	38%	40%	82%	56%
Increase (decrease) in cash and cash equivalents	100%	27%	-36%	6%	-46%
Cash and cash equivalents at beginning of year	0%	100%	100%	100%	100%
Cash and cash equivalents at end of year	100%	127%	91%	96%	51%

Table 11: H5 Wolseley Cash Flow Statements

Common Size Cash Flow Statement (2013 as the base year)					
	2013	2014	2015	2016	2017
Net cash provided by (used in) operating activities	100%	114%	71%	75%	119%
Net cash provided by (used in) investment	100%	25%	198%	-104%	137%
Net cash provided by (used in) financing activities	100%	83%	78%	70%	115%
Increase (decrease) in cash and cash equivalents	100%	-100%	250%	-159%	129%
Effect of changes in foreign exchange	100%	-2700%	1900%	1400%	3200%
Cash and cash equivalents at end of year	100%	39%	264%	82%	166%

Table 12: H6 Tate&Lyle Case Flow Statements