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**ANNUAL REPORT
& ACCOUNTS 2014**



ABOUT TYMAN PLC

Tyman plc is a leading international manufacturer and supplier of components to the door and window industry. The Group has 22 manufacturing sites in eight countries along with a further six sourcing and distribution sites across the Americas, Europe, Asia and Australasia with its products being found in homes and buildings worldwide.

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www.tymanplc.com



Highlights

- > Sustained strong trading performance from AmesburyTruth against a backdrop of improving market conditions in the United States
- > Cumulative AmesburyTruth synergies delivered in 2014 of US\$5.5 million; 2015 guidance confirmed as at least US\$8.0 million
- > Next phase of transformation of AmesburyTruth into a world class manufacturing business through rationalisation of the North American footprint announced
- > Rebranding of Grouphomesafe to ERA following strong performance in 2014 with significant market share gains
- > Acquisition of Vedasil and closure of European Industrial Products business in Schlegel International
- > Leverage ratio reduced to 1.56x, despite significant investment in the balance sheet
- > ROCE improved by 240 bps to 11.4 per cent

Financial highlights

£350.9m

Revenue

2013: £298.1m +17.7%

£46.1m

Underlying¹ operating profit

2013: £32.3m +42.4%

18.61p

Underlying¹ earnings per share

2013: 13.71p +35.7%

8.00p

Dividend per share

2013: 6.00p +33.3%

£90.7m

Underlying net debt¹

2013: £80.9m +12.0%

1.56x

Leverage¹

2013: 1.81x

11.4%

Return on capital employed¹

2013: 9.0% +240 bps

£11.9m

Profit before taxation

2013: £0.8m +1,399.2%

¹ Refer to [page 122](#) for definitions

OUR BUSINESS AT A GLANCE

Division	Description
	<p>Our North American businesses operate as AmesburyTruth.</p> <p>AmesburyTruth is a prominent manufacturer of window and door hardware components, extrusions and sealing systems. With manufacturing and distribution capabilities throughout North America, AmesburyTruth is well positioned to offer leading window and door manufacturers innovative products and engineered solutions for both residential and commercial applications.</p> <p>The AmesburyTruth product portfolio encompasses a variety of window and door products including single and multipoint locking systems, casement and awning operators, handles, latches, hinges, rollers, balance systems, seals and extruded profiles. Additionally, AmesburyTruth offers an experienced and professional staff capable of providing innovative solutions that will evolve the fenestration industry.</p>
	<p>Our UK Building Products division operates as ERA.</p> <p>ERA is a leader in the design, development, manufacture and distribution of innovative solutions for the residential building and home improvement markets.</p> <p>ERA provides a wide range of innovative locks, handles, hinges, seals and gearing from its family of industry recognised brands – Balance UK, Crompton, ERA, Fab & Fix and Schlegel; making it one of the UK's leading component suppliers to the trade.</p>
	<p>Our International Building Products division operates as Schlegel International.</p> <p>Schlegel International operates in a number of countries worldwide, with manufacturing sites in the UK, Germany, Spain, Brazil and Australia, as well as numerous distribution and sourcing operations and employs people representing 36 nationalities.</p> <p>Schlegel manufactures and supplies sealing systems to the door and window industry. Schlegel seals are sold in more than 80 countries around the world.</p> <p>The power of the Schlegel brand extends across Europe, Latin America, Australasia and many territories in the rest of the world. This gives us a unique insight into local markets and offers the potential to sell our extensive product range internationally.</p>

Financial Data

Map

Products

£220.7m

Revenue
2013: £175.3m +25.9%

PG16
to read more about this

£33.2m

Underlying operating profit
2013: £22.3m +49.1%



www.amesburytruth.com

£92.4m

Revenue
2013: £86.0m +7.4%

PG19
to read more about this

£13.7m

Underlying operating profit
2013: £10.5m +30.9%



www.erahomesecurity.com

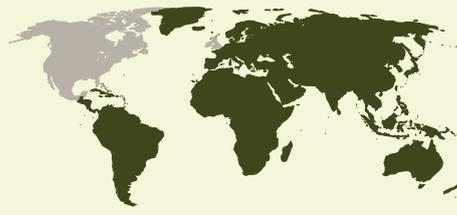
£37.8m

Revenue
2013: £36.8m +2.9%

PG20
to read more about this

£(0.8)m

Underlying operating loss
2013: £(0.4)m



www.schlegel.com

CHAIRMAN'S STATEMENT

Another year of progress for Tyman with further market share gains in North America and strong performance by ERA.

2014 has been another year of progress for Tyman with a good overall result delivered against a backdrop of improving market conditions in North America and the UK; however markets continued to be weak and less predictable in Continental Europe. We gained further share in North America during the year, predominately in Canada, and our UK business grew well ahead of the market.

For 2014 we have reported a 17.7 per cent increase in revenue to £350.9 million and a 42.4 per cent increase in underlying operating profit to £46.1 million. Despite the adverse impact of currency movements in the year and acquisitions, revenue increased by 7.4 per cent and underlying operating profit by 25.1 per cent on a constant currency like for like basis. We demonstrated good drophrough in 2014 with underlying operating margins increasing by 220 bps to 13.1 per cent (2013: 10.9 per cent). Underlying earnings per share increased by 35.7 per cent to 18.61 pence.



The Group as a whole has delivered a further material improvement in its return on capital employed ("ROCE") of 240 bps to 11.4 per cent as we continue to make progress towards our medium term target of a ROCE of 15 per cent.

Leverage at the year end of 1.56x was 0.25x lower than 12 months ago and towards the lower end of our core target range of 1.50x to 2.00x from the half year peak of 2.21x. This was despite the investments made in the balance sheet during the year and the acquisition of Vedasil for cash.

The integration of Amesbury and Truth has now completed and we are moving forward with the next phase of the transformation of AmesburyTruth into a world class manufacturing business through rationalisation of the North American footprint. This will generate at least US\$10.0 million of incremental profit for AmesburyTruth by 2020.

We have also announced the rebranding of Grouphomesafe as ERA, leveraging off the market presence and heritage of the UK's longest standing lock brand. In 2014, ERA had another year of strong performance, growing well ahead of the market, and saw its net operating margin expand from 12.2 per cent to 14.9 per cent.

Schlegel International again had a challenging year, reflecting continued difficult markets in Europe; however Vedasil has performed strongly in its first 10 months of ownership and provides the Group with a platform for growth in South America. We have made further progress with the restructuring of the Division and the closure of the European Industrial Products business removes a significant management distraction.

Dividend

The Board is recommending a final dividend for 2014 of 6.00 pence per share (2013: 4.50 pence per share) which, together with the interim dividend of 2.00 pence per share, gives a 33.3 per cent increase in the total dividend for the year to 8.00 pence per share (2013: 6.00 pence per share).

Board and corporate governance

We have continued to evolve and refine the Board's approach to corporate governance. In 2014 we conducted our first independent appraisal of the Board and its committees and have derived valuable insights from the exercise into potential areas for the development of the Board.

We have continued our established practice of the Board holding a scheduled meeting in each of the Divisions with meetings held in 2014 in Statesville, North Carolina where we visited two AmesburyTruth facilities and Harrogate, Yorkshire where we visited the Ventrolla head office and the local Schlegel Building Products facility.

In addition, the Board attended the Group Management Conference hosted by Schlegel International in Barcelona, participated in a number of workshops and product demonstrations as well as visiting the Schlegel International plant in Terrassa. These visits allow Board members the opportunity to meet with various levels of local management and employees as well as to see first hand Group products being manufactured.

Since the year end we have announced the appointments of Mark Rollins and Kirsten English to the Board as Non-executive Directors; joining the Audit, Remuneration and Nominations Committees of the Board. Mark brings to the Board his recent and relevant background as CEO of a listed company with international manufacturing operations and Kirsten brings significant international and private equity experience as well as her involvement in the investor community. We look forward to their respective contributions to the Board and to the Group.

Les Tench, who has served on the Board as a Non-executive Director and Chairman of the Group's Remuneration Committee since December 2009, has indicated to the Board his wish to retire and will stand down as a Director following the Annual General Meeting. Following Les' retirement, Mark Rollins will become Chairman of the Remuneration Committee.

Les has made a significant and valued contribution to the Board over the past five years and, on behalf of the Board and the shareholders, I would like to thank him for his input and wish him well in his retirement.

New Employee Share Plans

The Board believes that it is important to encourage all employees to participate in the future growth and development of the Group and to take an active interest in the performance of the Company as a whole. In particular we want to allow employees to have the opportunity over time to build an equity holding in Tyman. With this in mind, we are seeking shareholder approval for two broadly-based contributory share plans – a UK Sharesave Plan and a separate plan on similar principles for US employees. It is intended that each of these will offer the potential for favourable tax treatment in accordance with applicable local legislation. We are also seeking authority to extend plans into other jurisdictions, on a similar basis, with appropriate variations.

Shareholders will be asked to approve these proposals at the forthcoming AGM on 15 May 2015 and further details are contained in the Notice of Meeting.

Health and safety

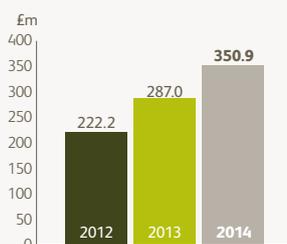
Providing a safe environment in which our employees can work is a key priority for Tyman and I am pleased to report that we have made further progress in developing the Group's safety culture. While the increase in the number of lost time injuries year on year was disappointing, the severity of incidents was significantly reduced compared with 2013 and the majority of incidents can be categorised as slips, trips or manual handling injuries; all of which should be capable of being eliminated.

2014 has seen a focus across each of the Divisions in developing their near miss reporting as we try to prevent those incidents that are preventable from occurring. In total 3,829 near miss incidents were reported and dealt with, ranging in scope from shortfalls in general housekeeping to potentially dangerous practices or processes that could lead to physical harm. The level of engagement from all employees in the development of our near miss reporting has been very encouraging and in time should translate into a material reduction in our lost time injuries.

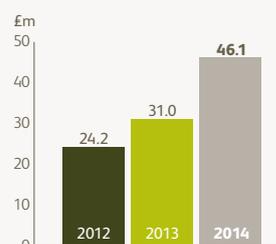
In conclusion, I would like to thank all of our employees and management for their hard work and efforts on behalf of shareholders in 2014 and look forward to Tyman making further progress in 2015.

Jamie Pike
Non-executive Chairman
10 March 2015

2014 REVENUE AT CONSTANT EXCHANGE RATES



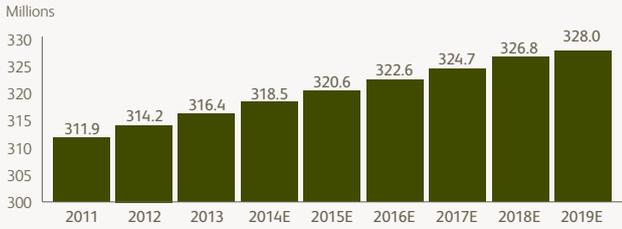
2014 OPERATING PROFIT AT CONSTANT EXCHANGE RATES



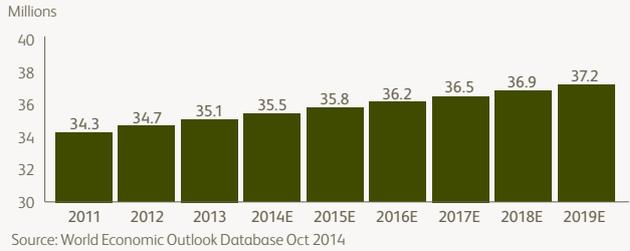
MARKET OVERVIEW

NORTH AMERICA

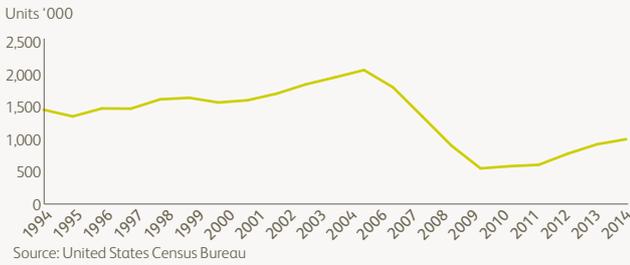
UNITED STATES POPULATION FORECAST



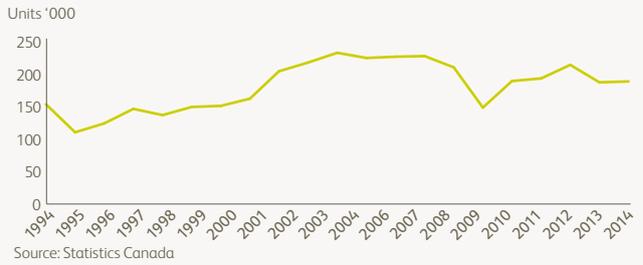
CANADIAN POPULATION FORECAST



UNITED STATES HOUSING STARTS

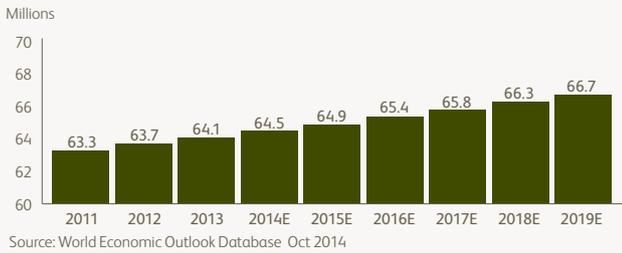


CANADIAN HOUSING STARTS

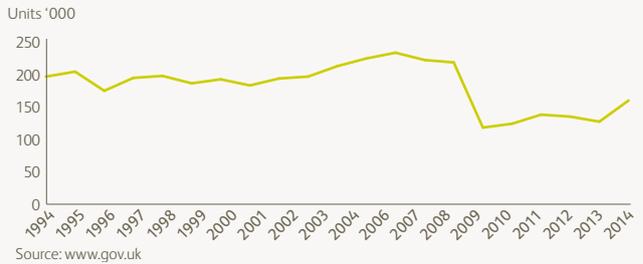


UNITED KINGDOM

UNITED KINGDOM POPULATION FORECAST

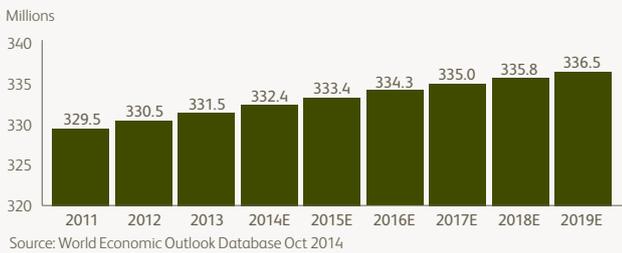


UNITED KINGDOM HOUSING STARTS

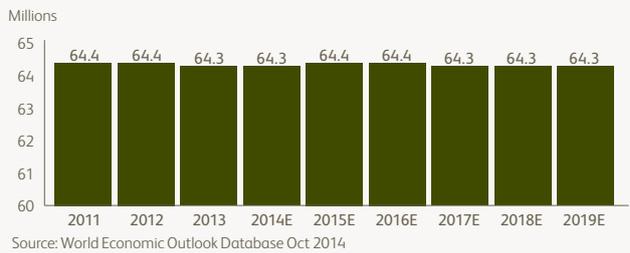


EUROPE

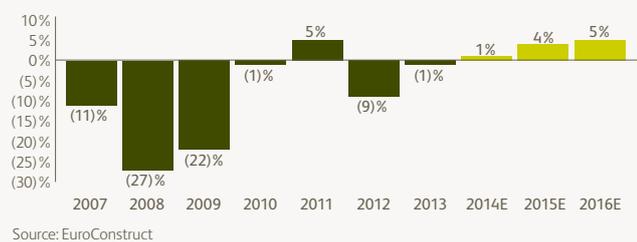
WESTERN EUROPEAN POPULATION FORECAST



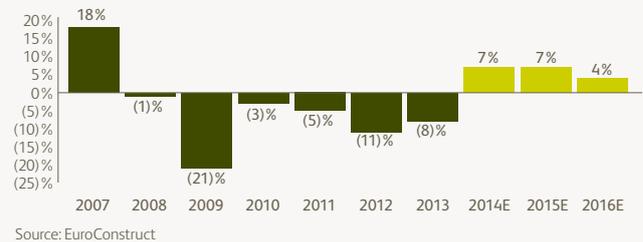
EASTERN EUROPEAN POPULATION FORECAST



WESTERN EUROPEAN HOUSING STARTS % YEAR ON YEAR GROWTH



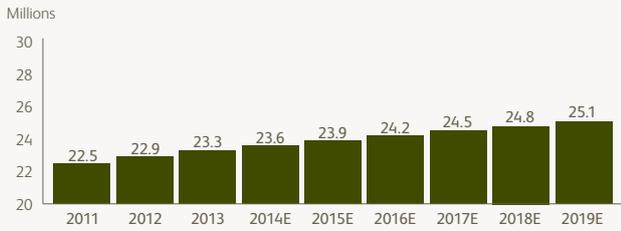
EASTERN EUROPEAN HOUSING STARTS % YEAR ON YEAR GROWTH



STRATEGY

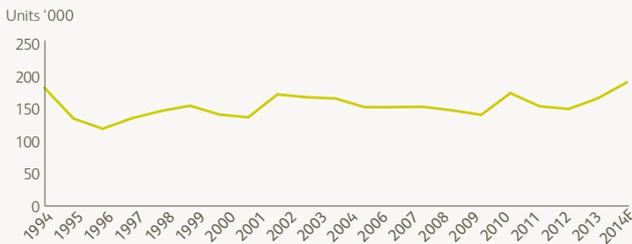
INTERNATIONAL

AUSTRALIAN POPULATION FORECAST



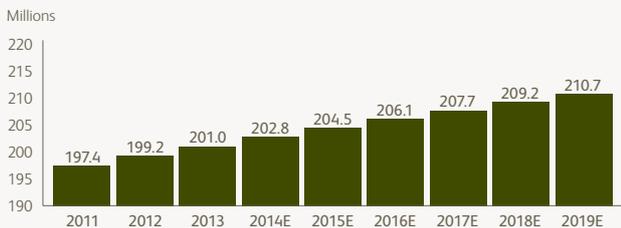
Source: World Economic Outlook Database Oct 2014

AUSTRALIAN HOUSING STARTS



Source: www.abs.gov.au

BRAZILIAN POPULATION FORECAST



Source: World Economic Outlook Database Oct 2014

Our markets are cyclical in nature and influenced by macroeconomic factors such as GDP, employment rates, population growth, rates of new build and RMI and consumer confidence.

Population and household formation

Population is expected to grow in most regions of the world and this in turn should drive increased housing formation.

New housing

Recovery in new housing starts in the US and the UK has led to increased demand for our products in these markets; however build rates remain below historic long run averages implying that there remains scope for further recovery.

RMI

In the UK, over 75 per cent of the housing stock was built before 1980 and the median age of houses in the US is 40 years. Accordingly there is significant latent demand for RMI in the large installed base of existing homes.

Consumer confidence

Consumer confidence is key to our markets. When homeowners feel confident that the value of their property is likely to appreciate they will be more inclined to invest in their home. Our customers reported consistent quote levels through the downturn; giving us confidence that as markets recovered so too would demand. Repairs are less discretionary and so incorporate an element of counter cyclical.

Our strategy is to create shareholder value through being a leading international supplier of components to the door and window industry worldwide.

We aim to be the market leader in each of the segments that we serve.

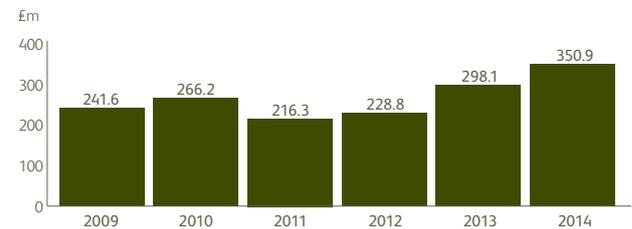
Our strategy creates value for our shareholders by:

- increasing our revenue through consistent market share gain and pricing discipline;
- maximising margins by eliminating cost and waste from processes; and
- a focus on capital allocation and cash generation.

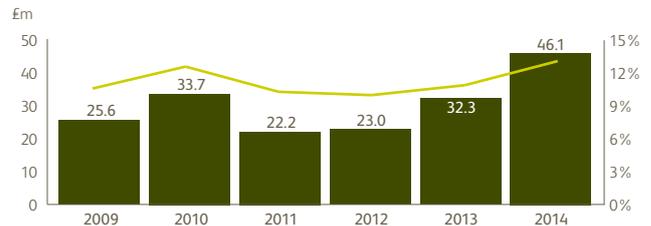
We measure our success through a focus on our KPIs which are measured, reported on and challenged at all levels of our business.

PG12 to read more about this

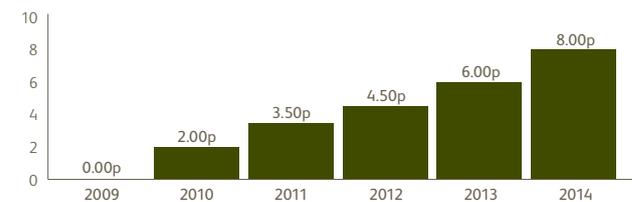
REVENUE



UNDERLYING OPERATING PROFIT AND MARGIN

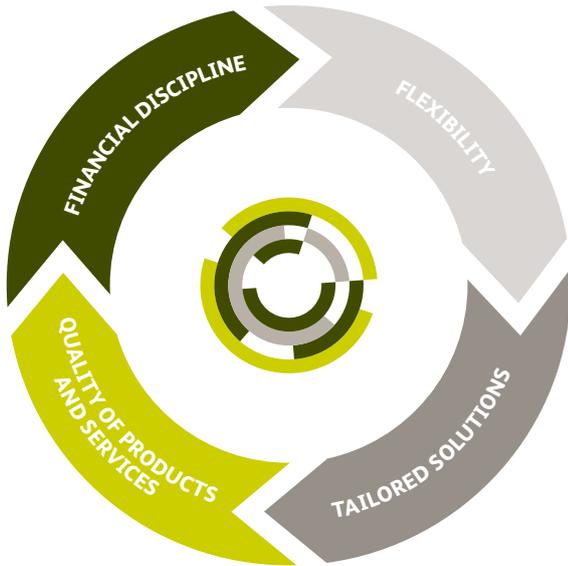


DIVIDEND PER SHARE



BUSINESS MODEL

Our business model is built around our customers, the products we sell to them and the service we provide to them.



FLEXIBILITY: SOURCE
VS. MANUFACTURE



TAILORED SOLUTIONS FOR
CUSTOMERS OF ALL SIZES



QUALITY OF PRODUCTS
AND SERVICES



FINANCIAL
DISCIPLINE

Where we source or manufacture

In order to provide our customers with the service they need, the manufacturing decision is key. Is the customer best served by Tyman manufacturing the product ourselves or can the product be provided more efficiently and effectively through Tyman sourcing the components the customer needs?

We choose to manufacture certain products, such as complex balances, extrusions and seals, close to our customer base where flexibility, variety or complexity are key to the component manufacturing process and to the customer.

For products that are less complex, have a high labour content or more predictable demand levels, we may choose to source from lower cost and sometimes more remote locations, often using third party manufacturers to make or assemble components on our behalf. Examples of sourced products would include handles and standard locks.

As part of the manufacturing decision we aim to ensure that we have flexibility in how we make or source the product such that we have built in redundancy. This may be geographic in the case of our own manufacturing plants, or may involve certifying and approving more than one potential supplier of a sourced product. This flexibility allows us to respond quickly to changes in product demand levels and to move manufacture around depending on capacity levels.

Our footprint review projects across all our Divisions, most notably in North America, will allow us to improve our manufacturing processes still further and give us even greater flexibility.

Substantially all of the components we supply to our customers – whether manufactured by us in our own plants or sourced externally – are engineering led, value added products made to our designs, protected where possible and practical by patents and Intellectual Property, and manufactured on our own proprietary tooling.

Where we sell

We aim to optimise the manufacturing decision such that we can leverage our scale and geographic footprint in order to supply our customer base, whether it is our largest North American customers or our smaller local customers, with innovative solutions that are aligned with our quality and service standards.

In what remains a very fragmented industry in most markets, we believe Tyman is unique in being able to offer the complete range of door and window components to customers and to have a truly international offering.

Who we sell to

Our customers include OEMs, fabricators, distributors, retailers, builders' merchants, architects, house builders and ultimately the homeowner.

What we sell

We aim to offer our customers a complete range of components ranging from hardware such as handles, locks, keeps and hinges to seals and extrusions. For each of our end customers, wherever they are located, we aim to provide a differentiated product offering that will in turn allow them to add value to their customer proposition.

We believe we are the only manufacturer of scale that can offer our customer base the full range of door and window components.





Financial discipline

Underpinning our business model is a focus on financial disciplines that encompasses margin targets for each of our products, close scrutiny of the cost base, optimisation of working capital, and a rigorous approach to return on capital and its allocation, both internally in the form of capital investment and externally in the form of M&A.

Quality and service

The manufacturing decision for Tyman comes back to our desire to differentiate our product offering from that of our competitors by providing customers with the highest quality product at the relevant price point, delivered to specification on time and in full.

This focus on quality and service leads to deeper customer relations, puts us front of mind as new designs are contemplated by OEMs and allows us to demonstrate our industry leadership credentials.

New product development programmes across all of our Divisions are focused on anticipating future trends within the industry and delivering customised engineered solutions to our customers. Throughout the downturn we remained committed as a Group to the development of our product offering and retained our key teams of designers and engineers at a time when many of our competitors were cutting back in this area.

Service is at the heart of what Tyman aims to offer its customers. For our largest customers we deploy our own engineers on their factory floors, allowing us early notice of product or service issues, however small, and giving us an early insight into future new product development.

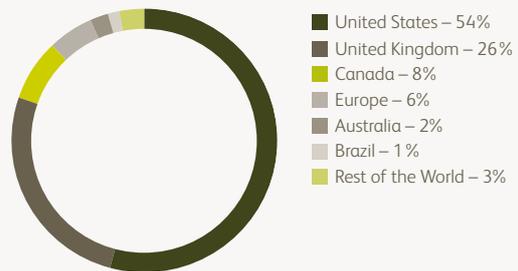
For our distribution customers we take care of critical elements of their supply chain, including inventory management, packaging and shipment to distribution hubs.

For key manufacturing customers we have developed our processes such that we can deliver their component inventory on a just in time basis and sequenced in the order that they intend to consume the product and at the other end of the scale, the jobbing builder or local locksmith who uses a Tyman product will choose our brands over our competitors because they know they can rely on them.

WHERE WE SOURCE OR MANUFACTURE BY COUNTRY



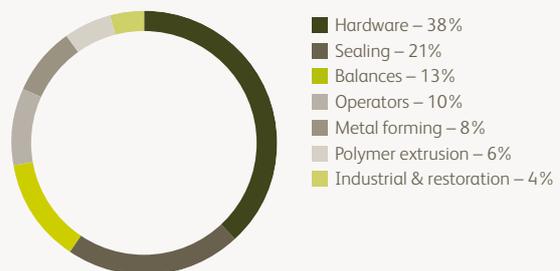
WHERE WE SELL BY COUNTRY



WHO WE SELL TO BY CUSTOMER TYPE



WHAT WE SELL BY PRODUCT



CHIEF EXECUTIVE OFFICER'S REVIEW

2014 has seen another year of good operational and financial progress for Tyman with continued top line growth and margin expansion in our two largest Divisions – AmesburyTruth and ERA.

The integration of Amesbury and Truth has now completed and we are moving forward with the next phase of the transformation of AmesburyTruth into a world class manufacturing business through rationalisation of the North American footprint.

Schlegel International has again seen difficult end markets in Continental Europe; however we continue to regard Europe as a significant medium term opportunity for the Group and have made further progress with the restructuring of the Division.

The integration of Vedasil into our South American business has progressed well and the business has performed strongly in the first 10 months of ownership.

2015 has started with order book levels ahead of 2014 and in line with our expectations across each of the Divisions. We continue to improve our manufacturing efficiency and cost base and expect to see further growth in our key end markets of the UK and North America, enhanced by a number of new products that will come to market this year in each of the Divisions.

2015 Priorities

Our key priorities for 2015 are a continuation of the themes we developed in 2014 and include:

1. Optimisation of our footprint in each of the Divisions with a particular focus on AmesburyTruth where we will start the five year project to rationalise our North American footprint.

Our aim is to ensure that each Division's footprint is appropriate for the medium term needs of the business, taking into account opportunities for near shoring of those products best made or sourced close to the point of consumption.

2. Continuing to encourage strong communication, consistency of approach and standards of excellence across each of the Divisions. For our end customer, wherever they are located, this should mean the availability of a differentiated product offering at an appropriate price, delivered to specification, on time and in full.

For 2014 we set ourselves six key priorities to deliver our overall strategy. Here's how we did:

2014 Priority	Progress	
Integration of Amesbury and Truth	Completion of integration and launch of AmesburyTruth.	
Footprint evaluation	Good progress across each of the Divisions with evaluation of footprint requirements and announced the North American Footprint rationalisation.	
Consistency and communication across Divisions	Formalised processes for sharing best practice in terms of supply chain, NPD, key account management and operations and developed cross selling opportunities for Group products worldwide.	
Financial objectives	Continued margin improvement demonstrated by the Group along with growth in the Group's ROCE. Investment in the balance sheet led to lower than normal cash conversion.	
Investment in the business	Launched a number of new products into our markets in the year, strengthened the operating teams in each of the Divisions, provided greater focus to supply chain and continued our planned investment in capital projects with gross capital expenditure running at 1.43x depreciation.	
Acquisition programme	Acquisition of Vedasil successfully completed in the year and a number of potential acquisition candidates engaged with across a variety of markets.	



3. Key financial objectives for each of our Divisions remain centred on sustained margin improvement and cash generation along with continued growth in the Group's average return on capital. We expect developed markets will offer pricing opportunities in 2015 as markets and volumes recover.
4. Continued investment in and improvement of the businesses; in particular in the areas of new product development, people, supply chain – where we intend to consolidate our Divisional sourcing arrangements in the Far East – and capital projects with a focus on automation and lean manufacturing to ensure we differentiate ourselves from our competitors and continue to take market share.
5. Supplementing our organic and self-help initiatives through our active acquisition programme, prioritising European markets where we currently have a niche seals and limited hardware range, and emerging markets where market position can best be obtained through acquisition.

Outlook

The current year has started in line with our expectations across each of the Divisions. At the end of February, order book levels in each of the Divisions are running ahead of 2014. Currency movements will again have a significant impact on reported numbers in 2015, however the strengthening of the US Dollar relative to international currencies, if sustained, should mean that reported profitability is enhanced relative to 2014.

We expect further improvement in our North American markets in 2015 with continued growth in new build in the United States, supported by the sustained gradual acceleration in repair and remodelling expenditure. We expect the Canadian market will contract further in 2015 as housing starts continue to moderate; however we still intend to take additional market share, in line with our strategic goal. The UK market is expected to show further growth in 2015, albeit probably at a slower rate than we saw in 2013 and 2014. In 2015, we have a number of new product introductions for ERA coming to market and we continue to explore opportunities in distribution where we remain relatively underweight.

For Schlegel International, following the closure of the European Industrial Products business and the conclusion of our incremental investment programme, 2015 should see an improved performance. Material profit improvement, however, remains dependent on significantly increased European volumes which, given the macroeconomic environment, we do not expect to come through in 2015.

Across Europe as a whole we expect to see broadly flat markets in 2015 with some isolated pockets of growth. We expect continued improvement in Australasia and South East Asian markets and, while the overall Brazilian macroeconomic backdrop is subdued, construction markets are expected to show further growth in 2015. We are well positioned in the Brazilian market and are developing distribution into adjacent geographies.

Louis Eperjesi
Chief Executive Officer
10 March 2015

2015 GEOGRAPHICAL FOOTPRINT

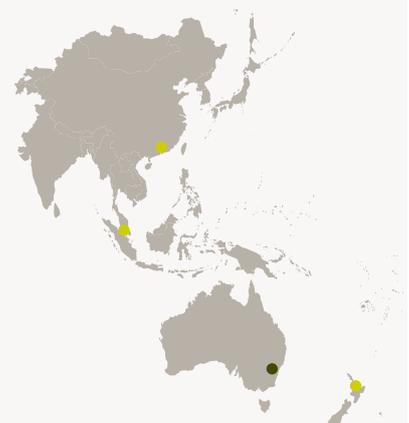
NORTH AMERICA



UK & CONTINENTAL EUROPE



ASIA & AUSTRALIA



- Manufacturing
- Sourcing/Distribution

2014/15 Developments

Sioux Falls surplus property sale	São Paulo exit
Covington exit (lease to 2019)	2015 Ontario disposal & exit
European Industrial Products disposal and exit	Group & AmesburyTruth corporate office moves



KEY PERFORMANCE INDICATORS

The Group monitors and measures performance against its KPIs, which are in line with the strategic priorities of the Group.

KPI Definition	Purpose	Target & 2014 Performance
Market share gain and pricing discipline		
<p>Like for like revenue growth</p> <p>Year on year revenue growth from continuing operations measured on a like for like basis.</p>	<p>Like for like revenue growth measures the directional trend in revenue to evaluate the ability of the Group to grow its customer base and improve its margins.</p>	<p>Target To grow revenue year on year.</p> <p>Performance Revenue has increased by 7.4 per cent in 2014 on a constant currency like for like basis. Reported revenue increased by 17.7 per cent, in large part due to the consolidation of Truth for a full 12 months compared with six months in 2013.</p>
Maximising margins and elimination of cost and waste		
<p>Gross margin</p> <p>Gross profit from continuing operations as a percentage of revenue from continuing operations.</p>	<p>Gross margin is a relative measure of each GB£ of revenue remaining after all direct manufacturing costs have been incurred.</p> <p>Gross margin is used to evaluate the profitability and financial health of the Group.</p>	<p>Target To maintain gross margin at greater than 30 per cent and incrementally increase it over time.</p> <p>Performance Gross margin decreased slightly by 60 bps, principally arising from the realignment of costs accounted for in SG&A in 2013 into direct overhead in 2014 following the integration of AmesburyTruth. On a like for like basis, after the realignment of these costs, the Group's ongoing gross margin increased by 100 bps.</p>
<p>Underlying operating margin</p> <p>Underlying operating profit from continuing operations as a percentage of revenue from continuing operations.</p> <p>Refer to page 122 for definition of underlying operating profit.</p>	<p>Underlying operating margin is a relative measure of each GB£ of operating profit remaining after all direct manufacturing and administrative costs have been incurred.</p> <p>Underlying operating margin is used to evaluate the profitability and financial health of the Group.</p>	<p>Target To maintain and improve operating margins through the management control of the Group's overhead and administrative costs.</p> <p>Performance Operating margins improved by 220 bps, principally due to the demonstration of good drophrough during the year and synergy delivery most notably in AmesburyTruth.</p>
<p>On time in full delivery rate</p> <p>Proportion of customer orders that are delivered in full within the customer required time slot</p>	<p>To evaluate the manufacturing productivity and how efficient the business is at meeting delivery deadlines.</p>	<p>Target To maintain and steadily improve the on time delivery rate to achieve an on time in full ("OTIF") delivery performance to customer request of over 95 per cent.</p> <p>Performance The on time delivery rate increased to 90.8 per cent from 81.5 per cent, an improvement principally driven by the integration of AmesburyTruth and operational improvements made within Schlegel International.</p>



KPI Definition Purpose Target & 2014 Performance
Maximising margins and elimination of cost and waste continued

Employee turnover rate

Last 12 months employees terminated voluntarily or involuntarily as a percentage of the monthly average headcount in the year.

To evaluate the frequency of and directional trend in employee turnover.

The KPI provides an indication of the avoidable costs associated with terminations, including training, inefficiencies, etc



Target

To reduce the employee turnover rate year on year.

Performance

The rise in the employee turnover rate is principally due to the integrations of Vedasil and AmesburyTruth, and the closure of the European Industrial Products business.

Capital discipline and cash generation

Leverage

Underlying net debt divided by adjusted EBITDA.

Refer to page 122 for definitions of underlying net debt and adjusted EBITDA.

Leverage is used to evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations.



Target

To maintain a core leverage ratio of between 1.50x to 2.00x throughout the cycle.

Performance

Leverage strengthened over the year by 0.25x to 1.56x, towards the bottom of our target range of 1.50x to 2.00x, and despite the levels of investment made in the balance sheet during the year.

Return on capital employed (“ROCE”) and Return on controllable capital employed (“ROCCE”)

ROCE is defined as underlying operating profit as a percentage of the 12 month average capital employed.

ROCCE is defined as underlying operating profit as a percentage of the 12 month average controllable capital employed.

Refer to page 122 for definition of controllable capital employed and underlying operating profit.

ROCE and ROCCE are used to evaluate how efficiently the Group’s capital and controllable capital are being employed to improve profitability.



Target

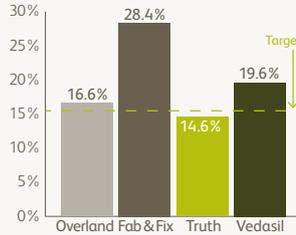
To maintain and steadily improve ROCE and ROCCE with a medium term target for ROCE of 15 per cent.

Performance

The Group has again delivered a material improvement in its ROCE and ROCCE.



KEY PERFORMANCE INDICATORS CONTINUED

KPI Definition	Purpose	Target & 2014 Performance
Capital discipline and cash generation continued		
<p>Operating cash conversion</p> <p>Operational cash flow as a percentage of underlying operating profit.</p> <p>Refer to page 122 for definition of operational cash flow and underlying operating profit.</p>	<p>Operating cash conversion is used to evaluate the cash flows generated by the business operations in order to pay down debt, return to our shareholders and invest in acquisitions.</p>	 <p>Target Core target is 100 per cent conversion of operating profit into operational cash flow across a 12 month period.</p> <p>Performance Cash conversion in the 12 months to 31 December 2014 was 71.8 per cent reflecting higher levels of capital expenditure and working capital investment. An element of the investment in trade working capital is due to timing of inventory shipments and should reverse in 2015. Since 2011, operating cash conversion has averaged 89.9 per cent and we continue to target our Divisions on 100 per cent cash conversion.</p>
<p>Return on acquisition investment (“ROAI”)</p> <p>Refer to page 122 for definitions of ROAI and Acquisition Enterprise Value.</p>	<p>ROAI is used to evaluate the efficiency and returns achieved by the Group and its investments in recent material business acquisitions.</p>	 <p>Target All acquisitions target a run rate return on acquisition investment greater than 15 per cent in the first two years following acquisition.</p> <p>Performance Fab & Fix (2012) has sustained its strong performance for the Group since acquisition and delivered a return significantly in excess of the minimum threshold. The cost and revenue synergies derived from the integration of Truth (2013) means that Truth’s run rate ROAI will exceed the threshold prior to its second anniversary. Vedasil (2014) has performed strongly for the Group in the 10 months since acquisition.</p>

KPI Definition	Purpose	Target & 2014 Performance
Returns to shareholders		
<p>Underlying basic EPS</p> <p>Underlying operating profit divided by the basic weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.</p> <p>Refer to page 122 for definition of underlying operating profit.</p>	<p>Underlying basic EPS is used to determine the improvement in underlying EPS for our shareholders.</p>	<p>Target To improve underlying EPS performance.</p> <p>Performance Underlying earnings per share increased by 35.7 per cent to 18.61 pence. The increase reflects the improvements in underlying operating profit seen in the AmesburyTruth and ERA Divisions, the continued delivery of synergies and the slightly lower effective tax rate for the year, offset in part by the increased finance charge and the higher weighted average number of shares in issue.</p>
<p>Dividend growth</p> <p>Year on year growth in total dividends.</p>	<p>Dividend growth is used to evaluate the delivery of consistent and balanced returns to shareholders in the form of dividends.</p>	<p>Target To grow dividends annually at least in line with underlying earnings.</p> <p>Performance Dividends have continued to grow consistently and by 33.3 per cent in 2014, reflecting a full year of contribution by Truth.</p>
<p>Dividend cover</p> <p>Underlying basic EPS divided by the dividend per share.</p>	<p>Dividend growth is used to evaluate the delivery of consistent and balanced returns to shareholders in the form of dividends.</p>	<p>Target Targeting a dividend cover of between 2.00x to 2.50x.</p> <p>Performance Dividend cover has consistently been within the target range.</p>
Safe working environment		
<p>Lost time injuries</p> <p>Lost time injury rate: the number of lost time incidents per 1,000,000 hours worked.</p> <p>Number of lost time injuries: the absolute number of lost time injuries over the last 12 months.</p>	<p>To evaluate the frequency of and directional trend in reported injuries.</p> <p>The KPI provides an indication of whether health and safety regulations and policies are being adhered to by the Group's operating units.</p>	<p>Target To reduce the number of injuries and lost work time hourly rates year on year.</p> <p>Performance Although further progress was made in developing the Group's safety culture, the increase in both KPIs was disappointing. The severity of incidents was reduced compared with 2013 and the majority of incidents (being slips, trips or manual handling injuries) are preventable.</p>



OPERATIONAL REVIEW

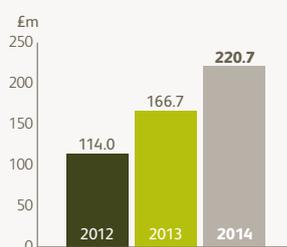
AMESBURYTRUTH



£ million except where stated	2014	2013	CHANGE	CC LFL
Revenue	220.7	175.3	+25.9%	+9.6%
Underlying operating profit	33.2	22.3	+49.1%	+28.9%
Underlying operating margin	15.0%	12.7%	+230 bps	

US\$ million except where stated	2014	2013	CHANGE	LFL
Revenue	363.7	274.2	+32.6%	+9.6%
Underlying operating profit	54.7	34.8	+57.0%	+28.9%
Underlying operating margin	15.0%	12.7%	+230 bps	

Revenue at constant exchange rates



Operating profit and margins at constant exchange rates



Markets

The housing market in the United States continued to recover through 2014 with residential private housing starts up 5.3 per cent in the year to 1,089,000 and completions (our most relevant in year new build indicator) up 19.6 per cent to 927,000. Single family housing starts increased by approximately 7.9 per cent across the year and completions by 17.4 per cent. Repair and remodelling continued to grow, with the NAHB Remodelling Market Index for Q4 2014 some 4.8 per cent higher than at Q4 2013 and we estimate that the commercial market grew by approximately 12.0 per cent in the year.

Overall we believe the market for our products in the United States improved by c. 9.0 – 10.0 per cent in 2014.

The Canadian market continued to weaken in 2014, despite the stronger levels of permits and starts seen in the first half of the year. Across the year as a whole, housing starts increased only marginally and completions contracted by 2.2 per cent; with single family completions contracting by some 5.3 per cent. Overall, we believe that the Canadian market for our products decreased by approximately 3.5 per cent across the year as a whole.

Combining the United States and Canadian statistics would indicate the addressable North American market grew by around 6.5 – 7.0 per cent over the year.

Performance

AmesburyTruth's reported revenue increased by 32.6 per cent to US\$363.7 million (2013: US\$274.2 million) and by 9.6 per cent on a like for like basis. We saw consistent gains across the majority of product lines and strong performance from our hardware and foam sealing products in particular. Our more structured approach to pricing in North America saw us exit from some lower margin pile sealing business and meant that overall AmesburyTruth conceded a small amount of uneconomic share in the United States while gaining significant share in Canada.

Underlying operating profit increased by 57.0 per cent to US\$54.7 million (2013: US\$34.8 million) and underlying operating margins improved from 12.7 per cent to 15.0 per cent due to operational gearing, automation benefits, some incremental pricing, scrap reduction and synergy delivery.

Our Tier 1 customers saw good growth in 2015 with the larger higher end window manufacturers starting to regain traction in the market place and our Tier 2 and 3 customers saw significant growth during the year as they started to derive benefits from our segmented coverage model.

We have also seen some further consolidation among the overall customer base during the year, which should allow AmesburyTruth further opportunities to sell its differentiated product offering.

We made good progress in developing our three strategic priorities with door hardware revenue increasing in the year by some 13.2 per cent, Canadian revenue increasing by some 13.0 per cent and commercial revenue increasing by some 23.6 per cent. In each case growth was achieved through a mix of deeper penetration of existing accounts and new customer wins.



Business developments

2014 saw the completion of the integration of Amesbury and Truth into a single entity structured on a functional basis. We announced the formal rebranding of the businesses as “AmesburyTruth”, at a leading industry trade show in September and the new brand has been well received by customers and employees. A leadership team, comprising individuals from both Amesbury and Truth and complemented by external hires, has been formed and the corporate office has been relocated to Minneapolis, closer to the Division’s principal facilities and customer base.

Integration initiatives have continued at all levels of the business, the most notable of which was the restructuring of the respective sales organisations into a single sales and marketing function.

During 2014 the integration generated approximately US\$5.5 million of cost and revenue synergies and we expect at least US\$8.0 million of synergies will be generated in 2015 – an increase of 60 per cent over the original synergy target announced at the time of the acquisition.

We made good progress in the development of the consolidated AmesburyTruth ERP system with a second implementation completed at the Fremont, Nebraska plant and preparations made for an additional three sites to join the ERP system during the course of 2015.

During the year we closed the Covington, Georgia facility and moved production to our Cannon Falls, Minnesota facility, reflecting the focus of our extrusion business on high value added engineered component manufacture. Since the year end we have announced the exit from the Ontario, California facility with core extrusion manufacturing also transferring to Cannon Falls, coupler manufacturing transferring to the Fremont facility and the disposal of approximately US\$7.0 million of non-fenestration extrusion business.

Automation of inefficient manual processes remains a key focus for the Group and a further five automation projects were delivered in 2014 with a total investment of approximately US\$2.5 million. The most significant automation project completed was the US\$1.0 million investment made at our Owatonna, Minnesota facility in a new acrylic E-Gard Plus process which significantly enhances the quality and durability of our painted finish compared with our competitors, improves efficiency by allowing us to paint components in line and eliminates environmentally unfriendly barrel plating processes.

New product development initiatives continued in 2014 with a focus on the development of the next generation of products across certain key segments of our portfolio including foam door and window seals, window balances and casement operators.

100 YEARS OF TRUTH

Truth Hardware, now celebrating 100 years of production and serving an international market, grew from humble beginnings in rural Minnesota. In 1914, Truth Tool, as it was then called, began as a small blacksmith shop in Ellendale, Minnesota (about 20 miles south of Owatonna) by Arthur Cowden. Truth soon moved operations to Mankato, Minnesota where, as times changed, the hand tools that they were making were being requested by mechanics servicing the emerging automotive market.

By the mid-1950’s Truth began engineering and manufacturing products for the window industry and operations were moved, in 1959, to Owatonna, Minnesota where the business has been ever since.

Fast forward to July 2013, Truth Hardware was purchased by Tyman plc and became part of an international supplier of components to the door and window industry with design, manufacturing and distribution facilities strategically located around the world. As AmesburyTruth, the business offers best in class engineering resources with the broadest portfolio of innovative solutions that drive our customer’s success.

Many things have happened since 1914 to today but one that has not changed is AmesburyTruth’s commitment to customer service and quality. This belief is embodied by the word’s first spoken by Truth’s founder, Arthur Cowden, in 1927 and echoed by the business today:

“In the very beginning, in shaping our policy we decided to stake our all, our future, on TRUTH, and its principles. To be true to ourselves, our employees, and above all true to our customers – and TRUTH has carried us from a small blacksmith shop to our present spacious and strictly modern factory, which is equipped with the latest and most up-to-date machinery, operated by people who are happy and take pride in their work, people who believe in TRUTH and strive to have that belief reflected in the ‘products’ which they produce.”

Truth celebrated its 100th birthday with a party and open house for current and former employees and their families on 20 September 2014.



OPERATIONAL REVIEW CONTINUED

North American footprint review

At the time of the acquisition of Truth, the North American footprint comprised 14 manufacturing sites and two off site warehouses in 12 locations. The two off site warehouses in Owatonna, Minnesota were closed shortly after acquisition and the Covington, Georgia site was closed in May 2014. Since the 2014 year end, the disposal of the Ontario, California site has also been announced.

The Group believes that there are significant potential benefits to be gained from rationalising the number of sites we operate within North America, while still ensuring that AmesburyTruth retains sufficient flexibility to service its customer base and take share in a market that remains some way below its long run average.

Accordingly AmesburyTruth has launched a manufacturing footprint review and evaluation with the goal of ensuring that by 2020 our North American production and distribution footprint is refined and is appropriate for the needs of the business in the future.

This project will bring significant opportunities to drive efficiencies and better manage revenue growth for AmesburyTruth as we combine operations and add new capabilities to the portfolio. The benefits of the rationalisation are expected to include more efficient manufacturing processes, shorter development times for bringing new products to market, a reduction in internal freight costs, a more efficient deployment of personnel and a reduction in divisional overheads. Each of these benefits will improve the AmesburyTruth business and will translate into a tangible improvement in our customers' overall experience.

Footprint considerations



The footprint rationalisation will centre around creating four manufacturing centres of excellence supported by a number of satellite manufacturing and distribution facilities. The creation of the Group's manufacturing centres of excellence is expected to be phased over five years as individual sites are appropriately configured and we take advantage of lease breaks on surplus facilities. The project will be executed in two overlapping phases, the first beginning now and ending in early 2017 and the second phase beginning in 2017 and ending by 2020.

The cash costs for implementing the footprint rationalisation are expected to range from US\$25.0 million to US\$33.0 million. This comprises between US\$15.0 million and US\$23.0 million of net incremental capital investment in facilities and equipment and approximately US\$10.0 million of incremental restructuring costs. The restructuring costs, together with certain non-cash costs incurred, are expected to be accounted for as exceptional items in the income statement over the rationalisation period.

We expect that the annualised cost benefits of the successful implementation of the footprint restructuring will be not less than US\$10.0 million per annum, with incremental benefits from the restructuring starting to flow from 2017 and full benefits from 2020.

The table below presents the estimated total costs (both cash and non cash) associated with the footprint rationalisation, the net capital expenditure required to execute the plan and the savings expected to be realised. We will provide further updates as to progress over the coming months.

US\$'million	2015	2016	2017-19	TOTAL
P&L cash costs	2.5	2.5	5.0	10.0
P&L non cash costs	1.0	3.0	4.0 – 8.0	8.0 – 12.0
Total P&L costs	3.5	5.5	9.0 – 13.0	18.0 – 22.0
Capital expenditure (net)	2.0	5.0	8.0 – 16.0	15.0 – 23.0
P&L saving	-	-	2.0 – 7.0¹	10.0²

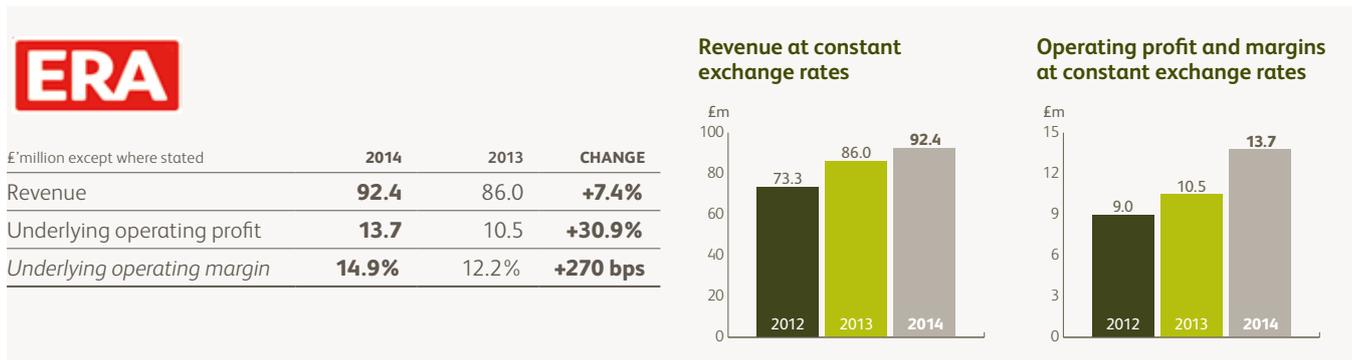
1 c. US\$2.0 million in 2017 rising to c. US\$7.0 million in 2019
 2 Annual run rate P&L savings from 2020

North American outlook

We expect the recovery in the United States new build market will continue into 2015, supported by the continued growth in repair and remodelling. The Canadian market is expected to contract further in 2015; however we still intend to take additional market share, in line with our strategic goal.

2015 initiatives include the additional ERP implementations across a number of sites, further targeted automation projects to improve our manufacturing capabilities, investment in training and development with the creation of the first AmesburyTruth training academy, which we expect will help improve shop floor retention rates, further enhancements to our customer segmentation model and the start of the five year project to rationalise our North American footprint.

ERA



Market

The UK market saw continued progress during 2014 with significant growth in the first half against soft comparative data, moderating somewhat over the summer and then a strong finish to the year.

New build activity in 2014 increased by approximately 10.0 per cent and we estimate that RMI, which comprises substantially all of the UK market, increased by approximately 6.0 per cent. Overall, we believe that the market for our products grew by approximately 6.0 per cent in the year.

Rebranding as ERA

On 10 March 2015, we announced the rebranding of Grouphomesafe as ERA, leveraging off the market presence and heritage of the UK's longest standing lock brand. ERA will be supported by the strong family of product brands that the Division goes to market within the UK, including the ERA lock brand, Balance UK, EWS, Fab & Fix, Schlegel and Ventrolla and 2015 will see further development of the ERA brand.

Performance

ERA had another strong year, generating market share gains across the entire components portfolio. These share gains arose from deeper penetration of the OEM customer base, as well as a number of new customer wins.

Revenue increased overall by 7.4 per cent to £92.4 million (2013: £86.0 million) with our core components business growing by 10.8 per cent year on year. Underlying operating profit increased by 30.9 per cent to £13.7 million (2013: £10.5 million) with around £1.3 million of the increase due to the relative strength of Sterling over the year.

As expected, the share gains in the components portfolio have led to a margin mix improvement for the Division with underlying operating margins increasing on a reported basis by 270 bps to 14.9 per cent (2013: 12.2 per cent) and by c. 110 bps once the beneficial impact of currency is stripped out.

EWS, our specialist cold rolled steel reinforcer business, increased its output in metres and operating profit contribution year on year; however the continued decline in steel prices meant that its overall revenue was broadly flat. Ventrolla, our sash window refurbishment business, had another strong year with revenue increasing some 14.4 per cent and continues to make good progress in developing its domestic and commercial businesses.

Our routes to market saw particularly strong performance from our core OEM fabricator customers; contrasting with more subdued performance from the builders merchants and general distribution channels.

Business developments

Our new range of Bi-Fold hardware was successfully introduced into the market during the year and has seen strong take up from the OEM systems houses. Our premium Fab & Fix product range grew rapidly in 2014 and took significant share, supported by the additional supplier capacity that was put in place by the Group in 2013 and the inventories laid down in 2014.

UK outlook

The UK market has now seen seven consecutive quarters of progress and appears to be well set for a further year of growth, albeit probably at a slightly lower rate than that seen in 2013 and 2014. ERA expects that it will be able to take further market share during 2015 through growth in both the OEM and distribution channels.

2015 initiatives include the launch of the Division's full service e-commerce platform "ERA Everywhere" for the UK market and the further development of the ERA brand. This includes "ERA Expert" to bring all of the Division's support functions under a common sub brand and the "ERA 5 Star Guarantee" that offers consumers a cash sum in the event that an ERA security product fails in the field.

The Division also has a number of new products coming to market in 2015, including the proprietary Invincible™ cylinder lock, a new range of PVC window hardware and a smartphone enabled cylinder lock as well as a new range of electromechanical security related products.



OPERATIONAL REVIEW CONTINUED

SCHLEGEL INTERNATIONAL



£ million except where stated	2014	2013	CHANGE	CC LFL
Revenue	37.8	36.8	+2.9%	(3.2)%
Underlying operating loss	(0.8)	(0.4)	n/a	n/a
Underlying operating margin	(2.2)%	(1.1)%		

Markets and performance

Schlegel reported increased revenue of £37.8 million (2013: £36.8 million) however, revenue decreased by some 3.2 per cent on a constant currency like for like basis. Difficult trading in Europe was offset in part by stronger performances in Brazil, where the Division benefited from its increased scale following the acquisition of Vedasil, and in Australia assisted by the addition of the full Truth product range to the portfolio.

Quarter by quarter revenue performance in each of Schlegel's key geographies is broken out in the table below.

Country	YEAR ON YEAR				YEAR ON YEAR
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
Europe	+7%	–	(7)%	(8)%	(2)%
Germany	(3)%	+6%	(7)%	(21)%	(6)%
France	+7%	(22)%	(12)%	(9)%	(9)%
Italy	+17%	–	(9)%	(2)%	+2%
Russia	+24%	+45%	(22)%	–	+8%
Poland	+26%	+20%	+8%	(31)%	+3%
Norway	(2)%	(10)%	–	(9)%	(6)%
Belgium	(7)%	(8)%	(1)%	+1%	(4)%
Spain	+10%	(10)%	(2)%	(1)%	(1)%
Australia ¹	+12%	+12%	+20%	+15%	+15%
Brazil ²	+26%	(7)%	(23)%	+1%	(2)%
Singapore ³	+28%	+20%	+15%	+17%	+20%

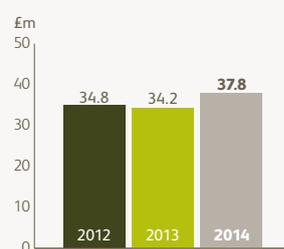
1 Australia excluding Truth product revenue: FY +8%

2 Brazil SAL revenue compared with proforma 2013 SAL revenue

3 Singapore excluding Truth product revenue: FY +2%

Europe remained a difficult trading environment with our two largest end markets, Germany and France, registering year on year declines and demand patterns across the customer base remaining variable. Our significant Eastern European markets of Russia and Poland did see improved demand during the first half of the year, however this was largely due to inventory restocking by distributors and reversed in the second half. We continued to outperform the market in Italy, where we have benefited from competitors exiting the market in recent years, and demand in Spain has begun to stabilise over the past 12 months.

Revenue at constant exchange rates



Operating profit and margins at constant exchange rates



Our Australian and Singapore businesses had good years and continued to take share in markets that were stronger than in 2013. Both businesses benefited from the introduction of the Truth product range to the portfolio. The market in Brazil recovered somewhat in the second half of the year following the World Cup and the presidential election and our enlarged business was assisted by the addition of the established Vedasil customer base as well as the proximity to market that our new manufacturing capabilities present.

Profitability in Schlegel International at the operational level benefited from the initial contributions of Vedasil and sale of Truth products, offset by higher levels of overhead as a result of the significant investment made in developing the Schlegel International management team. This incremental investment programme is now complete and we believe that Schlegel International remains well positioned for growth as and when European markets recover.

Business developments

At the end of 2014 we closed our Belgian facility and discontinued the manufacture of industrial products in Europe. Industrial products are not integral to the Group's fenestration component offering and the European Industrial Products business had run at a small operating loss for the past two years. The closure removes a significant management distraction and allows the Divisional management team to focus on the development of the building products business in Europe.

Efforts to sell the Industrial Products business as a going concern were not successful and accordingly the closure of the facility resulted in cash costs of approximately £2.4 million, tangible asset write downs of approximately £0.7 million and intangible asset write downs of £3.8 million. 2014 revenue for the Industrial Products business was £1.7 million (2013: £2.5 million) and the operating loss was approximately £(0.7) million (2013: £(0.4) million).

We made good progress with the restructuring of the Division and, in light of the sustained downturn in European markets, continue to evaluate the size and locations of our European footprint. In addition we continue to look actively for opportunities in Europe to give the Division the scale it requires, remaining mindful of our acquisition criteria, including our focus on absolute returns.



Schlegel International has continued to develop its product portfolio during the year, as it aims to offer a complete range of sealing solutions to the market. New product introductions in 2014 included the launch at the Fensterbau Trade Show of the high performance Nova-Seal range and the introduction of the North American Foam-Tite seal to the European market. In conjunction with AmesburyTruth, the Division is also developing a lockable casement operator for the Australasian market which will come to market in 2015.

Schlegel América Latina

Following the acquisition of Vedasil in February we combined the businesses of Vedasil and our existing Brazilian business into a single operating entity – Schlegel América Latina. We closed our São Paulo distribution centre and consolidated all activities at the Vedasil site. Integration has progressed well and the enlarged business has performed ahead of our expectations in its first 10 months of operation making a meaningful contribution to the Division.

Outlook

Following the closure of the European Industrial Products business and the conclusion of our incremental investment programme, 2015 should see an improved performance from the Division. Material profit improvement, however, remains dependent on significantly increased European volumes which, given the macroeconomic environment, we do not expect to come through in 2015.

Across Europe as a whole we expect to see broadly flat markets in 2015 with some isolated pockets of growth. We expect continued improvement in Australasia and South East Asian markets and, while the overall Brazilian macroeconomic backdrop is subdued, construction markets are expected to show further growth in 2015. We are well positioned in the Brazilian market and are developing distribution into adjacent geographies.

FENSTERBAU 2014

Schlegel International had their biggest stand for years at Fensterbau 2014 to place the famous Schlegel brand firmly back on the fenestration market map.

Fensterbau, a trade show for the window, door and façade construction sector, provided a useful vehicle to exhibit the extensive Schlegel range across Europe.

Schlegel, who have recently expanded with new materials and designs showcased their extruded seals in TPE, PP and EPDM, as well as the exciting “new to Europe” Foam-Tite, specifically designed for aluminium and PVC framing.

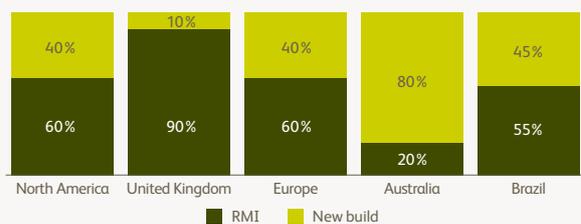


www.schlegel.com

Diversification across new build & RMI

Tyman’s products are offered to both the new build and RMI markets, ensuring a degree of diversification. Even though the markets are linked, in most countries a greater demand for Tyman’s products comes from the RMI market.

2014 RMI VS NEW BUILD BY END MARKET



FINANCIAL REVIEW

The continued delivery of synergies and good drophrough during the year contributed to a 42.4 per cent increase in underlying operating profit.

Revenue and profit

Group revenue increased by 17.7 per cent to £350.9 million (2013: £298.1 million), in large part due to the consolidation of Truth for a full 12 months compared with six months in 2013, and despite the adverse impact of currency movements in the year. On a constant currency, like for like basis, Group revenue increased by approximately 7.4 per cent year on year.

Reported gross margin decreased slightly to 32.7 per cent (2013: 33.3 per cent) principally arising from the realignment of costs accounted for in SG&A in 2013 into direct overhead in 2014 following the integration of AmesburyTruth. On a like for like basis, after the realignment of these costs, the Group's ongoing gross margin improved by 100 bps.

Underlying administrative expenses increased slightly to £68.7 million (2013: £66.9 million), despite the increased levels of trading, principally reflecting the successful delivery of cost synergy benefits in AmesburyTruth along with tight cost control in the other Divisions.



Underlying operating profit increased by 42.4 per cent to £46.1 million (2013: £32.3 million), and by 25.1 per cent on a constant currency like for like basis. We demonstrated good drophrough during the year with underlying operating margins increasing to 220 bps to 13.1 per cent (2013: 10.9 per cent).

Underlying profit before taxation increased by 45.6 per cent to £41.6 million (2013: £28.6 million) and by 23.4 per cent on a constant currency like for like basis.

Finance costs

Interest payable on bank loans and overdrafts increased to £4.6 million (2013: £3.5 million) reflecting a full year of interest charges on the Group's higher absolute level of indebtedness following the acquisition of Truth.

Capitalised borrowing costs written off through the income statement in the year totalled £2.5 million (2013: £1.0 million) of which £1.3 million related to accelerated amortisation following the repayment and cancellation of both the 2011 banking facility and the 2013 Truth acquisition facility.

Net finance costs in 2013 were reduced by £1.3 million as a result of the exceptional foreign exchange gain which arose on the conversion of equity proceeds into US Dollars to finance the acquisition of Truth.

Interest rates

The Group's average cost of funds and margin payable over the year as a whole was approximately 2.8 per cent (2013: 2.9 per cent). The Group holds interest rate contracts to swap around 70.9 per cent of the Group's outstanding debt under its revolving credit facility at the year end from floating rates to a weighted average fixed rate of 1.2 per cent with a range of maturities between 2016 and 2020.

As at 31 December 2014, the Group's portfolio of swap contracts at fair value amounted to a liability of £0.3 million (2013: £0.8 million). Any changes in fair value until maturity, classified as an effective hedge, will be recognised directly in other comprehensive income, with only the ineffective portion taken through the income statement.

Taxation

The Group incurred a tax charge on profit before taxation of £2.6 million (2013: tax credit of £0.2 million). Taxation before adjustments for deferred tax rate changes, amortisation and impairment of acquired intangibles and exceptional items amounted to £10.4 million, which represents an effective underlying tax rate of 25.0 per cent (2013: 26.7 per cent). The Group paid £6.3 million (2013: £6.2 million) of corporate taxes in the year which equates to a cash tax rate of 15.0 per cent (2013: 21.7 per cent).

The effective underlying tax rate was reduced by approximately 170 bps due to the impact of the 2010 and 2011 LTIP awards both vesting in 2014 and the significant share price appreciation over the lifetime of those awards.

Several factors impact the Group's taxation charge or credit, including:

- The Group's operations are international in nature. In 2014, 70.6 per cent of the Group's trading profits before central cost allocations were generated in the United States, 29.1 per cent generated in the UK and 0.3 per cent in Schlegel International's overseas territories (depressed in 2014 by the trading losses made in Europe). The Group's effective tax rate is therefore a function of the interaction of different country, state and local taxation rates and allowances.
- The Group has a proactive capital investment programme in each of its Divisions. These investments are amortised for tax purposes in accordance with the laws relating to capital allowances in each country, which may not match with the Group's depreciation policy.
- Group companies sometimes generate losses, in 2014 most notably in certain European jurisdictions. Where these losses can be relieved or carried forward to be relieved in future periods, the Group does so in accordance with the relevant laws, however this treatment is broadly dependent on sufficient eligible taxable profits being generated in the relevant jurisdiction.
- Certain losses, most notably those related to the amortisation and impairment of intangible assets and the write off of goodwill arising on acquisition cannot be relieved against taxable profits. As the Group has developed through acquisition, these charges have a material impact on the Group's statutory tax charge as a proportion of pre-tax profits.
- Group share options and LTIPs will generate varying levels of tax relief to the Group dependent on the vesting outcomes of awards and the share price as at the date of vesting.
- The Group does not make material use of special incentive arrangements that might impact the tax charge such as research and development tax credits or patent box structures.

The Group conducts its tax affairs in accordance with the law and arranges its tax affairs in line with its commercial activities worldwide. As such, it follows the terms of double taxation treaties and relevant OECD guidelines in dealing with issues such as transfer pricing, repatriation of profits and the establishment of a taxable presence in countries where it trades. The Group seeks to engage proactively with tax authorities in each of its key jurisdictions in order to ensure that the Group's tax affairs are clearly communicated. As far as practical, the Group aims to keep its legal and commercial structures straightforward in order to reduce risk and minimise compliance costs.

The Group's key transfer pricing arrangements comprise commercial agreements relating to trade between Group entities, intra-group financing and the recharging of shared-service administrative costs. Where Group entities do trade with each other, transfer pricing arrangements are appropriate for the territories involved and are enacted on a consistent basis.

Earnings per share

Underlying earnings per share increased by 35.7 per cent to 18.61 pence (2013: 13.71 pence). The increase reflects the improvement in underlying operating profit, the continued delivery of synergies and the slightly lower effective tax rate for the year, offset in part by the increased finance charge and the higher weighted average number of shares in issue.

Basic earnings per share was 5.56 pence (2013: 0.63 pence).

REVENUE BRIDGE



UNDERLYING OPERATING PROFIT BRIDGE



FINANCIAL REVIEW CONTINUED

Dividends

A final dividend of 6.00 pence per share (2013: 4.50 pence per share), equivalent to £10.1 million (2013: £7.6 million), will be proposed at the Annual General Meeting. The total dividend declared for the 2014 financial year is therefore 8.00 pence per share (2013: 6.00 pence per share), an increase of 33.3 per cent over 2013 and which equates to dividend cover of 2.33x.

The ex-dividend date will be 23 April 2015 and the final dividend will be paid on 20 May 2015 to shareholders on the register at close 24 April 2015.

In accordance with IFRS, only dividends paid during the year have been charged in the 2014 financial statements. Dividends declared and paid in 2014 were the 2013 final dividend of 4.50 pence per share and the 2014 interim dividend of 2.00 pence per share.

Exceptional items

£'000	2014	2013
Redundancy and restructuring costs	4,236	1,763
Inventory obsolescence alignment	-	887
M&A and integration costs	1,718	5,949
Write-off of inventory fair value adjustment	-	2,304
Gain on property disposal	(398)	-
	5,556	10,903

Exceptional items of £5.6 million were incurred during the year (2013: £10.9 million).

Redundancy and restructuring costs principally concern the closures of the manufacturing facilities in Belgium (Gistel) and the US (Covington, Georgia). Costs of £3.1 million incurred in respect of the Gistel closure include tangible asset write downs of approximately £0.7 million, and redundancy costs and impairment of other assets of £2.4 million. Costs of £0.6 million incurred in respect of the Covington closure principally relate to an onerous lease provision made during the year. The remaining £0.5 million comprises costs incurred across various entities as part of redundancy and restructuring programmes, primarily in Schlegel International.

M&A costs of £0.4 million reflect directly attributable transaction costs and expenses incurred in connection with the acquisition of Vedasil together with other M&A activity in the year. Integration costs comprise £1.1 million in relation to the ongoing integration of AmesburyTruth and £0.2 million in relation to the integration of Vedasil. These costs predominantly relate to office closures, relocation, and redundancy costs. The costs in 2013 primarily related to the transaction costs and expenses directly attributable to the acquisition of Truth Hardware and associated integration costs.

The £2.3 million charge for the year ended 31 December 2013 relates to the one-off write off of the acquisition fair value adjustment to the book value of inventories acquired in the Truth acquisition.

The exceptional costs comprise £2.2 million of costs cash settled in 2014 (2013: £6.0 million) and £3.7 million of non cash costs (2013: £4.9 million).

Offsetting the exceptional costs incurred was the gain of £0.4 million (US\$0.7 million) realised on the disposal of the surplus property in Sioux Falls, South Dakota, sold in February 2014 for £1.1 million (US\$1.7 million).

These items are regarded by the Group as exceptional as they are significant and non-recurring in nature.

Materials and input costs

We track the pricing of key raw materials closely within the Divisions in order to ensure we are procuring at the best price for the quantities we consume and that we are in a position to secure price increases where necessary. We were again successful with our continued policy of full input cost recovery; most notably with zinc in North America where we implemented a price surcharge in the fourth quarter.

We focus on three key categories of raw material – steel, oil derivatives and zinc. Our largest raw material and component purchase is steel across a number of different types and grades. Oil derivatives are used in the manufacture of our seal, extrusion and injection moulded products. Zinc has increased significantly in importance to the Group since the acquisition of Truth. In addition, we track closely the pricing of a representative basket of those products we source from the Far East into the UK – which will be influenced by local labour and overhead rates, raw material price changes and the exchange rate.

The raw material cost price backdrop continued to be relatively benign in 2014, although was slightly more volatile than in recent years. The table below sets out the direction of pricing in 2014 of certain specific tracker purchases – galvanised steel in the UK, polypropylene in Europe, zinc in North America and the representative UK basket of components – which are tracked on a weekly basis at Group level. Each of these tracker purchases will also tend to be used in the manufacture of those products we source from third parties.

Overall category	2014 MATERIALS COS (£'M) ¹	TRACKER PURCHASES	AVERAGE TRACKER PRICE MOVEMENT ²	SPOT TRACKER PRICE MOVEMENT ³
Steel	42.9	UK galvanised	(5.1)%	(12.2)%
Oil derivatives	32.6	Euro polypro	+3.9%	(11.3)%
Zinc	25.3	US zinc	+7.4%	+19.0%
UK Far East components	35.7	UK basket	(5.4)%	+3.9%

1 Estimated 2014 materials cost of sales for raw materials, components and hardware for overall category

2 Average 2014 tracker price compared with average 2013 tracker price

3 Spot tracker price as at 31 December 2014 compared with spot tracker price at 31 December 2013



Acquisitions

The Group made one acquisition during 2014, which was the acquisition of Vedasil in Brazil. ROAI for the four businesses of size acquired since 2010 are as follows:

	DATE OF ACQUISITION	ORIGINAL INVESTMENT '000	ROAI IN 2014	ANNUALISED ROAI SINCE DATE OF ACQUISITION
Overland	Dec 2011	US\$16,493	16.6%	12.8%
Fab & Fix	Aug 2012	£15,217	28.4%	19.2%
Truth	Jul 2013	US\$206,437	14.6%	13.6%
Vedasil	Feb 2014	BR26,639	19.6%	23.7%

The Group requires that all acquisitions target a run rate ROAI greater than 15 per cent in the first two years following acquisition. Achievement of this hurdle rate of return should ensure that any acquisition delivers a return significantly in excess of the Group's cost of capital.

Fab & Fix has sustained its strong performance for the Group since acquisition and delivered a return significantly in excess of the minimum threshold. The cost and revenue synergies derived from the integration of Truth means that Truth's run rate ROAI will exceed the threshold prior to its second anniversary and Vedasil has performed very strongly for the Group in the 10 months since acquisition.

Goodwill and acquired intangible assets

A goodwill impairment charge of £3.4 million was taken in the year following the decision to close the European Industrial Products business. The intangible amortisation charge of £18.2 million (2013: £16.6 million) increased principally due to a full year of amortisation of the intangible assets created as a result of the Truth acquisition together with the initial amortisation of the intangible assets acquired with Vedasil.

In accordance with accounting standards, the Board has reviewed the carrying value of goodwill and other intangible assets across the Group by Cash Generating Unit ("CGU") in the light of current trading and prospects and progress towards achieving the Divisions' strategic plans. The Board concluded that the carrying value of goodwill and other intangible assets remained appropriate for the continuing businesses and that no further impairment had occurred.

The CGU with the lowest headroom remains the Schlegel International CGU, which is a function of the current levels of demand currently seen within that Division. In the event that there was a further material contraction in demand for Schlegel International's products that leads to an expectation of a future permanent reduction in EBITDA levels, then a further impairment might be required. The Board will keep this under review.

During 2014 Amesbury and Truth were treated as separate CGUs. The two businesses now operate as an integrated Division under a common leadership team, and as product categories start to be consolidated, it is becoming increasingly difficult to allocate revenue and cash flows to the correct CGU. Accordingly, the Board intends to combine the Amesbury and Truth CGUs into a single AmesburyTruth CGU during 2015 and future impairment testing will be conducted on that basis.

Bank facilities and US private placement notes

	MATURITY	CURRENCY	COMMITTED	UNCOMMITTED
Revolving credit facility	Jun 2019	Multi-currency	£180.0m	£60.0m
4.97%USPP notes	Nov 2021	US\$	US\$55.0m	–
5.37%USPP notes	Nov 2024	US\$	US\$45.0m	–

On 10 June 2014 the Group entered into an enlarged new banking facility (the "2014 Facility") of up to £240 million with six relationship banks, comprising a £180 million committed revolving credit facility and a £60 million uncommitted accordion facility. The 2014 Facility offers the Group improved pricing, increased flexibility, and relaxation or removal of certain covenants. On completion of the 2014 Facility, the 2011 facility was repaid in full and cancelled.

In November 2014 the Group raised a total of US\$100 million through its inaugural US private placement offering. The US\$100 million acquisition facility put in place in 2013 to acquire Truth was repaid and cancelled in November 2014.

Liquidity

At 31 December 2014 the Group had gross outstanding borrowings of £130.0 million (2013: £124.6 million), cash balances of £39.3 million (2013: £43.6 million) and committed but undrawn facilities of £114.7 million (2013: £29.7 million) as well as access to the uncommitted £60.0 million accordion facility.

Underlying net debt at the year end was £90.7 million (2013: £80.9 million) with £4.7 million of the increase due to exchange movements year on year. Under IFRS, which reduces gross debt by the unamortised portion of finance arrangement fees, net debt at 31 December 2014 was £88.7 million (2013: £78.7 million).

The Group maintains sufficient cash balances and undrawn borrowing facilities to finance all investment and capital expenditure included in its strategic plan; while retaining sufficient flexibility to be able to react to changes in market conditions and complete bolt on acquisitions without the need to raise external finance.

Covenant performance

At 31 December 2014	TEST	COVENANT PERFORMANCE	HEADROOM £'M	HEADROOM %
Leverage	< 3.0x	1.56x	26.6	48.1%
Interest cover	> 4.0x	12.22x	37.0	67.2%

At the year end, the Group had significant headroom on its banking covenants. Leverage, calculated on the same basis as our banking covenant tests, strengthened over the year by 0.25x to 1.56x (2013: 1.81x), towards the bottom of our target range of 1.50x to 2.00x; despite the levels of investment made in the balance sheet during the year. Interest cover also strengthened over the year by 0.49x to 12.22x (2013: 11.73x).



FINANCIAL REVIEW CONTINUED

Shares in issue

The total number of shares in issue at 31 December was 170.1 million with the basic weighted average number of shares in issue 167.8 million (2013: 152.8 million) and the fully diluted weighted average number of shares 169.7 million (2013: 155.1 million).

At 31 December 2014 the Group had 0.6 million shares in treasury (2013: 0.6 million) and the Tyman Employee Benefit Trust held 1.6 million shares (2013: 2.2 million).

Cash and conversion

The Group made significant investment in the balance sheet during the year; with capital expenditure running well ahead of depreciation and trade working capital increasing. An element of the investment in trade working capital is due to timing of inventory shipments and should reverse in 2015.

Reconciliation from net cash generated from operations to operational cash flow:

£'000	2014	2013 (RESTATED)
Net cash generated from operations	33,805	32,643
Add: Pension contributions	1,012	909
Add: Income tax paid	6,257	6,209
Less: Purchases of property, plant and equipment	(9,342)	(7,359)
Less: Purchases of intangible assets	(2,122)	(1,286)
Add: Proceeds on disposal of property, plant and equipment	1,265	559
	30,875	31,675
Exceptional cash costs	2,212	5,990
Operational cash flow	33,087	37,665

The Group generated operational cash flow in the year of £33.1 million (2013: £37.7 million) after adding back £2.2 million (2013: £6.0 million) of exceptional costs cash settled in the year. Operating cash conversion of 71.8 per cent was accordingly lower than in the previous year (2013: 116.4 per cent). Since 2011 operating cash conversion has averaged 89.9 per cent and we continue to target our Divisions on 100 per cent cash conversion.

Capital expenditure

Gross capital expenditure increased to £11.5 million (2013: £8.6 million) or 1.43x depreciation (2013: 1.31x depreciation) as we continued our programme of targeted capital investment ahead of depreciation across each of the businesses. Capital expenditure receipts in the year benefited from the proceeds of the Sioux Falls property disposal.

Of this amount, intangible capital expenditure comprised £2.1 million (2013: £1.3 million) principally as a result of our continuing investment in the AmesburyTruth ERP system.

Working capital

We retained our strong focus on management of working capital within each of the Divisions, with the aim of achieving an appropriate balance between commercial priorities and financial efficiency. Each Division is allocated specific cash targets which are monitored throughout the year and flexed according to demand levels and the Divisions are encouraged to seek out opportunities to secure permanent reductions in working capital.

Some investment in working capital was required in 2014 to support the increased activity levels in the two largest Divisions. The overall movement of working capital in 2014 was a net cash outflow of £10.9 million (2013: £12.4 million inflow).

Inventories on the balance sheet at the year end increased to £47.6 million (2013: £40.7 million) with £2.0 million of the increase due to exchange movements and Vedasil. The majority of the increase year on year was due to targeted investment in inventory at ERA to support the significantly higher levels of trading in Fab & Fix product. In addition, certain Far East shipments of inventory in advance of Chinese New Year fell into 2014 when provisional scheduling had indicated they would be shipped in 2015.

Despite the increased levels of trading, our trade receivables increased only marginally to £31.5 million (2013: £29.9 million) with substantially all of the increase due to exchange movements and Vedasil. This reflects the continued proactive management of the trade receivables book and bad debts written off in the year amounted to only 0.1 per cent of revenue (2013: 0.1 per cent).

Our more structured approach to supply chain in each of the Divisions required some extension of trading terms with key suppliers and accordingly trade payables year on year decreased to £26.8 million (2013: £31.2 million). The Group will benefit in terms of service levels and responsiveness from its supplier base from this investment.

Net trade working capital to revenue at the year end increased by 170 bps to 14.9 per cent (2013: 13.2 per cent).

Pensions and post retirement medical benefits

The Group's gross pension and post retirement medical benefit obligations under IAS 19 at 31 December 2014 were £24.9 million (2013: £21.1 million) with the majority of the movement over the course of the year being due to exchange differences and actuarial losses following reassessments of discount rates. The principal schemes are located in North America where the pension scheme is closed to new entrants and post retirement healthcare benefits are capped.

Cash contributions made to the schemes during the year were £1.0 million (2013: £0.9 million).

Summary 2015 guidance

Underlying tax rates for the Group for 2015 are expected to be slightly higher than in 2014 at c. 27 – 28 per cent. The final underlying tax rate for the year will principally depend on the Group's geographical mix of taxable profits. Cash taxation rates are expected to be slightly below the Group's underlying tax rate.



Gross capital expenditure for the year (excluding capital expenditure associated with the North American footprint project) is expected to be in the range £12.0 – £14.0 million.

Interest payable on borrowings for the full year under the existing facilities is expected to be £6.0 – £7.0 million – although the actual amount will be dependent on leverage. The non cash amortisation of capitalised borrowing costs will reduce in 2015 to c. £0.5 million.

Trade working capital trough to peak for the year is expected to be £15.0 – £20.0 million.

LTIP purchases by the employee benefit trust are expected to be £3.0 – £4.0 million.

Currency

Currency in the consolidated income statement

The principal foreign currencies that impact our results are the US Dollar, the Euro, the Australian Dollar and the Canadian Dollar. Following the acquisition of Vedasil, the Brazilian Real has also become a more important currency for the Group. Each of these currencies was on average weaker versus Sterling in 2014 compared with the previous year.

The net effect of currency translation caused revenue and underlying operating profit from ongoing operations to decrease by £15.2 million and £2.3 million respectively compared with 2013 as shown below.

Currency	US\$	EURO	AUS\$	CA\$	BR REAL	TOTAL ¹
Average rate						
2014	1.6479	1.2407	1.8269	1.8189	3.8711	
Average rate						
2013	1.5646	1.1780	1.6224	1.6117	3.3798	
% movement	5.3%	5.3%	12.6%	12.9%	14.5%	
£'m revenue						
impact	(11.5)	(1.1)	(1.1)	(0.5)	(1.0)	(15.2)
£'m profit						
impact ²	(1.9)	–	(0.1)	(0.1)	(0.2)	(2.3)
1c movement						
impact ³	£218k	£2k	£6k	£2k	£3k	

1 Impact of other currencies is de minimis

2 Underlying operating profit impact

3 Defined as the approximate translation impact of a 1c movement in the currency on underlying operating profit

In addition there are transactional exposures for those Divisions that purchase or sell products in currencies other than their functional currency. These are principally Sterling/US Dollar or Renminbi for purchases by ERA from the Far East and Aus Dollar/US Dollar/Renminbi for purchases by Schlegel International's Australian business from the USA and the Far East. In 2014, we estimate that the strength of Sterling benefited ERA's reported profitability by approximately £1.3 million and the unhedged impact on ERA of a 1c movement in the US Dollar is approximately £0.2 million. Other transactional exposures benefit from the existence of natural hedges or are de minimis in size.

The Group's policy is to recover adverse transactional currency movements through price increases or surcharges.

Currency in the balance sheet

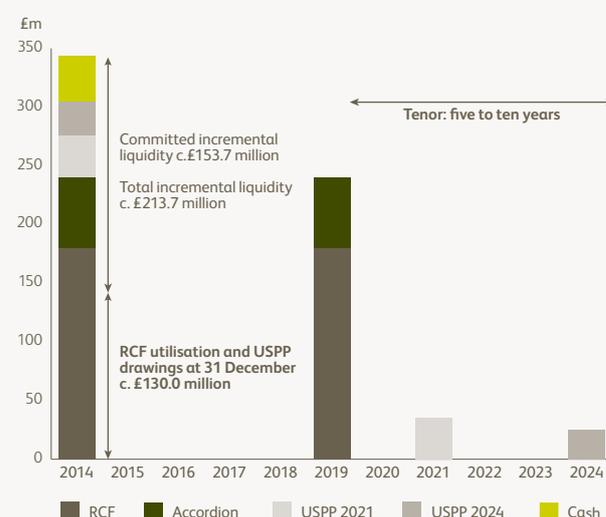
The Group aims to mitigate the translational impact of exchange rate movements by denominating a proportion of total borrowings in those currencies where there is a material contribution to underlying operating profit. The Group's 2014 facility allows the Group to draw funds in a number of different currencies.

Financial reporting

This financial information has been prepared under IFRS and in accordance with the Group's accounting policies. There have been no changes to the Group's accounting policies during the year ended 31 December 2014.

James Brotherton
Chief Financial Officer
10 March 2015

GROUP FACILITIES FOLLOWING 2014 FINANCINGS



PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Impact on strategy	Trend	Description	Mitigation
Market conditions	1 2	▼	Demand in the building products sector is dependent on levels of activity in new construction and property repair and remodelling markets. This demand can be unpredictable and the Group has a low visibility of future orders from its customers. The recovery in the US and UK has reduced risk for the Group but the risk of further decline in the European economies persists.	In recent cyclical downturns management have proved effective in responding to such events and continue to have similar measures ready to deploy, such as: <ul style="list-style-type: none"> maintaining appropriate headroom and tenor in its available borrowing facilities; the geographic spread of our business; our ability to flex our cost base; pricing and gross margin management; planning, budgeting and forecasting processes; and offering industry leading customer service.

Risk	Impact on strategy	Trend	Description	Mitigation
Competitors	1 2 3	▶	The Group may face significant competition, including competition from international businesses with large capital resources. Competition in the industry is based on: range and quality of products offered, geographical reach, product development, reputation and client relationships. The building products market has become increasingly competitive, particularly where overcapacity has been exacerbated by the economic recession. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	Some of our markets are relatively concentrated with two or three key players, while others are highly fragmented and offer significant opportunities for consolidation and penetration. The Group continues to differentiate itself through its wide range of products, its investment in new product development, a focus on setting industry leading standards for delivery on time and in full, its technical support, its geographical spread, strategic focus and reputation. We aim to minimise the impact of aggressive pricing by competitors through a low cost manufacturing strategy supported by our programmes of continuous process improvements and building long term relationships with our customers based on value, quality, service and added value technical support.

Risk	Impact on strategy	Trend	Description	Mitigation
Loss of major customers	1 2 3	▶	The success of the Group will, to some extent, be dependent on the continuation of satisfactory commercial relationships with its major customers. The top 10 customers account for approximately 32 per cent of total Group revenue.	The Group aims to build long term relationships with our customers based on value, quality and range of products, industry leading service and value added technical support. The Group continues to focus on a broad range of customers in a number of geographic markets. The Group looks to broaden the addressable markets of its key businesses by building customer focused capabilities both through organic investment and acquisitions.

Risk	Impact on strategy	Trend	Description	Mitigation
Key executives and personnel	3 4 6	▶	The Group's future success is substantially dependent on the continued services and performance of its Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel.	The Remuneration Committee and the Tyman Management Committee mitigate the risk of losing key personnel through robust succession planning, strong recruitment processes, long term management incentives and retention initiatives.

1	Market share gain
2	Pricing discipline
3	Maximising margins
4	Eliminate cost and waste
5	Focus on capital allocation
6	Focus on cash generation

Risk	Impact on strategy	Trend	Description	Mitigation
Raw material costs and supply chain failures	1 3 4	▶	The raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel, aluminium and zinc) caused by changes in supply and demand, and commodity market fluctuations. The Group's ability to meet customer demands depends in large part on obtaining timely and adequate supplies of components and raw materials on competitive terms. Failure by any of the Group's suppliers could significantly limit the Group's sales and increase its costs. The raw material cost backdrop was relatively benign in 2014.	The Group continues to invest in and improve its sourcing and procurement capability. The Group manages the risks associated with raw material costs and supply chain failure through strong long term relationships with suppliers, economies of purchasing, multiple suppliers and inventory management. In addition, the Group will mitigate this risk by increasing selling prices or applying surcharges to recover unavoidable input cost increases. The Group's third party component suppliers typically have longstanding relationships with the Divisions and manufacture product for the Group on an exclusive or semi-exclusive basis, to the Group's designs and on the Group's tooling. This gives the Group the balance of a committed supplier base with the flexibility to change suppliers if quality or service levels decline.

Risk	Impact on strategy	Trend	Description	Mitigation
Business integration	1 5 6	▼	The Group will continue to make strategic acquisitions in the future, which will impact the performance and the risk profile of the Group. The subsequent integration of acquisitions involves further risks such as the diversion of management, disruption of operations and the retention of key personnel in the acquired business.	The Group mitigates this risk by extensive due diligence prior to the acquisition and the preparation of a detailed integration plan following acquisition, covering all key areas of activity. The integration process is led by the Executive Directors and supported by dedicated project teams that include specialised management from the wider Group. Rolling out our ERP investment and our internal audit programme post acquisition helps to establish best practice in governance and control procedures. The Board regularly reviews post acquisition performance and integration.

Risk	Impact on strategy	Trend	Description	Mitigation
Funding and financial risks	3 5 6	▼	The Group operates on a global basis and is therefore exposed to transactional and translational foreign exchange risk against Sterling. In particular, 71 per cent of the Group's underlying operating profits are derived from US operations. The Group is also exposed to interest rate risks, liquidity and credit risks.	The Group denominates some of its debt in foreign currency to match some of its exposure to the translational balance sheet risks associated with overseas subsidiaries. Ancillary bank facilities are available to manage some of the foreign exchange transactional risks and interest rate exposure through the use of derivative financial instruments. The Group maintains adequate cash balances and credit facilities with sufficient headroom and tenure to mitigate credit availability risk. Further information on these risks is given in note 18 to the Group's financial statements. The successful refinancing of increased and extended bank facilities and the issuance of a debut US private debt placement in 2014 has helped reduce our funding risk.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Employees

Diversity and equal opportunity

All Tyman employees have the right to work in an environment that supports diversity and fosters a culture of dignity and respect. The Group is committed to supporting employment policies and practices that make provision for equal opportunities, non-discrimination, and that comply with relevant local legislation and accepted employment practice codes.

Policies and practices of equal opportunities and non-discrimination will ensure that an individual's ability, aptitude and talent are the sole determinants in recruitment, training, career development and progression opportunities rather than on the grounds of age, beliefs, disability, ethnic origin, gender, marital status, race, religion or sexual orientation.

In considering appointments to the Board and senior management positions, it is the Group's policy to make an appointment on the basis of the candidate's knowledge, skills and experience with due regard for the benefit of diversity.

Across the Group, recruitment policies demonstrate a commitment to equal opportunities. Management-level employees have participated in local diversity programmes and training events. Any management opportunities are advertised internally to provide all employees with an equal opportunity for advancement.

Set out below is an analysis of the number of employees by gender as at 31 December 2014.

	MALE		FEMALE	
	TOTAL	%	TOTAL	%
Board of Directors	5	83.3%	1	16.7%
Senior managers ¹	82	77.4%	24	22.6%
Other employees	1,728	61.3%	1,093	38.7%
Total Tyman Group	1,815	61.9%	1,118	38.1%

¹ Senior manager is per the definition in Section 414C of the UK Companies Act 2006

As at 31 December 2014, the Group had female representation of 22.6 per cent in senior management positions and 16.7 per cent at the Board level. This proportion is higher across the total workforce, with 38.1 per cent of the profile being female.

EMPLOYEE GENDER STATISTICS – FEMALE REPRESENTATION



Training, development and retention

The Board recognises that the long term growth and enduring success of the Group depends on its ability to attract and retain talented and skilled employees. Operational efficiencies across the Group are enhanced by building and developing the skills, competencies and motivation of all employees.

Each of the Group's operating units are encouraged to implement comprehensive employment policies designed to attract, retain, appraise and motivate high calibre employees and to determine ways of applying their knowledge and skills in a manner that best contributes towards the success of the business.

The Group encourages and supports the continuing professional development and training of all its employees. Employees are provided with training to acquire and develop skills that will enable them to perform their duties and, where appropriate, allow for career progression. The Group also invests in a range of development activities including in:

- North America: the Tuition Reimbursement Program whereby employees can pursue a University qualification.
- United Kingdom: LMI Effective Leadership Development Course and Coaching for Performance training offered to all management-level employees.

The Group operates the Tyman Long Term Incentive Plan ("LTIP") in which senior employees are invited to participate in the long term future of the Group through share ownership and intends to explore other all-employee share plans. The conditional annual awards of shares under the LTIP are at the discretion of the Remuneration Committee.

In 2015 we intend to seek shareholder approval for the introduction of a Group wide employee share save scheme. This will facilitate employees becoming shareholders of the Group and will hopefully encourage employee interest and engagement in the broader performance of Tyman.

Communication

In order for our employees to gain an understanding of the role they play within their local operations and that of the Group, employees are regularly kept informed on matters relating to their employment, recent business developments and other activities of the Group and its divisions.

These communications are effected through management briefings, internal communications, quarterly newsletters, as well as external announcements and press releases posted on the Group's website.



Health and safety

Management and accountability

Providing a safe environment in which our employees can work is a key priority for the Group. The Group is committed to ensuring a safe, clean and healthy working environment for all employees, customers and other persons with whom the Group has contact. The Group actively promotes a strong health and safety culture as well as encouraging the collective pursuit of continuous improvement in health and safety standards across all operations.

The CEO holds the overall responsibility for the Group's health and safety performance. This responsibility is discharged to local management through the TMC.

Local management are tasked with the responsibility of creating a health and safety management system, and are held accountable for their:

- health and safety performance;
- adherence to the Group's health and safety policies; and
- compliance with local health and safety regulatory requirements.

Health and safety performance is reviewed at each weekly TMC meeting. The CEO, at each meeting of the Board of Directors, reports on the health and safety performance of the Group.

Health and safety management system

All employees are made aware of the importance of health and safety in creating a safe and healthy working environment. Local management's health and safety management systems:

- identify, assess and take action to reduce risks;
- mandate health and safety training and development of all employees; and
- develop safe working practices.

The Group requires that all accidents, dangerous incidents and near miss statistics are promptly and thoroughly investigated. The details of incidents as well as the remedial and preventative measures taken are shared between sites as a means of raising awareness and reducing the risk of repetition. Any incidents involving lost time of greater than one working day are reported to the TMC and the Board.

Operations representing 46.9 per cent of the value of total Group revenue in 2014 have achieved accreditation for OHSAS18001 (Health and Safety) or for OSHA SHARP (the Safety & Health Achievement Recognition Program run by the Occupational Safety & Health Administration of the United States Department of Labor). Most other Group operations have programmes in place with the objective of achieving accreditation.

2014 performance

The KPIs used to evaluate the Group's health and safety performance are the lost time injury rate and the number of lost time injuries.

In 2014, there was a strong focus on improving health and safety in the workplace across all operating locations. Although further progress was made in developing the Group's safety culture, the increase in the number of LTI in 2014 to 45 incidents (2013: 31 incidents) was disappointing. The severity of incidents was significantly reduced compared with 2013 and the majority of incidents, categorised as slips, trips or manual handling injuries, are preventable.

In 2014, the Divisions focused on developing their near miss reporting in an effort to limit the frequency of preventable incidents. A total of 3,829 near miss incidents were reported ranging from general housekeeping shortfalls to potentially hazardous practices or processes with the potential to cause physical harm. The high level of employee engagement in the development of near miss reporting is expected to translate into a material reduction in LTIs in the future.

LOST TIME INJURIES BY INJURY TYPE



LOST TIME INJURY FREQUENCY RATE¹ ("LTIFR") YEAR ON YEAR LTIFR PER MILLION HOURS WORKED



1 The rate of occurrence of workplace incidents that resulted in an employee's inability to work the next full work day.



CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

OWATONNA SAFETY IMPROVEMENTS

During 2014, our Owatonna, Minnesota operating facility embarked on a project to further develop and improve its health and safety culture. Through the implementation of the following safety improvements, the facility achieved an approximate 50 per cent improvement in its lost time injury rate:

Storing steel vertically rather than horizontally:

- mitigates tripping risk;
- reduces forklift traffic by c. 90 per cent.

The previous die separation process required manual die separation with the use of a large hammer. The automated die separator:

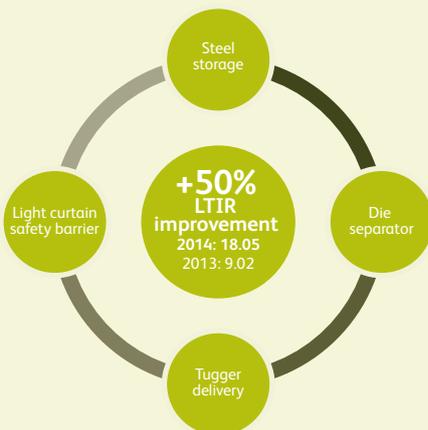
- mitigates back strain risk;
- improves efficiency through reduction in set up time.

The switch from forklift to tugger for material delivery on the manufacturing floor:

- reduces forklift traffic through the facility by c. 50 per cent;
- mitigates the risk of inventory losses;
- achieves efficiencies through the reduction of put away racks.

Installation of light curtain safety barriers:

- proactively improves machinery safety;
- meets OSHA requirements.



www.amesburytruth.com

Ethics, anti-corruption and compliance

The Group is committed to conducting its business with integrity and demands high standards of professional and ethical conduct throughout its operations. This will ensure compliance with the laws and regulations in jurisdictions in which the Group operates, protect the business from unforeseen liabilities and maintain a relationship of trust between the business and its stakeholders.

In all relationships and dealings, employees and persons acting on behalf of the Group are expected to implement the Group's policies and procedures such that:

- the legitimate interests of the Group are advanced, having regard to the Group's values and standards;
- they engage in ethical conduct, including the avoidance and reporting of any conflicts of interest;
- the misuse of confidential information for personal gain is prevented;
- all applicable laws and regulations in jurisdictions in which the Group operates are upheld, including the prevention of bribery, corruption and fraud;
- there is a zero-tolerance culture towards discrimination or harassment;
- all employees work in an environment that is healthy and safe;
- all customers are treated fairly, openly and honestly;
- business relationships with suppliers are maintained to high standards of integrity; and
- preferred suppliers are those who operate with the same values and standards as those of the Group.

The Group requires that formal and confidential whistleblowing procedures are in place and advertised at all its operating locations. Employees are encouraged to report any suspected incidence of non-compliance in accordance with local whistleblowing procedures.

Human rights

Human rights is not considered to be a material risk for the business owing to the fact that the Group's activities are substantially carried out in developed countries that have strong legislation governing human rights. Whilst the Group does not have a specific human rights policy at present, careful consideration will be made as to whether a specific human rights policy is required in the future.

The Group is considered to be in compliance with appropriate legislation in the jurisdictions in which it operates. In working with and during regular reviews of our suppliers, the Group always seeks to encourage suppliers to operate with values and standards equivalent to those of the Group.

Product integrity

The Group seeks to be honest and fair in its relationships with customers and suppliers, to source and supply goods and services in an efficient manner, in accordance with specifications, without compromising quality and performance.

By providing customers with standards of goods and service that have been agreed and by paying suppliers and sub-contractors on agreed terms, the Group aims to:

- maintain and grow market share through customer satisfaction;
- achieve cost efficiencies through effective supply chain management; and
- source and supply goods and services that are reliable, safe to use for their intended purpose and meet industry standards.

Relationships with suppliers

Each Division is responsible for negotiating the terms and conditions of trade with suppliers. In North America, a significant portion of product sourcing is done through domestic suppliers, which are frequently audited and benchmarked to ensure that the AmesburyTruth Division receives the best quality, service and pricing on items procured.

A substantial portion of UK, and a significant portion of North American, product sourcing is conducted through the combined activity of the Group's Chinese operating units. Through its Chinese sourcing operations, the Group conducts annual quality assessments of its Asian supplier chain. These quality assessments are conducted by suitably qualified employees and involve the scoring of strategic suppliers' procedures and efficiencies in respect of procurement, manufacturing, quality control, health and safety, social and environmental accountability. Appropriate actions are taken to address any underperformers identified from the annual assessment process.

Quality management standards

It is Group policy to maintain accreditation to the quality management standard ISO9001 and encourage operating units to gain accreditation to any specific standards required by the markets served.

ISO9001 certification will ensure that operations maintain and adopt efficient quality management systems that save time and cost, improve efficiency, and ultimately improve customer relationships.

ERA, THE 2014 COMPONENT SUPPLIER OF THE YEAR

In November 2014, ERA was announced as the UK Component Supplier of the Year at the prestigious G14 Awards held in London.

In achieving this coveted Award, ERA was able to demonstrate excellence across a number of disciplines including technical, customer service, product innovation and delivery. ERA's focus is firmly planted in the future with a strategy centred around delivering cutting-edge hardware innovation that enables its customers to present a unique and compelling door and window proposition to the homeowner.

Darren Waters, Grouphomesafe CEO comments: *"It's no secret that this industry has been through a tough time but despite turbulent economic conditions and the tightening of the home improvement economy, ERA has continued to grow and convert a great deal of business. What we were able to demonstrate in our award submission is that despite a tough trading arena our approach to business, which rests in traditional values, coupled with our market-leading innovation has resulted in significant growth."*

"What we've seen in the last 12 months is that companies are turning to ERA because they need to differentiate themselves in the market and can't compete with a generic hardware product. We're working with our customers to give them security products that create real stand out security features and benefits. That's how our customers judge us and it's what propels this business forward."



www.erahomesecurity.com

OPERATIONS WITH A RECOGNISED ISO9001 ACCREDITATION



Aggregated revenue of operations with a recognised ISO9001 accreditation, as a percentage of Group revenue.

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

Environmental

The Board recognises its responsibilities as a manufacturing concern to continue to reduce the environmental impact of its activities. In addition, the Group aims to develop and supply products to help customers meet their own environmental objectives and the demands of their customers and of government.

The most significant areas of environmental impact associated with the Group's operations relate to manufacturing processes and the consequential environmental impact, discussed in the table on [page 35](#).

The Group is committed to the introduction of environmental management systems such as ISO14001. Currently 15 of the Group's manufacturing sites have achieved accreditation to the environmental management systems standard ISO14001.

OPERATIONS WITH A RECOGNISED ISO14001 ACCREDITATION

15

Number of manufacturing sites that have achieved accreditation to the environmental management systems standard ISO14001.

Greenhouse gas emissions ("GHG")

The Group applies the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition, as the basis for reporting its emissions and includes the facilities over which it has operational control. This is the internationally recognised standard for corporate carbon reporting.

Scope 1 and Scope 2 emissions data has been collected from all material locations operated or controlled by the Group. Emission sources falling outside the Group's operational control and other Scope 3 emissions have not been collated and reported. Emissions data for businesses acquired during the year has only been included from the date of acquisition.

The Group has used revenue as its intensity ratio as this is the most appropriate and relevant factor associated with our activities and should provide an appropriate basis on which to compare trends over time.

GHG emissions generated by the Group's operations present considerable risks to both the Group and the environment, including:

- the agricultural impact of the Group's dependence on extraction and use of raw materials;
- the potential disruption of the Group's operations and those of its customers and suppliers;
- changes in the nature or distribution of consumer demand.

These risks can be mitigated through the Group's conscious efforts in minimising its release of GHG, through its environmental initiatives.

Our GHG emissions, measured as the quantity of CO₂e generated by the Group's activities, for the year ended 31 December 2014 are presented in the table below.

SCOPE	DESCRIPTION	2014 GHG EMISSION (TONNES CO ₂ E)	2013 GHG EMISSION (TONNES CO ₂ E)
Scope 1	Emissions that arise directly from our operations and comprise the combustion of fuels and process emissions	11,210	8,005
Scope 2	Indirect emissions that arise from our use of electricity and gas	33,132	23,939
Total direct and indirect emissions		44,342	31,944
Intensity ratio: £'000 of revenue per tonne CO₂e		7.91	9.33



PROCESS DEVELOPMENT

The Group encourages the continuous improvement in the design, implementation and monitoring of environmentally efficient manufacturing processes.

This includes monitoring the developments in alternative material sources which may reduce the environmental impact of products.

Through internal development and investment, operations across the Group are encouraged to:

- minimise energy consumption;
- reduce waste generation through re-use and recycling;
- make use of recycled materials where possible;
- reduce transportation and logistical-related carbon footprint; and
- reduce harmful emissions.



ENERGY CONSUMPTION

The Group continues to invest in energy efficient measures such as lighting, improved heating and cooling systems.

Other energy saving initiatives implemented during the year include:

- installation of energy efficient lighting, including motion sensors to control lighting;
- the upgrade or installation of more energy efficient production machinery; and
- improvements in thermal insulation efficiencies such as upgrades to window and door sealing, chiller controls, and installation of tinted energy efficient windows.



TRANSPORT AND LOGISTICS

The Group reduces the environmental impact of transport through vehicle efficiency measures such as improved load fill, reductions in empty running and route optimisation.



WASTE TO LANDFILL

The Group acts to minimise the amount of waste sent to landfill by:

- redesigning manufacturing floors to improve material flow and minimise waste; and
- selling for recycling waste that cannot be used internally.



RECYCLED MATERIALS

The Group minimises the use of outer packaging where appropriate and encourages the use of returnable outer packaging formats.



OTHER INITIATIVES

Other green initiatives implemented across our operations include:

- Ontario, California: switching from propane to electric-powered forklifts to reduce harmful gas emissions;
- Owatonna, Minnesota: implementation of E-Gard plus, with the removal of environmentally unfriendly barrel plating;
- Cannon Falls, Minnesota: planting of trees along perimeter roads to create a noise barrier for neighbours;
- Schlegel Singapore: replacement of the diesel forklift with an electric forklift to reduce noise and harmful smoke emissions; and
- Schlegel América Latina, Brazil: remodelling of main electrical components in the factory leading to substantial energy savings.



CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

Community

The Group understands the importance of being a contributing member of society and its impact on the long term development and sustainability of the business.

Each operating unit is tasked with the responsibility of managing its relationship with its local community, including the support of local educational and charitable causes. This responsibility involves:

- the positive engagement and support of worthwhile local projects and programmes as a company; and
- the volunteering activities and efforts of its employees.

Community engagement includes both the provision of financial donations and non-financial community service and participation.

Some examples of Group community activities and programmes include:

In North America:

- Monetary donations totalling US\$61,000 to local charities and community programmes, including United Way, Make A Wish, Local Chamber of Commerce Programmes and Junior Achievement.
- Each operating site has a Wellness, Activity, Volunteerism, Events (“WAVE”) Committee, responsible for the planning, coordination and interaction of employees and operations with their local communities.
- Participation and involvement with the local Chambers of Commerce in Owatonna, Minnesota; Sioux Falls, South Dakota; Cannon Falls, Minnesota; Amesbury, Massachusetts; Stateville, North Carolina; and Canton, South Dakota.
- Collections of winter wear, clothing and food supplies for those in need during the holiday season and winter months.
- Donation, by our Sioux Falls, South Dakota facility, of windows and doors used in testing to Habitat for Humanity.
- Participation by many of our sites in the March for Dimes and American Cancer Society events.

In the UK:

- Monetary donations totalling £7,000 to local charities.
- Hosting a “World’s Biggest Coffee Morning” event at all sites to raise funds for Macmillan Cancer Support.
- Donations to various other cancer charities, including support of the Breast Cancer Campaign through a “Wear it Pink” day, where employees across all sites wore anything pink for the day.
- Supporting “The Black Country Skills Factory” initiative, an employer-led education and training collaboration which aims to encourage young people into engineering. Our ERA site, located in the UK’s Black Country, participated in this initiative: hosting a number of school visits to the ERA factory.

In the rest of the world:

- In Brazil, sponsorship of the remodelling of a local community school in Valinhos, Brazil.
- Various charity raffles in support of cancer charities, Alzheimer’s charities and Help the Aged.

In 2014, the Group made charitable donations of £45,000. No political donations were made.



“Wear it pink” day at ERA



AmesburyTruth WAVE committee volunteers, “The Banquet” in Sioux Falls, Minnesota



“World’s biggest coffee morning” at ERA

CORPORATE GOVERNANCE – CHAIRMAN’S INTRODUCTION

On behalf of the Board, I am pleased to present the corporate governance report for the year ended 31 December 2014. While other sections of the Annual Report cover our financial and operational achievements during the year, this section demonstrates the effective leadership of the Board and the commitment throughout the Group to promoting the highest standards of corporate governance.

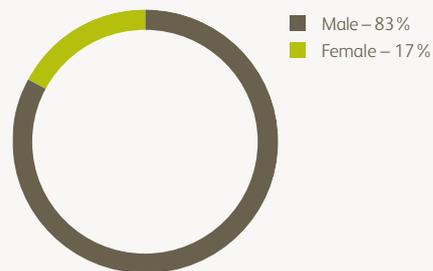
I am pleased to confirm that Tyman plc complies with the UK Corporate Governance Code (September 2012) (“the Code”). This report, together with the Directors’ report, the Audit Committee report, the Directors’ remuneration policy report, the Directors’ remuneration implementation report and the Nominations Committee report, reviews the operation of the Company by reference to the Code. The Board believes that promoting the highest standards of corporate governance and maintaining an efficient, challenging and diverse Board is essential to enable the business to deliver its strategy.

In accordance with the Code, Independent Audit Limited, a firm of specialised corporate governance consultants, performed an evaluation of the Board, its committees and each individual Director during the year. Details of the review and the findings are included in this report. I confirm that following the evaluation, all of the Directors continue to perform effectively and to demonstrate commitment to their roles. Accordingly, all Directors other than Les Tench who is retiring, will offer themselves for re-election at the Annual General Meeting to be held on 15 May 2015.

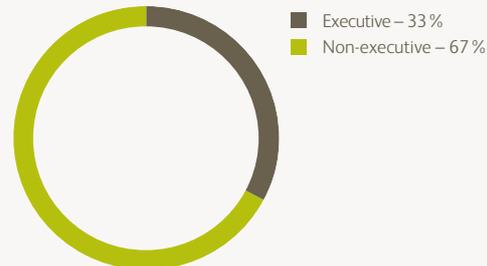
As referred to in my Chairman’s statement, Mark Rollins and Kirsten English will join the Board on 1 April 2015 and will each join the Board’s Audit, Remuneration and Nominations Committees. In accordance with Group policy, both Mark and Kirsten will offer themselves for election at Tyman’s Annual General Meeting to be held in May. The Board and I look forward to meeting shareholders at the forthcoming AGM.

Jamie Pike
Chairman

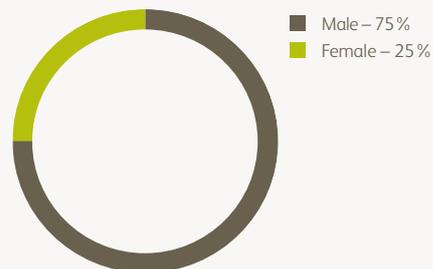
BOARD AT 31 DECEMBER 2014 BY GENDER



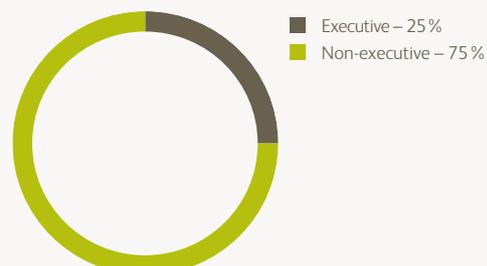
BOARD AT 31 DECEMBER 2014 BY DIRECTORSHIP TYPE



BOARD AT 1 APRIL 2015 BY GENDER



BOARD AT 1 APRIL 2015 BY DIRECTORSHIP TYPE



BOARD OF DIRECTORS



JAMIE PIKE
NON-EXECUTIVE CHAIRMAN &
CHAIRMAN OF THE NOMINATIONS
COMMITTEE

Date of appointment
November 2009.

Background and experience
Mr Pike (aged 59) was chief executive of Foseco plc, an international business serving the foundry and steel making industries, until its acquisition by Cookson Group plc in April 2008. He led the buy-out of Foseco from Burmah Castrol in 2001, which culminated in flotation on the main market in 2005.

Mr Pike was educated at Oxford, holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers. His early career was as a consultant with Bain and Co and A T Kearney before joining Burmah Castrol in 1991. He rose to chief executive of Burmah Castrol Chemicals before leading the Foseco buy-out. He has previously been a non-executive director of two FTSE 250 companies, RMC Group plc and Kelda Group plc. He is currently chairman of both RPC Group plc and the Lafarge Tarmac Joint Venture and a non-executive director of Spirax-Sarco plc.

Committee membership
Remuneration Committee
Nominations Committee



LOUIS EPERJESI
CHIEF EXECUTIVE OFFICER

Date of appointment
February 2010.

Background and experience
Mr Eperjesi (aged 52) has an extensive and successful track record in the building materials and manufacturing sectors, most recently at Kingspan Group plc, the international building products business, where he was an executive director on the main board and divisional managing director of Kingspan Insulated Panels, the Group's largest division.

Prior to joining Kingspan, Mr Eperjesi held a range of senior management positions at subsidiaries of Baxi Group plc, Lafarge, Redland plc and Caradon plc.

Committee membership
None



JAMES BROTHERTON
CHIEF FINANCIAL OFFICER

Date of appointment
May 2010.

Background and experience
Mr Brotherton (aged 45) joined Tyman as Head of Corporate Development in 2004. He was previously a director in the Investment Banking Division of Citigroup, having also worked for HSBC and Ernst & Young. He is a Chartered Accountant.

Committee membership
None



LES TENCH
NON-EXECUTIVE DIRECTOR
& CHAIRMAN OF THE
REMUNERATION COMMITTEE

Date of appointment
December 2009.

Background and experience

Mr Tench (aged 69) has considerable experience in building products, having joined CRH plc in 1992 where from 1998 until his retirement in December 2002 he was managing director of CRH Europe - Building Products. He was also a non-executive director of the privately owned family business Shepherd Building Group Limited (Construction and Engineering, Manufacturing and Property Development) from 1994 until 2004, a non-executive director of Norcross plc until 2012 and the non-executive chairman of SIG plc from 2004 until January 2011.

Mr Tench retires from the Board on 15 May 2015.

Committee membership
Audit Committee
Remuneration Committee
Nominations Committee



MARTIN TOWERS
NON-EXECUTIVE DIRECTOR,
AND THE SENIOR INDEPENDENT
DIRECTOR AND CHAIRMAN OF THE
AUDIT COMMITTEE

Date of appointment
December 2009.

Background and experience

Mr Towers (aged 62) was chief executive of Spice plc until its sale to Cinven in December 2010. Previously, he was group finance director of Kelda Group plc from 2003 until February 2008.

Mr Towers is a fellow of the Institute of Chartered Accountants in England and Wales and began his career with Coopers & Lybrand (now PricewaterhouseCoopers) before moving to the retailer Ward White Group plc. He has served as group finance director of McCarthy & Stone plc, The Spring Ram Corporation plc and Allied Textile Companies plc. He was a non-executive director of Homestyle Group plc from 2004 to 2006.

Mr Towers is currently a non-executive director of KCOM Group plc and RPC Group plc and chairman of Norcross plc.

Committee membership
Audit Committee
Remuneration Committee
Nominations Committee



DR ANGELIKA WESTERWELLE
NON-EXECUTIVE DIRECTOR

Date of appointment
November 2012.

Background and experience

Dr Westerwelle (aged 52), a German national, is the managing partner of Lanax Management GmbH, an investment and consulting company. She acts as non-executive director of Pinova Capital GmbH and is a member of the German Monopolies Commission.

Dr Westerwelle has extensive operational experience, including her previous roles in mid-sized engineering companies as CEO of RMG Regel-und Messtechnik GmbH, as managing director of the Weidemann Group and as managing director of Karlie Group GmbH, a joint venture of five Euro-Asian companies in the pet accessory market. She has also worked as a management consultant for several years with The Boston Consulting Group and Alix Partners GmbH.

Dr Westerwelle graduated from the University of Aachen, earned a graduate degree from Cambridge University and a Master of Public Administration from Harvard University. She later received her Doctorate in Economics from the Aachen Institute of Technology.

Committee membership
Audit Committee
Remuneration Committee
Nominations Committee

TYMAN MANAGEMENT COMMITTEE

The Tyman Management Committee consists of the Executive Directors of the Company together with the following senior management:



KEVIN O'CONNELL
COMPANY SECRETARY AND GROUP
FINANCIAL CONTROLLER

Kevin O'Connell joined Tyman as Group Financial Controller in February 2008 and was appointed Company Secretary in 2011. Prior to this he worked at Datamonitor plc from July 2005 as group financial controller and company secretary. He has many years' experience working in a plc head office environment. He is a Chartered Accountant, having trained with PricewaterhouseCoopers.



JEFF GRABY
PRESIDENT AND CHIEF EXECUTIVE
OFFICER – AMESBURYTRUTH

Jeff Graby was appointed President and Chief Executive Officer of AmesburyTruth in January 2014, following the acquisition and integration of Truth Hardware with Amesbury. He was appointed President and Chief Executive Officer of Truth Hardware in April 2012. Mr Graby has an extensive and successful background managing global manufacturing companies and has held various senior positions in his career. Before joining Truth Hardware, Mr Graby was president of FES Systems (a company owned by GEA Group AG) and president/COO of RAM Industries LLC (a company owned by Schneider Electric). Mr Graby has a Bachelor of Science in Mechanical Engineering.



JEFF JOHNSON
VICE PRESIDENT – FINANCE AND
CHIEF FINANCIAL OFFICER –
AMESBURYTRUTH

Jeff Johnson was appointed Chief Finance Officer of AmesburyTruth in January 2015. He was recently treasurer and vice president of investor relations for NYSE traded Deluxe Corp. Mr Johnson has extensive CFO and controller experience, and began his career at KPMG. He is a Certified Public Accountant and earned his MBA from London Business School.



DARREN WATERS
CHIEF EXECUTIVE OFFICER – ERA

Darren Waters joined ERA in March 2012. Mr Waters has a strong background in the building products sector. Having graduated in chemistry from Nottingham University, he spent the early part of his career with Mobil Oil Corporation before moving on to senior management positions with RMC Group and Tarmac. As Chief Executive Officer he is responsible for developing the Group's brands within the UK and Irish markets.



MARK TURNER
GROUP FINANCE DIRECTOR – ERA

Mark Turner joined ERA in 2014. A graduate of Leicester University and a qualified Chartered Accountant; he has experience in finance director and general management roles in subsidiaries of Caparo and Associated British Foods. He was previously the finance director at SPS Technologies Limited in Leicester.



PETER SANTO
CHIEF EXECUTIVE OFFICER –
SCHLEGEL INTERNATIONAL

Peter Santo joined the Group in January 2012 as Chief Executive Officer of Schlegel International. Mr Santo has held various management positions in manufacturing, sales, marketing and general management and developed his career through Pilkington plc, BP Chemicals, Sentrachem Ltd and Kingspan Group.

Prior to joining Tyman, in 16 years with Kingspan, Mr Santo held a number of senior general management roles, most recently managing director of the Door Components business in Belgium and head of the Benchmark architectural facades business in the UK. Mr Santo has a Masters Degree in Chemical Engineering.



RICHARD SWAN
CHIEF FINANCIAL OFFICER –
SCHLEGEL INTERNATIONAL

Richard Swan joined Schlegel in 2007 and is responsible for Finance and IT for Schlegel International. His career has largely been in finance and he has many years' experience working in the defence sector, wines and spirits, as well as the multinational environment for a FTSE 100 packaging company. He is a Chartered Management Accountant and has a Masters Degree in Finance.

CORPORATE GOVERNANCE

In accordance with the Financial Conduct Authority UK Listing Rules a statement describing how the Company has applied the Main Principles contained in the September 2012 UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC") (available at www.frc.org.uk) and the statements required by sections 7.1 and 7.2 of the Disclosure and Transparency Rules are set out in this report together with the Directors' report, Business review, Corporate social responsibility report and the Remuneration report.

Statement of compliance

The Company has applied the main principles of the Code and complied with its detailed provisions throughout the period under review. We detail below how, in practice, the Company has applied these principles and complied with the detailed provisions.

The Board

How the Board operates

The Board meets regularly and is responsible for the overall leadership, strategy, development and control of the Group in order to achieve its objectives for continued earnings growth and to enhance shareholder value. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, reviews management performance and ensures that high ethical standards of behaviour are followed. The Board also ensures that there is an effective system of controls to safeguard the Company's assets and to enable risks to be properly assessed and managed.

The Board has a formal schedule of matters specifically reserved for it and this includes the following:

Responsibilities of the Board

- Responsibility for the overall management of the Group, including monitoring the Group's operating and financial performance.
- Approval of the Group's long term objectives, commercial strategy and annual budgets.
- Making changes to the Group's capital, legal and corporate structure.
- Approval of the half-yearly report, interim management statements, the preliminary results announcement of the final results and the Annual Report and Accounts.
- Approval of the dividend policy and declaration of any interim and final dividends.
- Approval of accounting and treasury policies, the Group's internal control systems and risk management strategy.
- Approval of significant acquisitions and disposals and material capital investments.
- Approval of significant borrowing facilities and other material contracts and transactions.
- Approval of resolutions to be put forward for shareholder approval at a general meeting and all communications with shareholders and the market.
- Managing membership and approving adequate succession planning for the Board.
- Responsibility for the Group corporate governance, determining the remuneration policy of the Group and determining Directors' remuneration.
- Approval of the Group's health and safety and sustainability and environmental policies.

Matters not specifically reserved for the Board, including the day-to-day management of the Group, are delegated to the Executive Directors.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. The Company Secretary distributes briefing papers to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board composition

The Board comprises two Executive and four Non-executive Directors and the names and biographical details of all the current Directors are set out on [pages 38 and 39](#). All the current Directors served throughout the year ended 31 December 2014 and there were no changes to the Board. The Board members are as follows:

Board member	Appointed
James Brotherton	May 2010
Louis Eperjesi	February 2010
Jamie Pike (Chairman)	November 2009
Les Tench	December 2009
Martin Towers	December 2009
Angelika Westerwelle	November 2012

Both Mr Eperjesi and Mr Brotherton are engaged exclusively on the Company's business and have no outside interests that conflict with their responsibilities to the Company. The Board considers all the Non-executive Directors to be independent.

The Nominations Committee is responsible for reviewing the structure, size and composition of the Board (including skills, knowledge, experience, independence and diversity) and making recommendations to the Board with regard to any changes. The Board actively encourages diversity and equal opportunities throughout its business and applies the same principles to Board appointments. Diversity in all areas be it gender, race, skills or background is a key part of strong and effective achievement. There is currently one female Director on the Board and on 1 April 2015, when Kirsten English joins the Board, there will be two female Directors on the Board.

During the year ended 31 December 2014 the attendance record of the members of the Board was as follows:

Board meeting attendance	Eligible to attend	Attended
James Brotherton	8	8
Louis Eperjesi	8	8
Jamie Pike (Chairman)	8	8
Les Tench	8	8
Martin Towers	8	8
Angelika Westerwelle	8	8



During 2014 the Board visited five of the Group's operating units, namely Ventrolla in Harrogate and Schlegel Building Products in Newton Aycliffe, both in the UK, Schlegel in Spain and two AmesburyTruth operating units in Statesville in North Carolina in the US. In addition, the Board attended the Group management conference held during 2014.

The main areas of business dealt with by the Board during the year, other than routine matters, included:

Board activity during 2014:

- Completing a Board evaluation with an independent third party facilitator.
- Approving the acquisition of Vedasil in Brazil.
- Monitoring the integration of Truth with Amesbury in the US and the realisation of the related synergies.
- Approval of the refinancing of the 2011 bank facility into a revolving credit facility of up to £240m maturing in June 2019.
- Monitoring the risks faced by the Group including the macro-economic environment in the US, UK and the Eurozone, and movements in commodity raw material input prices.
- Continued development of the Group's strategy and objectives including exploring opportunities for further organic and acquisitive growth.
- Received and reviewed presentations on updated strategic plans from the management of each Division.
- Approval of the issuance of a US\$100 million US private debt placement.
- Approval of the proposed new employee share plan.
- Received and reviewed presentations from management on the commercial fenestration market in the US, Schlegel International product technologies and customer survey in the seal market in Europe, the use of social networks in the UK, the Group IT strategy, the Group Risk Management System and the Group's M&A strategy.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are clearly defined and approved by the Board. The Chairman is responsible for the leadership and effective running of the Board and its decision-making processes, for setting the highest standards of corporate governance, for setting its agenda and the style and tone of Board discussions. The Chairman's role includes:

- leading the Board in determining the strategy and the overall objectives of the Group, while ensuring that the Board determines the nature and extent of the significant risks associated with implementing this strategy;
- creating the conditions to maximise overall Board and individual Director effectiveness;
- ensuring effective communication with shareholders and safeguarding their interests;
- ensuring that Directors keep their skills, knowledge and familiarity with the Group up to date while ensuring they receive accurate, timely and clear information; and
- regularly considering succession planning and the composition of the Board.

The Chief Executive Officer is responsible for the day-to-day management of the Group, provides leadership for the executive team and develops and implements the Group's strategic objectives. He is assisted by the Tyman Management Committee. The Chief Executive Officer does not have any external directorships.

The Chief Financial Officer

The Chief Financial Officer is responsible for the financial reporting and management of the Group. In addition to the finance, audit, tax and treasury functions, he is also jointly responsible with the Chief Executive Officer for the Group's M&A strategy, and investor relations. The Chief Financial Officer does not have any external directorships.

The Senior Independent Director

Mr Towers was the Senior Independent Director throughout the year under review and up to the date of this report. The Senior Independent Director is available for shareholders to voice any concerns which may not be appropriate for discussion through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer. The Senior Independent Director also leads the Chairman's appraisal, serves as an intermediary for the other Directors with the Chairman as necessary and acts as a sounding board for the Chairman as required.

Non-executive Directors

At the date of this report Independent Non-executive Directors comprise 60 per cent of the Board, excluding the Chairman. The Board believes that the Non-executive Directors possess strong independent character and judgement and bring a wide range of business experience in some areas related to and in other areas complementary to the activities of the Group. The Board considered that all the Non-executive Directors met the criteria for independence set out in provision B.1.1 of the Code and there were no other relationships or circumstances, including other common directorships among the Directors, which were likely to affect, or could appear to affect, the Directors' judgement.

Directors' insurance cover

The Company maintains, at its expense, a Directors' and Officers' liability insurance policy to afford an indemnity in certain circumstances for the benefit of Group personnel including, as recommended by the Code, the Directors. This insurance policy does not provide cover where the Director or Officer has acted fraudulently or dishonestly.

Board performance

In accordance with the Code, an external review of the Board's performance was undertaken in 2014, with the help of an external facilitator, Independent Audit Limited. Independent Audit is a firm of specialist board governance consultants and they do not have any other connection with the Company.

The review was based on a combination of questionnaires and interviews. Independent Audit's Thinking Board questionnaire platform was initially used to gauge the views of the Directors and certain key executives (and to provide a benchmark for subsequent reviews). Interviews were subsequently held to follow up this exercise. Independent Audit also observed the Board meeting held in March 2014 and considered the quality of Board and Committee papers.

The review covered key areas of Board performance including:

- the Board's role;
- composition, skills and dynamics;
- the focus of the Board's work;
- meetings;
- information and decision-making; and
- internal and external communications.



CORPORATE GOVERNANCE CONTINUED

The Board review was undertaken during February and March 2014 and Independent Audit's report was considered by the Board at its June 2014 meeting. The review concluded that the Board displays a good mix of skills and that the Board dynamics are very good. The Non-executive Directors bring good challenge to the Executive Directors and there is constructive and open working relationships between Executives and Non-executives. Overall, Independent Audit Limited concluded that the Board performs very well.

The evaluation highlighted some areas for the Board to increase its focus on going forward, namely succession planning, devoting more time to longer term strategy and the Group's risk framework and processes. The Board agreed that these recommendations could enhance its performance and has responded to these suggestions by holding an away-day in June 2014 to discuss strategy and by reviewing and discussing presentations on the Group's risk management systems at the Board meeting in December 2014. Greater focus has been given to succession planning resulting in the recruitment of two Non-executive Directors effective 1 April 2015.

Drawing on the Board review and using individual Director questionnaires, the Chairman undertook a review of the performance of each of the Directors. The Senior Independent Director undertook a review of the performance of the Chairman after taking into account the views of all the Directors. The results of these individual reviews and any improvements or personal objectives were discussed with the relevant Directors on a one-to-one basis.

The Board evaluation for 2015 is now underway and is being co-ordinated by the Company Secretary, continuing to utilise Independent Audit's Thinking Board questionnaire platform. The Board intends to engage an external facilitator again in 2017, with reviews in the intervening years conducted internally.

Relations with shareholders

We maintain an active engagement with our key financial audiences including institutional shareholders and sell side analysts as well as potential shareholders. During the year the Executive Directors had regular presentations to, and meetings with, institutional investors and analysts to discuss the Company's past performance and strategy. The Board is provided with brokers' reports, surveys on shareholders' views and regular feedback from shareholder meetings. The Chairman and Non-executive Directors have the opportunity to attend meetings with major shareholders and expect to attend meetings at their request.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. Details of resolutions to be proposed at the Annual General Meeting can be found in the Directors' report. The Company has set up a website www.tymanplc.com which shareholders, investors and other interested parties may access. The website permits users to download copies of published financial reports, press releases and Stock Exchange announcements.

Board committees

The Board has an Audit Committee, a Remuneration Committee and a Nominations Committee, each comprised of all three Non-executive Directors. The Chairman is also a member of the Remuneration and Nominations Committees. The existence of the committees ensures that time is allocated on a formal basis to consider relevant issues. Terms of reference for the Board and each of the Board committees are available for inspection on the Group website.

Audit Committee

The Audit Committee's primary responsibilities are to monitor the integrity of the financial statements and any formal announcements relating to the Company's financial performance, to review any changes in accounting principles and consider the appropriateness of accounting policies adopted by the Company, review the Group's internal and external audit activity and review and monitor the effectiveness of the risk management and internal control systems within the business. The membership and work of the Committee during the year ended 31 December 2014 is described in detail in the Audit Committee report on [pages 46 to 49](#).

Remuneration Committee

The Remuneration Committee considers and approves the remuneration and benefits of the Directors in accordance with the remuneration policy approved by the shareholders in May 2014. The Committee also reviews the remuneration of the members of the Tyman Management Committee and the Company Secretary and of the service providers contracted to perform executive functions for the Group as well as long term share incentive and share option schemes for all employees.

The membership and work of the Committee during the year ended 31 December 2014 and details of the remuneration policy and Directors' remuneration packages are set out in the Directors' remuneration report on [pages 50 to 64](#).

Nominations Committee

The Nominations Committee identifies and nominates candidates for the office of Director of the Company. It meets as and when required and is chaired by Mr Pike, except that Mr Pike would not chair the Committee or attend it if it were to consider the appointment of a successor Chairman.

The membership and work of the Committee during the year ended 31 December 2014 is described in detail in the Nominations Committee report on [page 65](#).

Internal control

The Directors acknowledge that they are responsible for the Group's system of internal controls and for reviewing the effectiveness of those controls. The Board, including the Executive Directors, reviews the internal control framework on an ongoing basis.

Procedures have been developed to safeguard assets against unauthorised use or disposition of assets and to maintain proper accounting records to provide reliable financial information both for internal use and for publication. In accordance with the revised version of the Turnbull Guidance on Internal Control, the procedures are regularly reviewed in the light of an ongoing process to identify, evaluate and manage the significant risks faced by the Company. The process has been in place for the full year under review and up to the date of the approval of the Annual Report and Accounts. The procedures are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.



Internal financial controls

The Group operates an effective Group reporting and consolidation system. During the year enhancements and updates were made to the Group reporting and consolidation system which have further strengthened the financial reporting and control process in the Group.

The Group has an established system for assessing the effectiveness of the Group's systems of internal financial controls. This includes strategic business planning and monthly monitoring and reporting of financial performance.

A detailed annual budget, prepared by senior management, is reviewed and formally adopted by the Board. The budget and other targets are regularly updated and regular business review meetings are held monthly involving the Tyman Management Committee to assess performance. The results of these reviews are in turn reported to and discussed by the Board at each meeting.

Going concern

The Group's strategic plan covers the period to 31 December 2018 and the Group's banking and private placement facilities are committed beyond the period of the strategic plan and contain significant covenant headroom. The Group's published year end leverage target of 1.5x to 2.0x is designed to ensure that the Group has structural headroom on its financial covenants as it comes into each financial year such that it could withstand a material downturn in its end markets and any normalisation of interest rates.

In order to satisfy themselves that the Group has adequate resources for the future, the Board reviewed the Group's committed funding and liquidity positions, its ability to generate cash from trading activities and its ability to raise external funding in the future. The operational performance, as described in the Financial review on [pages 22 to 27](#), the future plans for the Group and the risks facing the Group, described on [pages 10 and 11](#), and [28 and 29](#), were also reviewed. In addition, [note 18](#) to the consolidated financial statements includes the Group's policies and processes for managing capital, liquidity and credit risks as well as details of its financial instruments and hedging strategies.

In performing their reviews, the Board acknowledged the current level of growth prospects in global markets and has considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group.

The Directors are therefore confident, on the basis of current financial projections and the banking facilities available, and after considering sensitivities, that the Company and the Group has sufficient resources for its operational needs that will enable the Group to remain in compliance with its financial covenants in its bank facilities for at least the next 12 months. Accordingly the Directors continue to adopt the going concern basis.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively.

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 Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website (www.tymanplc.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on [pages 38 and 39](#), confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU with respect to the Group and UK GAAP with respect to the Company, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the management report in the Strategic report and Directors' report of the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Jamie Pike
Chairman
10 March 2015



AUDIT COMMITTEE REPORT

Dear Shareholder

I am pleased to present to you the Committee's report for the financial year ended 31 December 2014. The priorities for the Audit Committee in 2014 are summarised below:

Audit Committee priorities in 2014

2014 Objectives	Achievements
Prepare and implement the regulatory changes to Audit Committee governance.	The Committee considered changes to the Code and the Guidance on Audit Committees issued by the FRC, the new narrative reporting regulations and how these should be reflected in the 2013 and subsequent Annual Reports. The Committee also reviewed developments in the regulation of audit tendering.
Monitor the effectiveness of internal audit, internal controls and risk management processes.	Systems and controls were monitored throughout 2014 and the Committee reviewed reports from internal audit, external audit and management.
Review the acquisition accounting for the Vedasil acquisition	The Committee reviewed reports on the Vedasil acquisition accounting from external audit and management.
Review the going concern report	On behalf of the Board, the Committee reviewed the future funding and liquidity resources, operational plans and forecasts and the Group's policies and processes for managing capital, liquidity, credit risks and financial instruments.
Report to the Board that the annual report is fair, balanced and understandable	The Committee reviewed the Annual Report to ensure it was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

Committee membership

The members of the Committee during the year ended 31 December 2014 were as follows:

Audit Committee member	Appointed
Martin Towers (Chairman)	December 2009
Les Tench	December 2009
Angelika Westerwelle	November 2012

All members served on the Committee throughout the year and are independent Non-executive Directors. Given his extensive international business career, including senior finance roles, the Board is satisfied that Mr Towers, Chairman of the Audit Committee, has both current and relevant financial experience.

Meetings and attendance

The Committee met three times during the financial year ended 31 December 2014. The meetings were timed to coincide with the financial reporting and audit cycles of the Company, namely the approval of the Annual Report in March, the approval of the interim report in July and the approval of the audit plan of the external auditors in November. The attendance record of the members of the Committee was:

Audit Committee meeting attendance	Eligible to attend	Attended
Martin Towers (Chairman)	3	3
Les Tench	3	3
Angelika Westerwelle	3	3

In order to maintain effective communications between all relevant parties, the following attended certain meetings of the Committee by invitation:

- the Executive Directors;
- the Group Chairman; and
- representatives of the external and internal auditors.

The Chairman of the Committee meets separately with the external auditor, the internal auditor and the Group CFO and his team during the course of the year.

The Committee receives and reviews regular reports from the external auditor, the internal auditor and the Group CFO. The Committee is authorised to seek independent advice should it wish to do so, however it did not require this in 2014.

Role and responsibilities

The Committee's terms of reference were reviewed and updated during the year, a copy of which is available on the Company's website (www.tymanplc.com) under Corporate Governance. The key responsibilities of the Audit Committee are set out below:

Role of the Audit Committee

- Monitor the integrity of the financial statements, including annual and half year reports and interim management statements and any formal announcements relating to the Company's financial performance.
- Review the Company's compliance with legal and regulatory requirements.
- Review any changes in accounting principles and consider the appropriateness of accounting policies and judgements adopted by the Company.
- Review the content of the Annual Report and advise the Board whether taken as a whole it is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy.
- Review the effectiveness and independence of the Group's external auditor, audit fees, scope and terms of engagement and audit plan including the auditors' audit risk assessment and the threshold levels of materiality for the Group financial statements.
- Review the policy for the provision of non-audit services by the external auditor.
- Recommend to the Board for approval by shareholders, the appointment, reappointment or removal of the external auditor.
- Monitor and review the effectiveness of the Company's internal audit function.
- Review and monitor the effectiveness of the risk management and internal control systems within the business.



Activities of the Committee

An overview of what the Committee has done regarding the financial year ended 31 December 2014 is set out below:

Audit Committee main activities	July 2014	Nov 2014	Mar 2015
Financial reporting and significant judgements			
Full-year results and announcement			•
Half-year results and announcement	•		
Going concern report			•
External audit			
Review and consideration of PwC report on their audit			•
Board representation letter			•
Evaluation of external audit function			•
Reappointment recommendation to Board			•
Fees for non-audit activities			•
External audit plan		•	
Internal audit			
Risk management review		•	
Internal control and internal audit reports	•	•	
Evaluation of internal audit function		•	
Internal audit plan		•	
Other			
Compliance with UK Corporate Governance Code			•
Review of terms of reference			•
Review of committee effectiveness			•

1 Financial reporting and significant judgements

The Committee is responsible for monitoring the integrity of the financial statements including significant judgements. This includes review through the year of the following areas:

- The appropriateness of Group accounting principles, practices and policies and changes to, and compliance with, accounting standards on an ongoing basis.
- Prior to recommending their publication to the Board, the Committee reviewed the half-year results for the six months ended 30 June 2014 with the external auditor and compared the results with management accounts and budgets, focusing on key areas of judgement.
- At the half and full year ends, reviewing the Group's committed funding and liquidity positions, cash flow projections and trading performance in order to recommend to the Board that the Group and Tyman plc continue to adopt the going concern basis in preparing the financial statements.
- The review, prior to advising the Board on whether the Committee believes the Annual Report and Accounts for the year ended 31 December 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

In undertaking this review, the following critical accounting policies and judgements were discussed with management and the external auditor:

Carrying value of goodwill and intangibles

As set out in note 10 to the Group financial statements, at 31 December 2014, the Group had goodwill of £254.4 million with intangible assets amounting in total to £101.3 million. In order to satisfy itself that these balances were appropriately stated, the Committee considered the impairment reviews carried out by management. These reviews involve the discounting of the forecasted cash flows of each cash generating unit, using appropriate discount rates relative to the Company's cost of capital. These assumptions are then subjected to sensitivity analysis. The auditor provided the Committee with their review of the impairment review process and, following discussion, the Committee was satisfied that the assumptions used were appropriate and that there was sufficient headroom on all calculations thus obviating the need for any impairment.

The CGU with the lowest headroom remains the Schlegel International CGU, which is a function of the current levels of demand currently seen within that Division. In the event that there was a further material contraction in demand for Schlegel International's products that leads to an expectation of a future permanent reduction in EBITDA levels, then a further impairment might be required. The Board will keep this under review.

Exceptional items

During the year ended 31 December 2014 the Group incurred £5.6 million of non-recurring and exceptional items (see note 6 of the financial statements) which primarily relate to the integration of Truth, the closure of the Covington facility and the acquisition of Vedasil in Brazil, partly offset by the profit on the sale of surplus property in Sioux Falls. The Committee considered the accounting treatment and disclosure of these costs in the financial statements through a detailed review of management's plans in respect to the related programmes, and also sought the views of the external auditor as to the appropriateness and consistency of the accounting treatment and disclosures. On the basis of this review the Committee concluded that the accounting treatment and disclosure of these items were appropriate.

Provisions

The Group has provisions of £12.2 million at 31 December 2014 as outlined in note 19 to the Group financial statements which, by their nature, are uncertain and highly judgemental in nature. The Committee considered the nature of the provisions, the potential outcomes, any developments relating to specific claims, and the prior history of lease obligations, provisions and claims in order to assess whether the provisions recorded are appropriate and suitably conservative. The Committee discussed with management and with the auditor the key elements of judgement to assure themselves as to the adequacy and appropriateness of the provisions. Following this discussion, the Committee was satisfied that the judgements exercised were appropriate and that the provisions were fairly stated in the annual accounts.



AUDIT COMMITTEE REPORT CONTINUED

Carrying value of inventory

As set out in [note 12](#) to the Group financial statements, as at 31 December 2014, the Group had gross inventories of £53.8 million and provisions for slow moving and obsolete inventories of £6.2 million. Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value and provisions for slow-moving and obsolete inventory which is based on current assessments of future demand, market conditions and new product development initiatives. The auditor provided the Committee with their review of inventories and following discussion, the Committee was satisfied that the inventory valuation was consistent with our accounting policy and previous practice and that the resultant valuation was reasonable.

Carrying value of trade receivables

As set out in [note 13](#) to the Group financial statements, as at 31 December 2014, the Group had gross trade receivables of £33.6 million and provisions for bad debts of £2.2 million. Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write-downs required which is based on current assessments of the creditworthiness of current customers. The auditor provided the Committee with their review of trade receivables and following discussion, the Committee was satisfied that the book value of trade receivables was consistent with our accounting policy and previous practice and that the resultant valuation was reasonable.

Acquisition accounting

Following the acquisition of Vedasil in February 2014, an IFRS 3 fair value exercise was undertaken by the Group. In addition, during the year the Group finalised the fair value accounting for the Truth acquisition which had completed on 3 July 2013 and the provisional fair value exercise completed at 31 December 2013.

IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to identify intangible assets separately from goodwill, initially measuring each group of intangible assets at fair value. Intangible assets for Vedasil consisted primarily of customer relationships with no value being ascribed to the Vedasil brand which was abolished on completion of the acquisition. There is judgement involved in estimating fair value, particularly in relation to identifiable intangible assets, which requires the Directors to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate. The auditor provided the Committee with their review of the fair value exercises and following discussion the Committee was satisfied that the assumptions used were appropriate and that the resultant fair values were reasonable. Details of how these fair values have been accounted for are set out in [note 21](#) to the Group financial statements.

Following discussions with the auditor, and the deliberations set out above, we were satisfied that the financial statements dealt appropriately with each of the areas of significant judgement. The auditor also reported to the Committee on any misstatements that they had found in the course of their work and confirmed that no material amounts remained unadjusted.

In accordance with the Code, we also reviewed the Annual Report and were able to confirm to the Board that, in our view, the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

2 External audit

Appointment of external auditor

PwC were appointed for the first time as the Group's auditors in 2012, following a competitive tender process. The 2014 year end audit is the third full audit that PwC have conducted. The Committee is satisfied with PwC's performance, independence and effectiveness and their fees are regularly compared with peer companies by the Committee. Accordingly, the Committee has recommended to the Board that PwC should be reappointed as the Group's auditors at the AGM. In determining whether to recommend the reappointment of PwC as auditors without a formal tender process, the Committee took into account the relatively recent full tender process undertaken by the Group that resulted in a new external audit firm being appointed in 2012. Given the changes in regulation and best practice that are continuing in this area, the Committee will keep audit firm rotation under regular review. There are no contractual restrictions on the Group with regard to PwC's appointment.

External audit effectiveness

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. In November 2014 the Committee reviewed a detailed audit plan from PwC, identifying their assessment of these key risks. For the 2014 financial year the primary risks identified were in relation to the carrying value of goodwill and intangibles, acquisition accounting and the carrying value of provisions. The Committee reviews the work performed by the auditors to test management's assumptions and estimates around these areas and assesses the effectiveness of the audit process in addressing these matters when reviewing the audit plan prepared by PwC.

The Committee's review of the performance of PwC included consideration of the views and opinions of the Executive Directors and senior management on PwC's effectiveness in a number of areas including independence and objectivity, audit strategy, planning and effective execution, conduct and communication, audit findings and feedback, and expertise and supporting the work of the Committee. For the 2014 financial year, the Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk, assessed the quality of the audit process to be good and that the auditor objectivity and independence is properly safeguarded.

The Chairman of the Committee also meets with the external lead audit partner outside the formal committee process during the year to provide additional opportunity for open dialogue and feedback from the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, independence of their audit and how they have exercised professional scepticism.

The Group Audit Partner, currently Simon O'Brien, is required to rotate after a maximum of five years, key audit partners after a maximum of seven years, and all other partners and senior team members after a maximum of 10 years. Simon O'Brien has completed three full audits and the Committee discusses audit partner rotation with PwC on a regular basis.



Non-audit services

The Audit Committee reviews any non-audit services provided by the auditors. In accordance with best practices and FRC guidelines, the Company policy in relation to non-audit services is kept under regular review, it outlines which non-audit services are pre-approved, which services require prior approval of the Audit Committee and which services the auditor is excluded from.

The prohibited non-audit services include bookkeeping and accounting, internal audit, design or implementation of financial information systems, payroll, actuarial, legal and recruitment services. Permitted non-audit services requiring pre-authorisation include due diligence, tax planning, advice on IT projects and advice on corporate and reporting structures. The Committee is satisfied that the provision of such services does not in any way prejudice the objectivity and independence of the auditors.

Professional firms other than the auditors also provide tax compliance work and tax advice. Fees for permitted non-audit services can be pre-authorised by the CFO for fees up to £100,000 and by the CFO, after consultation with the Chair of the Committee, for fees up to £400,000. Where fees for permitted non-audit services exceed £400,000 or where the aggregate of such fees in a financial year exceeds 100 per cent of estimated Group audit fees for that financial year, the Committee will review and approve these non-audit services in advance.

Non-audit fees and services are reported to the Committee regularly. During 2014 total non-audit fees paid to PwC were 23 per cent of the annual Group audit fee, as outlined in [note 4](#) to the Group financial statements.

External audit independence

PwC, as auditor, report to the Committee on their compliance with the fundamental principles of objectivity, integrity and professional behaviour, including independence. PwC use a global independence system which provides real time identification of independence issues. They have confirmed to the Committee that they have not identified any threats to independence that would impact on their ability to perform their audit work.

The Committee reviews the policy on auditor independence and non-audit services annually and takes into consideration of the nature, scope and appropriateness of non-audit services annually supplied by the external auditor.

The Committee continued to be satisfied with the external auditor's independence and objectivity

3 Internal audit

During 2014 a specialist team from BDO provided internal audit services to the Group to complete an internal audit programme, visiting nine operating units in the Group. The Committee reviews reports from BDO detailing their audit findings together with divisional management responses and action plans. Progress completing these action plans are reviewed by the Committee at every meeting.

In November 2014, the Committee conducted the annual review of the effectiveness of the Group's Internal Audit function, including its terms of reference, its audit plans, its general performance and its relationship with the external auditors. The Committee was satisfied with the overall effectiveness of the Internal Audit function. The internal audit programme for 2015 was reviewed and approved by the Committee. The programme is structured to ensure that every operating unit will have an internal audit visit at least once every three years, with the largest operating units being audited at least once every two years.

4 Review the effectiveness of the risk management and internal control systems in the Group

Risk management reports, identifying the significant risks to the Group, were submitted to the Committee in November 2014. These reports summarise submissions from all areas of the business which the Tyman Management Committee have reviewed. The Audit Committee reviewed the effectiveness of the Company's overall risk management framework, including the generic procedures for risk identification, assessment, mitigation, monitoring and reporting.

The Board as a whole is responsible for the Group's system of internal control, however, the Committee assists the Board in meeting its obligations in this regard. The Committee's review of risk is driven primarily by the Group's assessment of its principal risks and uncertainties, as set out on [pages 28 and 29](#). The Tyman Risk Committee assesses the Group's significant business risks identified at both operating entity and Group levels and how these are managed. The Chief Executive Officer in turn reports back to the Committee who discuss and review the work of the Tyman Risk Committee. The Tyman Risk Committee, whose members comprise the Tyman Management Committee, discuss and review the various risk registers compiled by each reporting segment within the Group.

In order to ensure that the Committee fulfils its role relating to the adequacy and effectiveness of the Group's internal control system, the Committee receives reports from the internal auditors. A major element of the current internal audit programme is the assessment of the internal control system throughout the Group. The recommendations for improving internal controls are reviewed and the follow-on action plans to implement improvements are monitored on an ongoing basis by the Committee.

Audit Committee priorities for 2015

The priorities for the Committee for 2015 are set out below:

- Continue to review the effectiveness of the Company's overall risk management framework, including the generic procedures for risk identification, assessment, mitigation, monitoring and reporting.
- Prepare for and implement any relevant regulatory changes to Audit Committee governance, including the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the EU Audit Regulation.
- Prepare and implement any relevant changes in the 2014 edition of the UK Corporate Governance Code, in particular disclosures in relation to going concern, longer term viability, risk management and controls.
- Continue to monitor the effectiveness of the internal audit function and internal controls.

Committee effectiveness

The effectiveness of the Committee is reviewed on an annual basis by both the Board and the Committee itself and the Committee is considered to continue to operate effectively and efficiently.

On behalf of the Audit Committee

Martin Towers
Chairman, Audit Committee
10 March 2015



REMUNERATION REPORT LETTER

Dear Shareholder

It is my pleasure to present the Directors' remuneration report for the year ended 31 December 2014.

Group's remuneration policy

The Group's remuneration policy (the "policy") was approved at the AGM in 2014 where 99.8 per cent of votes cast were in support of the policy. A summary of the policy is set out in the Remuneration policy report on page 52 and the full detailed policy can be found on the Tyman website (<http://www.tymanplc.com/media/39270/remuneration-policy-approved-agm-160514.pdf>). No changes to the policy are proposed for 2015.

Activities of the Remuneration Committee

The main activities of the Committee since the last report were as follows:

- assessed performance of Executive Directors and determined annual bonuses for 2014;
- established the Executive Directors' bonus arrangements and set bonus targets for 2015;
- consulted with shareholders and shareholder bodies on the following:
 - the second phase of a two-year salary increase for Executive Directors;
 - the introduction of malus/clawback provisions and a further two-year holding period after the initial three-year vesting period for all future LTIP awards;
 - the retrospective disclosure of annual bonus targets;
- reviewed the malus provisions of the deferred bonus share plan with the Executive Directors, who have voluntarily agreed to broader malus provisions;
- reviewed remuneration benchmarking for Non-executive Directors and revised fees with effect from 1 July 2014;
- reviewed remuneration benchmarking and set 2015 base salaries and benefit packages for some senior executives;
- reviewed plans for new employee share plan for employees across the Group;
- considered remuneration market trends and corporate governance developments; and
- prepared the Directors' remuneration report.

Remuneration for 2014

Details of the remuneration decisions for 2014 are set out in the Directors' annual remuneration report.

As highlighted in the Chairman's statement, Tyman saw strong trading in both the AmesburyTruth and ERA Divisions during the year, offset in part by continued difficult market conditions in the Schlegel International European businesses.

Despite adverse exchange rate movements during the year, the Group delivered a strong underlying profit before taxation ("PBTA") performance in 2014 of £41.6 million. This was ahead of the threshold target of £37.9 million but just below the Meets target level of £42.1 million, resulting in 44.3 per cent of the bonus relating to underlying PBTA becoming payable.

Despite significant investment in the balance sheet, the Group's leverage decreased further in the year to 1.56x, at the bottom end of the target range of 1.5x to 2.0x net debt: underlying EBITDA. The requirements of our stock build programme, responding to short term shifts in demand, necessitated increased investment in working capital at 31 December 2014 such that the cash flow target of £33.1 million achieved in 2014 was slightly below the threshold target of £33.3 million, resulting in no bonus relating to operational cash flow. Overall, this resulted in the Executive Directors receiving a bonus equal to 31.0 per cent of 2014 salary for the year (2013: 89.6 per cent), of which 50 per cent will be deferred until March 2018 under the rules of the Deferred Share Bonus Plan.

The Committee has noted carefully institutional shareholder feedback around retrospective disclosure of annual bonus targets. The Committee has decided to disclose annual bonus targets once they are no longer considered by the Board to be commercially sensitive. The Remuneration implementation report now contains full details of the targets set for the 2014 bonus.

The announcement of the Group's results for the year ended 31 December 2014 was the trigger event for the vesting of the 2012 LTIP awards. Cumulative EPS over the three-year period for the 2012 awards was 43.81 pence against a performance range (Target to Stretch) of 32.39 to 44.75 pence. The Remuneration Committee is satisfied that this underlying EPS performance is a genuine reflection of the underlying performance of the Company over the performance period, having regard to the Company's total shareholder return performance during that time. Therefore, 94.28 per cent of the 2012 awards will vest.

To strengthen alignment with shareholders, the Committee extended the time horizon of 2014 LTIP awards, and all future LTIP awards, granted to Executive Directors through the introduction of a two-year holding period on vesting LTIP shares (net of tax). This means that the 2014 LTIP awards must be retained until at least March 2019.

Key remuneration decisions for 2015

As described in the 2013 Remuneration report, following consultation with major shareholders holding c.50 per cent of share capital in January 2014, the Committee decided to phase-in Executive Director salary increases closer to median over a two-year period, subject to an annual review of each Executive's performance and Company performance. In line with these discussions, and following the conclusion of the annual review of each Executive's performance and Company performance, the Committee set the CEO's base salary at £387,000 per annum (c. 16 per cent increase) and the CFO's base salary at £237,000 per annum (c. 5 per cent increase) from 1 January 2015. Further background details to this decision are contained in the Remuneration implementation report.

For deferred bonus shares granted in 2014 or earlier, malus provisions apply during the deferral period in the exceptional circumstance of gross misconduct.



During the year, the Committee considered carefully whether the circumstances were sufficient in light of market practice and best practice and intends to extend these for future awards to include the exceptional circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company. Whilst not explicitly provided for in the remuneration policy, the Executive Directors have voluntarily signed-up to these broader malus provisions. The Committee has disclosed these provisions in the implementation section of the remuneration report which is subject to an advisory vote at the AGM. The Committee also intends to include these provisions in a revised remuneration policy at the next formal approval of policy (which will occur not later than the 2017 AGM).

New employee share plans

The Board believes that it is important to encourage all employees to participate in the future growth and development of the Group and to take an active interest in the performance of the Company as a whole. In particular we want to allow employees to have the opportunity over time to build an equity holding in Tyman. With this in mind at the AGM, we are seeking shareholder approval for two broadly-based contributory share plans – a UK Sharesave Plan and a separate plan on similar principles for US employees. It is intended that each of these will offer the potential for favourable tax treatment in accordance with applicable local legislation. We are also seeking authority to extend plans into other jurisdictions, on a similar basis, with appropriate variations.

Shareholders will be asked to approve these proposals at the forthcoming AGM in May 2015 and further details are contained in the Notice of Meeting.

Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (September 2012) and the Listing Rules.

The report contains two sections:

- The Directors' remuneration policy report (pages 52 to 56). This section contains summary details of the remuneration policy that was approved at the 2014 AGM; and
- The Directors' annual remuneration implementation report. This section sets out details of how our remuneration policy was implemented for the year ended 31 December 2014 and how we intend the policy to apply for the year ended 31 December 2015.

At the AGM in May 2015 the Directors' annual remuneration report will be put to an advisory shareholder vote.

The Committee believes that Executive remuneration arrangements are structured to support the delivery of our strategic priorities. We will continue to keep the structure of remuneration arrangements under review.

Upon my retirement from the Board after the AGM in May, I will be delighted to hand over the Chairmanship of the Remuneration Committee to Mark Rollins, who will be joining the Board as a Non-executive Director on 1 April 2015.

Les Tench
Chairman, Remuneration Committee

REMUNERATION POLICY REPORT

Introduction

The Group's policy is to provide remuneration that reflects the contribution of senior Executives to the business, the performance of the Group, the size and complexity of the Group's operations and the need to attract, retain, and incentivise Executives of the highest quality.

The Committee seeks to provide remuneration packages which are straightforward and easily comprehensible and which align the interests of the Directors with those of the shareholders. The general principles underpinning the Group's remuneration policy are that the policy should support and incentivise the delivery of the Group's strategy while providing an appropriate balance between fixed and variable rewards.

This policy statement was submitted and approved by shareholders at the Annual General Meeting held on 16 May 2014 and took effect from the conclusion of the 2014 AGM and remains in effect until the 2017 Annual General Meeting, or earlier if amended by the shareholders. The policy has remained unchanged from the policy approved at the 2014 AGM.

The full remuneration policy is published on the Tyman website (<http://www.tymanplc.com/media/39270/remuneration-policy-approved-agm-160514.pdf>). A summary of the key components of the remuneration policy and associated arrangements for Board members are shown below.

Remuneration at a glance

Current salary	CEO – £387,000 and CFO – £237,000
Pension allowance	Maximum contribution of 20 per cent of base salary.
Benefits	Typically life assurance cover, critical illness cover, private medical and dental cover, car allowance and professional tax and financial advice.
Annual bonus	100 per cent of base salary, with 50 per cent in cash and 50 per cent in shares deferred for three years. Targets are usually 100 per cent financial but can have up to 20 per cent targeted on individual personal objectives.
LTIP	Normally nil cost options up to 100 per cent of base salary, but exceptionally 150 per cent. Performance metrics based on cumulative underlying EPS measured over a three-year period, with a discretionary underpin. Typically, 25 per cent vests for threshold performance (zero per cent below threshold) increasing pro rata to 100 per cent vesting for stretch performance. From 2014 new LTIP awards to be retained for two years after vesting, thereby making a five-year holding period for an LTIP award from date of grant to permitted disposal.

Executive Directors' remuneration policy

Purpose and link to strategy	Operation and opportunity
<p>Base salary</p> <p>To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved.</p> <p>The level of salary paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of the Group's strategy and management of its business in the international environment in which it operates.</p>	<p>Salaries are reviewed annually by the Committee. In normal circumstances, annual increases in salary will be limited to the general annual salary increase received by Group employees in the relevant Director's country of residence.</p> <p>The Committee may consider it appropriate and necessary to award larger increases, for example, in circumstances where the nature or complexity of the Group has increased materially or if an individual assumes significantly more responsibility. If there were a material change in business size or complexity (up or down), then this would be reflected in the market comparability.</p>
<p>Benefits</p> <p>To provide a range of market competitive benefits to encourage retention and which enable an Executive Director to perform his or her duties.</p>	<p>Eligible for a range of benefits that may include:</p> <ul style="list-style-type: none"> • life assurance cover; • critical illness cover; • private medical and dental cover; • car allowances; and • professional tax and financial advice.
<p>Pension</p> <p>To provide a market-competitive benefit for retirement which rewards sustained contribution and encourages retention.</p>	<p>The maximum opportunity, either by way of a contribution to a Group pension arrangement or payment of a cash salary supplement, is 20 per cent of base salary.</p>



Purpose and link to strategy

Operation and opportunity

Annual bonus

To reward achievement of annual financial goals consistent with the strategic direction of the business.

The maximum annual bonus opportunity is 100 per cent of salary.

In normal circumstances, the Committee would expect to set annual bonus targets 100 per cent dependent on the achievement of defined financial performance targets.

Any bonus payable under the annual bonus scheme is paid 50 per cent in cash and 50 per cent in shares deferred for three years under the Deferred Share Bonus Plan ("DSBP") and is not pensionable.

Long term incentive plans

To align interests of senior executives and those of shareholders in developing the long term growth of the business and execution and delivery of the Group's strategy. To facilitate share ownership by Executive Directors and other senior management to provide further alignment with shareholders.

Awards are determined by the Committee at its discretion, with a maximum annual performance share award under the current plan of 100 per cent of salary or 150 per cent of salary in exceptional circumstances.

Awards are subject to the Company meeting underlying EPS targets over three financial years, starting with the financial year in which the grant takes place. A percentage of the award, typically 25 per cent, vests for threshold performance (0 per cent below threshold) increasing pro rata to 100 per cent vesting for stretch performance.

More recent LTIP awards have incorporated a discretionary TSR underpin and the Committee has introduced a two year holding period from the date of vesting. This will make the aggregate holding period for an LTIP award five years from date of grant to permitted disposal.

Minimum shareholding requirement

To require Executive Directors to retain a minimum shareholding in the Company to ensure alignment with shareholders' interests as a whole.

Expected to retain a minimum shareholding equivalent to 100 per cent of basic salary.

Remuneration outcomes in different performance scenarios

The charts below set out an illustration of the remuneration policy for 2015. The charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component.

Three scenarios have been illustrated for each Executive Director:

Below threshold performance	<ul style="list-style-type: none"> Fixed remuneration No annual bonus payout No vesting of LTIP awards
Meets performance	<ul style="list-style-type: none"> Fixed remuneration 50 per cent annual bonus payout 25 per cent of LTIP awards vest
Stretch performance	<ul style="list-style-type: none"> Fixed remuneration 100 per cent annual bonus payout 100 per cent of LTIP awards vest



REMUNERATION POLICY REPORT CONTINUED

The fixed pay element is based on the following elements:

- Base salary is the base salary effective for the year ended 31 December 2015, as set out on [page 52](#).
- Benefits are the value of benefits paid in the year ended 31 December 2014, as set out on the [table of Directors' remuneration on page 57](#).
- Cash contribution in lieu of pension effective for the year ended 31 December 2015, which is 20 per cent of base salary for the CEO and 15 per cent of base salary for the CFO.

Actual pay delivered will be further influenced by share price appreciation and dividends, which the scenarios below do not take into account:

CEO



CFO



Non-executive Directors' remuneration policy

Purpose and link to strategy

Operation and opportunity

Fees

Attract and retain high calibre Non-executive Directors.

Fees are reviewed annually. Additional fees may be paid to Chairmen of Board Committees and to the Senior Independent Director. No eligibility to receive bonuses, retirement benefits or to participate in the Group's long term incentive plans or employee share plans.



Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment.

Non-executive Directors are employed for terms of three years' duration, terminable on a month's notice by the Company or the Director. All Non-executive Directors are required to undertake that they will submit themselves for re-election at each Annual General Meeting occurring during their term of office and no Non-executive Director will serve more than three terms of three years without prior shareholder approval.

Non-executive Directors' shareholding guidelines

Non-executive Directors do not have a minimum shareholding requirement, however they are expected to acquire and retain a shareholding in the Group for the duration of their appointment.

Other policies

Recruitment of Non-executive Directors

Non-executive Directors who are recruited to the Board will be employed on a letter of appointment of three years' duration, terminable on a month's notice by the Company or the Director.

The remuneration for Non-executive Directors consists of annual fees for their services as members of the Board and, where relevant, for their work on selected committees. New Non-executive Directors recruited to the Board will be paid the same rates and be subject to the same provisions concerning annual re-election and shareholdings as the then current Non-executive Directors.

Recruitment of Executive Directors

The Committee's general policy on recruitment remuneration is that new Executive Directors should be offered a contract on similar terms to the existing Executive Directors.

In exceptional and unforeseen circumstances it may prove necessary for the Committee to exercise discretion and offer a variable pay opportunity (excluding buyouts) in the first year of employment to a new Executive Director that contains elements of variable remuneration which are in excess of the normal maxima stated in the policy table, however, the overall total variable pay opportunity on recruitment (excluding buyouts) would remain within the overall limit on variable pay of 250 per cent of base salary.

For a new CEO or CFO, their annual bonus framework and LTIP awards will normally be no more than those available to the current CEO or CFO, as applicable, at the date of recruitment. The Committee may agree that the Company will meet certain relocation and associated expenses of a new Executive Director, subject to circumstances.

In circumstances where individuals are promoted to the Board from within the Group, the terms and conditions of their existing share grants or awards will not normally be amended, however any new grants or awards would be subject to the same framework as the other Executive Directors.

In certain circumstances, and in order to secure the services of an outstanding candidate, it may be necessary to make an award to a new Executive Director to "buyout" unvested performance plan share or cash awards forfeited on leaving their previous employment. Any such reimbursement would be subject to independent confirmation of the existence, forfeiture on departure and probability of these historic awards vesting had the new Executive Director remained in post. In doing so, the Committee will seek to do no more than match the fair value of the awards forfeited, taking account of performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Any such reimbursement would be made in cash or in shares in Tyman plc, and may be subject to performance conditions attached to Tyman. No incentives were paid in connection with the recruitment of Mr Eperjesi or for the promotion of Mr Brotherton to their respective roles, both of which occurred in 2010.

Exit payment policy for Executive Directors

The service agreements of the Executive Directors entitle them on termination of their contract by Tyman to payment equal to salary and the value of benefits, pension benefits (including life cover), health cover, dental cover and car allowance (but not annual bonus or grants under long term incentive plans) until the earlier of 12 months from notice of termination or the Director obtaining full time employment, with an obligation on the part of the Director to mitigate.

Payments will normally be made monthly, although the Committee retains discretion to agree settlement terms, which may include a bonus in respect of the period worked by the Executive Director up until the date of termination.

Executive Directors who are categorised as "Good Leavers" by the Committee will generally be eligible to receive historic awards under the LTIP and DSBP (the "Executive Share Plans") as they vest in future years. Awards that vest under the LTIP post-employment may be pro-rated to reflect the fact that the Executive Director was not employed for the entire period under measurement. For LTIP awards made after the 2014 AGM, the Committee retains discretion to waive the extended holding period requirement for Good Leavers depending on circumstances.

In the event that an Executive Director is dismissed for reasons constituting gross misconduct, no unvested awards under Executive Share Plans may vest and the Committee retains no discretion in this regard.

Policy on external appointments

Executive Directors are allowed to accept external appointments as a Non-executive Director of one other company, subject to Board approval, provided that these are not with competing companies and are not likely to lead to conflicts of interest. Executive Directors would normally be allowed to retain the fees paid from these appointments. Executive Directors may not serve as the Non-executive Chairman of another quoted company.

As at 10 March 2015, neither Louis Eperjesi nor James Brotherton held any external directorships.



REMUNERATION POLICY REPORT CONTINUED

Other share plans

The Executive Directors may participate in any all-employee share plans on the same basis as other employees in their country of residence.

Consultation with employees

Although the Committee does not consult directly with employees on the Directors' remuneration policy, the Committee does consider the general basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining remuneration policy for the Executive Directors.

Consultation with shareholders and shareholder bodies

The Committee is committed to regular engagement with shareholders and shareholder bodies and enters into extensive consultations in advance of implementing any material changes to the Executive Directors' remuneration, as well as on the measures, duration and targets for each of the annual grants under the LTIP.

All Committee members attend the Annual General Meeting and may also be contacted through the Group's Registered Office to answer any questions shareholders or shareholder bodies may have in relation to the Group's remuneration policy.

Dilution

The general principle that the Group operates is that the vesting of share awards under Executive and Employee Share Plans should be satisfied either by the issue of shares out of treasury or, subject to Trustee consent, through the issue of shares acquired on the market by the Tyman Employee Benefit Trust.

Certain jurisdictions require that new shares are issued to employees to settle vesting under share arrangements. Where new shares are issued in these circumstances it is the Group's intention to match the new shares issued with an equal purchase of shares on the market either into treasury or into the Tyman Employee Benefit Trust.

REMUNERATION IMPLEMENTATION REPORT

Remuneration Committee

The members of the Remuneration Committee during the year ended 31 December 2014 were as follows:

Remuneration Committee member	Appointed
Les Tench (Chairman)	December 2009
Jamie Pike	November 2009
Martin Towers	December 2009
Angelika Westerwelle	November 2012

The Executive Directors may, by invitation, attend meetings and provide advice to the Committee, except when their own remuneration is discussed. During 2014 the Committee was chaired by Mr Tench and the attendance record of the members of the Committee was:

Remuneration Committee meeting attendance	Eligible to attend	Attended
Les Tench (Chairman)	4	4
Jamie Pike	4	4
Martin Towers	4	4
Angelika Westerwelle	4	4

Role of the Remuneration Committee

The Remuneration Committee is responsible for:

- Setting, reviewing and recommending to the Board for approval the Company's overall remuneration policy and strategy.
- Determining and reviewing the terms of appointment and the remuneration arrangements of the Executive Directors of the Company and the Chairman.

- Determining and reviewing the terms of appointment and the remuneration arrangements of the Company Secretary and the members of the Tyman Management Committee of the Company.
- Approving any Company share, share option or cash based incentive plan, and the grant, award, allocation or issue of shares, share options or payments under any such plan.

The Committee continues to receive advice from Kepler Associates, an independent firm of remuneration consultants appointed by the Committee after consultation with the Board.

During the year, Kepler advised the Committee on developments in market practice, corporate governance and institutional investor views and in the development of the Company's incentive arrangements. Total fees for advice provided to the Committee during the year were £52,663. Kepler are members of the Remuneration Consultants Group, and as such, voluntarily operate under the Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence.

The Committee also took advice from the Group's legal advisers, Pinsent Masons LLP, as well as advice from a number of law firms around the world relating to local laws and regulations surrounding the granting, vesting and exercise of awards made to senior divisional management. Total fees for legal advice provided to the Committee during the year were £58,130.

The Committee is satisfied that the advice they have received has been objective and independent.

Executive Directors' remuneration 2014

The key components of the remuneration of Executive Directors are set out below:

Single figure remuneration table (audited)

The table below sets out a single figure of remuneration for each Director for 2014:

Directors' remuneration for the year ended 31 December 2014	Salary/fees		Annual cash bonus				Annual bonus settled with deferred shares		Cash payments in lieu of pension		Non cash benefits		LTIP awards ¹		Total remuneration	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Executive Directors																
James Brotherton	226	203	35	91	35	91	34	10	1	1	494	945	825	1,341		
Louis Eperjesi	334	266	52	120	52	120	67	54	2	1	649	1,260	1,156	1,821		
Non-executive Directors																
Jamie Pike	113	100	–	–	–	–	–	–	–	–	–	–	113	100		
Les Tench ²	45	40	–	–	–	–	–	–	–	–	–	–	45	40		
Martin Towers ³	45	40	–	–	–	–	–	–	–	–	–	–	45	40		
Angelika Westerwelle	40	35	–	–	–	–	–	–	–	–	–	–	40	35		
Total	803	684	87	211	87	211	101	64	3	2	1,143	2,205	2,224	3,377		

1 The estimated value of the LTIP awards for 2014, which vest on 11 March 2015, is based on the average share price over the five days to 10 March 2015, the date of this report, of £3.23. The comparative value of LTIP awards for 2013 has been trued-up using the actual exercise share prices and is different to the value shown in the 2013 Remuneration report.

2 These fees include £5,000 in respect of chairmanship of the Remuneration Committee.

3 These fees include £5,000 in respect of chairmanship of the Audit Committee.



REMUNERATION IMPLEMENTATION REPORT CONTINUED

Additional disclosures for single figure total remuneration table

Base salary

As explained in the Chairman's remuneration report letter in the 2013 Annual Report, following consultation with major shareholders, the Committee decided to phase-in salary increases to close the substantial gap from median levels in the market over two years, subject to an annual review of each Executive's performance and Company performance. The Committee carried out a rigorous review of both individual and Company performance and completed a further consultation with major shareholders in 2014. In its review, the Committee took into account factors including that the integration of AmesburyTruth has progressed well, with a strengthened leadership team now installed in the North American business and the combined North American business on track to deliver synergy benefits of at least US\$5 million in 2014 and US\$8 million in 2015, some 60 per cent ahead of the Group's original expectations. ERA has continued to make good progress in 2014, gaining market share and improving net margins; further restructuring and investment has taken place in Schlegel International to position Schlegel for growth as and when markets return.

The Committee increased the CEO's base salary by 25 per cent to £334,000 per annum and the CFO's base salary by 11 per cent to £226,000 per annum from 1 January 2014. This was in excess of the general level of salary increases of 2.5 per cent in the Group's UK businesses.

Annual cash bonus

The annual cash bonus for Executive Directors decreased by 59 per cent, and reflects the under performance in Schlegel in the year and the increased investment in working capital at the end of 2014. This was a more significant decrease than the 15 per cent decrease in the average UK senior management bonus entitlement in the year which is considered by the Committee to be the most relevant comparator group for bonus purposes.

Non cash benefits

The benefits provided to the Executive Directors included private medical insurance, permanent health insurance, and life assurance. The Executive Directors are not members of any of the Group pension schemes. There were no changes to the benefits policies or levels during the year.

Cash payments in lieu of pension

As explained in the Chairman's remuneration report letter in the 2013 Annual Report, the Committee also increased the cash pension allowance for the CFO from c. 5 per cent of salary to 15 per cent of salary (the CEO's cash pension allowance remains 20 per cent of salary). In 2014, Louis Eperjesi was paid £67,000 (2013: £54,000) and James Brotherton was paid £34,000 (2013: £10,000) as a salary supplement in lieu of pension. These amounts were non-bonusable.

Performance related remuneration

Annual bonus

For 2014 the annual bonus scheme for Executive Directors was based 70 per cent on underlying PBTA targets and 30 per cent on free cash flow. 50 per cent of Executive Director bonuses are delivered in the form of nil cost options under the Deferred Share Bonus Plan, to strengthen alignment with shareholders' interests. These awards will normally vest (together with dividend equivalents in cash or shares) after three years and are not subject to any performance conditions. Other senior employees are also required to defer a proportion of their bonuses pursuant to the Deferred Share Bonus Plan.

2014 bonus outcome

As highlighted in the Chairman's statement, Tyman saw strong trading in both the AmesburyTruth and ERA Divisions during the year, offset in part by continued difficult market conditions in the Schlegel International European businesses. Despite adverse exchange rate movements during the year, the Group delivered a strong PBTA performance in 2014 to achieve PBTA of £41.6 million for 2014. This was ahead of the threshold target of £37.9 million but just below the Meets target level of £42.1 million, resulting in 44.3 per cent of the bonus relating to PBTA becoming payable.

Despite significant investment in the balance sheet, the Group's leverage decreased further in the year to 1.56x, at the bottom end of the target range of 1.5x to 2.0x net debt: underlying EBITDA. The requirements of our stock build programme, responding to short term shifts in demand, necessitated increased investment in working capital at 31 December 2014 such that the operational cash flow of £33.1 million achieved in 2014 was slightly below the threshold target of £33.3 million, resulting in no bonus relating to operational cash flow. Overall, this resulted in the Executive Directors receiving a bonus equal to 31.0 per cent of 2014 salary for the year (2013: 89.6 per cent), of which 50 per cent will be deferred until March 2018 under the rules of the Deferred Share Bonus Plan.

The actual target ranges for the two bonus components are set out below:

2014 Bonus targets and outcomes:

Measure	Target £'M			Performance £'M	Achievement % over threshold of target	Bonus as % of salary
	Threshold 0%	Meets 50%	Exceeds 100%			
Underlying profit before taxation and amortisation ("PBTA") – 70% weighting	37.9	42.1	46.3	41.6	44.3%	31.0%
Operational cash flow – 30% weighting	33.3	37.0	40.7	33.1	0.0%	0.0%

Note: Targets for both underlying PBTA and operational cash flow were increased during the year to take account of the acquisition of Vedasil in February 2014.



The current remuneration policy provides that for deferred bonus shares, malus provisions apply during the deferral period in the exceptional circumstance of gross misconduct. However the Executive Directors have voluntarily agreed to be bound by broader malus provisions covering the exceptional circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company.

LTIP awards vesting

As the acquisition of Truth completed at an early point in the 2012 LTIP cycle (c. 1.5 years into the three-year performance period ending in December 2014), the Committee felt it was important for the incentive to capture the Group's overall performance over the remainder of the performance period (rather than ringfence the effects of the acquisition). In light of this, as reported in the 2013 Remuneration report, the Committee decided to:

- make no adjustment to the existing EPS targets (25 per cent vesting at 33 pence up to 100 per cent vesting at 45.6 pence) for the Truth acquisition; but,
- restate the existing EPS targets for the capital raising completed as part of the Truth acquisition, based on the standard theoretical ex-offer price adjustment factor (c. 0.98).

The announcement of the Group's results for the year ended 31 December 2014 was the trigger event for the vesting of the 2012 LTIP awards, which were made in July 2012. The awards covered the performance period from 1 January 2012 to 31 December 2014. Awards were dependent on the cumulative underlying basic EPS from continuing operations for the three years measured against a defined target range.

The underlying basic EPS achieved over the three-year performance period ending in December 2014 is set out below.

Performance year	Earnings per share
2012	11.49p
2013	13.71p
2014	18.61p
Underlying cumulative EPS	43.81p

The percentage of awards vesting for the 2012 awards are set out below:

Award	Range	Achievement	% of award to vest
2012 awards	32.99 – 44.75p ¹	43.81p	94.28%

¹ As stated in the Remuneration implementation report in the 2013 Annual Report, following the acquisition of Truth in July 2013, the original EPS targets were restated for the capital raising, as this was at a discount to the prevailing market price, based on the standard theoretical ex-offer price adjustment factor (c.0.98).

The Remuneration Committee has satisfied itself that the recorded underlying cumulative EPS is a genuine reflection of the underlying business performance of the Group over the performance period, having regard to the Company's total shareholder return performance during that time, and accordingly has approved the vesting of the 2012 awards at the calculated percentage of 94.28 per cent. As a result a total of 1,065,719 awards, excluding dividend shares, vested in March 2015.

The number of awards that have vested for the Executive Directors and the senior managers, excluding dividend shares where eligible, is as follows:

Award	Executive Directors	Senior managers	Total
2012 awards, excluding dividend shares	341,154	724,565	1,065,719

In addition, dividend shares to the following values were also awarded:

Award	Executive Directors £'000	Senior managers £'000	Total £'000
2012 award dividend shares	42	89	131

Awards will be satisfied in accordance with Group policy through the issuance of shares from the Tyman Employee Benefit Trust, shares out of Group treasury and new shares.

LTIP awards granted in 2014

On 26 June 2014 the Remuneration Committee granted nil or nominal cost options over 630,420 ordinary shares in the Company to around 23 senior managers, executives and Executive Directors ("2014 Awards"). Vesting of the 2014 awards is based on the Company's three year cumulative underlying EPS for the financial years 2014 to 2016.

If, over the three financial years 2014 to 2016, cumulative underlying EPS is less than 61 pence, no 2014 awards will vest; 25 per cent of 2014 awards will vest for cumulative underlying EPS of 61 pence, rising on a straight-line basis to full vesting for cumulative underlying EPS of 68 pence or higher. To strengthen alignment with shareholders, the Committee extended the time horizon of 2014 awards through the introduction of a two-year holding period on vested LTIP shares (net of tax). Malus/clawback provisions apply during the LTIP vesting and holding periods, in the exceptional circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company.

In addition, if and to the extent that it considers the recorded EPS is not a genuine reflection of the underlying business performance of the Company over the EPS performance period, the Committee may reduce the number of Vested Award Shares accordingly (the "Financial Underpin").

In applying this Financial Underpin, the Committee shall (without limitation) have regard to:

- Tyman's TSR relative to the FTSE All-Share Index and the TSR of the median company in a list of comparator companies, in order of their TSR performance over the three calendar years 2014, 2015 and 2016, using such methodology for TSR calculations as the Committee shall consider appropriate; and
- the EPS achieved in financial year 2016 and the extent to which this exceeds the EPS achieved in financial year 2013; and
- whether, in the Committee's opinion, any inappropriate risk taking has occurred; and
- whether, in the Committee's opinion, the three year cumulative EPS target has been achieved simply through increased and inappropriate gearing of the balance sheet.

The 2014 awards are expected to vest in March 2017, following the announcement of the Company's results for the year ended 31 December 2016.



REMUNERATION IMPLEMENTATION REPORT CONTINUED

2014 LTIP award to CFO

In light of potential changes within the US Finance team following the Truth acquisition, whilst also recruiting a new UK FD, the Committee felt that retaining the Group CFO was critical. In these special circumstances, the Committee decided to increase the 2014 LTIP award to the Group CFO from 100 per cent to 110 per cent of salary. The Remuneration policy approved at the 2014 AGM, allows the Committee to determine LTIP awards at its discretion, with a maximum annual performance share award of 100 per cent of salary or 150 per cent of salary in exceptional circumstances. The Committee intends to revert to the normal LTIP grant size of 100 per cent of salary for 2015.

Dilution limit

Generally, it is the intention that LTIP awards will be satisfied through the transfer of existing shares by the Company's Employees' Benefit Trust unless the Remuneration Committee, in its discretion, feels that a new issue of shares would be more appropriate. In the event that LTIP awards are satisfied through new issue shares, the Company will operate within the Investment Association ("IA") guideline dilution limit of 10 per cent in 10 years for all share-based incentive schemes.

The Remuneration Committee has the flexibility to operate outside the IA guideline of 5 per cent in 10 years dilution limit for discretionary share-based incentive schemes to accommodate LTIP awards for a broader employee population. In managing dilution, the Company will nevertheless be mindful of the 5 per cent in 10 years guideline and will be prudent in managing the flow rates, keeping shareholders informed of actual and anticipated dilution levels over time. The majority of the 2012, 2013 and 2014 LTIP awards are likely to be satisfied through the transfer of existing shares rather than the issue of new shares.

Assuming that all performance targets are met in full, the Remuneration Committee currently envisages that a maximum of 688,566 of the 2,590,109 shares subject to all the Awards outstanding (approximately 27 per cent) will be satisfied through new issue shares to ensure that local trusts, tax and securities laws are complied with in certain overseas jurisdiction.

As at 31 December 2014, shares equivalent to 1.7 per cent of the Group's issued share capital (excluding treasury shares) would be required to settle all outstanding awards under Employee and Executive Share Plans, assuming maximum vesting.

Tyman Employee Benefit Trust

The EBT held 1,596,794 Tyman ordinary shares at 31 December 2014. The outstanding LTIP awards at 31 December 2014 are as follows:

LTIP awards granted in	Vesting date ¹	Number of shares
2012	March 15	1,120,663
2013	March 16	839,026
2014	March 17	630,420
		2,590,109

¹ Vesting is conditional upon financial performance targets over a three-year period being met.

The outstanding DSBP awards at 31 December 2014 are as follows:

DSBP awards granted in respect of bonuses for the years ended 31 December	Vesting date ¹	Number of shares
2011	March 15	51,774
2012	March 16	114,600
2013	March 17	156,217
2014	March 18	79,235
		401,826

¹ Vesting is not conditional upon any performance targets.

Summary of Directors' service contracts

The following table shows details of the service contracts for Executive Directors who were in office at 31 December 2014:

	Commencement date	Notice period
James Brotherton	07/03/14	12 months
Louis Eperjesi	07/03/14	12 months

For both Executive Directors, their service contracts are terminable on 12 months' notice to or from the Company and contractual termination provisions are limited to salary and benefits over the notice period.

The Non-executive Directors have letters of appointment, which provide a notice period of one month.

	Commencement date	Notice period
Jamie Pike	23/11/09	1 month
Les Tench	17/12/09	1 month
Martin Towers	17/12/09	1 month
Angelika Westerwelle	30/11/12	1 month

Directors' shareholdings and interests (audited)

Shares

The interests of each person who was a Director of the Company as at 31 December 2014 (together with interests held by his or her connected persons) were:

	Ordinary shares at 31 Dec 2014	Ordinary shares at 31 Dec 2013
James Brotherton	354,133	186,898
Louis Eperjesi	404,628	181,648
Jamie Pike	507,362	507,362
Les Tench	117,445	117,445
Martin Towers	62,984	62,984
Angelika Westerwelle	131,318	131,318

There was no change in the interests of the Directors and their connected persons between 31 December 2014 and the date of this report.



Executive Directors' minimum shareholding requirement

The table below sets out the minimum shareholding required by the remuneration policy and the level of shareholding achieved for each Executive Director at 31 December 2014:

Directors' minimum shareholding	Salary ¹ £'000	Value of shareholding ² £'000	Minimum shareholding as % of salary	Actual shareholding as % of salary
James Brotherton	226	1,117	100%	494%
Louis Eperjesi	334	1,276	100%	382%

Notes to Directors' minimum shareholding table above:

- 1 Base salary as at 31 December 2014.
- 2 Based on the closing price of a Tyman plc ordinary share of £3.1525 on 31 December 2014.

Executive Directors' interests in Deferred Share Bonus Plan (audited)

The interests of each person who was a Director of the Company as at 31 December 2014 in awards made under the Deferred Share Bonus Plan are set out below:

Deferred Share Bonus Plan	Award date	Market value ¹ at award date	Shares over which deferred bonus awards granted after the year end ¹	Normal vesting date	Expiry date
James Brotherton	16/03/12	£1.23	17,580	March 2015 ²	16/03/22
	08/05/13	£2.05	32,986	March 2016 ²	08/05/23
	11/03/14	£2.67	34,001	March 2017 ²	11/03/24
	10/03/15	£3.23	10,865	March 2018 ²	10/03/25
Louis Eperjesi	16/03/12	£1.23	23,132	March 2015 ²	16/03/22
	08/05/13	£2.05	43,402	March 2016 ²	08/05/23
	11/03/14	£2.67	44,736	March 2017 ²	11/03/24
	10/03/15	£3.23	16,057	March 2018 ²	10/03/25

- 1 The number of shares awarded is calculated by dividing one-half of the gross value of the bonus payable by the market value of a share. Market value means the average of the daily closing prices of a share over a five day dealing period ending on the award date. Awards are in the form of nil-cost options and are granted for nil consideration.
- 2 The exact day in March will be determined by the day the Group's results for the year ended on the previous 31 December are announced.

Executive Directors' interests in Long Term Incentive Plans (audited)

Executive Directors' interests in awards made under the LTIP are set out below:

LTIP	Award date	Share price at award date	Shares over which LTIP awards held at 1 Jan 2014	Shares over which LTIP awards granted during the year	Shares over which LTIP awards vested during the year ¹	Shares over which LTIP awards lapsed during the year	Shares over which LTIP awards held at 31 Dec 2014	Market value at grant date	Market value at vesting date	Normal vesting date	Expiry date
James Brotherton	10/12/10	£1.0375	150,000	–	(150,000)	–	–	£155,625	£427,950	11/03/14	10/12/20
	06/07/11	£1.2300	150,000	–	(149,161)	(839)	–	£184,500	£465,755	23/03/14	06/07/21
	03/07/12	£1.2950	153,193	–	–	–	153,193	£198,385	–	March 2015 ³	03/07/22
	14/11/13	£2.2800	86,302	–	–	–	86,302	£196,769	–	March 2016 ³	14/11/23
	26/06/14	£2.7000	–	88,508	–	–	88,508	£238,972	–	March 2017 ³	26/06/24
Louis Eperjesi	10/12/10	£1.0375	200,000	–	(200,000)	–	–	£207,500	£570,600	11/03/14	10/12/20
	06/07/11	£1.2300	200,000	–	(198,881)	(1,119)	–	£246,000	£621,006	23/03/14	06/07/21
	03/07/12	£1.2950	201,570	–	–	–	201,570	£261,033	–	March 2015 ³	03/07/22
	14/11/13	£2.2800	113,555	–	–	–	113,555	£258,905	–	March 2015 ³	14/11/23
	26/06/14	£2.7000	–	118,912	–	–	118,912	£321,062	–	March 2017 ³	26/06/24

- 1 The number of shares over which LTIP awards vested during the year above excludes the additional awards made in respect of dividend shares and for the impact of the bonus element of the open offer for the Truth acquisition. The result of these adjustments was the award of 9,625 and 12,832 additional shares to Mr Brotherton and Mr Eperjesi respectively relating to the 2010 LTIP Awards and 7,958 and 10,131 additional shares to Mr Brotherton and Mr Eperjesi respectively relating to the 2011 LTIP Awards.
- 2 The exact day in March will be determined by the day the Group's results for the year ended on the previous 31 December are announced.
- 3 Face value is the number of shares awarded multiplied by the market value at the award date.

Awards are in the form of nil-cost options and are granted for nil consideration.



REMUNERATION IMPLEMENTATION REPORT CONTINUED

Non-executive Directors' fees and Chairman fees

During the year the Committee reviewed the Chairman's fee in light of the time commitment and fees payable at comparator companies and increased this to £125,000 from 1 July 2014.

With effect from 1 July 2014, the Non-executive Directors received a base fee of £45,000. Additional fees for the Audit and Remuneration Committee Chairs are unchanged.

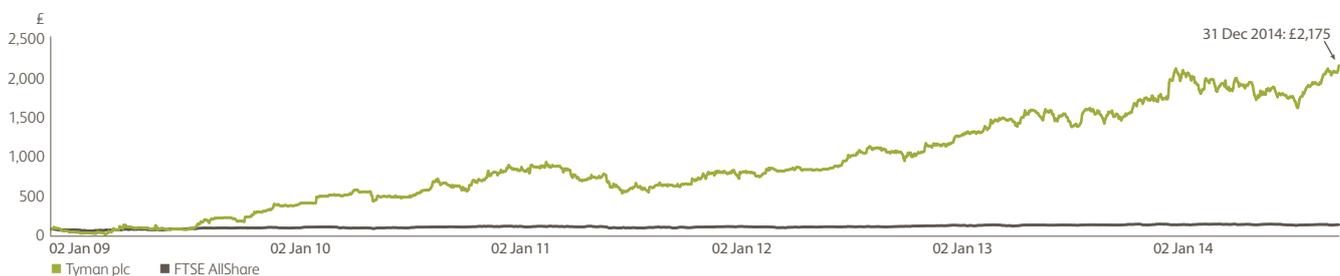
The fees for Non-executive Directors were previously increased in June 2011.

Position/role	Annual rate of fees payable during six months ended 30 June 2014	Annual rate of fees payable during six months ended 31 December 2014	Increase %
	£	£	
Chairman	100,000	125,000	25 %
Non-executive Director	35,000	45,000	29 %
Chairman of the Audit Committee	5,000	5,000	–
Chairman of the Remuneration Committee	5,000	5,000	–

TSR performance

The graph below shows the total shareholder return ("TSR") of the Group and the FTSE All-Share Index over the last six years. This index is, in the opinion of the Directors, the most appropriate index against which the TSR of the Group should be measured.

SIX YEAR HISTORICAL TSR PERFORMANCE GROWTH IN VALUE OF HYPOTHETICAL £100 HOLDING



Historical Chief Executive remuneration outcomes

The table below summarises the Chief Executive single figure for total remuneration, annual bonus payout and LTIP (or equivalent for plans in place before the approval of the Group LTIP scheme by shareholders in December 2010) vesting as a percentage of maximum opportunity for the current year and previous five years.

		2009	2010	2011	2012	2013 ¹	2014
		£'000	£'000	£'000	£'000	£'000	£'000
Louis Eperjesi	Single figure of remuneration	n/a	394	338	493	1,821	1,156
	Annual bonus payout (as % maximum opportunity)	n/a	100 %	22 %	68 %	90 %	31 %
	LTIP or equivalent	n/a	Nil	Nil	Nil	1,260	649
Denis Mulhall	Single figure of remuneration	n/a	438	n/a	n/a	n/a	n/a
	Annual bonus payout (as % maximum opportunity)	n/a	0 %	n/a	n/a	n/a	n/a
	LTIP or equivalent	n/a	Nil	n/a	n/a	n/a	n/a
Keith Taylor	Single figure of remuneration	572	73	n/a	n/a	n/a	n/a
	Annual bonus payout (as % maximum opportunity)	100 %	n/e	n/a	n/a	n/a	n/a
	LTIP or equivalent	n/e	n/e	n/a	n/a	n/a	n/a
Greg Hutchings	Single figure of remuneration	713	n/a	n/a	n/a	n/a	n/a
	Annual bonus payout (as % maximum opportunity)	0 %	n/a	n/a	n/a	n/a	n/a
	LTIP or equivalent	Nil	n/a	n/a	n/a	n/a	n/a

Notes

1 The comparative value of the LTIP awards for 2013 have been true-up using the actual exercise share prices. Consequently both the single figure of remuneration and the LTIP awards figure for 2013 are different to the values shown in the 2013 Remuneration report.

"n/a" = not applicable – individual was not employed as CEO of the Group in the year in question.

"n/e" = not eligible – individual was employed during the year but was not eligible to participate in the bonus or LTIP scheme as appropriate that year.



Louis Eperjesi

Appointed as Chief Executive Officer on 22 February 2010. Eligible to participate in annual bonus plans and long term incentive plans from the date of his employment.

Former Directors:**Denis Mulhall**

Appointed as acting Chief Executive Officer for the Group for the period between Keith Taylor's resignation and Louis Eperjesi's appointment. Denis Mulhall was not paid any incremental salary or benefits for the period of time that he was acting CEO and did not receive any bonus or long term incentive plan or equivalent in respect of that appointment. Denis Mulhall's single figure of remuneration includes payments made for loss of office.

Keith Taylor

Appointed as Interim Chief Executive Officer on 1 July 2009 and resigned from the Board on 22 January 2010. Keith Taylor did not participate in any of the Group's long term incentive plans, however he was eligible for a cash bonus for 2009 tied to certain objectives. Keith Taylor's remuneration was paid to Crispins Partnership Limited.

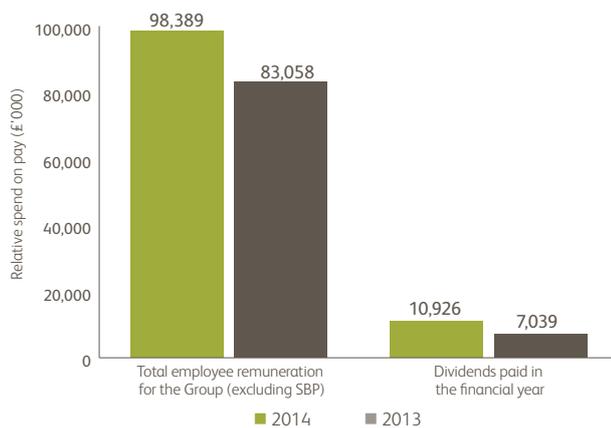
Greg Hutchings

Employed as Executive Chairman of the Group until 1 July 2009. Greg Hutchings' single figure remuneration for 2009 includes payments made for loss of office.

There were no payments to past Directors during 2014.

Relative spend on pay

The chart below shows both the total cost of employee remuneration in the Group as shown on [page 84](#) as well as dividends paid.

**Statement of implementation of remuneration policy for the year ending 31 December 2015****Basic salary**

As explained in the remuneration report in the 2013 Annual Report, following consultation with major shareholders, the Committee decided to phase-in salary increases to close the substantial gap from median levels in the market over two years, subject to an annual review of each Executive's performance and Company performance. Following the completion of this performance review and further consultation with major shareholders, the Committee completed the second phase of the agreed plan and increased the CEO's base salary by 16 per cent to £387,000 per annum and the CFO's base salary by 5 per cent to £237,000 per annum from 1 January 2015.

Pension and benefits

The pension allowance for the CEO remains at 20 per cent of salary and for the CFO at 15 per cent of salary for 2015.

Annual bonus

The maximum opportunity for the two Executive Directors under the annual bonus plan is 100 per cent of basic salary. The performance measures for 2015 remain 70 per cent profitability (PBTA) and 30 per cent free cash flow. It is expected that targets for the 2015 annual bonus plans will be disclosed in the 2015 Annual Report provided they are not deemed to be commercially sensitive at that time.

LTIP awards

The maximum opportunity for the two Executive Directors under the LTIP is 100 per cent, or 150 per cent in exceptional circumstances, and further awards are expected to be made in 2015. The measurement period for the 2015 awards will be from 1 January 2015 to 31 December 2017.

2015 Awards are expected to vest (to the extent that the performance conditions have been satisfied) in March 2018, however in line with the Group's policy on vesting of LTIPs, Executive Directors will ordinarily be required to hold all vested awards under the 2015 Awards for a further two years until March 2020.

Proposed 2015 LTIP awards performance measures

As in previous years, the Committee intends to discuss the awards, the proposed performance measures and targets with major shareholders and shareholder bodies prior to finalising awards. The Committee will report back on the final position for the 2015 awards in its 2015 Remuneration implementation report.

New Employee Share Plan

The Executive Directors may participate in the proposed New Employee Share Plan, if approved and implemented.

REMUNERATION IMPLEMENTATION REPORT CONTINUED

Shareholder votes

The table below summarises the results of the voting at the 2014 AGM in respect of remuneration resolutions:

2014 AGM resolution	Votes for	Votes at discretion	Votes against	Votes cast	Votes withheld
To approve the Directors' remuneration policy	138,639,668 (99.8%)	74,246 (0.1%)	237,844 (0.2%)	138,951,058 (100%)	48,878
To approve the Directors' remuneration report for the financial year ended 31 December 2013	117,640,605 (88.2%)	73,775 (0.1%)	15,749,040 (11.8%)	133,462,120 (100%)	5,537,816

Share price

The market price of ordinary shares in Tyman plc at 31 December 2014 was £3.1525 and the range during the year was £2.3025 to £3.1800.

On behalf of the Remuneration Committee

Les Tench

Chairman, Remuneration Committee

10 March 2015

NOMINATIONS COMMITTEE REPORT

Dear Shareholder

I am pleased to present to you the Nominations Committee's report for the financial year ended 31 December 2014.

Committee membership

The members of the Nominations Committee during the year ended 31 December 2014 were as follows:

Nominations Committee members	Appointed
Jamie Pike (Chairman)	November 2009
Martin Towers	December 2009
Les Tench	December 2009
Angelika Westerwelle	November 2012

All members served on the Committee throughout the year and are independent Non-executive Directors. During 2014 the Committee was chaired by Mr Pike and met twice during the financial year. The attendance record of the members of the Committee was:

Nominations Committee meeting attendance	Eligible to attend	Attended
Jamie Pike (Chairman)	2	2
Martin Towers	2	2
Les Tench	2	2
Angelika Westerwelle	2	2

Responsibilities

Role of the Nominations Committee

The key responsibilities of the Committee are as follows:

- Review and make recommendations to the Board on the structure, size and composition of the Board.
- Succession planning for Directors and other senior managers.
- Evaluate the balance of skills, diversity, knowledge and experience of the Board.
- Prepare a description of the role and capabilities required for a particular appointment and lead the recruitment process.
- Identify and nominate for the approval of the Board, candidates to fill Board and senior management vacancies as and when they arise.
- Review the time required from Non-executive Directors and evaluate the membership and performance of the Board and its committees.
- Recommend the re-appointment of Non-executive Directors and re-election of Directors.

Activities of the Committee during 2014

The following matters were considered by the Committee during 2014:

- Evaluated the balance of skills, diversity, knowledge and experience of the Board and recommended a recruitment plan to the Board.
- Recommended the appointment of Kirsten English and Mark Rollins as Non-executive Directors. Korn Ferry, the external search firm, which has no connection to the Company, worked with the Chairman to devise a long list of candidates. A short list was then compiled and the Committee together with the Executive Directors met with these candidates and was able to formulate its recommendation to the Board.
- Reviewed the succession planning for the Board and recommended to the Board that Mark Rollins should succeed Les Tench as Chairman of the Remuneration Committee after the next AGM, when Les Tench will retire from the Board.

Diversity of the Board

The aim of the Committee is to ensure that the Board is well balanced and appropriate for the needs of the business and the achievement of its strategy, comprising Directors who are appropriately experienced and are independent of character and judgement. Before recommending new candidates to the Board, the Nominations Committee takes account of the balance of skills, knowledge, experience and diversity of psychological type, background and gender. However, all Board appointments will always be made on merit.

Committee effectiveness

The effectiveness of the Committee is reviewed on an annual basis by both the Board and the Committee itself and the Committee is considered to continue to operate effectively and efficiently.

On behalf of the Nominations Committee

Jamie Pike
Chairman, Nominations Committee
10 March 2015



DIRECTORS' REPORT

Principal activities

The principal activities of the Group are unchanged from last year. The Group is a leading international supplier of building products to the door and window industry. The Company is a holding company.

Information incorporated into the Directors' report

Information:	Location in Annual Report:
Strategic report and business model.	<ul style="list-style-type: none"> • Strategy page 7 • Business model pages 8 to 9
Business review including financial performance and future business developments.	<ul style="list-style-type: none"> • Chief Executive Officer's review pages 10 to 11 • Operational review pages 16 to 21 • Financial review pages 22 to 27
Key financial and non-financial performance indicators	<ul style="list-style-type: none"> • Key performance indicators on pages 12 to 15
Principal risks and uncertainties	<ul style="list-style-type: none"> • Principal risks and uncertainties pages 28 to 29
Environmental matters, employees and social, community and human rights issues (including information about the Company's policies in relation to these matters)	<ul style="list-style-type: none"> • Corporate social responsibility report on pages 30 to 36
The corporate governance statement on compliance with the UK Corporate Governance Code ("the Code"), and information on how the Company has applied the Main Principles of the Code in accordance with the Listing Rules and section 7.2 of the Disclosure and Transparency Rules of the Financial Conduct Authority and other corporate governance matters	<ul style="list-style-type: none"> • Corporate governance report on pages 42 to 45 • Audit Committee report on pages 46 to 49 • Remuneration policy report on pages 52 to 56 • Remuneration implementation report on pages 57 to 64 • Nominations Committee report on page 65
Employment policy for disabled persons and employee engagement throughout the workforce	<ul style="list-style-type: none"> • Corporate social responsibility report on pages 30 to 36
Greenhouse gas emissions	<ul style="list-style-type: none"> • Corporate social responsibility report on pages 30 to 36
Gender diversity of the Board	<ul style="list-style-type: none"> • Corporate social responsibility report on pages 30 to 36

Results and dividends

The total Group profit for the year after taxation amounted to £9,331,000 (2013: £956,000).

The Board is recommending a final dividend of 6.00 pence per ordinary share (2013: 4.50 pence) to be paid on 20 May 2015, subject to approval at the forthcoming Annual General Meeting ("AGM") of the Company on 15 May 2015, to shareholders on the register on 24 April 2015. The ex-dividend date will be 23 April 2015. This, together with the interim dividend of 2.00 pence per share paid in September 2014 brings the total dividends for 2014 to 8.00 pence per ordinary share (2013: 6.00 pence).

Directors

The names and biographical details of all the current Directors are set out on [pages 38 and 39](#). There were no changes to the Board up to the date of this report and all the Directors served throughout the period. Except for their shareholdings, the Non-executive Directors are entirely independent. There were no contracts subsisting during or at the end of the year in which a Director was or is materially interested. The Company maintains a policy of insurance against Directors' and Officers' liabilities.

A description of the Board's method of operation, its work during the year and that of its Committees, is given in the Corporate governance report on [pages 42 to 45](#). Details of the Directors' remuneration, notice periods under their service contracts or terms of appointment and their interests in the share capital of the Company are shown in the Remuneration implementation report on [pages 57 to 64](#). The service contracts for Executive Directors and terms of appointment for Non-executive Directors are available for inspection at the Company's registered office and at the AGM.

Business review

The Directors' report of Tyman plc for the year ended 31 December 2014 comprises the information and pages referred to in the table below, all of which are incorporated into this report by reference.

Re-election of Directors

In accordance with best practice under the UK Corporate Governance Code, each Director will stand for re-election at each AGM. Accordingly, Mr Pike, Mr Eperjesi, Mr Brotherton, Dr Westerwelle and Mr Towers will offer themselves for re-election at the 2015 AGM. Mr Tench, who has served as a Non-executive Director and Chairman of the Group's Remuneration Committee since December 2009, has indicated to the Board his wish to retire and will stand down as a Director following the AGM. Following their appointment on 1 April 2015, Kirsten English and Mark Rollins will retire and seek election at the 2015 AGM.

Share capital

The Company's shares are listed in the premium segment of the Official List and are traded on the Main Market of the London Stock Exchange. The Company had 170,104,385 ordinary shares of 5 pence each in issue at 31 December 2014. Full details of the Company's issued share capital, including the rights, obligations and restrictions attaching to the shares, are set out in [note 22](#) to the financial statements.

Financing

The Group finances its operations through a mixture of retained profits, equity and borrowings. The Group does not trade in financial instruments.

On 10 June 2014 the Group entered into an enlarged new banking facility (the "New Facility") of up to £240 million with six relationship banks, comprising a £180 million committed revolving credit facility and a uncommitted £60 million accordion facility. The New Facility is unsecured and is repayable in June 2019. It offers the Group improved pricing, increased flexibility, and relaxation or removal of certain covenants. On completion of the New Facility, the September 2011 facility was repaid in full and cancelled.



On 21 November 2014 the Company completed the issuance of a debut private debt placement with US financial institutions totalling US\$100 million. The debt placement comprises US\$55 million debt with a seven year maturity at a coupon of 4.97 per cent and US\$45 million with a 10 year maturity at a coupon of 5.37 per cent. The debt placement diversifies the Group's sources of debt finance and extends the tenor of its overall facilities. Subsequently the Group repaid and cancelled the US\$100 million acquisition facility put in place in order to acquire Truth in June 2013.

Full details of the Group's borrowing facilities are set out in [note 16](#) to the financial statements.

The main risks arising from the Group's borrowings are market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and the policies, which have been applied throughout the year, are set out in [note 18](#) to the financial statements.

Acquisition

On 26 February 2014, the Group acquired 100 per cent of the issued share capital of Vedasil Brasil ("Vedasil"), the market leader in the manufacture and supply of pile weatherseals in Brazil, for a net cash consideration of £6.5 million. Vedasil manufactures and supplies polypropylene extruded seals under the Eco-PDM brand and other seal and screen components to the Brazilian door and window market. Full details of the Vedasil acquisition are set out in [note 21.2](#) to the financial statements.

Purchase of the Company's own shares

A resolution concerning the purchase of the Company's own shares was approved at the AGM on 16 May 2014. The Directors believe that the Company should continue to have an authority to purchase shares of the Company. They will therefore propose a special resolution, in accordance with best practice, at the forthcoming AGM to obtain authority to make market purchases up to the date of the AGM in 2016. The authority will be limited to 14.99 per cent of voting shares in issue (that is, excluding shares held in Treasury).

Allotment of shares

The Companies Act 2006 ("the Act") provides that the Directors may not allot ordinary shares unless authorised to do so by the Company in general meeting or by its Articles. At the forthcoming AGM the Directors will seek renewal, for a further period expiring at the earlier of the close of the next AGM or 15 August 2016, of the authority previously granted to the Directors at last year's AGM held on 16 May 2014.

The Act gives holders of ordinary shares, with limited but important exceptions, certain rights of pre-emption on the issue for cash of new equity securities. The Directors believe that it is in the best interests of the Company that, as in previous years, the Board should have limited authority to allot some shares for cash without first having to offer such shares to existing shareholders. The Directors' current authority expires at the close of the forthcoming AGM and, accordingly, will seek to renew this authority on similar terms for a further period, expiring at the earlier of the close of the next Annual General Meeting or 15 August 2016.

Substantial shareholders

As at 31 December 2014 the Company had been notified of, or had identified, the following direct or indirect interests comprising 3 per cent or more of its voting share capital (the issued share capital less shares held by the Company in treasury):

	Ordinary shares	%
Standard Life Investments	19,626,202	11.6
Aviva Investors	14,711,726	8.7
F&C Asset Management (UK)	10,322,586	6.1
Schroder Investment Management	10,052,479	5.9
Threadneedle Investments	8,547,004	5.0
BlackRock Investment Management	8,111,447	4.8
GVO Investment Management	7,869,411	4.6
GMO	5,395,926	3.2

During the period from 1 January to 10 March 2015 the Company had been notified of, or had identified, the following direct or indirect interests comprising 3 per cent or more of its voting share capital (the issued share capital less shares held by the Company in treasury):

	Ordinary shares	%
Standard Life Investments	20,563,126	12.1
Aviva Investors	14,719,089	8.7
Schroder Investment Management	11,227,926	6.6
Threadneedle Investments	8,297,381	4.9
GVO Investment Management	8,211,699	4.8
BlackRock Investment Management	7,905,057	4.7
F&C Asset Management (UK)	7,709,555	4.6
GMO	5,269,294	3.1

Financial risk management

A statement on the financial risk management objectives, policies and other matters in relation to the use of financial instruments is set out in [note 18](#) to the Group financial statements.

Safety, health and the environment

The Board recognises that the highest standards in safety, health and environmental issues are an essential part of sound business practice. The Board is committed to improving the impact on the environment from any of its operations and to incorporating the principles of sustainable development. A full description of the Group's policies with respect to health and safety and the environment are given in the Corporate social responsibility report on [pages 30 to 36](#).



DIRECTORS' REPORT CONTINUED

Employees

The Group's excellent performance would not be possible without employees of the highest calibre with the motivation to perform to their full potential. The Group operates on a decentralised structure, reflecting the organisation of the Group. This underscores our belief that localised teams, operating under common principles, are best equipped to deal with the varying cultures, operating structures and geographic locations that exist in the Group.

Each operating entity in the Group is encouraged to implement comprehensive employment policies designed to attract, retain and motivate the highest quality of staff and to determine ways in which their knowledge and skills can best contribute towards the success of the business.

We are committed to ensuring that all our employees are treated equally, regardless of gender, age, colour, nationality, ethnic origin, race, disability, marital status, sexual orientation or religion. We are committed to regular communication and consultation with our employees and we encourage employee involvement in our performance. Each company in the Group endeavours to provide equality of opportunity in recruiting, training, promoting and developing the careers of disabled people.

A full description of the Group's policies with respect to ethics, communication, training and development in respect of the Group's employees is given in the Corporate social responsibility report on [pages 30 to 36](#).

Disclosure table pursuant to Listing Rule LR9.8.4C

Listing Rule	Information required	Disclosure
9.8.4(1)	Interest capitalised by the Group	None
9.8.4(2)	Unaudited financial information (LR9.2.18)	None
9.8.4(3)	Smaller related party transactions entered into before 16 May 2014	None
9.8.4(4)	Long term incentive scheme only involving a Director (LR9.4.3)	None
9.8.4(5)	Directors' waivers of emoluments	None
9.8.4(6)	Directors' waivers of future emoluments	None
9.8.4(7)	Non pro-rata allotments for cash (issuer)	None
9.8.4(8)	Non pro-rata allotments for cash (major subsidiaries)	None
9.8.4(9)	Parent participation in placing of equity securities	Not applicable
9.8.4(10)	Contracts of significance involving a Director	None
9.8.4(11)	Contracts of significance involving a controlling shareholder	Not applicable
9.8.4(12)	Waivers of dividends	Waiver by Tyman plc of all dividends held in treasury (551,435 shares) and by the Tyman Employee Benefit Trust of all but £0.01 total dividend for their holding of shares (1,596,794 shares)
9.8.4(13)	Waivers of future dividends	See above
9.8.4(14)	Agreement with a controlling shareholder LR9.2.2AR(2)(a)	Not applicable

Additional information pursuant to LR9.8.6

Listing rule	Information to be included	Disclosure
9.8.6(1)	Directors' (and their connected persons') interests in Tyman shares at year-end and at not more than one month prior to date of the AGM Notice	See page 60
9.8.6(2)	Interests in Tyman shares disclosed under DTR5 at year-end and not more than one month prior to the date of the AGM Notice	See page 60
9.8.6(3)	The going concern statement	See page 45
9.8.6(4)(a)	Amount of the authority to purchase own shares available at year-end	Authority available in full at year-end
9.8.6(4)(b)	Off-market purchases of own shares during the year	None
9.8.6(4)(c)	Information equivalent to Part 2 Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of off-market purchases of own shares, options or contracts to make such purchases	None
9.8.6(4)(d)	Non pro-rata sales of treasury shares during the year	None
9.8.6(5)	Compliance with the Main Principles of the UK Corporate Governance Code	See page 42
9.8.6(6)(b)	Details of non-compliance with UK Corporate Governance Code	See page 42
9.8.6(7)	Re Directors proposed for re-election: the unexpired term of any Director's service contract and a statement about Directors with no service contracts	Details of the Executive Directors' service contracts are given in the Directors' remuneration report on page 60 . The Chairman and the Non-executive Directors serve under letters of appointment see page 60

Electronic communications at www.tymanplc.com

In line with a large number of other listed companies, and as permitted under the Company's Articles of Association the Company intends to use its website as its default method of publication to provide documentation and communications to shareholders ("E-communication"), except to those shareholders who elect to receive hard (printed paper) copies by post. E-communication allows shareholders faster access to important information about the Company. In line with good environmental policies the Board believes that it is not in the Company's or the shareholders' best interests to incur the costs or create the adverse environmental impact of unnecessarily printing and distributing hard copies of these documents. The Company's announcements to the Stock Exchange and press releases are available online through the website. Shareholding details and practical help on share transfers and changes of address can be found at www.capitashareportal.com.

Auditors and disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

Financial reporting

The Annual Report and Accounts and the Interim Report are intended to provide a balanced and clear assessment of the Group's past performance, present position and future prospects. A statement by the Directors on their responsibility for preparing the financial statements is given on [page 45](#) and a statement by the auditors on their responsibilities is given on [page 74](#).

Annual General Meeting

The Notice of the Company's AGM to be held on 15 May 2015 and related explanatory notes accompany this Annual Report and Accounts. As mentioned above, all the Directors are submitting themselves for re-election. The other business to be considered at the AGM is to seek shareholder approval for the introduction of a New Employee Share Plan, to renew the Directors' authority to allot shares, to disapply pre-emption rights in certain limited circumstances and to purchase its own shares and other routine matters.

Further information on these resolutions is given in the explanatory notes to the Notice of AGM, which is also available on the Company's website (www.tymanplc.com).

By order of the Board

Kevin O'Connell
Company Secretary
10 March 2015

Company registration number: 02806007



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TYMAN PLC

Report on the Group financial statements

Our opinion

In our opinion, Tyman plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Tyman plc's financial statements comprise:

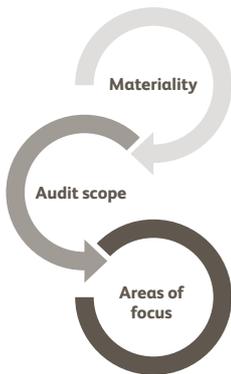
- the Consolidated balance sheet as at 31 December 2014;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview



- Overall group materiality: £2 million which represents approximately 5 per cent of Group underlying operating profit before tax.
- Eight operating units subject to full scope audits on the basis of financial significance.
- Specific procedures over certain transactions and balances at six further operating units and consolidation adjustments where the particular balances were financially significant.
- Specific procedures in an additional operating unit. This unit was selected based on it being new to the Group and in a remote location (Brazil).
- Our audit scope addressed 66 per cent of Group revenue and 62 per cent of Group underlying operating profit before tax.
- Goodwill and intangible asset impairment assessments, particularly in respect of the Schlegel International Cash Generating Unit ("CGU").
- Accounting for the acquisition of Vedasil Brasil, including the valuation of intangible assets.
- Carrying value of provisions, particularly property related provisions and warranty provisions.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Goodwill and intangible assets impairment assessment Refer to page 47 (Audit Committee report), page 90 (significant accounting policies) and page 91 (notes).</p> <p>There is £254.4 million of goodwill and £101.3 million of intangibles on the balance sheet, predominantly arising from past acquisitions. The Group operates in the building products market and therefore future results are impacted by fluctuations in the housing market and wider economy.</p> <p>We focused on these balances because the determination of whether or not an impairment charge was necessary involved significant judgements about the future results of the business.</p> <p>In particular, we focused on the estimated value in use calculations of the Schlegel International Cash Generating Unit (“CGU”) (£14.3 million goodwill and £1.5 million intangibles) for which there is limited headroom as a result of it having a high degree of exposure to European markets, where the housing market and wider economic environment continues to be difficult. The Schlegel International CGU has not met budget for the last two years, predominantly due to market factors.</p> <p>The value in use calculation to support the carrying value of goodwill and intangibles in the Schlegel International CGU includes the impact of some anticipated improvement in European housing markets and realisation of the benefits of investment made by the Group over the last two years in consolidating the manufacturing footprint and strengthening the management structure.</p> <p>The group’s other CGUs ERA, Amesbury, and Truth operate in the United Kingdom or United States markets which have experienced positive growth and each have headroom greater than 47 per cent of the CGU carrying value.</p>	<p>For all CGUs, including Schlegel International, we evaluated the Directors’ future cash flow forecasts and tested the underlying value in use calculations. We agreed the Directors’ forecast to the latest Board approved strategic plan. We also compared historic actual results to those budgeted to assess the quality of management’s forecasting. Based on this testing we considered the forecasts to be balanced.</p> <p>The key assumptions in the calculations were growth in revenue and EBITDA margins. In assessing these assumptions we considered external construction industry outlook reports and economic growth forecasts from a variety of sources, as these are the main drivers of building product sales. Where management’s growth assumptions were in excess of these external forecasts, we evaluated managements rationale, being the benefit of restructuring completed and investment made over the last two years and consider the forecasts to have been prepared on a supportable basis.</p> <p>We also challenged:</p> <ul style="list-style-type: none"> the Directors’ assumption in respect of the long term growth rates in the forecasts by comparing them to long term average growth rates of the economies in the relevant territories; and the discount rate by assessing the cost of capital for the company and comparable organisations. <p>We were satisfied that these assumptions were appropriate.</p> <p>Sensitivity analysis was also performed in respect of the key assumptions where we flexed the key assumptions within a reasonable range, and determined at what level this would eliminate the headroom in the model. The Schlegel International CGU was the only CGU which was highly sensitive to changes in the assumptions, as outlined in the disclosure in note 10. We are satisfied the disclosures in note 10 highlight the limited headroom and the sensitivity of Schlegel International to changes in key assumptions.</p>
<p>Accounting for the acquisition of Vedasil Brasil Refer to page 48 (Audit Committee report), page 110 (significant accounting policies) and page 111 (notes).</p> <p>The Group acquired Vedasil Brasil (“Vedasil”) on 26 February 2014 for consideration of £6.6 million. Vedasil manufactures, purchases and supplies pile weather seals in Brazil, and the acquisition provides the Group with local manufacturing facilities in this market.</p> <p>Accounting standards require that all acquired assets and liabilities are recorded at their fair values on acquisition. In the Vedasil acquisition, the identification and subsequent valuation of intangible assets, in particular the customer relationships intangible asset (£3.8 million), required significant judgement in estimating the life of customer relationships, forecast revenue and profit, and customer attrition rates.</p>	<p>We evaluated the nature of the intangible assets acquired as part of the Vedasil acquisition, considering the rationale for the acquisition and nature of the business. The only material intangible asset identified was the customer relationship intangible.</p> <p>We tested the methodology and assumptions used by the Directors in valuing this asset. We evaluated the cash flow forecasts used by challenging key assumptions, which included the length of the life of the relationships, the forecast revenue and profit over this period, and the customer attrition rate. These assumptions were compared to historic experience with previous acquisitions of businesses in similar industries.</p> <p>We were satisfied that the value of the intangible asset identified was supportable, and the assumptions used in valuing the intangible were reasonable.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TYMAN PLC CONTINUED

Area of focus

How our audit addressed the area of focus

Carrying value of provisions

Refer to [page 47](#) (Audit Committee report), [page 104](#) (significant accounting policies) and [page 105](#) (notes).

The Group holds a number of provisions which are inherently judgemental, including:

Property related provisions (£5.4 million)

The Group has been built up through acquisition and has consolidated manufacturing and warehouse facilities as functions have been integrated post-acquisition. Consequently there are a number of manufacturing and warehouse sites which are no longer used. Provisions have therefore been made in relation to onerous leases. In addition, a number of leasehold properties require the Group to reinstate them to their original state of repair, for which provisions have been made. We focused on these because there is inherent judgement in assessing the likelihood a disused property could be sub-let within the lease term and in assessing the cost of repairs at the end of a lease term.

Warranty provisions (£2.0 million)

The provision is based on the estimated costs of warranty claims on products sold. We focused on this provision as the estimation and timing of costs in respect of future warranty claims requires judgement, and, as such, there is a risk that the provision may be understated.

Property related provisions

Onerous lease provisions are based on the residual lease period and contractual lease payments, discounted for the time value of money. Our approach to onerous lease provision calculations included agreeing remaining rental costs to lease agreements and assessing the reasonableness of discount rates applied in light of the Groups cost of capital. We were satisfied the onerous lease provisions were made on a reasonable basis.

The Group has implemented a rolling programme of obtaining updated external valuations for costs of reinstating leasehold properties to their original state of repair. We reviewed available external valuation reports, assessed the competence of the valuer, and agreed the estimate by the expert to management's calculation. Where no external valuations were available, we considered the reasonableness of the items included in the calculation, being the estimated removal costs of equipment, and repair costs considering the relative size and complexity of work across sites. We also compared the provisions made by management in prior years to the external valuations to assess the accuracy of management's estimations, noting that there was no significant difference between management's previous estimate and the external valuation.

Based on the work performed, we were satisfied that the property related provisions had been made on a reasonable basis.

Warranty provisions

We tested the accuracy of management's calculation of forecast claims, which contain a general element based on percentage of claims relative to production levels, and specific elements for known warranty issues, and compared the level of historic warranty claims to that forecast. Based on the work performed, we were satisfied that the provision was made on a reasonable basis.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group is structured along three business lines being AmesburyTruth, Schlegel International, and ERA. The Group financial statements are a consolidation of the 69 reporting units for the group's operating businesses, which map into the three business lines and centralised functions, which include head office functions and consolidation units.

Of the Group's 69 reporting units, we identified eight which, in our view, required an audit of their complete financial information, due to their size. The units were based in the United Kingdom ("UK") and United States ("US"). Specific audit procedures on certain balances and transactions were performed at a further six reporting units, as while overall the units were not financially significant, certain transactions and balances were material or considered to be higher risk, including provisions, borrowings, cash, and interest expense. PwC Brazil also undertook specific procedures on a small reporting unit, Vedasil, in line with our plan of rotating visits to different financially insignificant units to incorporate unpredictability and provide comfort over the units not subject to audit of their complete financial information. This was selected on the basis that it was new to the Group and in a remote location.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each of the reporting units either by us, as the Group engagement team, or the US and Brazil PwC network firms operating under our instruction. Where work was performed by the US firm, the UK engagement leader visited the US component team, and participated in the US component clearance meetings. We held regular phone calls with the US team and obtained formal reporting. The US engagement leader participated in the Group Audit Committee meeting. We concluded sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Our scoping provided coverage of 66 per cent of Group revenue and 62 per cent of Group underlying operating profit. We considered the quantitative and qualitative characteristics of the remaining reporting units which comprise a large number of small units in which we consider the risk of material misstatement to the Group to be low. Together with additional procedures performed at the Group level on balances such as goodwill and intangible assets and taxation, this gave us the evidence we needed for our opinion on the Group financial statements as a whole.



Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£2 million (2013: £1.5 million).
How we determined it	Approximately 5 per cent of underlying operating profit before tax.
Rationale for benchmark applied	Underlying operating profit before tax is the key measure used internally by management in assessing the performance of the Group, and is the measure disclosed as a key performance indicator in the annual report. This measure provides us with a consistent year on year basis for determining materiality and eliminates the impact of non-recurring items. Underlying operating profit excludes net finance costs, exceptional items, amortisation of acquired intangible assets, and impairment of acquired intangible assets and goodwill. In 2013, we determined materiality based on 0.5 per cent of revenue as a result of fluctuating profit levels year on year. This has been re-evaluated in the current year in light of changes in the profitability of the business. Had the equivalent basis been applied for the 2013 audit, the resulting materiality would have been £1.6 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (2013: £75,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on [page 45](#), in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> the statement given by the Directors on page 45, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> the section of the Annual Report on page 46, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report arising from this responsibility.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TYMAN PLC CONTINUED

Adequacy of 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. 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.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate governance statement relating to the Parent Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on [page 45](#), 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, 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.

Other matter

We have reported separately on the Parent Company financial statements of Tyman plc for the year ended 31 December 2014 and on the information in the Directors' remuneration report that is described as having been audited.

Simon O'Brien (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

10 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	3	350,899	298,054
Cost of sales	3	(236,129)	(198,758)
Gross profit		114,770	99,296
Administrative expenses		(95,833)	(94,985)
Operating profit		18,937	4,311
Analysed as:			
Underlying ¹ operating profit	3	46,077	32,348
Exceptional items	6	(5,556)	(10,903)
Amortisation of acquired intangible assets	10.3	(17,814)	(16,605)
Impairment of acquired intangible assets	10.3	(359)	(529)
Impairment of acquired goodwill	10.2	(3,411)	–
Operating profit		18,937	4,311
Finance income	7	454	137
Finance costs	7	(7,487)	(4,925)
Exceptional foreign exchange gain	7	–	1,271
Net finance costs	7	(7,033)	(3,517)
Profit before taxation		11,904	794
Income tax (charge)/credit	8	(2,573)	162
Profit for the year		9,331	956
Basic earnings per share	9	5.56p	0.63p
Diluted earnings per share	9	5.50p	0.62p
Non-GAAP measure			
Basic earnings per share	9	18.61p	13.71p
Diluted earnings per share	9	18.40p	13.51p
Underlying ¹ profit before taxation	9	41,629	28,586

1 Before amortisation of acquired intangible assets, deferred tax on amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs, accelerated amortisation of borrowing costs and the associated tax effect.

The notes on [pages 79 to 115](#) are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the year		9,331	956
Other comprehensive (expense)/income:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations	20	(1,081)	2,300
Total items that will not be reclassified to profit or loss		(1,081)	2,300
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on retranslation of foreign operations		11,719	(10,566)
Effective portion of changes in value of cash flow hedges	17	518	(163)
Total items that may be reclassified subsequently to profit or loss		12,237	(10,729)
Other comprehensive income/(expense) for the year, net of tax		11,156	(8,429)
Total comprehensive income/(expense) for the year		20,487	(7,473)

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in [note 8](#).

The notes on [pages 79 to 115](#) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Other reserves ¹ £'000	Treasury reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	6,864	101	8,920	(8,161)	(605)	24,321	216,449	247,889
Total comprehensive (expense)/income	–	–	–	–	(163)	(10,566)	3,256	(7,473)
Profit for the year	–	–	–	–	–	–	956	956
Other comprehensive (expense)/income	–	–	–	–	(163)	(10,566)	2,300	(8,429)
Transactions with owners	1,641	63,155	–	3,314	–	–	(5,586)	62,524
Issue of shares	1,641	69,390	–	–	–	–	–	71,031
Share-based payments ²	–	–	–	–	–	–	1,453	1,453
Dividends paid	–	–	–	–	–	–	(7,039)	(7,039)
Sale of treasury shares	–	(6,235)	–	6,235	–	–	–	–
Purchase of own shares for employee benefit trust	–	–	–	(2,921)	–	–	–	(2,921)
At 31 December 2013	8,505	63,256	8,920	(4,847)	(768)	13,755	214,119	302,940
Total comprehensive income	–	–	–	–	518	11,719	8,250	20,487
Profit for the year	–	–	–	–	–	–	9,331	9,331
Other comprehensive income/(expense)	–	–	–	–	518	11,719	(1,081)	11,156
Transactions with owners	–	–	–	105	–	–	(14,516)	(14,411)
Share-based payments ²	–	–	–	–	–	–	852	852
Dividends paid	–	–	–	–	–	–	(10,926)	(10,926)
Issue of own shares by employee benefit trust	–	–	–	4,442	–	–	(4,442)	–
Purchase of own shares for employee benefit trust	–	–	–	(4,337)	–	–	–	(4,337)
At 31 December 2014	8,505	63,256	8,920	(4,742)	(250)	25,474	207,853	309,016

1 Other reserves are non-distributable capital reserves which arose on previous acquisitions.

2 Share-based payments include a deferred tax debit of £51,000 (2013: deferred tax credit £772,000).

The notes on [pages 79 to 115](#) are an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Goodwill	10.2	254,375	244,740
Intangible assets	10.3	101,290	109,595
Property, plant and equipment	11	42,854	39,869
Deferred tax assets	8.3	15,028	12,102
		413,547	406,306
Current assets			
Inventories	12	47,579	40,668
Trade and other receivables	13	36,708	34,555
Cash and cash equivalents	14	39,332	43,607
Derivative financial instruments	17	355	–
Current tax assets		–	162
		123,974	118,992
TOTAL ASSETS		537,521	525,298
LIABILITIES			
Current liabilities			
Trade and other payables	15	(45,563)	(51,393)
Current tax liabilities		(1,113)	–
Borrowings	16	–	(6,834)
Provisions	19	(5,597)	(2,463)
		(52,273)	(60,690)
Non-current liabilities			
Borrowings	16	(128,017)	(115,464)
Derivative financial instruments	17	(250)	(767)
Deferred tax liabilities	8.3	(30,115)	(29,292)
Retirement benefit obligations	20	(9,742)	(7,478)
Provisions	19	(6,597)	(7,100)
Other payables	15	(1,511)	(1,567)
		(176,232)	(161,668)
TOTAL LIABILITIES		(228,505)	(222,358)
NET ASSETS		309,016	302,940
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	8,505	8,505
Share premium	22	63,256	63,256
Other reserves		8,920	8,920
Treasury reserve		(4,742)	(4,847)
Hedging reserve		(250)	(768)
Translation reserve		25,474	13,755
Retained earnings		207,853	214,119
TOTAL EQUITY		309,016	302,940

The notes on pages 79 to 115 are an integral part of these consolidated financial statements.

The financial statements on pages 75 to 78 were approved by the Board on 10 March 2015 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Tyman plc
Company number: 02806007



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flow from operating activities			
Profit before taxation		11,904	794
Adjustments	25	41,207	28,802
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Inventories		(4,922)	759
Trade and other receivables		(818)	1,275
Trade and other payables		(5,156)	10,363
Provisions utilised		(1,141)	(2,232)
Pension contributions		(1,012)	(909)
Income tax paid		(6,257)	(6,209)
Net cash generated from operations		33,805	32,643
Cash flow from investing activities			
Purchases of property, plant and equipment	11	(9,342)	(7,359)
Purchases of intangible assets	10.3	(2,122)	(1,286)
Proceeds on disposal of property, plant and equipment		1,265	559
Acquisition of subsidiary undertakings, net of cash acquired	21	(6,535)	(131,244)
Interest received		101	150
Net cash used in investing activities		(16,633)	(139,180)
Cash flows from financing activities			
Interest paid		(4,696)	(2,740)
Dividends paid	24	(10,926)	(7,039)
Purchase of own shares for employee benefit trust		(4,337)	(2,921)
Proceeds from issuance of ordinary shares	22	-	71,031
Proceeds from borrowings		63,922	65,738
Repayments of borrowings		(126,642)	(8,059)
Refinancing costs paid		(2,280)	(1,510)
Proceeds from drawdown of revolving credit facility		91,665	2,642
Repayment of revolving credit facility		(29,578)	(2,552)
Net cash (used in)/generated from financing activities		(22,872)	114,590
Net (decrease)/increase in cash and cash equivalents			
Exchange gains/(losses) on cash and cash equivalents		1,425	(303)
Cash and cash equivalents at the beginning of the year	14	43,607	35,857
Cash and cash equivalents at the end of the year	14	39,332	43,607

The notes on [pages 79 to 115](#) are an integral part of these consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. General information

Tyman plc ("the Company") and its subsidiaries (together, "the Group") is a leading international manufacturer and supplier of components to the door and window industry. The Group has 22 manufacturing sites in eight countries along with a further six sourcing and distribution sites across the Americas, Europe, Asia and Australasia with its products being found in homes and buildings worldwide.

The Company is a public limited company listed on the London Stock Exchange. The Company is incorporated and domiciled in England and Wales. The address of its registered office is 29 Queen Anne's Gate, London, SW1H 9BU .

2. Accounting policies and basis of preparation

The accounting policies in this section relate to the financial statements in their entirety. Accounting policies, including critical accounting judgements and estimates used in the preparation of the financial statements, that relate to a particular note, are described in the specific note to which it relates.

2.1 Basis of preparation

The consolidated financial statements of Tyman plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are principally prepared on the basis of historic cost. Where other bases are applied, these are identified in the relevant accounting policy.

The 2013 consolidated balance sheet has been restated for fair value adjustments to the net assets acquired with acquisitions in 2013 (see [note 21](#)).

2.2 Going concern

Refer to the Corporate governance report on [page 45](#) for narrative of the Board's review of going concern.

2.3 Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any affected future periods.

The areas representing the critical judgements made by management in the preparation of the Group's financial statements are listed below and in more detail in the related notes:

- Carrying amount of goodwill and intangible assets ([note 10](#)).
- Carrying amount of inventories ([note 12](#)).
- Carrying amount of trade receivables ([note 13](#)).
- Provisions ([note 19](#)).
- Business combinations ([note 21](#)).

The areas involving key assumptions concerning the future and other key sources of estimation uncertainty that are significant to the financial statements are listed below and in more detail in the related notes:

- Deferred tax assets ([note 8](#)).
- Defined benefit pension and post-retirement benefit schemes ([note 20](#)).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies and basis of preparation continued

2.4 Changes in accounting policy and disclosures

2.4.1 New, revised and amended EU endorsed accounting standards

The table below represents new or amended EU endorsed accounting standards relevant to the Group's results that are effective in 2014 and are considered to have an immaterial impact on the Group's consolidated financial statements.

Accounting standard	Requirement
IFRS 10 Consolidated financial statements	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Additional guidance assists in the determination of control where this is difficult to assess.
IFRS 11 Joint arrangements	The standard focuses on the rights and obligations of the parties to the arrangement rather than its legal form.
IFRS 12 Disclosures of interest in other entities	This standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
IAS 32 Financial Instruments: Presentation	The amendment clarifies that the right to set off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency and bankruptcy. The amendment also considers settlement mechanisms.
IAS 36 Impairment of assets	The amendments require disclosure regarding the measurement of the recoverable amount of impaired non-financial assets. This amendment removed certain disclosures of the recoverable amount of Cash Generating Units which had been included in IAS 36 by the issue of IFRS 13.
IAS 39 Financial Instruments: Recognition and Measurement	The amendment considers the legislative changes to "over-the-counter" derivatives and the establishment of central counterparties. The amendment provides relief from discontinuing hedge accounting when novation of a hedge instrument meets specified criteria.
IFRIC 21 Levies	IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out what the obligating event is that gives rise to a levy and when a liability should be recognised.

2.4.2 New, revised and amended accounting standards currently EU endorsed but not yet effective

A number of new, revised and amended accounting standards and interpretations are currently endorsed but are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have material impact on the consolidated financial statements of the Group.

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

2.5 Consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2.6 Foreign exchange

2.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in British Pounds, which is the functional currency of the Company and the presentation currency of the Group.

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. These are recognised directly in equity, other than the ineffective element, until the disposal of the net investment, at which time they are recognised in the income statement.

2.6.3 Group companies

On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into British Pounds at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into British Pounds at the average rates throughout the year.

Exchange differences arising on the translation of opening net assets of Group companies, together with differences arising from the translation of the net results at average or actual rates to the exchange rate prevailing at the balance sheet date, are taken to other comprehensive income. On disposal of a foreign entity, the cumulative translation differences recognised in other comprehensive income relating to that particular foreign operation are recognised in the income statement as part of the gain or loss on disposal.



3. Segment reporting

3.1 Accounting policy

3.1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and when the amount of revenue can be reliably measured. Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods have been substantially transferred to the buyer, usually on dispatch of the goods.

3.1.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, defined as the Board of Directors, are responsible for allocating resources and assessing performance of the operating segments.

3.2 Segment information

The reporting segments reflect the manner in which performance is evaluated and resources allocated. The Group operates through three clearly defined Divisions, namely: AmesburyTruth, ERA and Schlegel International. Each Division is headed up by a Divisional CEO and management team, and each reporting to the Board via the CEO and CFO on a regular basis. Accordingly, the Board has concluded that the most appropriate segmental analysis for stakeholders is that of the three reporting Divisions with an allocation of Group central overheads made to each Division.

From January 2014, our North American businesses have been managed as a single functional organisation with an integrated management team. The Truth and Amesbury operating segments have therefore been combined from the start of 2014 and are no longer included in the segmental analysis as distinct operating segments.

Each reporting segment broadly represents the Group's geographical focus, being the North American, the United Kingdom and International operations respectively. The Schlegel International segment includes Schlegel Building Products, the Group's UK-based manufacturer of pile weatherstrip and extrusions. In the opinion of the Board, there is no material difference between the Group's operating segments and segments based on geographical splits. Accordingly, the Board does not consider geographically defined segments to be reportable.

The following tables present Group revenue and profit information for the Group's product segments, which have been generated using the Group accounting policies, with no differences of measurement applied, other than those noted above.

3.2.1 Revenue

	2014 £'000	2013 £'000
AmesburyTruth	220,689	175,252
ERA	92,406	86,047
Schlegel International	37,804	36,755
Total revenue	350,899	298,054

Included within the Schlegel International segment is revenue attributable to the United Kingdom of £5,751,000 (2013: £6,401,000).

No revenue from any single customer exceeds 10 per cent of total revenue from continuing operations.

3.2.2 Result

	Note	2014 £'000	2013 £'000
AmesburyTruth		33,168	22,250
ERA		13,739	10,496
Schlegel International		(830)	(398)
Underlying operating profit		46,077	32,348
Exceptional items	6	(5,556)	(10,903)
Amortisation of acquired intangible assets	10.3	(17,814)	(16,605)
Impairment of acquired intangible assets	10.3	(359)	(529)
Impairment of acquired goodwill	10.2	(3,411)	–
Operating profit		18,937	4,311
Net finance costs	7	(7,033)	(3,517)
Profit before taxation		11,904	794



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Segment reporting continued

3.2.3 Operating profit disclosures

	Cost of goods sold		Depreciation	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
AmesburyTruth	(153,256)	(119,332)	(5,376)	(4,143)
ERA	(60,199)	(55,966)	(1,394)	(1,374)
Schlegel International	(22,674)	(23,460)	(906)	(820)
Total	(236,129)	(198,758)	(7,676)	(6,337)

3.2.4 Segment assets and liabilities

	AmesburyTruth £'000	ERA £'000	Schlegel International £'000	Total Group £'000
At 31 December 2014				
Segment assets				
Total segment assets	371,980	125,115	39,308	536,403
Unallocated assets				1,118
Consolidated total assets				537,521
Segment liabilities				
Total segment liabilities	(59,433)	(27,035)	(10,441)	(96,909)
Unallocated liabilities ¹				(131,596)
Consolidated total liabilities				(228,505)
Non-current assets²	294,623	80,025	23,871	398,519
Other segment information				
Retirement benefit obligations	(9,742)	–	–	(9,742)
Goodwill	178,947	61,909	13,519	254,375
Intangible assets	83,446	13,427	4,417	101,290
Capital expenditure				
Property, plant and equipment	6,993	1,543	806	9,342
Intangible assets	1,747	352	23	2,122
At 31 December 2013				
Segment assets				
Total segment assets	357,529	117,310	37,479	512,318
Unallocated assets				12,980
Consolidated total assets				525,298
Segment liabilities				
Total segment liabilities	(61,064)	(28,068)	(7,422)	(96,554)
Unallocated liabilities ¹				(125,804)
Consolidated total liabilities				(222,358)
Non-current assets²	287,633	83,197	23,374	394,204
Other segment information				
Retirement benefit obligations	(7,478)	–	–	(7,478)
Goodwill	167,797	61,910	15,033	244,740
Intangible assets	90,464	16,708	2,423	109,595
Capital expenditure				
Property, plant and equipment	5,470	1,271	618	7,359
Intangible assets	969	233	84	1,286

1 Included within unallocated segment liabilities are borrowings of £127,990,000 (2013: £122,253,000), provisions of £1,200,000 (2013: £1,200,000) and other liabilities of £2,406,000 (2013: £2,351,000).

2 Non-current assets exclude amounts relating to deferred tax assets.

Non-current assets of the Schlegel International segment include £3,593,000 (2013: £3,650,000) attributable to the United Kingdom.



4. Operating profit

Operating profit is stated after (charging)/crediting the following:

	Note	2014 £'000	2013 £'000
Depreciation of property, plant and equipment	11	(7,676)	(6,337)
Amortisation of intangible assets	10.3	(18,151)	(16,605)
Impairment of intangible assets	10.3	(386)	(529)
Impairment of acquired goodwill	10.2	(3,411)	–
Operating lease rentals		(4,955)	(4,632)
Foreign exchange gain		14	120

Analysis of auditors' remuneration:

	2014 £'000	2013 £'000
Audit of Parent Company and consolidated financial statements	(100)	(97)
Audit of subsidiaries	(425)	(403)
Total audit	(525)	(500)
Audit-related assurance services	(25)	(27)
Other assurance services	(59)	(700)
Total assurance services	(609)	(1,227)
Tax compliance services	(23)	(24)
Tax advisory services	(14)	–
Total tax services	(37)	(24)
Corporate finance services	–	(873)
Other non-audit services	–	(22)
Total non-audit services	(121)	(1,646)
Total fees	(646)	(2,146)

5. Employees and employee costs

5.1 Accounting policy

5.1.1 Wages and salaries

Wages and salaries are recognised in the income statement as the employees' services are rendered.

5.1.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

5.1.3 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Employees and employee costs continued

5.2 Number of employees

The average monthly number of employees, including Directors, of the Group during the financial year was:

	2014	2013
Administration	270	252
Operations	2,417	1,866
Sales	210	199
	2,897	2,317

The number of employees, including Directors, of the Group as at 31 December was:

	2014	2013
Administration	276	276
Operations	2,437	2,226
Sales	220	221
	2,933	2,723

5.3 Employment costs

Employment costs of employees, including Directors' remuneration, during the year were as follows:

	Note	2014 £'000	2013 £'000
Wages and salaries		(87,819)	(74,049)
Social security costs		(7,583)	(7,052)
Share-based payments	23	(903)	(681)
Pension costs – defined benefit schemes	20	(433)	(583)
Pension costs – defined contribution schemes		(2,339)	(1,153)
Other post-retirement benefits – defined benefit schemes	20	(215)	(221)
		(99,292)	(83,739)

Full details of Directors' remuneration are set out in the Remuneration report on [pages 50 and 64](#).

6. Exceptional items

6.1 Accounting policy

Where certain income or expense items recorded in the period are material by their size or incidence, the Group presents such items as exceptional within a separate line on the income statement, except for those exceptional items that relate to net finance costs and tax. Separate presentation provides an improved understanding of the elements of financial performance during the year so as to facilitate comparison with prior periods and to assess trends in financial performance.

Exceptional items include one-off redundancy and restructuring costs, and transactions costs associated with merger and acquisition activity.

6.2 Exceptional items

	2014 £'000	2013 £'000
Redundancy and restructuring costs	(4,236)	(1,763)
Inventory obsolescence alignment	–	(887)
M&A and integration costs	(1,718)	(5,949)
Write-off of inventory fair value adjustment	–	(2,304)
Gain on property disposal	398	–
	(5,556)	(10,903)

Redundancy, restructuring, inventory obsolescence alignment and warranty costs

Redundancy and restructuring costs principally concern the closures of the manufacturing facilities in Belgium (Gistel) and the US (Covington, Georgia).

Costs of £3,106,000 incurred in respect of the Gistel closure include tangible asset writedowns of £694,000, and redundancy costs and impairment of property and other assets of £2,412,000.

Costs of £562,000 incurred in respect of the Covington closure principally relate to an onerous lease provision made during the year.



The remaining £568,000 comprises costs incurred across various entities as part of redundancy and restructuring programmes, primarily in Schlegel International.

M&A and integration costs

M&A costs of £436,000 reflect directly attributable transaction costs and expenses incurred in connection with the acquisition of Vedasil Brasil (note 21.2) together with other M&A activity in the year.

Integration costs comprise £1,112,000 in relation to the ongoing integration of AmesburyTruth and £170,000 in relation to the integration of Vedasil. These costs predominantly relate to office closures, relocation, and redundancy costs.

The costs in 2013 primarily related to the transaction costs and expenses directly attributable to the acquisition of Truth Hardware (note 21.3) and associated integration costs.

Write-off of inventory fair value adjustment

The £2,304,000 charge for the year ended 31 December 2013 relates to the one-off write off of the acquisition fair value adjustment to the book value of inventories acquired in the Truth acquisition (note 21.3).

Gain on property disposal

The gain on property disposal relates to the disposal of surplus freehold property in Sioux Falls, South Dakota, in February 2014, for a net cash consideration of US\$1,770,000 (£1,074,000), realising a net profit on disposal of US\$656,000 (£398,000).

7. Finance income and costs

	Note	2014 £'000	2013 £'000
Finance income			
Interest income from short term bank deposits		99	137
Gain on revaluation of fair value hedge	17	355	–
		454	137
Finance costs			
Interest payable on bank loans and overdrafts		(4,601)	(3,494)
Amortisation of borrowing costs		(1,260)	(997)
Accelerated amortisation of borrowing costs		(1,283)	–
Unwinding of discount on provisions	19	(42)	(29)
Pension interest costs	20	(301)	(405)
		(7,487)	(4,925)
Exceptional foreign exchange gain		–	1,271
Net finance costs		(7,033)	(3,517)

8. Taxation

8.1 Accounting policy

Income tax (charge)/credit comprises current tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity; in which case it is recognised in other comprehensive income or directly in equity.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax liabilities are recognised if it arises from the initial recognition of:

- goodwill;
- an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. Taxation continued

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same tax entity or different taxable entities where there is an intention to settle the balances on a net basis.

8.1.1 Key source of estimation uncertainty: Deferred tax assets

Estimation is required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where deductible temporary differences exist, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates.

8.2 Taxation – income statement and other comprehensive income

8.2.1 Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current taxation:		
Current tax on profit for the year	(8,385)	(4,162)
Adjustments in respect of prior years	800	373
Exceptional adjustments in respect of prior years	1,700	–
Total current taxation	(5,885)	(3,789)
Deferred taxation:		
Origination and reversal of temporary differences	3,404	2,273
Adjustment due to deferred tax rate change	–	1,455
Adjustments in respect of prior years	(92)	223
Total deferred taxation	3,312	3,951
Income tax (charge)/credit in the income statement	(2,573)	162
Tax credit/(charge) relating to components of other comprehensive income:		
Deferred tax credit/(charge) on actuarial gains and losses	982	(1,313)
Deferred tax (charge)/credit on share-based payments	(51)	772
Income tax credit/(charge) in the statement of other comprehensive income	931	(541)
Total current taxation	(5,885)	(3,789)
Total deferred taxation	4,243	3,410
Total taxation	(1,642)	(379)

The standard rate of corporation tax in the UK changed from 23 per cent to 21 per cent with effect from 1 April 2014. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 21.50 per cent (2013: 23.25 per cent). A tax rate of 20 per cent from 1 April 2015 was substantively enacted on 2 July 2013. This reduction in the UK corporation tax rate is likely to lead to a further reduction in the future UK current tax charge.

The Group's UK deferred tax assets and liabilities have been remeasured at a rate of 20 per cent, being the rate applicable during the period the deferred tax assets and liabilities are expected to be utilised.

Taxation for other jurisdictions is calculated at rates prevailing in those respective jurisdictions.



8.2.2 Reconciliation of the total tax (charge)/credit

The tax assessed for the year differs from the standard rate of tax in the UK of 21.50 per cent (2013: 23.25 per cent). The differences are explained below:

	2014 £'000	2013 £'000
Profit before taxation	11,904	794
Rate of corporation tax in the UK of 21.50% (2013: 23.25%)	(2,559)	(185)
Effects of:		
Expenses not deductible for tax purposes	(650)	(43)
Overseas tax rate differences	(1,772)	(1,661)
Adjustment due to deferred tax rate change	–	1,455
Adjustments in respect of prior years	2,408	596
Income tax (charge)/credit in the income statement	(2,573)	162

8.3 Taxation – balance sheet

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014 £'000	2013 £'000
Deferred tax assets	15,028	12,102
Deferred tax liabilities	(30,115)	(29,292)
Deferred tax liabilities (net)	(15,087)	(17,190)

The net movement in deferred tax is as follows:

	Note	2014 £'000	2013 £'000
At 1 January		(17,190)	(1,992)
Acquisition of subsidiary	<u>21</u>	(1,288)	(20,074)
Income statement credit		3,312	3,951
Tax credit/(charge) relating to components of other comprehensive income		931	(541)
Exchange difference		(852)	1,466
At 31 December		(15,087)	(17,190)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation £'000	Post-retirement benefit provisions £'000	Purchased goodwill £'000	Other timing differences £'000	Total £'000
Deferred tax assets					
At 1 January 2013	101	3,830	4,721	1,122	9,774
Reclassification to deferred tax liabilities	–	–	3,822	638	4,460
Income statement (charge)/credit	(70)	42	(2,299)	872	(1,455)
Tax (charge)/credit relating to components of other comprehensive income	–	(1,313)	–	772	(541)
Exchange difference	17	(11)	(23)	(119)	(136)
At 31 December 2013	48	2,548	6,221	3,285	12,102
Reclassification to deferred tax liabilities	(9)	–	–	2,146	2,137
Reclassification between deferred tax categories	22	33	(458)	403	–
Income statement credit/(charge)	438	(6)	(494)	(674)	(736)
Tax credit/(charge) relating to components of other comprehensive income	–	982	–	(51)	931
Exchange difference	(26)	218	205	197	594
At 31 December 2014	473	3,775	5,474	5,306	15,028



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. Taxation continued

	Accelerated tax depreciation £'000	Intangible assets on acquisition £'000	Other timing differences £'000	Total £'000
Deferred tax liabilities				
At 1 January 2013	(2,007)	(9,741)	(18)	(11,766)
Reclassification between deferred tax categories	–	(656)	656	–
Reclassification from deferred tax assets	–	(3,822)	(638)	(4,460)
Acquisition of subsidiary	–	(19,897)	(177)	(20,074)
Income statement (charge)/credit	(821)	6,227	–	5,406
Exchange difference	82	1,507	13	1,602
At 31 December 2013	(2,746)	(26,382)	(164)	(29,292)
Reclassification from deferred tax assets	9	–	(2,146)	(2,137)
Reclassification between deferred tax categories	(898)	(1,013)	1,911	–
Acquisition of subsidiary	–	(1,288)	–	(1,288)
Income statement (charge)/credit	(150)	4,607	(409)	4,048
Exchange difference	(233)	(1,200)	(13)	(1,446)
At 31 December 2014	(4,018)	(25,276)	(821)	(30,115)

8.3.1 Factors that may affect future tax charges

The estimated tax losses within the Group are as follows:

	2014 £'000	2013 £'000
Capital losses	3,992	4,581
Trading losses	16,578	11,543
	20,570	16,124

As the future use of these losses is uncertain, in accordance with the Group's accounting policy, only a portion of these losses have been recognised as a deferred tax asset. The amounts of deferred tax not recognised are as follows:

	2014 £'000	2013 £'000
Capital losses	(798)	(916)
Trading losses	(3,780)	(1,542)
	(4,578)	(2,458)

No deferred tax liability is recognised on temporary differences of £53,800,000 (2013: £49,300,000) relating to the unremitted earnings of overseas subsidiaries. As a result of UK legislation, which largely exempts from UK tax the overseas dividends received, the temporary differences arising on unremitted profits are unlikely to lead to additional UK corporate taxes. Furthermore, although the remittance to the UK of those earnings could still result in a tax liability, arising as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate, such jurisdictions provide currently for zero dividend withholding tax in their tax agreements with the UK.

9. Earnings per share

9.1 Non-GAAP measure accounting policy

The Directors believe that the "underlying" profit and earnings per share measures provide additional useful information to shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally. The underlying profit before tax measure is not recognised under IFRS and may not be comparable with "underlying" profit measures used by other companies.

The adjustments made to reported profit before tax is to derive underlying profit before taxation exclude the following:

- Exceptional items – these are largely one-off in nature and therefore create volatility in reported earnings.
- Amortisation of borrowing costs, accelerated amortisation of borrowing costs, amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and unwinding of discount on provisions. These are non-cash in nature and the events giving rise to them are expected to be infrequent.



9.2 Earnings per share

	2014 £'000	2013 £'000
Profit for the year	9,331	956
Basic earnings per share	5.56p	0.63p
Diluted earnings per share	5.50p	0.62p

Basic earnings amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

9.2.1 Weighted average number of shares

The weighted average number of shares was:

	2014 '000	2013 '000
Weighted average number of shares (including treasury shares)	170,104	157,337
Treasury and Employee Benefit Trust shares	(2,276)	(4,492)
Weighted average number of shares – basic	167,828	152,845
Effect of dilutive potential ordinary shares – LTIP awards and options	1,896	2,229
Weighted average number of shares – diluted	169,724	155,074

9.2.2 Non-GAAP measure: Underlying earnings per share

The Group presents an underlying earnings per share measure which excludes the impact of exceptional items, certain non-cash finance costs, amortisation of acquired intangible assets, impairment of acquired intangible assets and certain non-recurring items. Underlying earnings per share has been based on underlying earnings for each financial year and on the same weighted average number of shares in issue as the earnings per share calculation.

Underlying profit after taxation is derived as follows:

	Note	2014 £'000	2013 £'000
Profit before taxation		11,904	794
Exceptional items	6	5,556	10,903
Exceptional foreign exchange gain	7	–	(1,271)
Amortisation of borrowing costs	7	1,260	997
Accelerated amortisation of borrowing costs	7	1,283	–
Unwinding of discount on provisions	7	42	29
Amortisation of acquired intangible assets	10.3	17,814	16,605
Impairment of acquired intangible assets	10.3	359	529
Impairment of acquired goodwill	10.2	3,411	–
Underlying profit before taxation		41,629	28,586
Income tax (charge)/credit	8	(2,573)	162
Add back: Adjustment due to deferred tax rate change	8	–	(1,455)
Add back: Adjustment due to exceptional prior year adjustments	8	(1,700)	–
Add back: Tax effect of exceptional items, exceptional foreign exchange gain, amortisation of borrowing costs, accelerated amortisation of borrowing costs, amortisation of acquired intangible assets, impairment of acquired intangible assets and unwinding of discount on provisions		(6,132)	(6,345)
Underlying profit after taxation		31,224	20,948

Underlying earnings per share is summarised as follows:

	2014	2013
Basic earnings per share	18.61p	13.71p
Diluted earnings per share	18.40p	13.51p



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Goodwill and intangible assets

10.1 Accounting policy

10.1.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

10.1.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment. On acquisition of businesses by the Group, the Group recognises any separately identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value.

Purchased intangible assets acquired through a business combination, including purchased brands, customer relationships, trademarks and licences, are initially measured at fair value and amortised on a straight-line basis over their estimated useful economic lives as follows:

- Acquired brands – 5 to 20 years.
- Customer relationships – 9 to 15 years.
- Internally developed computer software – 10 years.
- Purchased computer software – 3 to 4 years.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised when the intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives of acquired intangible assets are reviewed whenever events or circumstances indicate that there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset. Any amendments to the estimated useful lives of intangible assets are recorded as a change in estimate in the period the change occurred.

10.1.3 Impairment of goodwill and intangible assets

Intangible assets, including goodwill, that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Goodwill previously impaired cannot be reversed at a later date.

10.1.4 Critical accounting estimates and judgements: Carrying amount of goodwill and intangibles

As at 31 December 2014, the Group had goodwill of £254,375,000 with intangible assets amounting in total to £101,290,000. An impairment review using a value in use calculation has been performed for each CGU. There is significant judgement involved in determining appropriate assumptions to use in the calculations, including the forecasted cash flows of each CGU and appropriate discount rates relative to the Company's cost of capital. These assumptions have been subjected to sensitivity analyses. Details of estimates used and sensitivities in the impairment reviews are set out in this note.



10.2 Carrying amount of goodwill

	Note	£'000
Cost and net carrying value		
At 1 January 2013		184,896
Acquisition of subsidiary	21.3	68,873
Exchange difference		(9,029)
At 31 December 2013 (restated)		244,740
Impairment charge for the year		(3,411)
Acquisition of subsidiary	21.2	2,782
Exchange difference		10,264
At 31 December 2014		254,375

Goodwill is monitored principally on an operating segment basis and the net book value of goodwill is allocated by CGU as follows:

	2014 £'000	2013 £'000
Amesbury	112,622	104,397
Truth Hardware	66,325	63,400
AmesburyTruth	178,947	167,797
ERA	61,909	61,910
Schlegel International	13,519	15,033
	254,375	244,740

10.2.1 Impairment tests for goodwill

Assumptions

The recoverable amounts of CGUs are determined from value in use calculations. Value in use is determined by discounting the future pre-tax cash flows generated from the continuing use of the CGU, using a pre-tax discount rate.

Cash flow projections are derived from financial plans approved by the Board and cover a five year period. They reflect management's expectations of revenue growth, operating cost and margin for each CGU based on past experience. Cash flows after the five year forecast period were extrapolated using a long term growth rate of 1.50 per cent in order to calculate the terminal recoverable amount.

Discount rates are estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk profiles of the CGUs.

The key assumptions used in the value in use calculations in each of the Group's CGUs at 31 December 2014 are as follows:

	Average pre-tax discount rate		Average revenue growth for years one to five	
	2014	2013	2014	2013
Amesbury	13.3%	14.1%	4.8%	12.5%
Truth Hardware	13.2%	13.7%	6.8%	4.5%
ERA	9.4%	10.2%	6.0%	6.0%
Schlegel International	12.7%	12.6%	5.9%	10.0%

Impairment review results: 2014

The closure of the Belgium Industrial Products operations has given rise to a £3,411,000 impairment of goodwill, previously forming part of the Schlegel International CGU. Impairment of goodwill is included in administrative expenses in the income statement.

A review of the carrying amount of goodwill and intangibles assets across the Group has been carried out at year end in light of current trading conditions and future prospects. The annual impairment review did not result in any further impairment losses being recognised in the 2014 year.

Whilst economic conditions in European markets continue to be challenging, the carrying amounts of goodwill and intangible assets in Schlegel International are considered to be sustainable based on current projections. If markets continue to deteriorate, this could give a further impairment charge at a future date.

Impairment review results: 2013

No impairment arose from the impairment review process in 2013.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Goodwill and intangible assets continued

Sensitivity of assumptions

A sensitivity analysis was conducted on the basis of lowering the forecast EBITDA margin, the assumption the model was most sensitive to, by a constant percentage each year from year one onwards in perpetuity until the excess of value in use over the carrying amount of the CGU's assets was reduced to zero. The EBITDA margin would need to be lower by 1.54 percentage points for each year from year one onwards in perpetuity before any impairment would arise in respect of the CGU with the lowest impairment headroom. Given the strengthened management structure and significant investment made in this CGU, it is considered unlikely that such a sustained deterioration in EBITDA margins will occur.

10.3 Carrying amount of intangible assets

	Note	Computer software £'000	Acquired brands £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2013		1,910	29,514	121,213	152,637
Additions		1,178	108	–	1,286
Acquisition of subsidiary	21.3	56	15,108	41,419	56,583
Exchange difference		(217)	(1,649)	(5,200)	(7,066)
At 31 December 2013		2,927	43,081	157,432	203,440
Additions		2,112	10	–	2,122
Transfers to property, plant and equipment	11	(301)	–	–	(301)
Acquisition of subsidiary	21.2	8	14	3,778	3,800
Exchange difference		276	1,670	6,699	8,645
At 31 December 2014		5,022	44,775	167,909	217,706
Accumulated amortisation					
At 1 January 2013		(347)	(17,055)	(61,401)	(78,803)
Amortisation charge for the year		(262)	(3,293)	(13,050)	(16,605)
Impairment charge for the year		–	–	(529)	(529)
Exchange difference		117	460	1,515	2,092
At 31 December 2013		(492)	(19,888)	(73,465)	(93,845)
Amortisation charge for the year		(337)	(3,653)	(14,161)	(18,151)
Impairment charge for the year		(27)	(173)	(186)	(386)
Exchange difference		(90)	(889)	(3,055)	(4,034)
At 31 December 2014		(946)	(24,603)	(90,867)	(116,416)
Net book value					
At 1 January 2013		1,563	12,459	59,812	73,834
At 31 December 2013		2,435	23,193	83,967	109,595
At 31 December 2014		4,076	20,172	77,042	101,290

The amortisation charge for the year comprises £17,814,000 relating to amortisation of acquired intangible assets and £337,000 relating to amortisation of other intangible assets.

The charge for the year has been included in administrative expenses in the income statement.

10.3.1 Impairment of intangible assets

2014 Impairment charge

The closure of the Belgian Industrial Products operations (part of the Schlegel International Division) has given rise to a £359,000 impairment of acquired intangible assets and a £27,000 impairment of computer software in 2014.

2013 Impairment charge

The impairment charge on customer relations of £529,000 relates to intangibles acquired as part of the Unique acquisition in 2012. The impairment was necessitated by the transfer and integration of the Unique business and assets to the Group's Statesville facility (part of the AmesburyTruth Division).



11. Property, plant and equipment

11.1 Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation is provided on all other property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, at the following annual rates:

- Freehold buildings – 2 per cent to 5 per cent.
- Plant and machinery – 7.5 per cent to 33 per cent.

The carrying amounts of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying amount may not be recoverable. The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

11.2 Carrying amount of property, plant and equipment

	Note	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2013		15,603	59,326	74,929
Additions		144	7,215	7,359
Disposals		(593)	(3,257)	(3,850)
Transfers between fixed asset type		66	(66)	–
Acquisition of subsidiary (restated)	21.3	4,338	6,605	10,943
Exchange difference		(459)	(6,059)	(6,518)
At 31 December 2013 (restated)		19,099	63,764	82,863
Additions		59	9,283	9,342
Disposals		(828)	(10,604)	(11,432)
Transfers from intangible assets	10.3	–	301	301
Acquisition of subsidiary	21.2	–	514	514
Exchange difference		590	4,342	4,932
At 31 December 2014		18,920	67,600	86,520
Accumulated amortisation				
At 1 January 2013		(4,044)	(41,100)	(45,144)
Depreciation charge for the year		(617)	(5,720)	(6,337)
Disposals		264	2,985	3,249
Exchange difference		42	5,196	5,238
At 31 December 2013		(4,355)	(38,639)	(42,994)
Depreciation charge for the year		(684)	(6,992)	(7,676)
Disposals		339	10,018	10,357
Exchange difference		(97)	(3,256)	(3,353)
At 31 December 2014		(4,797)	(38,869)	(43,666)
Net book value				
At 1 January 2013		11,559	18,226	29,785
At 31 December 2013		14,744	25,125	39,869
At 31 December 2014		14,123	28,731	42,854

Depreciation of £7,676,000 (2013: £6,337,000) is included in administrative expenses in the income statement.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Inventories

12.1 Accounting policy

Inventories are valued at the lower of cost and net realisable value. Cost is determined in accordance with the first-in, first-out method. Cost includes the cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, a provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated saleability.

12.1.1 Critical accounting estimates and judgements: Carrying amount of inventories

The carrying amounts of inventories are stated with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value and provisions for slow-moving and obsolete inventory which is based on current assessments of future demand, market conditions and new product development initiatives.

12.2 Carrying amount of inventories

	2014 £'000	2013 £'000
Raw materials and consumables	15,189	14,921
Work in progress	3,189	2,987
Finished goods	29,201	22,760
	47,579	40,668

The cost of materials charged to the income statement during the year was £153,616,000 (2013: £134,958,000).

Inventories are stated net of an allowance for excess, obsolete or slow-moving items of £6,217,000 (2013: £6,294,000).

An impairment charge of £741,000 (2013: £1,077,000) was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the Group (2013: £Nil).

13. Trade and other receivables

13.1 Accounting policy

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets; otherwise they are presented as non-current assets.

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts (provision for impairment).

13.1.1 Critical accounting estimates and judgements: Carrying amount of trade receivables

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write downs required which is based on current assessments of the creditworthiness of current customers.

13.2 Carrying amount of trade and other receivables

	2014 £'000	2013 (restated) £'000
Trade receivables	33,645	32,012
Less: Provision for impairment of trade receivables	(2,179)	(2,139)
Trade receivables – net	31,466	29,873
Other receivables – net	2,025	1,571
Prepayments and accrued income	3,217	3,111
	36,708	34,555



All trade and other receivables are current. The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.

The ageing of net trade receivables is as follows:

	Within normal payment terms		Past due		
	Fully performing £'000	Not fully performing £'000	Within three months £'000	Three to twelve months £'000	Over twelve months £'000
At 31 December 2014					
Trade receivables	29,123	34	1,932	278	99
At 31 December 2013					
Trade receivables	24,546	–	5,282	45	–

All of the Group's trade and other receivables have been reviewed for impairment at 31 December 2014. Net trade receivables of £2,309,000 (2013: £5,327,000) were past due but not impaired. These relate to customers for whom there is no recent history of default. Trade receivables of £2,179,000 (2013: £2,139,000) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic circumstances.

Movement in the provision for impairment of trade receivables is as follows:

	2014 £'000	2013 £'000
At 1 January	(2,139)	(1,855)
Provision for receivables impairment	(646)	(555)
Receivables written off during the year as uncollectible	493	208
Unused amounts reversed	321	175
Acquisition of subsidiary	(200)	(142)
Exchange difference	(8)	30
At 31 December	(2,179)	(2,139)

The creation of provision for impairment of trade receivables is included in administrative expenses in the income statement.

Ageing of impaired trade receivables is as follows:

	2014 £'000	2013 £'000
Trade receivables within normal terms not fully performing	(192)	(1,493)
Trade receivables past due date and aged up to three months from invoice date	(1,092)	(453)
Trade receivables past due date and aged between three and twelve months after invoice date	(328)	(193)
Trade receivables past due date and aged beyond twelve months after invoice date	(567)	–
	(2,179)	(2,139)

The carrying amount of trade and other receivables are denominated in the following currencies:

	2014 £'000	2013 (restated) £'000
British Pounds	13,051	12,618
US Dollars	17,907	16,630
Euros	2,806	3,391
Other currencies	2,944	1,916
	36,708	34,555



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Cash and cash equivalents

14.1 Accounting policy

In the consolidated statement of cash flows and balance sheet, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

14.2 Carrying amount of cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank and in hand	54,165	58,430
Short term deposits	134	2,369
Bank overdrafts	(14,967)	(17,192)
Cash and cash equivalents	39,332	43,607

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	2014 £'000	2013 £'000
British Pounds	11,089	13,989
US Dollars	21,089	23,648
Euros	2,923	3,026
Other currencies	4,231	2,944
	39,332	43,607

15. Trade and other payables

15.1 Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

15.2 Carrying amount of trade and other payables

	2014 £'000	2013 (restated) £'000
Trade payables	(26,758)	(31,235)
Other taxes and social security costs	(2,295)	(1,146)
Accruals and deferred income	(18,021)	(20,579)
	(47,074)	(52,960)
Analysed as:		
Current liabilities	(45,563)	(51,393)
Non-current liabilities	(1,511)	(1,567)
	(47,074)	(52,960)

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

The carrying amount of trade and other payables are denominated in the following currencies:

	2014 £'000	2013 (restated) £'000
British Pounds	(17,012)	(18,068)
US Dollars	(24,765)	(28,539)
Euros	(2,706)	(4,117)
Other currencies	(2,591)	(2,236)
	(47,074)	(52,960)



16. Interest-bearing loans and borrowings

16.1 Accounting policy

Interest-bearing loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans and borrowings are subsequently carried at amortised cost using the effective interest method.

16.2 Carrying amount of interest bearing loans and borrowings

	2014 £'000	2013 £'000
Unsecured borrowing at amortised cost		
Bank borrowings	(65,603)	(124,509)
Senior Notes	(64,379)	–
Capitalised borrowing costs	1,993	2,256
	(127,989)	(122,253)
Secured borrowing at amortised cost		
Bank borrowings	(28)	(45)
	(128,017)	(122,298)
Analysed as:		
Current liabilities	–	(6,834)
Non-current liabilities	(128,017)	(115,464)
	(128,017)	(122,298)

There were no defaults in interest payments in the year under the terms of the existing loan agreements.

The carrying amount of interest bearing loans and borrowings are denominated in the following currencies:

	2014 £'000	2013 £'000
British Pounds	(33,610)	(21,247)
US Dollars	(94,407)	(101,051)
	(128,017)	(122,298)

16.2.1 Bank borrowings

On 10 June 2014, the Group entered into a new banking facility of up to £240,000,000, comprising a £180,000,000 committed multi-currency revolving credit facility and a £60,000,000 uncommitted accordion facility. On completion of the new facility, the September 2011 facility was repaid in full and cancelled. The new banking facility extends to 10 June 2019, is unsecured and guaranteed by Tyman plc and its principal subsidiary undertakings.

The proceeds from the private debt placement (see 16.2.2) were used to repay and cancel the 2013 US\$100,000,000 acquisition facility put in place in order to acquire Truth Hardware (note 21.3).

The Group has the following undrawn committed multi-currency revolving credit facility:

	2014 £'000	2013 £'000
Floating rate		
Expiring beyond 12 months	(114,742)	(29,674)

16.2.2 Private placement notes

On 19 November 2014, the Group completed the issuance of a debut private debt placement with US financial institutions totalling US\$100,000,000.

The debt placement is unsecured and comprises US\$55,000,000 debt with a seven year maturity at a coupon of 4.97 per cent and US\$45,000,000 with a 10 year maturity at a coupon of 5.37 per cent.

The debt placement successfully accomplishes the Group's objectives of diversifying its sources of debt finance along with extending the tenor of its overall facilities.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. Derivative financial instruments

17.1 Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

For those instruments designated as hedges, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement.

17.1.1 Fair value hedges

Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

17.1.2 Cash flow hedges

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

17.1.3 Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

17.2 Carrying amount of derivative financial instruments

	2014		2013	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward exchange contracts – fair value hedges	355	–	–	–
Interest rate swaps – cash flow hedges	–	(250)	–	(767)
Total	355	(250)	–	(767)
Less: non-current portion				
Interest rate swaps – cash flow hedges	–	(250)	–	(767)
Non-current portion	–	(250)	–	(767)
Current portion	355	–	–	–



17.2.1 Fair value hedges

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 were £5,973,000 (2013: £Nil).

During the year a gain of £355,000 (2013: £Nil) was recognised in the income statement for the changes in value of the fair value hedges.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

17.2.2 Cash flow hedges

The notional principal amounts of the outstanding interest rate swap at 31 December 2014 were £46,501,000 (2013: £51,100,000).

During the year a profit of £518,000 (2013: loss of £163,000) was recognised in the statement of comprehensive income and £Nil (2013: £Nil) in the income statement for the ineffective portion of changes in the value of cash flow hedges.

Details of the interest rate swaps are as follows:

	Notional amount '000	Fixed interest rate paid	Floating interest rate received	Fair value '000
At 31 December 2014				
British Pound swaps	£16,500	1.2075 %	0.6609 %	£(97)
US Dollar swaps	\$46,600	1.1357 %	0.3373 %	\$(238)
At 31 December 2013				
British Pound swaps	£18,800	1.1682 %	0.6266 %	£(277)
US Dollar swaps	\$53,200	1.0950 %	0.4573 %	\$(809)

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the balance sheet.

Refer to [note 18.4](#) for the fair value measurement methodology.

17.2.3 Net investment hedges

The Group uses foreign currency denominated debt to hedge the value of its foreign currency denominated net assets due to movements in foreign exchange rates. At 31 December 2014, the value of the net investment hedge was £94,380,000 (2013: £101,007,000). This hedge is considered highly effective and no ineffective portion has been recognised in the income statement.

18. Financial risk management and financial instruments

18.1 Accounting policy

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

18.1.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" ([note 13](#)) and "cash and cash equivalents" ([note 14](#)) in the balance sheet.

18.1.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise "trade and other payables" ([note 15](#)), and "interest-bearing loans and borrowings" ([note 16](#)).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Financial risk management and financial instruments continued

18.2 Financial instruments: by category

Assets as per balance sheet:

	2014 £'000	2013 £'000
Loans and receivables		
Trade and other receivables ¹	31,466	29,873
Cash and cash equivalents	39,332	43,607
Derivative financial instruments	355	–
Total	71,153	73,480

Liabilities as per balance sheet:

	31 December 2014			31 December 2013		
	Derivatives used for hedging £'000	Other financial liabilities at amortised cost £'000	Total £'000	Derivatives used for hedging £'000	Other financial liabilities at amortised cost (restated) £'000	Total (restated) £'000
Borrowings ²	–	(130,010)	(130,010)	–	(124,554)	(124,554)
Derivative financial instruments	(250)	–	(250)	(767)	–	(767)
Trade and other payables ³	–	(44,779)	(44,779)	–	(51,814)	(51,814)
Total	(250)	(174,789)	(175,039)	(767)	(176,368)	(177,135)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £1,993,000 (2013: £2,256,000).

3 Excludes non-financial liabilities.

18.3 Financial instruments: risk profile

18.3.1 Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents (note 14), interest-bearing loans and borrowings (note 16) and equity attributable to the shareholders of the parent as disclosed in the consolidated statement of changes in equity.

18.3.2 Financial management

The Group's principal financial instruments comprise bank loans, private debt and cash and short term deposits. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations. No trading in financial instruments is undertaken.

The Board reviews and agrees policies for managing each financial instrument risk and they are summarised below.

18.3.3 Liquidity and credit risk

The Group maintains sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow.

The Group manages liquidity risk by the pooling of cash resources and depositing funds available for investment in approved financial instruments with financial institutions. Counterparty risk with respect to cash and cash equivalents is managed by only investing in banks and financial instruments with independently assessed credit ratings of at least A-2 as published by Standard and Poor's. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance of these counterparties.

Credit risk is also attributable to the Group's exposure to trade receivables due from customers. Management assesses the credit quality of customers taking into account their financial position, past experience and other factors. In order to mitigate credit risk the Group utilises credit insurance in those areas of its operations where such insurance is available. In areas where such insurance is not available, management monitors the utilisation of credit limits by customers, identified either individually or by group, and incorporates this information in credit risk controls. There are no significant concentrations of credit risk due to the diverse nature of the Group's client base.

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. Management considers all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

During the year ended 31 December 2014 the Group operated within its borrowing facilities.



The table below analyses the present value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Not later than one year £'000	Later than one year but not later than two years £'000	Later than two years but not later than five years £'000	Over five years £'000	Total £'000
Borrowings ¹	–	–	(65,631)	(64,379)	(130,010)
Derivative financial instruments	–	(109)	–	(141)	(250)
Trade and other payables ²	(43,268)	(1,511)	–	–	(44,779)
At 31 December 2014	(43,268)	(1,620)	(65,631)	(64,520)	(175,039)
Borrowings ¹	(8,134)	(68,777)	(47,643)	–	(124,554)
Derivative financial instruments	–	–	(402)	(365)	(767)
Trade and other payables ² (restated)	(50,247)	(1,567)	–	–	(51,814)
At 31 December 2013	(58,381)	(70,344)	(48,045)	(365)	(177,135)

1 Excludes capitalised borrowing costs of £1,993,000 (2013: £2,256,000).

2 Excludes non-financial liabilities.

18.3.4 Interest rate risk

The interest rate profile of the Group's borrowings as at 31 December 2014 was as follows:

	Floating rate borrowings ¹ £'000	Fixed rate borrowings £'000	Total £'000
At 31 December 2014			
British Pounds	(35,603)	–	(35,603)
US Dollars	(30,028)	(64,379)	(94,407)
Total	(65,631)	(64,379)	(130,010)
At 31 December 2013			
British Pounds	(23,503)	–	(23,503)
US Dollars	(101,051)	–	(101,051)
Total	(124,554)	–	(124,554)

1 Excludes capitalised borrowing costs of £1,993,000 (2013: £2,256,000).

The interest rate on the floating bank loans are linked to LIBOR. The Group has used interest rate swaps to fix the cost of a proportion of these floating rate borrowings.

	Floating rate borrowings ¹ £'000	Covered by swaps £'000	Swap fixed rate %
At 31 December 2014			
British Pounds	(35,603)	(16,500)	1.2075%
US Dollars	(30,028)	(30,001)	1.1357%
Total	(65,631)	(46,501)	
At 31 December 2013			
British Pounds	(23,503)	(18,800)	1.1682%
US Dollars	(101,051)	(32,262)	1.0950%
Total	(124,554)	(51,062)	

1 Excludes capitalised borrowing costs of £1,993,000 (2013: £2,256,000).

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a c. £500,000 (2013: £500,000) impact on profits. This impact would be reduced by the tax effect on such a change.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Financial risk management and financial instruments continued

Interest rate risk of financial assets

The Board periodically reviews any exposure the Group may have to interest rate fluctuations. The weighted average interest rate received on deposited funds was 0.3 per cent during the year (2013: 0.3 per cent).

18.3.5 Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group's functional currency and net investments in overseas entities.

The Group has a number of overseas subsidiaries, whose net assets are subject to currency translation risk. The Group borrows in local currencies as appropriate to minimise the impact of this risk on the balance sheet.

Foreign currency exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into British Pounds at the closing rate are as follows:

	British Pounds £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2014					
Financial assets					
Trade and other receivables ¹	11,637	15,132	2,305	2,392	31,466
Cash and cash equivalents	11,089	21,089	2,923	4,231	39,332
Derivatives used for hedging	–	239	–	116	355
Total	22,726	36,460	5,228	6,739	71,153
Financial liabilities					
Borrowings ²	(35,603)	(94,407)	–	–	(130,010)
Derivative financial instruments	(97)	(153)	–	–	(250)
Trade and other payables ³	(15,468)	(24,594)	(2,532)	(2,185)	(44,779)
Total	(51,168)	(119,154)	(2,532)	(2,185)	(175,039)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(1,035)	843	(86)	(278)
10% decrease in functional currency		1,002	(456)	94	640
Potential impact on other comprehensive income – (loss)/gain					
10% increase in functional currency		5,002	(196)	(115)	4,691
10% decrease in functional currency		(5,690)	229	124	(5,337)



	British Pounds £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2013					
Financial assets					
Trade and other receivables ¹	11,097	14,632	2,739	1,405	29,873
Cash and cash equivalents	13,989	23,648	3,026	2,944	43,607
	25,086	38,280	5,765	4,349	73,480
Financial liabilities					
Borrowings ²	(23,503)	(101,051)	–	–	(124,554)
Derivative financial instruments	(277)	(490)	–	–	(767)
Trade and other payables ³ (restated)	(17,198)	(28,505)	(4,017)	(2,094)	(51,814)
	(40,978)	(130,046)	(4,017)	(2,094)	(177,135)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(911)	212	(117)	(816)
10% decrease in functional currency		1,114	(259)	143	998
Potential impact on other comprehensive income – (loss)/gain					
10% increase in functional currency		(537)	(144)	(214)	(895)
10% decrease in functional currency		656	176	261	1,093

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £1,993,000 (2013: £2,256,000).

3 Excludes non-financial liabilities.

The movements in exchange rates are considered to be indicative of the historic average movements in exchange rates.

18.3.6 Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and benefits to stakeholders. The Group defines its capital as total equity plus net debt.

In maintaining the capital structure, the Group may adjust the amount paid as dividends to shareholders, issue new shares or dispose of assets to reduce debt.

The Group monitors its financial capacity by reference to financial covenant ratios, including leverage and interest cover. If the Group fails to meet its key financial ratios required by its lenders, this could impact the Group's average interest rate of borrowings and the future availability of credit to the Group.

The Group is in compliance with its financial covenants within its committed bank credit facilities, and has been in compliance throughout the financial year.

	Note	2014 £'000	2013 £'000
Total borrowings ¹		130,010	124,554
Less: Cash and cash equivalents	14	(39,332)	(43,607)
		90,678	80,947
Total equity		309,016	302,940
Total capital		399,694	383,887

1 Excludes capitalised borrowing costs of £1,993,000 (2013: £2,256,000).



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Financial risk management and financial instruments continued

18.4 Fair value estimation

The Group's derivative financial instrument used for hedging is measured at fair value. The Group uses the following hierarchy for measuring fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

Derivatives shown at fair value in the balance sheet have been valued by reference to level 2 techniques described above.

There were no transfers between levels during the year.

18.4.1 Valuation techniques used to derive level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives. The fair value of the derivative financial instruments at 31 December 2014 is a net asset of £105,000 (2013: net liability of £767,000).

There were no changes in valuation techniques during the year.

18.4.2 Group's valuation process

The Group has a team that performs the valuations of financial assets required for financial reporting purposes. This team reports to the Chief Financial Officer and the Audit Committee.

18.4.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

	2014 £'000	2013 £'000
Non-current	(129,272)	(116,421)
Current	–	(7,300)
	(129,272)	(123,721)

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables.
- Cash and cash equivalents.
- Trade and other payables.

19. Provisions

19.1 Accounting policy

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised in the income statement within net finance costs. Provisions are not recognised for future operating losses.

19.1.1 Critical accounting estimates and judgements: Carrying amount of provisions

Provisions, by their nature, are uncertain and highly judgemental. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date based on the nature of the provisions, the potential outcomes, any developments relating to specific claims, and previous experience.



19.2 Carrying amounts of provisions

	Note	Property related £'000	Restructuring £'000	Warranty £'000	Other £'000	Total £'000
At 1 January 2013		(6,468)	(14)	(1,836)	(1,651)	(9,969)
Acquisition of subsidiary (Charged)/Credited to the income statement	21.3	–	–	(1,292)	(393)	(1,685)
– Additional provision in the year		(69)	(613)	(718)	(200)	(1,600)
– Unused amounts reversed		322	–	127	650	1,099
Utilised in the year		649	262	1,321	–	2,232
Unwinding of discount		(29)	–	–	–	(29)
Reclassification to other payables		–	–	256	–	256
Exchange difference		(1)	20	68	46	133
At 31 December 2013 (restated)		(5,596)	(345)	(2,074)	(1,548)	(9,563)
Acquisition of subsidiary (Charged)/Credited to the income statement	21.2	–	–	(76)	(151)	(227)
– Additional provision in the year		(392)	(3,074)	(196)	–	(3,662)
– Unused amounts reversed		–	16	157	–	173
Utilised in the year		685	27	234	195	1,141
Unwinding of discount		(42)	–	–	–	(42)
Exchange difference		(12)	72	(70)	(4)	(14)
At 31 December 2014		(5,357)	(3,304)	(2,025)	(1,508)	(12,194)

Analysed as:

	2014 £'000	2013 (restated) £'000
Current liabilities	(5,597)	(2,463)
Non-current liabilities	(6,597)	(7,100)
	(12,194)	(9,563)

Current liabilities are those aspects of provisions that are expected to be utilised within the next 12 months.

19.2.1 Property related

Property provisions include provisions for onerous leases of £3,951,000 (2013: £4,210,000) and leasehold dilapidations of £1,406,000 (2013 restated: £1,386,000). Property provisions are expected to be utilised by 2018.

For onerous leases, the Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and any likely sub-lease income on a property-by-property basis. The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in [note 27](#).

The provision for leasehold dilapidations relates to contractual obligations to reinstate leasehold properties to their original state of repair.

The transfer of economic benefits will occur at the end of the leases set out in [note 27](#).

19.2.2 Restructuring

Restructuring provisions include provisions for employee redundancy costs at restructured business units and are expected to be utilised by 2016.

19.2.3 Warranty

Warranty provisions are calculated based on historical experience of the ultimate cost of settling product warranty claims and potential claims. Warranty provisions are expected to be utilised by 2017.

19.2.4 Other

Other provisions relate to the tax consequences of international intragroup transactions for which the fiscal authorities may be expected to adopt opposing treatments in respect of revenue and cost recognition. Other provisions are expected to be utilised by 2016.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Retirement benefit obligations

20.1 Accounting policy

The Group operates both defined contribution and defined benefit pension plans and post-employment medical plans.

20.1.1 Pension obligations

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group recognises contributions as an employee benefit expense when they are due and has no further payment obligations once the contributions have been paid. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. Prepaid contributions are recognised as an asset to the extent that a cash refund in the future is available.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit an employee will receive on retirement. This amount is usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

20.1.2 Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

20.1.3 Key source of estimation uncertainty: Defined benefit pension and post-retirement benefit schemes

The defined benefit obligations are calculated using a number of assumptions including future salary increases, increases to pension benefits, mortality rates and, in the case of post-employment medical benefits, the expected rate of increase in medical costs. The plan assets consist largely of listed securities and their fair values are subject to fluctuation in response to changes in market conditions. Effects of changes in the actuarial assumptions underlying the benefit obligation, effects of changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the plan assets are classified as actuarial gains and losses and are recognised directly in equity. Further actuarial gains and losses will be recognised during the next financial year. An analysis of the assumptions that will be used by management to determine the cost of defined benefit plans that will be recognised in the income statement in the next financial year is presented in this note.

20.2 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held externally to the Group in separate trustee administered funds. The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due. The Group had no unpaid pension contributions included within employee benefit liabilities (2013: £Nil).



20.3 Defined benefit pension schemes and post-employment medical benefit schemes

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	2014 £'000	2013 £'000
Balance sheet obligation for:		
Defined pension benefits	(6,495)	(3,564)
Post-retirement medical benefits	(3,247)	(3,914)
Net liability on the balance sheet	(9,742)	(7,478)
Income statement charge for¹:		
Defined pension benefits	(433)	(583)
Post-retirement medical benefits	(215)	(221)
	(648)	(804)
Remeasurements for:		
Defined pension benefits	(3,020)	3,252
Post-retirement medical benefits	958	361
	(2,062)	3,613

¹ The income statement charge is included within profit before taxation includes current service cost, interest cost and past service costs.

The Group's principal defined benefit pension scheme and post-employment medical benefit scheme are operated in the United States. The defined benefit schemes provide benefits to members in the form of guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

For US plans, pensions in payment do not receive inflationary increases. The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in the US, as is the nature of the relationship between the Group and the trustees and their composition.

Responsibility for governance of the plans, including investment and contribution schedules, lies jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Company and plan participants in accordance with the plan's regulations.

The current service cost, past service costs and expenses relating to the administration of the defined benefit schemes are included in the income statement within administrative expenses. Net expense is included within net finance income and costs.

Actuarial gains and losses from participant experience, changes in demographic assumptions, changes in financial assumptions and net return on plan assets are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

20.3.1 Balance sheet disclosures

Amounts recognised on the balance sheet are as follows:

	2014 £'000	2013 £'000
Present value of funded obligations	(24,944)	(21,090)
Fair value of plan assets	15,202	13,612
Net liability on the balance sheet	(9,742)	(7,478)



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Retirement benefit obligations continued

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligations £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2013	(24,159)	12,929	(11,230)
Current service cost	(298)	–	(298)
Interest (expense)/income	(910)	505	(405)
Administrative expenses	–	(101)	(101)
	(1,208)	404	(804)
Remeasurements:			
Return on plan assets, excluding amounts included in interest income	–	521	521
Loss from change in demographic assumptions	(57)	–	(57)
Gain from change in financial assumptions	2,780	–	2,780
Experience gain	369	–	369
	3,092	521	3,613
Exchange difference	342	(308)	34
Contributions:			
Employers	–	909	909
Plan participants	(57)	57	–
Payments from plans:			
Benefit payments	900	(900)	–
At 31 December 2013	(21,090)	13,612	(7,478)
Current service cost	(233)	–	(233)
Interest (expense)/income	(958)	657	(301)
Administrative expenses	–	(114)	(114)
	(1,191)	543	(648)
Remeasurements:			
Return on plan assets, excluding amounts included in interest income	–	11	11
Loss from change in demographic assumptions	(997)	–	(997)
Loss from change in financial assumptions	(1,326)	–	(1,326)
Experience gain	249	–	249
	(2,074)	11	(2,063)
Exchange difference	(1,447)	882	(565)
Contributions:			
Employers	–	1,012	1,012
Plan participants	(49)	49	–
Payments from plans:			
Benefit payments	907	(907)	–
At 31 December 2014	(24,944)	15,202	(9,742)

Plan assets comprise the following asset classes:

	2014 £'000	%	2013 £'000	%
Equity instruments	3,697	24.3%	3,318	24.4%
Large US Equity	2,243		1,996	
Small/Mid US Equity	550		483	
International Equity	904		839	
Balanced/Asset Allocation	738	4.9%	682	5.0%
Fixed Income	10,767	70.8%	9,612	70.6%
Total	15,202	100.0%	13,612	100.0%



Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The US plans hold a significant proportion of fixed income investments, comprising a mixture of government and corporate bonds, and provides an acceptable level of investment risk to better match liabilities. The Group believes that given the long term nature of plan liabilities, and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plans efficiently. Equities are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancies	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The significant actuarial assumptions were as follows:

	2014	2013
Discount rate	3.8%	4.5%
Inflation	2.3%	2.3%
Salary growth rate	n/a	n/a
Pension growth rate	0.0%	0.0%
Health care cost trend ¹	7.0% to 4.5%	7.0% to 4.5%

¹ The level of healthcare contributions are capped and adopting a higher trend rate does not materially affect the liability.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each jurisdiction. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2014	2013
Retiring at the end of the reporting year		
Male	21.3	19.6
Female	22.9	21.5
Retiring in 20 years after the end of the reporting year		
Male	22.6	19.6
Female	24.1	21.5

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.20%	Increase by 3.40%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methodology has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous year.

The pension scheme is closed to new entrants; as a result the service costs to the Group will rise in future years. The expected level of contributions to the defined benefit pension scheme and post-employment medical benefits in the year to December 2015 is £1,128,000.

The weighted average duration of the defined benefit obligation is 13.1 years.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Retirement benefit obligations continued

The expected maturity analysis of undiscounted post-employment pension and medical benefits are as follows:

	No later than one year £'000	Between one to two years £'000	Between two to five years £'000	Later than five years £'000	Total £'000
Defined pension benefits	876	921	3,032	5,929	10,758
Post-retirement medical benefits	219	219	644	1,049	2,131
Total	1,095	1,140	3,676	6,978	12,889

20.3.2 Amounts recognised in the consolidated income statement

The amounts recognised in the consolidated income statement are as follows:

	2014 £'000	2013 £'000
Current service cost	(233)	(298)
Expected administrative expense	(114)	(101)
Net interest expense	(301)	(405)
	(648)	(804)

Of the total charge £347,000 (2013: £399,000) and £301,000 (2013: £405,000) were included in administrative expenses and finance costs respectively.

20.3.3 Amounts recognised in the consolidated statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2014 £'000	2013 £'000
Net return on plan assets	11	521
Loss from change in demographic assumptions	(997)	(57)
(Loss)/gain from change in financial assumptions	(1,326)	2,780
Experience gain	249	369
	(2,063)	3,613

A deferred tax credit of £982,000 (2013: deferred tax charge £1,313,000) has been recognised in other comprehensive income in respect of remeasurements of the defined benefit obligation.

21. Business combinations

21.1 Accounting policy

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 10.2). If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

21.1.1 Critical accounting estimates and judgements: Acquisition accounting

IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to separately identify intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets include purchased brands and customer relationships. There is judgement involved in estimating fair value, particularly in relation to identifiable intangible assets, which requires the Directors to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate.



21.2 Acquisition of Vedasil Brasil

On 26 February 2014, the Group acquired 100 per cent of the issued share capital of Vedasil Brasil ("Vedasil"), the market leader in the manufacture and supply of pile weatherseals in Brazil. Vedasil manufactures and supplies polypropylene extruded seals under the Eco-PDM brand and other seal and screen components to the Brazilian door and window market. This acquisition provides the Group with a market leading position and local manufacture in Brazil.

Recognised amounts of identifiable assets acquired and liabilities assumed:

	£'000
Intangible assets	3,800
Property, plant and equipment	514
Inventories	496
Trade and other receivables	903
Cash and cash equivalents	20
Trade and other payables	(408)
Current tax liabilities	(37)
Deferred tax liabilities	(1,288)
Provisions	(227)
Total identifiable net assets	3,773
Goodwill arising on acquisition	2,782
Total consideration	6,555

Satisfied by:

	£'000
Cash	6,555
Net cash flow arising on acquisition:	£'000
Cash consideration	6,555
Less: cash and cash equivalents acquired	(20)
	6,535

The fair value of financial assets includes trade receivables with a fair value of £866,000 and a gross contractual value of £1,066,000. The best estimate at the acquisition date of the contractual cash flows not recoverable is £200,000.

The Group incurred acquisition-related costs of £138,000 for professional fees paid and legal advice. These costs have been included in exceptional costs in the Group's consolidated income statement ([note 6](#)).

Revenue included in the consolidated income statement since 26 February 2014 contributed by Vedasil was £4,702,000. Vedasil also contributed £1,246,000 to the profit before taxation over the same period.

Had the acquisition of Vedasil been completed on the first day of the financial year, an additional £1,041,000 of revenue and £379,000 of profit before taxation would have been contributed to the Group.

Fair values remain provisional in relation to this acquisition and the Group will complete this review by early 2015. Any adjustment to the carrying amount is unlikely to be significant to the individual acquisition. The fair values of identifiable intangible assets recognised at acquisition include customer relations of £3,778,000 and other intangible assets of £22,000. No value was ascribed to the Vedasil brand which was withdrawn shortly after the completion of the acquisition.

Goodwill arising on acquisition is attributable to the expected profitability of the acquired business arising from:

- savings and benefits, including shorter supply chains, associated with the enhanced local manufacturing capability;
- acquired market and technical production process knowledge; and
- the market growth potential and opportunities to develop the Schlegel International business across Southern and Latin America.

The estimated value of intangibles, including goodwill, deductible for tax purposes is £Nil.

21.3 Acquisition of Truth Hardware

On 3 July 2013, the Group acquired 100 per cent of the issued share capital of Truth Hardware. At 31 December 2013, the fair values in relation to this acquisition were provisional. The Group has completed its review and the fair value adjustments below relate to adjustments between the provisional fair values at 31 December 2013 and final fair values at 2 July 2014.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Business combinations continued

At 2 July 2014, the recognised amounts of identifiable assets acquired and liabilities assumed were as follows:

	Provisional fair value to the Group 31 December 2013 £'000	Fair value adjustments £'000	Final fair value to the Group 31 December 2014 £'000
Intangible assets	56,583	–	56,583
Property, plant and equipment	11,016	(73)	10,943
Inventories	15,539	–	15,539
Trade and other receivables	9,564	82	9,646
Cash and cash equivalents	3,289	–	3,289
Trade and other payables	(8,708)	(45)	(8,753)
Current tax assets	209	(37)	172
Deferred tax liabilities	(20,074)	–	(20,074)
Provisions	(1,863)	178	(1,685)
Total identifiable net assets	65,555	105	65,660
Goodwill arising on acquisition	68,978	(105)	68,873
Total consideration	134,533	–	134,533

Satisfied by:

Cash	£'000
	134,533

Net cash flow arising on acquisition:

	£'000
Cash consideration	134,533
Less: cash and cash equivalents acquired	(3,289)
	131,244

The fair values of identifiable intangible assets recognised at acquisition include customer relations of £41,419,000, acquired brands of £15,108,000 and computer software of £56,000.

22. Share capital and share premium

22.1 Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's owners.

22.2 Share capital and share premium

	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 1 January 2013	137,287	6,864	101
Proceeds from shares issued	32,817	1,641	69,390
Sale of treasury shares	–	–	(6,235)
At 31 December 2013 and 31 December 2014	170,104	8,505	63,256

The total authorised number of ordinary shares is 180,000,000 (2013: 180,000,000) with a par value of 5.00 pence per share (2013: 5.00 pence per share). All issued shares are fully paid up.

On 23 May 2013, the Group completed the fully underwritten firm placing and open offer of ordinary shares as part of the funding for the acquisition of Truth Hardware (see note 21.3). Net proceeds of £71,031,000 were raised through the sale of 6,864,000 treasury shares and the issue of 32,816,904 new ordinary shares at the issue price of 185 pence per share. The sale of treasury shares resulted in a transfer of £6,235,000 from the treasury reserve against share premium.



23. Share-based payments

23.1 Accounting policy

The Group operates an equity-settled share-based compensation plan (Long Term Incentive Plan, "LTIP") for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict target EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

23.2 LTIP

In 2014, the Group operated the LTIP. The charge to the income statement in 2014 was £903,000 (2013: £681,000).

Conditional, annual awards of shares are granted under the LTIP to certain Executive Directors and senior managers at the discretion of the Remuneration Committee. Provided the participant remains an employee of the Group and the performance conditions are met, awards will vest three years after the date of the grant at no cost to the employee. To strengthen the alignment with shareholders, the Remuneration Committee extended the time horizon to 2014 LTIP awards, and all future LTIP awards granted to Executive Directors through the introduction of a two year holding period on vested LTIP shares (net of tax). This means that the 2014 LTIP awards must be retained until March 2019. The percentage of shares that will actually vest is dependent upon the Group's earnings per share growth over a three year measurement period. The Remuneration Committee also has the discretion to adjust the number of shares vesting depending on the Tyman performance during the vesting period. Further information on the LTIP and the performance conditions is given in the Remuneration report.

The fair value of the awards granted under the LTIP and the assumptions used in the calculation of the share-based payment charge are as follows:

Valuation model	Probability model to predict EPS levels
Date of grant	26 June 2014
Number granted	630,420
Share price at date of award	270 pence
Fair value (pence)	126 pence
Exercise price (pence)	Nil pence
Expected life of award	Three years
Vesting conditions	Continuous service and cumulative underlying EPS over three years 2014 to 2016 in range of 61.0 to 68.0 pence

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	2014 '000	2013 '000
At 1 January	3,815	2,994
Exercised	(1,908)	–
Granted	737	925
Lapsed	(54)	(104)
At 31 December	2,590	3,815

Granted awards include the LTIP awards granted in 2014 together with adjustments made to the amount of LTIP awards vesting in 2014, to take account of dividends and the bonus element of the Truth open offer.

Details of treasury shares purchased:

	2014 '000	2013 '000
Number of ordinary shares	1,460	1,279
Cost to company	£4,337	£2,921



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to owners in the year:		
Final dividend for the year ended 31 December 2013 of 4.50p per share (2012: 3.50p)	7,558	4,511
Interim dividend for the year ended 31 December 2014 of 2.00p per share (2013: 1.50p)	3,368	2,528
Total amounts recognised as distributions to owners in the year	10,926	7,039
Amounts not recognised in the financial statements:		
Final dividend proposed for the year 31 December 2014 of 6.00p per share (2013: 4.50p)	10,070	7,546

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the financial statements for the year ended 31 December 2014.

25. Adjustments to cash flows from operating activities

The following non-cash and financing adjustments have been made to profit before taxation to arrive at operating cash flow:

	Note	2014 £'000	2013 £'000
Net finance costs	7	7,033	3,517
Depreciation	11	7,676	6,337
Amortisation of intangible assets	10.3	18,151	16,605
Impairment of intangible assets	10.3	386	529
Impairment of acquired goodwill	10.2	3,411	–
Disposal of property, plant and equipment		(190)	42
Non-cash adjustments		3,837	1,091
Share-based payments	23	903	681
		41,207	28,802

26. Contingent liabilities

There are no contingent liabilities.

27. Financial commitments

27.1 Capital commitments

	2014 £'000	2013 £'000
Property, plant and equipment	1,546	3,551

27.2 Operating lease commitments

The Group has entered into commercial leases on certain properties. There are no restrictions placed upon the lessee by entering into these leases.

The present values of future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
No later than one year	4,610	4,265	633	655
Later than one year but no later than five years	12,861	12,539	747	927
Later than five years	493	2,298	–	–
	17,964	19,102	1,380	1,582

28. Events after the reporting year

On 25 February 2015, the Group announced its exit from the Ontario, California facility and entered into a definitive agreement to sell its non-fenestration custom extrusion business based in Ontario, California to VIP Rubber and Plastic Products for approximately US\$7.0 million. The remaining core extrusion manufacturing will be transferring to Cannon Falls, Minnesota, and the coupler manufacturing will be transferring to the Fremont, Nebraska, facility.

The sale of the custom extrusion non-fenestration business is expected to complete on 13 April 2015.



29. Principal subsidiaries

Details of the principal subsidiaries of the Group, all of which are wholly owned, are as follows:

Name	Country of incorporation	Nature of business
Corporate		
Jasper Acquisition Holdings Limited	United Kingdom	Holding company
Octroi Group Limited	United Kingdom	Holding company
Schlegel Acquisition Holdings Limited	United Kingdom	Holding company
Tyman Finance S.à r.l.	Luxembourg	Holding company
Tyman Management Limited	United Kingdom	Management services
UK operations		
Balance UK Limited ¹	United Kingdom	Building products
ERA Products Limited ¹	United Kingdom	Building products
EWS (Manufacturing) Limited ¹	United Kingdom	Building products
ERA Limited ¹	United Kingdom	Building products
Linear Limited ¹	United Kingdom	Building products
Schlegel UK (2006) Limited ¹	United Kingdom	Building products
Ventrolla Limited ¹	United Kingdom	Building products
Window Fabrication and Fixing Supplies Limited ¹	United Kingdom	Building products
North American operations		
Amesbury Acquisition Holdings (No2) Inc ¹	United States	Holding company
Amesbury Canada Inc ¹	Canada	Holding company
Amesbury Door Hardware Inc (SD) ¹	United States	Building products
Amesbury Finance Holdings LLC ¹	United States	Holding company
Amesbury Group Inc ¹	United States	Holding company
Amesbury Group Plastic Profiles Inc ¹	United States	Building products
Amesbury Holdings Limited ¹	United Kingdom	Holding company
Amesbury Industries Inc ¹	United States	Holding company
Atlas Holdings Company Limited ¹	Canada	Building products
Balance Systems Inc ¹	United States	Building products
Bandlock Corporation Inc ¹	United States	Building products
Fastek Products Inc ¹	United States	Building products
Jasper Acquisition Limited ¹	United Kingdom	Holding company
Overland Products Company, Inc ¹	United States	Building products
Schlegel Systems Inc ¹	United States	Building products
Truth Hardware Corporation ¹	United States	Building products
Tyman Investments ¹	United Kingdom	Holding company
Other international operations		
Schlegel América Latina – Vedação, Esquadrias e Extrusão Ltda. ¹	Brazil	Building products
Schlegel Australia Pty Limited ¹	Australia	Building products
Schlegel Belgium BVBA ¹	Belgium	Building products
Schlegel GmbH ¹	Germany	Building products
Schlegel SRL ¹	Italy	Building products
Schlegel Taliana SL ¹	Spain	Building products

¹ Held by subsidiary.

30. Related party transactions

The following transactions were carried out with related parties of Tyman plc:

30.1 Subsidiaries

Transactions between the Company and its subsidiaries which are related parties are eliminated on consolidation. There were no transactions between the Company and its subsidiaries, apart from intercompany loans.

30.2 Key management compensation

Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group are set out in the Remuneration report on [pages 50 to 64](#).

Full details of individual Directors' remuneration are given in the Remuneration report on [pages 50 to 64](#).



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TYMAN PLC

Report on the Parent Company financial statements

Our opinion

In our opinion, Tyman plc's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2014 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Tyman plc's financial statements comprise:

- the Company balance sheet as at 31 December 2014;
- the Parent 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.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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.



Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on [page 45](#), 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 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 & 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 Parent 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' judgements against available evidence, forming our own judgements, 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.

Other matter

We have reported separately on the Group financial statements of Tyman plc for the year ended 31 December 2014.

Simon O'Brien (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

10 March 2015

COMPANY BALANCE SHEET

As at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	4	293,252	284,849
Current assets			
Debtors	5	69,672	21,607
Cash at bank and in hand		11,023	17,284
		80,695	38,891
Creditors: Amounts falling due within one year	6	(6,458)	(6,297)
Net current assets		74,237	32,594
Total assets less current liabilities		367,489	317,443
Creditors: Amounts falling due after more than one year	6	(71,810)	(7,876)
Net assets		295,679	309,567
Capital and reserves			
Called up share capital	9	8,505	8,505
Share premium account	9	63,256	63,256
Other reserves	9	8,920	8,920
Treasury reserve	9	(4,742)	(4,847)
Profit and loss account	9	219,740	233,733
Total shareholders' funds	9	295,679	309,567

The notes on [pages 119 to 121](#) are an integral part of these financial statements.

The financial statement on [page 118](#) was approved by the Board on 10 March 2015 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer



NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

1.1 Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the financial statements have been prepared in accordance with applicable UK accounting standards ("UK GAAP").

The financial statements are prepared on the going concern basis, under the historical cost convention. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Operating leases

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the lease term.

1.3 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provisions for impairment.

1.4 Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts.

Trade creditors are stated at their nominal amount.

1.5 Borrowings

Interest-bearing loans and overdrafts are recorded at the proceeds received. All borrowing costs are expensed as incurred, on an accruals basis, to the Company profit and loss account using the effective interest rate method.

1.6 Share-based payments

The Company has applied the requirements of FRS 20 "Share-based payments". The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant.

The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2. Profit attributable to the shareholders of the Company

The Company is an investment holding company. It receives dividend income from subsidiaries and bank interest. It pays loan interest to a subsidiary. The majority of administrative expenses are paid by the Company's subsidiary, Tyman Management Limited, including the whole amount of relevant auditors' remuneration and operating lease costs.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2014 of £523,000 (2013: loss of £4,242,000).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2013: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's financial statements on [pages 50 to 64](#).



NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Investments

	£'000
Cost	
At 31 December 2013	290,445
Additions	7,500
Capital contribution relating to share-based payments	903
At 31 December 2014	298,848
Impairment	
At 31 December 2013	(5,596)
Charge for the year	–
At 31 December 2014	(5,596)
Net book value	
At 31 December 2013	284,849
At 31 December 2014	293,252

The 2014 additions relates to the subscription of shares in Schlegel Acquisition Holdings Limited of £7,500,000.

Details of the principal subsidiaries of the Company, all of which are wholly owned, are as follows:

Principal subsidiary	Country of incorporation	Nature of business
Jasper Acquisition Holdings Limited	United Kingdom	Holding company
Octroi Group Limited	United Kingdom	Holding company
Schlegel Acquisition Holdings Limited	United Kingdom	Holding company
Tyman Management Limited	United Kingdom	Management services

The Directors believe that the carrying values of the investments are supported by their underlying net assets.

5. Debtors

	Note	2014 £'000	2013 £'000
Amounts receivable after more than one year:			
Amounts owed by Group undertakings		68,433	20,514
Corporation tax asset		336	–
Deferred tax asset	7	903	1,093
		69,672	21,607

The amounts owed by subsidiary undertakings are unsecured, interest free and recoverable on demand but are unlikely to be repaid within one year.

6. Creditors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	(6,062)	(5,276)
Other creditors	(396)	(451)
Corporation tax liability	–	(570)
	(6,458)	(6,297)
Amounts falling due after more than one year:		
Private placement notes	(63,934)	–
Amounts owed to Group undertakings	(7,876)	(7,876)
	(71,810)	(7,876)

The amounts owed to Group undertakings falling due within one year are interest free, repayable on demand and unsecured.

The amounts owed to Group undertakings falling due after more than one year are between the Company and Octroi Group Limited, a subsidiary, and interest is charged at a fixed rate of two per cent per annum.



6. Creditors continued

The senior notes relate to the issuance of a debut private debt placement with US financial institutions totalling US\$100,000,000. Refer to [note 16.2.2](#) of the Group financial statements.

Details of the private placement notes, which are unsecured, are as follows:

	£'000	Fixed interest rate %
Repayable in 2021	35,408	4.97%
Repayable in 2024	28,971	5.37%
Total	64,379	

7. Deferred tax asset

	2014 £'000	2013 £'000
At 1 January	1,093	218
Deferred tax (charged)/credited to profit and loss account	(139)	103
Deferred tax (charged)/credited to the statement of total recognised gains and losses	(51)	772
At 31 December	903	1,093
Deferred tax comprises:		
Timing differences	903	1,093

8. Called up share capital

The share capital of the Company is as set out in [note 22](#) of the Group financial statements.

9. Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Treasury reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2013	6,864	101	8,920	(8,161)	243,561	251,285
Loss for the year	–	–	–	–	(4,242)	(4,242)
Issue of shares	1,641	69,390	–	–	–	71,031
Purchase of own shares for employee benefit trust	–	–	–	(2,921)	–	(2,921)
Sale of treasury shares	–	(6,235)	–	6,235	–	–
Dividends paid	–	–	–	–	(7,039)	(7,039)
Share-based payments	–	–	–	–	1,453	1,453
At 31 December 2013	8,505	63,256	8,920	(4,847)	233,733	309,567
Profit for the year	–	–	–	–	523	523
Issue of own shares by employee benefit trust	–	–	–	4,442	(4,442)	–
Purchase of own shares for employee benefit trust	–	–	–	(4,337)	–	(4,337)
Dividends paid	–	–	–	–	(10,925)	(10,925)
Share-based payments	–	–	–	–	851	851
At 31 December 2014	8,505	63,256	8,920	(4,742)	219,740	295,679

Details of share-based payments are provided in [note 23](#) of the Group financial statements.

10. Financial commitments

At 31 December 2014 the Company had future annual lease commitments on land and buildings under non-cancellable operating leases as stated below. These commitments were met on the Company's behalf by Tyman Management Limited.

	2014 £'000	2013 £'000
No later than one year	190	212
Later than one year but no later than five years	761	–
	951	212

11. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures", as a wholly owned subsidiary, not to disclose details of related party transactions required by this standard.



DEFINITIONS

“Underlying”, where appropriate, is defined as before amortisation of acquired intangible assets, deferred tax on amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs, accelerated amortisation of borrowing costs, and the associated tax effect.

“Underlying administrative expenses” is defined as administrative expenses before exceptional items, amortisation of acquired intangible assets, impairment of acquired intangible assets and impairment of acquired goodwill.

“Underlying net debt” is defined as interest-bearing loans and borrowings, net of cash and cash equivalents, with unamortised capitalised borrowing costs added back.

“Underlying operating profit” is defined as operating profit before exceptional items, amortisation of acquired intangible assets, impairment of acquired intangible assets and impairment of acquired goodwill.

“Operational cash flow” is defined as net cash inflow from operating activities before income tax paid, exceptional costs cash settled in the year and pension contributions, and after proceeds on disposal of property, plant and equipment, payments to acquire property, plant and equipment and payments to acquire intangible assets.

“Operating cash conversion” is defined as operational cash flow divided by underlying operating profit.

“Controllable capital employed” is defined as capital employed before tax balances (current, deferred and sales taxes), interest accruals, purchased goodwill and intangible assets.

“Return on acquisition investment” is defined as annualised underlying operating profit attributable to the acquired business divided by the acquisition enterprise value less the fair value of controllable capital employed as at the date of acquisition plus the value of controllable capital employed at the date of measurement. The denominator is also adjusted for seasonality where appropriate.

“Acquisition enterprise value” is defined as the gross consideration paid to the seller less any cash left in the acquired business plus debt acquired with the acquired business plus the expenses of the acquisition, excluding financing expenses, plus any integration expenses booked as exceptional items.

“Return on capital employed” is defined as underlying operating profit as a percentage of the 12 month average capital employed.

“Leverage” is defined as underlying net debt divided by adjusted EBITDA. Underlying net debt is translated at the average rate for the year. Adjusted EBITDA is underlying operating profit with depreciation and share-based payments expenses added back plus the pre-acquisition EBITDA of businesses acquired during the year covering the relevant pre-acquisition period less the EBITDA of businesses disposed of during the year.

“Like for like” is defined as the comparison of revenue or operating profit, as appropriate, excluding the impact of any acquisitions made during the current year and, for acquisitions made in the comparative year, excluding from the current year result the impact of the equivalent current year pre-acquisition period.

GLOSSARY OF TERMS

“RMI” is defined as Renovation, Maintenance and Improvement.

“OEM” is defined as Original Equipment Manufacturer.

ROUNDINGS

Percentage numbers have been calculated using figures rounded to the nearest thousand from the financial statements, which may lead to small differences in some figures and percentages quoted.

EXCHANGE RATES

	2014	2013
Closing rates		
US Dollar	1.5533	1.6490
Euro	1.2779	1.1978
Australian Dollar	1.9043	1.8583
Average rates		
US Dollar	1.6479	1.5646
Euro	1.2407	1.1780
Australian Dollar	1.8269	1.6224

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