

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission to AIM will become effective and dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on 23 May 2013.

As described in this Document, Tyman's intention is to move from AIM to the Official List shortly following completion of the acquisition of Truth Hardware. Application will be made to the Financial Conduct Authority for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission to the Official List and admission to trading on the Main Market will become effective and that dealings in the Existing Ordinary Shares and the New Ordinary Shares will commence on the London Stock Exchange by late June 2013. Tyman intends to cancel its admission to trading on AIM at this point.

No application has been, or is currently intended to be, made for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to listing or traded on any other stock exchange.

If you sell or transfer or have sold or otherwise transferred all of your Ordinary Shares in Tyman plc before 2 May 2013 (being the date when the Existing Ordinary Shares will be marked 'ex' entitlement to the Open Offer), please send this Document and any accompanying Application Form along with the accompanying reply-paid envelope (for use within the UK only) immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted into any Excluded Territory or any other jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you have sold or transferred part of your holding of Ordinary Shares you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Tyman plc and the Directors, whose names appear on page 29 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of Tyman plc and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and makes no omission likely to affect the import of such information.

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## **Tyman plc**

*(Incorporated under the Companies Act 1985 and registered in England and Wales with Registered No. 02806007)*

### **Acquisition of Truth Hardware**

**Firm Placing of 6,864,200 New Ordinary Shares and Placing and Open Offer of 32,816,904 New Ordinary Shares, in each case, at a price of 185 pence per share**

**Admission to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities of 170,104,385 ordinary shares of 5 pence each**

## **Rothschild**

*Sponsor and Financial Adviser*

## **Canaccord Genuity Limited**

*Nominated Adviser, Sole Broker and Lead Bookrunner*

## **HSBC**

*Joint Bookrunner*

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Your attention is drawn to the letter from the Chairman of Tyman plc which is set out in Part VII of this Document. You should read the whole of this Document prior to making any investment decision. Your attention is drawn to the section of this Document entitled "Risk Factors" for details of certain factors that should be considered by investors in considering whether to make an investment in the Company.

This Document comprises a prospectus relating to the New Ordinary Shares prepared in accordance with the Prospectus Rules of the Financial Conduct Authority under Section 73A of FSMA and has been approved by the Financial Conduct Authority in accordance with Section 85 of FSMA. A copy of this Document has been filed with the Financial Conduct Authority and has been made available to the public as required by Section 3.2 of the Prospectus Rules.

This Prospectus does not constitute, and may not be used for the purposes of, any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for New Ordinary Shares to or by anyone in any jurisdiction in which such offer, invitation or solicitation is unlawful or to any person to whom it is unlawful to make such offer or invitation or undertake such solicitation. The distribution of this Prospectus and the offering of New Ordinary Shares in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned.

Rothschild, which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting for the Company and no one else in relation to the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild nor for providing advice in relation to the Proposals. Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild under FSMA or the regulatory regime established thereunder, Rothschild does not accept any responsibility whatsoever and makes no warranty, express or implied, in relation to the contents of this Document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Proposals. Rothschild accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Document or any such statement.

Canaccord Genuity, which is authorised and regulated in the UK by the Financial Conduct Authority, is acting for the Company and no one else in connection with the Firm Placing and the Placing and Open Offer and will not regard any other person (whether or not a recipient of this Document) as a client in relation to the Firm Placing and Placing and Open Offer and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Canaccord Genuity or for providing advice in relation to the matters described in this Document. Apart from the responsibilities and liabilities, if any, which may be imposed on Canaccord Genuity under FSMA or the regulatory regime established thereunder, Canaccord Genuity does not accept any responsibility whatsoever and makes no warranty, express or implied, in relation to the contents of this Document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares the Firm Placing or the Placing and Open Offer. Canaccord Genuity accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Document or any such statement.

HSBC, which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting for the Company and no one else in connection with the Firm Placing and Placing and Open Offer and will not regard any other person (whether or not a recipient of this Document) as a client in relation to the Firm Placing and Placing and Open Offer and will not be responsible to anyone other than the Company for providing the protections afforded to clients of HSBC or for providing advice in connection with the matters referred to in this Document. Apart from the responsibilities and liabilities, if any, which may be imposed on HSBC under FSMA or the regulatory regime established thereunder, HSBC does not accept any responsibility whatsoever and makes no warranty, express or implied, in relation to the contents of this Document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares, the Firm Placing or the Placing and Open Offer. HSBC accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Document or any such statement.

Qualifying Non-CREST Shareholders will find an Application Form enclosed with this Document. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Entitlement which will be enabled for settlement on 3 May 2013.

Applications under the Open Offer may only be made by the Qualifying Shareholders originally entitled thereto or by a person entitled by virtue of a *bona fide* market claim arising out of the sale or transfer of Existing Ordinary Shares prior to the date on which the relevant Existing Ordinary Shares are marked “ex” entitlement by the London Stock Exchange. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer.

If the Open Offer Entitlement is for any reason not enabled by 3 May 2013 or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this Document and the Open Offer. The Application Form is personal to Qualifying Non-CREST Shareholders and cannot be transferred, sold, or assigned except to satisfy *bona fide* market claims.

#### **Notice to Overseas Shareholders**

This Document is not being sent to Shareholders with registered addresses in the Excluded Territories or in a non EEA State. Shareholders with registered addresses (or who are otherwise located) in the Excluded Territories will not be sent an Application Form.

Neither this Document nor the Application Form constitutes an offer of the New Ordinary Shares to any person with a registered address, or that is resident or located, in any of the Excluded Territories. The New Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any Excluded Territory or any state, province or territory thereof and, subject to certain exceptions, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, in or into any Excluded Territory.

This Document may not be republished, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. These materials do not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Securities may not be offered or sold in the United States absent (i) registration under the US Securities Act or (ii) an available exemption from registration under the US Securities Act. The New Ordinary Shares mentioned herein have not been, and will not be, registered under the US Securities Act and will not be offered in the United States. The Firm Placing and Placing and Open Offer are being made outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) that has a contractual or other legal obligation to forward this Document or any Application Form or other document to a jurisdiction outside the UK, should read paragraph 5 of Part IX of this Document.

THE CONTENTS OF THIS PROSPECTUS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE. EACH POTENTIAL INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN LEGAL ADVISER, FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

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## PART I

### SUMMARY

*Summaries are made up of disclosure requirements known as ‘Elements’. The Elements are numbered in Sections A–E (A.1–E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some of the Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.*

<b>Section A – Introduction and warnings</b>		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>A.1</b>	<b>Warning</b>	<p>This summary should be read as an introduction to the Prospectus only.</p> <p>Any decision to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
<b>A.2</b>	<b>Subsequent resale of securities or final placement of securities through financial intermediaries</b>	Not applicable, as Tyman has not given consent to the use of this Prospectus for subsequent resale or any final placement of Ordinary Shares by financial intermediaries.

<b>Section B – Issuer</b>		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>B.1</b>	<b>Legal and commercial name</b>	Tyman plc (“Tyman” or “the Company”).
<b>B.2</b>	<b>Domicile and legal form and legislation and country of incorporation</b>	The Company was incorporated in England and Wales on 1 April 1993 under the Companies Act 1985 as a private company limited by shares with the name Ichnolite Limited and with registered number 02806007. The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

B.3	<b>Current operations and principal activities</b>	<p>Tyman is the holding company for the Group whose Ordinary Shares are currently admitted to trading on AIM. The Group is an international supplier of building products to the door and window industry. As part of the Proposals, Tyman is seeking admission of its Existing Ordinary Shares and New Ordinary Shares to the Official List and the Main Market.</p> <p>On 1 February 2013, the Company changed its name and branding from Lupus Capital plc to Tyman to reflect its focus as a supplier of components to the door and window industry worldwide.</p> <p>The principal businesses operated by Tyman's trading subsidiaries are:</p> <ul style="list-style-type: none"> <li>• Amesbury, which offers a range of door and window sealing solutions and hardware, with manufacturing and distribution capability throughout the US;</li> <li>• grouphomesafe, which is involved in the design, development, manufacture and distribution of innovative solutions to improve performance and enhance protection and security for the residential building and home improvement markets in the UK; and</li> <li>• Schlegel International, which manufactures seals and related products and whose products are sold in more than 75 countries around the world.</li> </ul>
B.4a	<b>Significant recent trends affecting Tyman plc and the industries in which it operates</b>	<p><b>Outlook</b></p> <p>Across the Group as a whole, order intake and revenues in the first three months of 2013 are slightly ahead of the equivalent period in 2012.</p> <p>The housing market in North America appears more robust today than at any point in the past five years, with a recovery in housing starts and remodelling expenditure underway, and 2013 has started well for Amesbury. The remainder of 2013 will see further difficult markets outside of North America, particularly in Continental Europe, however the Group is committed to its well defined plans to invest in its businesses, take market share, deliver margin improvement, increase returns on capital and drive earnings for shareholders. The Group remains optimistic that it will make further progress in 2013.</p> <p><b>Amesbury</b></p> <p>2013 has started well for Amesbury, with order intake and revenues ahead of 2012 for the first three months and with a higher order bank. Provided repair and remodelling expenditure follows historic patterns, Amesbury remains well positioned to benefit as the Group moves towards the seasonally higher demand months in North America.</p> <p><b>grouphomesafe</b></p> <p>In the UK, grouphomesafe saw further overall market contraction during 2012, which has continued into the first quarter of 2013. Like for like revenues from continuing</p>

		<p>operations in the UK in 2012 decreased by 5.5 per cent. and underlying operating profit decreased by 1.1 per cent.</p> <p>The corporate activity undertaken in the UK in 2012 has transformed the Group's grouphomesafe business. During 2013, while the Group expects the overall market will continue to contract, the Group will aim to take further market share through organic growth, new product introductions and growing the Fab &amp; Fix offering.</p> <p><b><i>Schlegel International</i></b></p> <p>In Continental Europe, which remains a tough trading environment, the Group has addressed its fixed cost base through the closure of production at its building products facility in Gistel, Belgium transferring production to the UK and Spain. During 2013 the Group will take further steps to enhance the efficiency of Schlegel International in Europe.</p> <p>Further afield, Australian markets contracted during 2012, however the Group successfully grew the business through a combination of market share gain and new product introductions. The Group's Brazilian and Singaporean operations have also shown encouraging continued growth.</p> <p>In Europe, where the general macroeconomic environment remains challenging, the overall market has continued to contract and the Group's businesses have had a slow start to 2013, however the Board believes the rebalancing of the Group's European footprint gives the Group the right platform for the manufacture and distribution of sealing products in Europe going forward. The Group expects Australasian markets to be more robust in 2013 and to return to growth and will continue to promote its product offering in emerging markets, with South America and South East Asia being particular focus areas in 2013.</p>
<b>B.5</b>	<b>Description of the Group and Tyman's position therein</b>	Tyman is the holding company of the Group's various principal subsidiaries.
<b>B.6</b>	<b>Notifiable interests in the Existing Ordinary Shares, different voting rights and controlling interests</b>	<p>As at the Latest Practicable Date, the interests (all of which are beneficial unless otherwise stated) of the Directors and senior managers (as well as their immediate families) in the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or senior manager) interests of a person connected (within the meaning of Section 252 of the Companies Act) with a Director or senior manager and the existence of which was known to or could, with reasonable due diligence, be ascertained by the relevant Director or senior manager are as follows:</p>



		<div><div><div>Proposed percentage of the Enlarged Share Capital held upon completion of the Issue</div><div>Proposed number of Ordinary Shares upon completion</div><div>Number of Ordinary Shares held prior to the Issue</div><div>Percentage of issued share capital held</div></div><table><tr><td>Director/ senior manager</td><td></td><td></td><td></td><td></td></tr><tr><td>Jamie Pike</td><td>405,000</td><td>0.31</td><td>507,362</td><td>0.30</td></tr><tr><td>Louis Eperjesi</td><td>145,000</td><td>0.11</td><td>181,648</td><td>0.11</td></tr><tr><td>James Brotherton</td><td>149,191</td><td>0.11</td><td>186,898</td><td>0.11</td></tr><tr><td>Leslie Tench</td><td>93,750</td><td>0.07</td><td>117,445</td><td>0.07</td></tr><tr><td>Martin Towers</td><td>50,277</td><td>0.04</td><td>62,984</td><td>0.04</td></tr><tr><td>Dr. Angelika Westerwelle</td><td>25,000</td><td>0.02</td><td>31,318</td><td>0.02</td></tr></table><p>Save as disclosed below, the Company is not aware of any person who, directly or indirectly, was, as at the Latest Practicable Date interested in three per cent. or more of the current issued ordinary share capital of the Company:</p><div><div><div>Shareholder</div><div>Number of Ordinary Shares currently held</div><div>Percentage of issued share capital currently held</div></div><table><tr><td>F&amp;C Asset Management UK</td><td>14,270,477</td><td>10.99</td></tr><tr><td>Standard Life Investments</td><td>14,207,234</td><td>10.94</td></tr><tr><td>Aviva Investors Global Solutions</td><td>12,965,311</td><td>9.99</td></tr><tr><td>Greg Hutchings Esq and associated entities</td><td>10,851,245</td><td>8.36</td></tr><tr><td>Polar Capital</td><td>7,868,077</td><td>6.06</td></tr><tr><td>SVG Capital</td><td>5,037,948</td><td>3.88</td></tr><tr><td>Old Mutual Asset Management</td><td>4,876,714</td><td>3.76</td></tr></table><p>The shareholders detailed in the above table do not have different voting rights from those of other Shareholders.</p><p>The Directors are not aware (i) of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control or ownership over the Company, nor (ii) of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.</p></div></div>	Director/ senior manager					Jamie Pike	405,000	0.31	507,362	0.30	Louis Eperjesi	145,000	0.11	181,648	0.11	James Brotherton	149,191	0.11	186,898	0.11	Leslie Tench	93,750	0.07	117,445	0.07	Martin Towers	50,277	0.04	62,984	0.04	Dr. Angelika Westerwelle	25,000	0.02	31,318	0.02	F&C Asset Management UK	14,270,477	10.99	Standard Life Investments	14,207,234	10.94	Aviva Investors Global Solutions	12,965,311	9.99	Greg Hutchings Esq and associated entities	10,851,245	8.36	Polar Capital	7,868,077	6.06	SVG Capital	5,037,948	3.88	Old Mutual Asset Management	4,876,714	3.76																						
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B.7	Selected historical financial information and significant change	<p>The selected historical financial information set out below has been extracted without material adjustment from the audited annual report and accounts of the Group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012.</p> <table><tr><th></th><th colspan="5">Year ended 31 December</th></tr><tr><th></th><th colspan="2">2012 audited annual report</th><th colspan="2">2011 audited annual report</th><th>2010 audited annual report</th></tr><tr><th></th><th>2012 £'000</th><th>2011<sup>(1)</sup> £'000</th><th>2011 £'000</th><th>2010<sup>(2)</sup> £'000</th><th>2010 £'000</th></tr><tr><td>Revenue (continuing operations)</td><td>228,753</td><td>216,293</td><td>230,372</td><td>252,464</td><td>266,212</td></tr><tr><td>Underlying Operating Profit/(Loss)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>(continuing operations)<sup>(3)</sup></td><td>23,030</td><td>22,223</td><td>22,399</td><td>26,066</td><td>33,675</td></tr><tr><td>Operating Profit/(Loss) (continuing operations)</td><td>(21,143)</td><td>12,327</td><td>11,004</td><td>13,922</td><td>21,531</td></tr><tr><td>Underlying earnings per share (basic, continuing operations)</td><td>11.63p</td><td>9.64p</td><td>9.04p</td><td>8.78p</td><td>13.06p</td></tr><tr><td>Earnings/(Loss) per Ordinary Share (basic, continuing operations)</td><td>(16.93)p</td><td>6.99p</td><td>6.23p</td><td>1.15p</td><td>5.43p</td></tr><tr><td>Total Assets</td><td>388,973</td><td>449,165</td><td>449,052</td><td>454,069</td><td>454,069</td></tr><tr><td>Net Assets</td><td>247,889</td><td>249,218</td><td>249,218</td><td>238,575</td><td>238,575</td></tr><tr><td>Underlying Net Debt<sup>(4)</sup></td><td>36,982</td><td>91,203</td><td>91,203</td><td>94,659</td><td>94,659</td></tr><tr><td>Shareholders' Funds</td><td>247,889</td><td>249,218</td><td>249,218</td><td>238,575</td><td>238,575</td></tr></table>		Year ended 31 December						2012 audited annual report		2011 audited annual report		2010 audited annual report		2012 £'000	2011 <sup>(1)</sup> £'000	2011 £'000	2010 <sup>(2)</sup> £'000	2010 £'000	Revenue (continuing operations)	228,753	216,293	230,372	252,464	266,212	Underlying Operating Profit/(Loss)						(continuing operations) <sup>(3)</sup>	23,030	22,223	22,399	26,066	33,675	Operating Profit/(Loss) (continuing operations)	(21,143)	12,327	11,004	13,922	21,531	Underlying earnings per share (basic, continuing operations)	11.63p	9.64p	9.04p	8.78p	13.06p	Earnings/(Loss) per Ordinary Share (basic, continuing operations)	(16.93)p	6.99p	6.23p	1.15p	5.43p	Total Assets	388,973	449,165	449,052	454,069	454,069	Net Assets	247,889	249,218	249,218	238,575	238,575	Underlying Net Debt <sup>(4)</sup>	36,982	91,203	91,203	94,659	94,659	Shareholders' Funds	247,889	249,218	249,218	238,575	238,575
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Underlying Net Debt <sup>(4)</sup>	36,982	91,203	91,203	94,659	94,659																																																																											
Shareholders' Funds	247,889	249,218	249,218	238,575	238,575																																																																											

		<p><b>Notes:</b></p> <p>(1) Restated to include the results of Composite Doors as discontinued operations</p> <p>(2) Restated to include the results of Gall Thomson as discontinued operations</p> <p>(3) “Underlying operating profit” is defined as operating profit before amortisation and accelerated amortisation of intangible assets, deferred tax on amortisation and accelerated amortisation of intangible assets, impairment of intangible assets and goodwill, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect</p> <p>(4) “Underlying net debt” is defined as interest bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back</p> <p>Set out below are details of significant changes in the financial condition or operating results of trading position of the Group during the period covered by the audited annual report and accounts for the three years ended 31 December 2012 and since 31 December 2012 (being the date of the Group’s latest published audited annual report and accounts) to the Latest Practicable Date.</p> <ul style="list-style-type: none"> <li>• In 2010 the Group benefitted from an improved operating performance with an increase in sales and underlying operating profit seen across all three building products businesses, largely stemming from gains in market share during the year and despite significant increases in raw material prices. The Group resumed dividend payments to shareholders in 2010 through the recommendation of a final dividend, having previously been precluded from paying dividends by banking arrangements entered into in June 2009.</li> <li>• In 2011 the trading environment continued to be challenging, with a decline in sales experienced across all three of the Group’s building products businesses leading to a corresponding decline in underlying operating profit. The North American business (Amesbury) saw demand soften as US window shipments decreased versus the previous year. The UK business (grouphomesafe) experienced weaker demand stemming from reduced expenditure in the social housing sector and a marked decline in orders from the OEM sector as homeowners appeared reluctant to commit to large scale refurbishment projects.</li> <li>• In 2012 the Group saw a good performance in its North American (Amesbury) business which benefitted from steady growth in the North American window market and a significant uptick in new housing starts as well as experiencing gains in market share. However, the Group experienced further overall market contraction in the UK and continued difficult trading in Continental Europe with both respective businesses posting a decrease in like for like sales and underlying operating profit.</li> </ul>
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		<ul style="list-style-type: none"><li>The disposal of the Group’s oil services division (Gall Thomson) during 2012 marked the completion of the Group’s refocusing as a supplier of components to the door and window industry worldwide. The business was sold on 13 March 2012 for a cash consideration of £75 million. Approximately £29 million of this was used to pay down the Group’s debt facilities.</li><li>The Group expects the general macroeconomic environment to remain challenging in 2013. Despite expecting further growth in the North American (Amesbury) business, the Group expects to see a contraction in the overall market in the UK during 2013 and European trading conditions to remain difficult for some time to come.</li></ul>																																																																																																		
B.8	Selected unaudited key pro forma financial information	<p>The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Issue and Acquisition on the net assets of the Group as if the Issue and Acquisition had occurred on 31 December 2012.</p> <p>The Issue will complete in advance of the Acquisition and is not conditional on the completion of the Acquisition. Accordingly, the unaudited pro forma financial information also illustrates by way of a sub-total the effect on the net assets of the Group as if only the Issue had occurred on 31 December 2012.</p> <p>This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group’s actual financial position or results. It may not, therefore, give a true picture of the Group’s financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with the requirements of items 1 to 6 of Annex II to the Prospectus Directive Regulation.</p> <table><tr><th></th><th>As at 31 December 2012 (Note 1) £’000</th><th>Adjustments for the Issue (Note 2) £’000</th><th>Pro Forma sub-total £’000</th><th>Further Adjustments Truth Hardware as at 31 December 2012 (Note 3) £’000</th><th>Adjustments for the Acquisition (Note 4) £’000</th><th>Pro Forma total £’000</th></tr><tr><td><b>ASSETS</b></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td><b>Non-current assets</b></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Goodwill</td><td>184,896</td><td>–</td><td>184,896</td><td>–</td><td>105,293</td><td>290,189</td></tr><tr><td>Intangible assets</td><td>73,834</td><td>–</td><td>73,834</td><td>92</td><td>–</td><td>73,926</td></tr><tr><td>Property, plant and equipment</td><td>29,785</td><td>–</td><td>29,785</td><td>8,180</td><td>–</td><td>37,965</td></tr><tr><td>Deferred tax assets</td><td>9,774</td><td>–</td><td>9,774</td><td>1,217</td><td>–</td><td>10,991</td></tr><tr><td></td><td><u>298,289</u></td><td><u>–</u></td><td><u>298,289</u></td><td><u>9,489</u></td><td><u>105,293</u></td><td><u>413,071</u></td></tr><tr><td><b>Current assets</b></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Inventories</td><td>27,558</td><td>–</td><td>27,558</td><td>11,808</td><td>–</td><td>39,366</td></tr><tr><td>Trade and other receivables</td><td>27,269</td><td>–</td><td>27,269</td><td>13,118</td><td>(8,079)</td><td>32,308</td></tr><tr><td>Cash and cash equivalents</td><td>35,857</td><td>66,774</td><td>102,631</td><td>3,526</td><td>(66,635)</td><td>39,522</td></tr><tr><td></td><td><u>90,684</u></td><td><u>66,774</u></td><td><u>157,458</u></td><td><u>28,452</u></td><td><u>(74,714)</u></td><td><u>111,196</u></td></tr><tr><td><b>TOTAL ASSETS</b></td><td><u>388,973</u></td><td><u>66,774</u></td><td><u>455,747</u></td><td><u>37,941</u></td><td><u>30,579</u></td><td><u>524,267</u></td></tr></table>		As at 31 December 2012 (Note 1) £’000	Adjustments for the Issue (Note 2) £’000	Pro Forma sub-total £’000	Further Adjustments Truth Hardware as at 31 December 2012 (Note 3) £’000	Adjustments for the Acquisition (Note 4) £’000	Pro Forma total £’000	<b>ASSETS</b>							<b>Non-current assets</b>							Goodwill	184,896	–	184,896	–	105,293	290,189	Intangible assets	73,834	–	73,834	92	–	73,926	Property, plant and equipment	29,785	–	29,785	8,180	–	37,965	Deferred tax assets	9,774	–	9,774	1,217	–	10,991		<u>298,289</u>	<u>–</u>	<u>298,289</u>	<u>9,489</u>	<u>105,293</u>	<u>413,071</u>	<b>Current assets</b>							Inventories	27,558	–	27,558	11,808	–	39,366	Trade and other receivables	27,269	–	27,269	13,118	(8,079)	32,308	Cash and cash equivalents	35,857	66,774	102,631	3,526	(66,635)	39,522		<u>90,684</u>	<u>66,774</u>	<u>157,458</u>	<u>28,452</u>	<u>(74,714)</u>	<u>111,196</u>	<b>TOTAL ASSETS</b>	<u>388,973</u>	<u>66,774</u>	<u>455,747</u>	<u>37,941</u>	<u>30,579</u>	<u>524,267</u>
	As at 31 December 2012 (Note 1) £’000	Adjustments for the Issue (Note 2) £’000	Pro Forma sub-total £’000	Further Adjustments Truth Hardware as at 31 December 2012 (Note 3) £’000	Adjustments for the Acquisition (Note 4) £’000	Pro Forma total £’000																																																																																														
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		Further Adjustments				
	As at 31 December 2012 (Note 1) £'000	Adjustments for the Issue (Note 2) £'000	Pro Forma sub-total £'000	Truth Hardware as at 31 December 2012 (Note 3) £'000	Adjustments for the Acquisition (Note 4) £'000	Pro Forma total £'000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Current tax payable	(1,868)	–	(1,868)	(51)	–	(1,919)
Trade and other payables	(32,375)	–	(32,375)	(7,821)	–	(40,196)
Provisions	(2,456)	–	(2,456)	–	–	(2,456)
Derivative financial instruments	–	–	–	(2)	–	(2)
Interest bearing loans and borrowings	(7,521)	–	(7,521)	–	–	(7,521)
Loans from related parties	–	–	–	(92,801)	92,801	–
	<u>(44,220)</u>	<u>–</u>	<u>(44,220)</u>	<u>(100,675)</u>	<u>92,801</u>	<u>(52,094)</u>
<b>Non- current liabilities</b>						
Deferred tax liabilities	(11,766)	–	(11,766)	–	–	(11,766)
Interest bearing loans and borrowings	(63,575)	–	(63,575)	–	(61,877)	(125,452)
Employee benefit liability	(11,230)	–	(11,230)	–	–	(11,230)
Provisions	(7,513)	–	(7,513)	–	–	(7,513)
Derivative financial instruments	(605)	–	(605)	–	–	(605)
Other payables	(2,175)	–	(2,175)	–	–	(2,175)
<b>Total non-current liabilities</b>	<u>(96,864)</u>	<u>–</u>	<u>(96,864)</u>	<u>–</u>	<u>(61,877)</u>	<u>(158,741)</u>
<b>TOTAL LIABILITIES</b>	<u>(141,084)</u>	<u>–</u>	<u>(141,084)</u>	<u>(100,675)</u>	<u>30,924</u>	<u>(210,835)</u>
<b>NET ASSETS/ LIABILITIES</b>	<u>247,889</u>	<u>66,774</u>	<u>314,663</u>	<u>(62,734)</u>	<u>61,503</u>	<u>313,432</u>
<b>Notes:</b>						
1. The net assets of the Group have been extracted, without material adjustment, from the financial information as set out in Part A of Part XV 'Historical Financial Information relating to Tyman'.						
2. The Issue will complete before the Acquisition and is not conditional upon the Acquisition completing. Accordingly, there is a possibility that Group will only complete the Issue and not the Acquisition and, therefore, the adjustment reflects the standalone impact on the Group's net assets as if only the Issue completed on 31 December 2012. The adjustment reflects the net proceeds of the Issue receivable by the Company of £66.8 million, being gross proceeds of £73.4 million less total estimated fees of approximately £6.6 million, which include the equity issue costs plus the unavoidable costs associated with the Proposals. The Group intends to use the net proceeds to finance the proposed Acquisition. If the Acquisition does not complete the Company will retain the net proceeds for a limited period and use them for general corporate purposes and potential alternative acquisitions.						
3. The financial information of Truth Hardware has been translated from US Dollars to sterling using an exchange rate of 1.6161, being the closing rate of exchange on 31 December 2012. The US Dollar financial information for Truth Hardware has been extracted, without material adjustment, from the financial information as set out in Part XVI 'Historical Financial Information relating to Truth Hardware' of this Document. The financial information of Truth Hardware as at 31 December 2012 has been prepared on a basis consistent with Tyman's accounting policies.						
4. The unaudited pro forma statement of net assets has been prepared on the basis that the Acquisition will be accounted for in the Group's consolidated financial statements using the acquisition method required by IFRS 3 'Business Combinations'. The identified assets and liabilities of Truth Hardware will be adjusted to fair value at the date of purchase and a purchase price allocation (PPA) exercise will be undertaken. The excess of the costs of acquisition over the fair value of the identified assets and liabilities acquired will be recorded as goodwill. However, for the purposes of the pro forma and in the absence of any fair value adjustments or a PPA exercise, no additional assets or liabilities have been recognised. The acquisition accounting is therefore based on the following:						

		<div><div>(i) <i>Consideration</i></div><div>The purchase consideration of \$200 million (£123.8 million) is to be paid entirely in cash, subject to customary adjustments.</div><div>(ii) <i>Goodwill</i></div><div>The incremental goodwill arising upon acquisition has been calculated as follows:</div><table><tr><td></td><td>\$m</td><td>£m</td></tr><tr><td>Total consideration</td><td>200.0</td><td>123.8</td></tr><tr><td>Truth net liabilities</td><td>(101.4)</td><td>(62.7)</td></tr><tr><td>Truth cash and cash equivalents</td><td>(5.7)</td><td>(3.5)</td></tr><tr><td>Truth related party receivables</td><td>(13.1)</td><td>(8.1)</td></tr><tr><td>Truth loans from related parties</td><td>150.0</td><td>92.8</td></tr><tr><td>Net assets acquired</td><td>29.7</td><td>18.5</td></tr><tr><td>Goodwill</td><td>170.1</td><td>105.3</td></tr></table><div>The US Dollar net liabilities, cash and cash equivalents related party receivables and loans from related parties are as at 31 December 2012 and have been extracted without material adjustment from Part XVI ‘Historical Financial Information relating to Truth Hardware’ of this Document. The US Dollar amounts have been converted at the closing rate of exchange on 31 December 2012 of \$1.6161/£.</div><div>(iii) <i>Cash and cash equivalents outflow on acquisition</i></div><div>The adjustment of £65.4 million represents the sum of consideration £(123.8) million less the draw down of new debt of £61.9 million under the Company’s New Debt Facility, transaction costs of £1.2 million and elimination of Truth Hardware’s cash and cash equivalents of £3.5 million.</div><table><tr><td></td><td>£m</td></tr><tr><td>Total consideration</td><td>(123.8)</td></tr><tr><td>Debt draw down</td><td>61.9</td></tr><tr><td>Transaction costs</td><td>(1.2)</td></tr><tr><td>Elimination of cash and cash equivalents</td><td>(3.5)</td></tr><tr><td>Adjustment to cash and cash equivalents</td><td>(66.6)</td></tr></table><div>(iv) <i>Loans from related parties and interest bearing loans and borrowings</i></div><div>These adjustments eliminate Truth Hardware’s loans from related parties (\$150.0 million or £92.8 million) as this amount will be repaid at completion of the Acquisition and reflects the draw down by Tyman of £61.9 million under the New Debt Facility.</div><div>5. No adjustment has been made to reflect the trading results or transactions of the Group or Truth Hardware since 31 December 2012.</div></div>		\$m	£m	Total consideration	200.0	123.8	Truth net liabilities	(101.4)	(62.7)	Truth cash and cash equivalents	(5.7)	(3.5)	Truth related party receivables	(13.1)	(8.1)	Truth loans from related parties	150.0	92.8	Net assets acquired	29.7	18.5	Goodwill	170.1	105.3		£m	Total consideration	(123.8)	Debt draw down	61.9	Transaction costs	(1.2)	Elimination of cash and cash equivalents	(3.5)	Adjustment to cash and cash equivalents	(66.6)
	\$m	£m																																				
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Elimination of cash and cash equivalents	(3.5)																																					
Adjustment to cash and cash equivalents	(66.6)																																					
B.9	Profit forecast or estimate	Not applicable; the Company has not published any profit forecasts or estimates. No profit forecast or estimate is included in this Prospectus.																																				
B.10	Qualifications in the audit report on the historical financial information	Not applicable; the Company has not had any qualifications in the audit report within its audited accounts in the period for which historical information is shown.																																				
B.11	Insufficiency of working capital for present requirements	<div><div><i>The Group</i></div><div>Not applicable; the Company is of the opinion that the Group, taking into account the Net Proceeds, has sufficient working capital for its present requirements, that is, for at least 12 months following the date of publication of this Document.</div><div><i>The Enlarged Group</i></div><div>Not applicable; the Company is of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of publication of this Document.</div></div>																																				

<b>Section C – Securities</b>											
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>									
<b>C.1</b>	<b>Type and the class of securities being admitted to trading, including the security identification number</b>	Ordinary Shares with ISIN GB00B29H4253 will be offered in connection with the Firm Placing and the Placing and Open Offer and will be admitted to AIM on 23 May 2013 and will subsequently be admitted to trading on the London Stock Exchange's main market for listed securities shortly following completion of the acquisition of Truth Hardware.									
<b>C.2</b>	<b>Currency</b>	The Existing Ordinary Shares and the New Ordinary Shares will be denominated in Pounds Sterling.									
<b>C.3</b>	<b>Shares issued and fully paid and issued but not fully paid</b>	<p>The Existing Ordinary Shares and the New Ordinary Shares have a nominal value of 5 pence each.</p> <p>The following table sets out the issued and fully paid share capital of the Company as at the Latest Practicable Date and as it will be (assuming that no options or awards granted under the LTIP and the Deferred Plan are exercised between the date of this Document and completion of the Issue) following the allotment and issue of 32,816,904 New Ordinary Shares under the Issue. No Ordinary Shares are issued and not fully paid.</p> <table> <tr> <th></th><th><i>Nominal Value</i></th><th><i>Issued and fully paid</i></th></tr> <tr> <td>Number of Ordinary Shares prior to completion of the Issue</td><td>£0.05</td><td>137,287,481</td></tr> <tr> <td>Proposed number of Ordinary Shares upon completion of the Issue</td><td>£0.05</td><td>170,104,385</td></tr> </table>		<i>Nominal Value</i>	<i>Issued and fully paid</i>	Number of Ordinary Shares prior to completion of the Issue	£0.05	137,287,481	Proposed number of Ordinary Shares upon completion of the Issue	£0.05	170,104,385
	<i>Nominal Value</i>	<i>Issued and fully paid</i>									
Number of Ordinary Shares prior to completion of the Issue	£0.05	137,287,481									
Proposed number of Ordinary Shares upon completion of the Issue	£0.05	170,104,385									
<b>C.4</b>	<b>Rights attached to the securities</b>	Each New Ordinary Share will rank <i>pari passu</i> in all respects with each Existing Ordinary Share, and will have the same rights and restrictions as each Existing Ordinary Share.									
<b>C.5</b>	<b>Restrictions on the free transferability of the securities</b>	Not applicable; there are no restrictions on the free transferability in relation to the New Ordinary Shares or Existing Ordinary Shares.									
<b>C.6</b>	<b>Application for admission to trading on a regulated market</b>	The Board intends to seek admission of the Enlarged Share Capital to the premium segment of the Official List shortly following completion of the Acquisition. Accordingly, the Company intends to apply for the admission of the Existing Ordinary Shares and the New Ordinary Shares to the Official List and to trading on the Main Market, which is expected to take place by late June 2013. The Company intends to submit a request to the London Stock Exchange for the cancellation of the trading of the Existing Ordinary Shares and the New Ordinary Shares on AIM and it is anticipated that such cancellation will occur simultaneously with Admission to the Official List.									
<b>C.7</b>	<b>Description of dividend policy</b>	<p>Subject to there being sufficient distributable reserves available for the purpose, following the Firm Placing and the Placing and Open Offer, the Board intends to declare dividends on the Ordinary Shares twice annually at the time of announcement of the Enlarged Group's interim and final results.</p> <p>The Directors intend to continue a progressive dividend policy, taking into account the Group's leverage, earnings growth</p>									

		<p>potential and future expansion plans, and intend to target a dividend cover of between 2.0–2.5x underlying EPS through the cycle.</p> <p>The table below shows the amount of dividend per Ordinary Share for each of the financial years ended 31 December 2012, 2011 and 2010.</p> <table><tr><th></th><th><i>Year ended 31 December 2012</i></th><th><i>Year ended 31 December 2011</i></th><th><i>Year ended 31 December 2010</i></th></tr><tr><td>Dividend per Ordinary Share</td><td>4.50p</td><td>3.50p</td><td>2.00p</td></tr></table> <p>The New Ordinary Shares will not be eligible for any dividend or other distribution in respect of the financial year ended 31 December 2012.</p>		<i>Year ended 31 December 2012</i>	<i>Year ended 31 December 2011</i>	<i>Year ended 31 December 2010</i>	Dividend per Ordinary Share	4.50p	3.50p	2.00p
	<i>Year ended 31 December 2012</i>	<i>Year ended 31 December 2011</i>	<i>Year ended 31 December 2010</i>							
Dividend per Ordinary Share	4.50p	3.50p	2.00p							

<b>Section D – Risks</b>		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>D.1</b>	<b>Key information on the key risks that are specific to the issuer or its industry</b>	<ul style="list-style-type: none"> <li>The overall growth and demand for the Group and the Enlarged Group's products are subject to the usual drivers of building and construction activity (including, general economic conditions, interest rates, business/consumer confidence levels, unemployment and population growth), which can be unpredictable.</li> <li>The Group and the Enlarged Group may face significant competition, including competition from global competitors which have large capital resources, in the provision of similar goods and services to those which are provided by the Group and the Enlarged Group. A reduction in revenues and margins caused by competitors could have a material adverse effect on the Group and the Enlarged Group's business, operations and overall financial conditions.</li> <li>Foreign exchange risk arises from the Group and the Enlarged Group's future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group and the Enlarged Group's functional currency and net investments in overseas entities. Any significant adverse fluctuations in currency rates could have a material adverse effect on the Group and the Enlarged Group's business, financial condition, results of operations and prospects.</li> <li>The inadvertent supply of defective or inferior products by the Group or Truth Hardware to their customers could have a material adverse effect on the Group and the Enlarged Group's business, results of operations and overall financial position.</li> <li>The Enlarged Group may need to incur significant expenses in connection with the integration of Truth Hardware's operations with the existing operations of the Group. There can be no assurance that there will be</li> </ul>

		operational or other synergies realised by the Enlarged Group, or that the integration of its operations, systems, management and cultures will be timely or effectively accomplished, or ultimately will be successful in increasing earnings and reducing costs.
<b>D.3</b>	<b>Key information on the key risks that are specific to the securities</b>	<ul style="list-style-type: none"> <li>• A Shareholder who does not take up any of his Open Offer Entitlement pursuant to the Placing and Open Offer will suffer a dilution of 23.4 per cent. in his proportionate ownership and voting interests in the Enlarged Share Capital. Because of the issue of the Firm Placing Shares (unless he also participates in the Firm Placing), even if a Shareholder does take up in full his securities Open Offer Entitlement pursuant to the Placing and Open Offer, he will suffer a dilution of 4.0 per cent. in his proportionate ownership and voting interests in the Enlarged Share Capital.</li> <li>• The Group can give no assurance that applications for Admission to the Official List or admission to trading on the Main Market will be approved by the FCA or the London Stock Exchange. Even if such approvals are obtained by Tyman, Tyman will not proceed with Admission to the Official List and admission to trading on the Main Market if the Acquisition does not complete. If the Acquisition does not complete, Tyman intends to apply for Admission to the Official List and admission to trading on the Main Market at a later date.</li> <li>• The Group can give no assurance that the trading market for the Ordinary Shares will be more active than when such securities were admitted to trading on AIM or, if developed, will be sustained following Admission to the Official List. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.</li> <li>• The Company's ability to pay dividends in the future is not guaranteed as it will depend on the profitability of the Group, its available cash resources and the extent to which, as a matter of law, the Company has available to it sufficient distributable reserves out of which any proposed dividend may be paid.</li> </ul>

<b>Section E – Offer</b>		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>E.1</b>	<b>Net proceeds and expenses</b>	The Company will issue 6,864,200 New Ordinary Shares by way of the Firm Placing and 32,816,904 New Ordinary Shares by way of the Placing and Open Offer, in each case, at a price of 185 pence per New Ordinary Share, thereby raising approximately £73.4 million in aggregate gross proceeds. The Net Proceeds will be approximately £65.5 million, after estimated expenses of £7.9 million.



		There will be no proceeds received in connection with the subsequent Admission to the Official List of the Existing Ordinary Shares and the New Ordinary Shares. The estimated expenses set out above include expenses in connection with the Admission to the Official List.
<b>E.2a</b>	<b>Reasons for the offer and use of proceeds</b>	The Net Proceeds of approximately £65.5 million will be used in full, and in conjunction with the Group's existing cash reserves and the New Debt Facility, to finance the Acquisition and costs associated with the Proposals. If the Acquisition does not complete the Group will retain the Net Proceeds for a limited period for general corporate purposes and potential alternative acquisitions.
<b>E.3</b>	<b>Terms and conditions of the offer</b>	<p>The Company invites Qualifying Shareholders to apply for Open Offer Shares pro rata to their existing shareholdings at a price of 185 pence per Ordinary Share, payable in full in cash on application, free of all expenses, on the basis of:</p> <p><b><i>23 Open Offer Shares for every 91 Existing Ordinary Shares</i></b></p> <p>held by Qualifying Shareholders at the Record Date and so in proportion for any other number of Existing Ordinary Shares then held, rounded down to the nearest whole number of Open Offer Shares.</p> <p>The Issue Price represents a discount of 9.2 per cent. to the Closing Price of 203.75 pence as at the Latest Practicable Date.</p> <p>The admission to trading on the Main Market does not constitute an offer for the purposes of the Prospectus Rules.</p>
<b>E.4</b>	<b>A description of any interest that is material to the issue/offer including conflicting interests</b>	Not applicable; there is no interest that is material to the Firm Placing and the Placing and Open Offer or the Admission to the Official List.
<b>E.5</b>	<b>Name of the person or entity offering to sell the security</b>	Not applicable; no Shareholders are offering to sell Existing Ordinary Shares pursuant to the Firm Placing and the Placing and Open Offer.
<b>E.6</b>	<b>Immediate dilution resulting from the offer</b>	<p>Following the issue of New Ordinary Shares to be allotted pursuant to the Firm Placing and the Placing and Open Offer, Qualifying Shareholders who take up their full Open Offer Entitlements will suffer a dilution of up to 4.0 per cent. to their interests in the Company.</p> <p>Qualifying Shareholders who do not take up any of their Open Offer Entitlements will suffer a dilution of up to 23.4 per cent. to their interests in the Company.</p>
<b>E.7</b>	<b>Estimated expenses charged to the investor by the issuer or the offeror</b>	Not applicable; no expenses are being directly charged to the investor by the Company in connection with the Firm Placing and the Placing and Open Offer or the Admission to the Official List.

## PART II

### RISK FACTORS

*An investment in shares is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus including, in particular, the risks described below, prior to making an investment in the Company. The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.*

*These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects. The information given is as of the date of this Prospectus and, except as required by the FCA, the London Stock Exchange, the Prospectus Rules, the Disclosure and Transparency Rules, the Listing Rules, the AIM Rules for Companies or any other law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward Looking Statements" on page 23 of this Document.*

*An investment in the Ordinary Shares and/or New Ordinary Shares is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from that investment. Accordingly, prospective investors are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments in shares or other securities.*

*Prospective investors should note that the risks relating to the Group, its industry, the Ordinary Shares and/or New Ordinary Shares summarised in the section headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares and/or New Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also among other things, the risks and uncertainties described below.*

#### **RISKS ASSOCIATED WITH THE GROUP AND THE ENLARGED GROUP**

***The Group and the Enlarged Group are dependent upon the level of market demand in the building and construction markets which it supplies***

The overall growth and demand for the Group and the Enlarged Group's products are subject to the usual drivers of building and construction activity (including general economic conditions, interest rates, business/consumer confidence levels, unemployment and population growth). This demand can be unpredictable and the Group and the Enlarged Group have a low visibility of future orders from their customers.

The building and construction industries are driven by private and government expenditure, and include major new construction projects and new residential housing developments and a range of renovation, upgrading and repair work on existing buildings. Government policy and expenditure plans, private investor decisions, the general economic climate and both business and consumer confidence are all factors which can influence the level of construction activity and therefore the demand for many of the Group and the Enlarged Group's products.

In addition, the new construction market in the United States has been in an extended period of contraction and is only now beginning to recover. Similar contractions have occurred in the new construction markets in other countries, where the Group and the Enlarged Group operate, and in some cases those are more severe. If countries where the Group and the Enlarged Group have significant operations continue to experience an overall contraction in new construction markets, or if these markets fail to grow, new orders for their products

may not materialise. This could have a material adverse effect on the Group and the Enlarged Group's results of operations, business and financial condition.

***The Group and the Enlarged Group operate in the building and construction markets that may face significant competition***

The Group and the Enlarged Group may face significant competition, both actual and potential, including competition from global competitors which have large capital resources, in the provision of similar goods and services to those which are provided by the Group and the Enlarged Group. Competition in the industry is based upon: price, range and quality of products offered, geographical reach, reputation and customer relationships. Aggressive pricing from the Group and the Enlarged Group's competitors could cause a reduction in revenues and margins. This could have a material adverse effect on the Group and the Enlarged Group's business, operations and overall financial condition.

***The Group and the Enlarged Group may be affected by the availability and market prices of the raw materials required for the products that it manufactures and supplies***

The raw materials used in the Group and Enlarged Group's businesses include commodities that experience price volatility (such as steel, aluminium and zinc) caused by changes in supply and demand, and commodity market fluctuations. The Group and the Enlarged Group may not be able to pass through changes in raw material costs to customers.

The Group and the Enlarged Group's ability to deliver according to market demands depends in large part on obtaining timely and adequate supplies of components and raw materials on competitive terms. Failure by any suppliers could significantly limit the Group and the Enlarged Group's sales and increase its costs. Furthermore, if the Group or the Enlarged Group fails to anticipate customer demand accurately, an over or undersupply of raw materials components and production capacity could occur. In addition, a particular component may be available only from a limited number of suppliers.

Suppliers may also extend lead times from time to time, limit supplies or increase prices due to capacity constraints or other factors, which could adversely affect the ability to deliver the Group or the Enlarged Group's products and solutions on a timely basis. Despite the Group and the Enlarged Group's efforts to select its suppliers and manage supplier relationships, a component supplier may fail to meet the Group or the Enlarged Group's customer requirements, such as, most notably its customers' product quality, safety and other corresponding standards. Moreover, a supplier may experience delays or disruption to its supply or experience financial difficulties. Any of these events could delay the successful delivery of products and solutions, which meet the Group and the Enlarged Group's and their customers' product quality, safety and other corresponding requirements, or otherwise adversely affect the Group and the Enlarged Group's sales and results of operations. Also, the Group and the Enlarged Group's reputation and brand value may be affected due to real or merely alleged failure in its products and solutions.

***The Group and the Enlarged Group are exposed to market risks including foreign currency risk***

Tyman currently has a number of overseas businesses whose revenues and costs are denominated in foreign currencies. Over 66 per cent. of Tyman's revenues for the year ended 31 December 2012 were in foreign currencies, being primarily the US Dollar, Euro, Renminbi and the Australian Dollar.

Foreign exchange risk arises from the Group and the Enlarged Group's future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group and the Enlarged Group's functional currency and net investments in overseas entities. The foreign exchange risk relating to USD will potentially be even greater if the Acquisition completes due to the further expansion of the Group's activities in the US.

Tyman does seek to mitigate foreign currency risk in general by combining financial liabilities and derivatives in currencies that partially hedge the net investment values. However there can be no assurance that such transactions will fully protect the Group and the Enlarged Group from exchange rate risk or that the Group and the Enlarged Group will continue to be able to enter into such arrangements on commercially

reasonable terms. Any significant adverse fluctuations in currency rates could have a material adverse effect on the Group and the Enlarged Group's business, financial condition, results of operations and prospects.

***The Group and the Enlarged Group are subject to political, economic and regulatory factors in the various countries in which they operate, any of which could impact on their operating or financial results***

With operations in the US, Europe, Asia and Australia, the Group's business is subject to the risks inherent in its international operations, including economic, political and operational risks.

The Group and the Enlarged Group also face other risks related to having international operations, including the difficulties in managing international operations due to distance, language and cultural differences. In addition, international operations expose the Group and the Enlarged Group to risks associated with tariffs and trade barriers and limitations on fund transfers; exchange rate fluctuations; potential adverse tax consequences; challenges of developing, maintaining and supporting local language and currency capabilities; legal and regulatory restrictions; currency exchange rate fluctuations; foreign exchange controls that might prevent the Group and the Enlarged Group from repatriating cash; political and economic instability and export restrictions; and higher costs associated with doing business internationally. Any of these risks could harm the Group and the Enlarged Group's international expansion efforts, which would in turn have a material adverse effect on its business, revenue and financial position.

***The Group and the Enlarged Group may be affected by defects or liabilities in relation to the products which they supply***

High product quality is an important reason why customers buy products from the Group and from the Enlarged Group. The Group and the Enlarged Group require their suppliers to satisfy certain standards regarding the quality and specification of their products. However, in the event of a product being defective or inferior, there is a risk that relationships with customers could be affected. The inadvertent supply of defective or inferior products by the Group or Enlarged Group to their customers could have a material adverse effect on the Group and the Enlarged Group's business, results of operations and overall financial position.

***Loss of key personnel or the inability to attract and retain new qualified personnel may have an adverse effect on the Group and the Enlarged Group***

The success of the Group and the Enlarged Group in the markets in which they operate will continue to depend to a significant extent on certain key, highly skilled employees of the Group and the Enlarged Group. The Group is, and the Enlarged Group will be, dependent on the expertise of their executive directors, heads of divisions and regional managers. Loss of the services of any of such key, highly skilled employees could have an adverse effect on the prospects of the Group or the Enlarged Group. The Group and the Enlarged Group may not be able to retain key employees or to recruit qualified individuals. The loss of key employees could result in high transition costs and could disrupt the operations of the Group and the Enlarged Group, which could in turn have an adverse effect on the financial condition and results of operations of the Group and the Enlarged Group.

***The Group and the Enlarged Group are subject to significant environmental and safety laws and regulations***

As the Group and the Enlarged Group are involved in the manufacture of their products, they are subject to environmental and safety laws and regulations, including those relating to the use of, disposal of, clean up of, and human exposure to, hazardous materials. The cost of compliance with these and similar future regulations, could be substantial. The Group and the Enlarged Group's operating businesses use hazardous materials as part of their manufacturing processes. The risk of accidental contamination or injury from such materials cannot be eliminated. In the event of such an incident, the resulting liabilities could have an adverse effect on the financial condition, as well as the reputation, of the Group and the Enlarged Group.

Additionally, while the Group and the Enlarged Group comply in all material respects with current environmental legislation, future changes to the law may require alternative and less efficient or more costly production processes to be adopted, the costs of which may not be fully recovered in the selling prices

charged to customers. Such legislative changes could also give rise to capital expenditure requirements to ensure that the manufacturing facilities are compliant with any amended regulations.

***The Group and the Enlarged Group may suffer an interruption or failure of their information technology (“IT”) which could affect their ability to conduct their operations***

The Group and the Enlarged Group use a range of computer systems to provide order processing, inventory control and financial management within each country. Outages and interruptions could affect the Group and the Enlarged Group’s ability to conduct day-to-day operations. Interruption to IT systems could be caused by a number of factors, including as a result of human error or malfeasance, malfunction, damage, fire or power loss. There can be no certainty that recovery plans and contingency plans will be effective in the event that they need to be activated.

Any lengthy failure or disruption to the IT system in any business unit or country would result in loss of sales and delays to cash flow and could have a material adverse effect on the Group and the Enlarged Group’s business, results of operations and overall financial condition.

***Adverse changes in the tax position of the Group and the Enlarged Group could affect the Group and the Enlarged Group’s ability to provide returns to their Shareholders***

Any change in the taxation legislation or accounting practice relating to employee benefit trusts and employee management incentive schemes could affect the effectiveness of the Group and the Enlarged Group’s share incentive arrangements for their employees.

Furthermore, the structure of the Group is based on the Directors’ understanding of the current tax laws and the practices of the tax authorities of the UK and those jurisdictions in which the Group operates. Such laws (including applicable rates of taxation) or tax authority practice is subject to change, possibly with retrospective effect. Any change in the Group and the Enlarged Group’s tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the value of the Group and the Enlarged Group.

Any such change could adversely affect the net amount of any distributions payable to Shareholders or the tax treatment of distributions received by Shareholders. Furthermore, the Group and the Enlarged Group may incur costs in taking steps to mitigate this effect. As a result, any such change may have a material adverse effect on the Group’s performance, financial condition or prospects.

## **RISKS RELATING TO THE ACQUISITION OF TRUTH HARDWARE**

***The consideration to be paid by Tyman pursuant to the Acquisition will be denominated in USD and is subject to foreign exchange fluctuations against GBP***

The consideration payable by Tyman on completion of the Acquisition pursuant to the Acquisition Agreement will be in USD. There is a risk that, between the date of entering into the Acquisition Agreement and the completion of the Acquisition, the GBP to USD exchange rate will fall. If the value of GBP does fall, although those profits related to Truth Hardware will be higher, the overall cost of the consideration payable by Tyman will be higher than as anticipated at the date of the Acquisition Agreement due to the loss of value in converting GBP to USD.

***There can be no assurance that the Group will realise anticipated benefits of the Acquisition***

The Directors believe that the Acquisition will provide benefits for the Group. However, there is a risk that some or all of the expected benefits will fail to materialise, or may not occur within the time periods anticipated by the Group. The Group’s expectations, including expectations with respect to the future financial performance of the Group as enlarged by the Acquisition, are based on certain assumptions and information available to the Group as of the date of this Document which may not materialise. The realisation of such expected benefits may be affected by a number of factors and risks (including those described herein), many of which are beyond the control of the Group and as such, actual results may differ materially from those currently anticipated.



***The integration of Truth Hardware and the Group may not occur as planned and may be costly to implement***

The Enlarged Group may need to incur significant expenses in connection with the integration of Truth Hardware's operations with the existing operations of the Group. While the Group has assumed that a certain level of expenses will be incurred, there are many factors beyond the Group's control that could affect the total amount or the timing of the integration expenses. The anticipated benefits of the Acquisition will also depend in part on whether the operations, systems, management and cultures of Truth Hardware and the Group can be integrated in an efficient and effective manner. The integration of the two groups will present significant challenges to management, including the integration of systems and personnel, and the following special risks: possible unanticipated liabilities, significant one-time write-offs or restructuring charges, unexpected costs and the loss of key employees. There can be no assurance that there will be operational or other synergies realised by the Enlarged Group, or that the integration of its operations, systems, management and cultures will be timely or effectively accomplished, or ultimately will be successful in increasing earnings and reducing costs.

***The Acquisition is subject to a number of conditions which, if not satisfied, could result in the Acquisition not completing***

The implementation of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including certain regulatory filings being made with relevant national competition authorities.

There is no guarantee that these conditions will be satisfied (or waived, if applicable), in which case the Acquisition will not complete. The conditions are more fully described in Part VIII of this Document. If the Issue has become unconditional but the Acquisition has not, the Company will raise proceeds in the Issue that may not subsequently be used to pay the purchase price for the Acquisition if the Acquisition does not complete.

If the Acquisition does not proceed, Tyman will have incurred costs which will need to be paid in any event.

***If goodwill or other intangible assets that the Group records in connection with the Acquisition become impaired, the Group and the Enlarged Group could have to take significant charges against earnings***

In connection with the accounting for the Acquisition, the Group is expected to record an amount of goodwill and other intangible assets. Under IFRS, the Group must assess, at least annually and potentially more frequently, whether the value of goodwill and other intangible assets have been impaired.

Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect the Group and the Enlarged Group's results of operations and shareholders' equity in future periods.

**RISK RELATING TO THE TERMS OF THE NEW DEBT FACILITY**

The covenants contained in the New Debt Facility include financial and other covenants including restrictions on the ability of the Enlarged Group to incur additional financial indebtedness, grant security, make acquisitions or disposals, enter into mergers and repurchase shares as well as covenants related to the Acquisition. These could restrict the Enlarged Group's activities or flexibility or ability to undertake strategic or significant transactions.

**RISKS RELATING TO THE ISSUE AND THE ORDINARY SHARES**

***The Issue is not subject to the completion of the Acquisition***

The Issue is not conditional upon the completion of the Acquisition. In the event that the Acquisition does not complete, the Issue will still proceed. If the Acquisition does not complete, the Net Proceeds will be retained for a limited period for general corporate purposes and potential alternative acquisitions. However, there can be no assurance that the Group will be able to conclude agreements with any target business and/or shareholders in the future. The Company will have incurred certain costs associated with the Acquisition which will require to be paid even if the Acquisition does not complete.



***Shareholders who do not acquire New Ordinary Shares in the Issue will experience dilution in their ownership of Tyman***

Shareholders who do not take up any of their Open Offer Entitlements pursuant to the Placing and Open Offer will suffer a dilution of 23.4 per cent. in their proportionate ownership and voting interests in the Enlarged Share Capital. Because of the issue of the Firm Placing Shares (unless they participate in the Firm Placing) even if Shareholders do take up in full their Open Offer Entitlements pursuant to the Placing and Open Offer, they will suffer a dilution of 4.0 per cent. in their proportionate ownership and voting interests in the Enlarged Share Capital.

***Admission to the Official List is not guaranteed***

Although the Company has applied for admission of the Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities, and it is expected that these applications will be approved, the Group can give no assurance that such applications for Admission to the Official List or admission to trading on the Main Market will be approved by the FCA or the London Stock Exchange.

Furthermore, even if such approvals are obtained by Tyman, Tyman will not proceed with Admission to the Official List and admission to trading on the Main Market if the Acquisition does not complete. If the Acquisition does not complete, Tyman intends to apply for Admission to the Official List and admission to trading on the Main Market at a later date.

***More active trading in the Ordinary Shares may not occur***

The Group can give no assurance that the trading market for the Ordinary Shares will be more active than when such securities were admitted to trading on AIM or, if developed, will be sustained following Admission to the Official List. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

***Possible volatility of the price, and trading volume, of the Ordinary Shares***

The market price of the Ordinary Shares may be affected by a variety of factors outside of the control of the Group, including, but not limited to, changes in sentiment regarding the Ordinary Shares, variations in the Group's operating results compared with the expectations of market analysts and investors, its business development or those of its competitors, the operating performance of its competitors or speculation about the Group's business. The market value of the Ordinary Shares can fluctuate and may not always reflect the underlying value or prospects of the Group. Shareholders should therefore be aware that the value of the Ordinary Shares can go down as well as up and that they may not be able to realise their investment.

Furthermore, the trading market for the Ordinary Shares will be influenced by the research and reports that industry or securities analysts publish about the Group or its business. If analysts who cover the Group's industry downgrade the Ordinary Shares in their report, the market price of the Ordinary Shares may decline. If one or more of these analysts were to stop covering the Company or fail to publish reports regularly on the Company, the Company could lose visibility in the financial markets. This could cause a decline in the market price of the Ordinary Shares or trading volume.

***Impact of further issues of Ordinary Shares and significant disposals of Ordinary Shares on the share price***

Although there is no current intention to do so (other than pursuant to the Issue and under the Company's LTIP and Deferred Plan), it is possible that the Company may decide to offer additional Ordinary Shares in the future (for example to finance corporate acquisitions). If Shareholders did not take up such an offer of Ordinary Shares or were not eligible to participate in such an offering, their proportionate ownership and voting interests in Tyman would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of Tyman would be reduced accordingly. An additional offering could have a material adverse effect on the market price of Ordinary Shares as a whole.

An additional offering of Ordinary Shares by the Company, significant sales of Ordinary Shares, or the public perception that an offering or sales may occur, could have an adverse effect on the market price of Ordinary Shares.

***Ability to pay dividends is not guaranteed***

Whilst the Company has historically paid dividends to Shareholders, its ability to do so is a function of the profitability of the Group, its available cash resources and the extent to which, as a matter of law, the Company has available to it sufficient distributable reserves out of which any proposed dividend may be paid. Whilst the Group can give no assurances to Shareholders that it will be able to pay a dividend going forward, the Board recognises the importance of dividends to Shareholders.

***The ability of Overseas Shareholders to bring enforcement actions or enforce judgments against Tyman or the Directors may be limited***

The ability of an Overseas Shareholder to bring an action against Tyman may be limited under law. Tyman is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by the laws of England and Wales and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts, may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against Tyman or the Directors or the executive officers in a court of competent jurisdiction in England and Wales or other countries.

## PART III

### IMPORTANT INFORMATION

#### 1. Presentation of financial information

The Company publishes its financial statements in Pounds Sterling (“£” or “sterling”). The abbreviation “£m” or “£ million” represents millions of Pounds Sterling, and references to “pence” and “p” represent pence in the UK.

The financial and other numerical information presented in a number of tables in this Document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column and may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

#### *International Financial Reporting Standards*

As required by the Companies Act and Article 4 of the European Union IAS Regulation, the consolidated financial statements of the Group are prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union.

#### 2. Forward-looking statements

This Document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “expects”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Document and include statements regarding the Group’s and/or the Directors’ intentions, beliefs or current expectations concerning, among other things, the Group’s results, operations, financial condition, prospects, growth strategies and the markets in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, the market position of the Group, earnings, financial position, return on capital, anticipated investments and capital expenditure, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the events described herein and the Group. Forward-looking statements contained in this Document based on these trends or activities should not be taken as a representation that such trends or activities will continue in the future. None of the statements made in any way obviates the requirements of the Group and/or the Directors to comply with all applicable legal or regulatory requirements including, without limitation, the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules.

These forward-looking statements are further qualified by risk factors disclosed in this Document that could cause actual results to differ materially from those in the forward-looking statements. See the section of this Document entitled “Risk Factors”.

These forward-looking statements speak only as at the date of this Document. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and any applicable law, Tyman and/or the Directors, do not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and any applicable law, Tyman and the

Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Tyman's and/or the Directors' expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Document might not occur. Prospective investors should specifically consider the factors identified in this Document which could cause actual results to differ before making an investment decision. Investors and Shareholders should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this Document.

### **3. Notice to Overseas Shareholders**

Neither this Document nor the Application Form constitutes or forms part of an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, any New Ordinary Shares to any person in any Excluded Territory. The New Ordinary Shares have not been and will not be registered under any securities regulatory authority or under any securities laws of any state or other jurisdiction of any Excluded Territory and, subject to certain exceptions, may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from any Excluded Territory. There will be no public offer of securities in any Excluded Territory. Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to receive New Ordinary Shares or to take up their entitlements under the Open Offer.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) that has a contractual or other legal obligation to forward this Document or any Application Form or other document to a jurisdiction outside the UK, should read paragraph 5 of Part IX of this Document.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales under the Companies Act 1985. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against Tyman or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

### **4. Notice to all Shareholders**

Any reproduction or distribution of this Document, in whole or in part, and any disclosure of its contents or use of any information contained in this Document for any purpose other than considering an investment in the New Ordinary Shares is prohibited. By accepting delivery of this Document, you agree to the foregoing.

The distribution of this Document and/or the Application Form into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the Excluded Territories please see Part IX of this Document.

No action has been taken by the Company or by Rothschild or by Canaccord Genuity or by HSBC that would permit an offer of the New Ordinary Shares or possession or distribution of this Document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

**5. Incorporation of information by reference**

The contents of the websites of the Company (including any materials which are hyper-linked to such websites) do not form part of this Document and prospective investors should not rely on them.

**6. References to defined terms**

Certain terms used in this Document, including certain capitalised terms and certain technical and other terms, are defined and explained in the section headed “Definitions” on page 313.

**7. General notice**

Nothing contained in this Document is intended to constitute investment, legal, tax, accounting or other professional advice. This Document is for your information only and nothing in this Document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional adviser for specific advice rendered on the basis of your situation.

## **PART IV**

### **FIRM PLACING AND PLACING AND OPEN OFFER STATISTICS**

Basis of Open Offer	23 Open Offer Shares for every 91 Existing Ordinary Shares
Issue Price per New Ordinary Share	185 pence
Number of Ordinary Shares in issue as at the date of this Document	137,287,481
Number of Ordinary Shares to be issued by the Company pursuant to the Issue	39,681,104
Number of Firm Placing Shares to be issued by the Company pursuant to the Firm Placing	6,864,200
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing and Open Offer	32,816,904
Number of Ordinary Shares in issue immediately following Admission to AIM	170,104,385
New Ordinary Shares as a percentage of the Enlarged Share Capital immediately following Admission to AIM	23.4
Estimated net proceeds of the Firm Placing and the Placing and Open Offer receivable by the Company after expenses	Approximately £65.5 million
Estimated expenses of the Firm Placing and the Placing and Open Offer	Approximately £7.9 million



## PART V

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlements under the Open Offer	6.00 p.m. on 29 April 2013
Announcement of the Issue	1 May 2013
Ex-dividend date for Existing Ordinary Shares	1 May 2013
Proposed posting of Prospectus and Application Forms	2 May 2013
Notice published in London Gazette	2 May 2013
Ex-entitlement date for the Open Offer	2 May 2013
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	3 May 2013
Record date for dividend for Existing Ordinary Shares	3 May 2013
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 14 May 2013
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 15 May 2013
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 16 May 2013
<b>Latest time and date for receipt of completed Application Forms, and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)</b>	<b>11.00 a.m. on 20 May 2013</b>
Results of the Placing and Open Offer announced through a Regulatory Information Service	21 May 2013
<b>Admission to AIM and commencement of dealings in New Ordinary Shares on AIM</b>	<b>23 May 2013</b>
CREST Members' accounts credited in respect of New Ordinary Shares in uncertificated form	23 May 2013
<b>Expected date of completion of the Acquisition</b>	<b>by late June 2013</b>
<b>Admission to the Official List, and commencement of dealings in the Existing Ordinary Shares and the New Ordinary Shares on the Main Market</b>	<b>shortly following completion of the Acquisition</b>
Despatch of definitive share certificates for New Ordinary Shares in certificated form	3 June 2013
Dividend payment date for Existing Ordinary Shares	25 June 2013

#### General notes:

1. Reference to times in this Document are to London time unless otherwise stated.
2. The times and dates set out in the Expected Timetable of Principal Events above and mentioned throughout this Document may be adjusted by Tyman, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Qualifying Shareholders. In particular, in the event that withdrawal rights arise under Section 87Q of FSMA prior to Admission to AIM, Tyman, Canaccord Genuity and HSBC may agree to defer Admission to AIM until such time as such withdrawal rights no longer apply.
3. Different deadlines and procedures for return of forms may apply in certain cases.

4. If you have any queries on the procedure for acceptance and payment, you should refer to Part X of this Document which answers some of the questions most often asked by shareholders about open offers or alternatively you should contact the Shareholder Helpline on 0871 664 0321 (UK only) or +44 20 8639 3399 (if calling outside the UK). This Shareholder Helpline is available from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday (except bank holidays). For legal reasons, the Shareholder Helpline will not be able to provide advice on the merits of the Firm Placing and the Placing and Open Offer or to provide financial, tax or investment advice. Calls from within the UK are charged at 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.
5. If you have any questions relating to this Document, and the completion and return of the Application Form, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 02 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

## PART VI

### DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Jamie Pike ( <i>Non-Executive Chairman</i> ) Louis Eperjesi ( <i>Chief Executive</i> ) James Brotherton ( <i>Chief Financial Officer</i> ) Leslie Tench ( <i>Non-Executive Director</i> ) Martin Towers ( <i>Non-Executive Director</i> ) Dr. Angelika Westerwelle ( <i>Non-Executive Director</i> )
Company Secretary	Kevin O'Connell
Registered Office	65 Buckingham Gate London SW1E 6AS
Sponsor and financial adviser	Rothschild New Court St. Swithin's Lane London EC4N 8AL
Nomad and Sole Broker and Lead Bookrunner	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Joint Bookrunner	HSBC Bank plc 8 Canada Square London E14 5HQ
Legal Adviser to the Company in respect of English Law	Pinsent Masons LLP 1 Park Row Leeds LS1 5AB
Legal Adviser to the Company in respect of US Law	Proskauer Rose LLP Eleven Times Square New York NY 10036
Legal Adviser to Rothschild, Canaccord Genuity and HSBC	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditors and Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars and Receiving Agent	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Financial Public Relations

MHP Communications  
60 Great Portland Street  
London  
W1W 7RT

## PART VII

### LETTER FROM THE CHAIRMAN OF TYMAN

*(Incorporated and registered in England and Wales under the Companies Act 1985  
with registered number 02806007)*

*Directors:*

Jamie Pike (*Non-Executive Chairman*)  
Louis Eperjesi (*Chief Executive Officer*)  
James Brotherton (*Chief Financial Officer*)  
Leslie Tench (*Non-Executive Director*)  
Martin Towers (*Non-Executive Director*)  
Dr. Angelika Westerwelle (*Non-Executive Director*)

*Registered Office:*

Tyman plc  
65 Buckingham Gate  
London  
SW1E 6AS

1 May 2013

Dear Shareholder

#### **Acquisition of Truth Hardware**

**Firm Placing of 6,864,200 New Ordinary Shares and Placing and Open Offer  
of 32,816,904 New Ordinary Shares, in each case, at a price of  
185 pence per New Ordinary Share**

**Admission to the premium segment of the Official List and to trading  
on the London Stock Exchange's main market for listed securities  
of 170,104,385 ordinary shares of 5 pence each**

#### **1. Introduction**

On 1 May 2013, the Board announced that the Group had entered into a conditional agreement to acquire Truth Hardware for a cash consideration of \$200 million (approximately £129.0 million<sup>1</sup>). The Board also announced its intention to apply for admission of its Enlarged Share Capital to listing on the Official List shortly following completion of the Acquisition.

The Acquisition represents a strategic opportunity to enhance the Group's position in the North American door and window components market where Tyman sees significant opportunity for continued growth. The Board believes that the combination of Truth Hardware and Amesbury, the Group's North American division, will lead to an expanded product portfolio, broadened customer relationships, an enlarged manufacturing footprint and other significant operational benefits which will create long-term value for Shareholders. The Board believes that overall, the acquisition of Truth Hardware will significantly strengthen the Group's existing business model and underpin its growth objectives.

The Acquisition and associated expenses will be funded from a combination of the net proceeds of the Issue, new debt and the Group's existing cash reserves. The Group is proposing to raise gross proceeds of approximately £73.4 million (\$113.8 million<sup>1</sup>) by way of a Firm Placing and a Placing and Open Offer, both of which have been fully underwritten. In addition, the Group will draw approximately \$100 million (£64.5 million<sup>1</sup>) under the New Debt Facility for the purposes of funding the Acquisition. Any balance of the Acquisition and associated expenses will be funded through the Group's existing cash reserves.

In the event that the Acquisition does not complete, the Issue will still complete (subject to Admission to AIM) and the Company intends that the Net Proceeds would be retained for a limited period by the Company for general corporate purposes and potential alternative acquisitions. If the Acquisition does not complete, the Board would not intend to draw the New Debt Facility.

The Firm Placing and the Placing and Open Offer have been underwritten in full. A summary of the terms and conditions of the Underwriting Agreement is set out in paragraph 13.1 of Part XVIII.

1. Sterling and dollar conversions based on the exchange rate of £1: \$1.55.

The purpose of this Document is, *inter alia*, to explain the background to, reasons for and terms of the Proposals, to explain why the Board considers the Proposals to be in the best interests of Tyman and its Shareholders.

## **2. Background to, reasons for and expected benefits of the Acquisition**

Following a series of disposals of non-core assets and selected acquisitions the Group is now a focused supplier of components to the door and window industry worldwide. The Board believes that Truth Hardware represents a significant opportunity in the context of the Group's growth and acquisition strategy and was identified as an attractive potential target by the Board some time ago.

Truth Hardware is a North American window and door hardware manufacturer, with a strong, trusted brand and established customer relationships. The Board believes Truth Hardware provides an excellent strategic fit with Amesbury, the Group's existing and well-established North American business, and that the Acquisition will provide a number of operational and financial benefits which are expected to create value for Shareholders. In particular:

- The Acquisition significantly enhances the Group's position within the North American window and door components market where the Board believes there is a structural cyclical opportunity for continued growth;
- Truth Hardware's product portfolio and capabilities are highly complementary to those of Amesbury with approximately 72% of Truth Hardware's revenues in 2012 derived from casement product hardware categories, a market where Amesbury currently has no significant sales;
- The enlarged combined offering of Amesbury and Truth Hardware will allow the Enlarged Group to broaden relationships within a largely common customer base of North American window and door OEMs;
- The Acquisition will provide the Group with a Canadian manufacturing facility, together with the potential for meaningful market share in Canada, and offers the opportunity to grow Amesbury's existing product lines within the Canadian market alongside Truth Hardware's products;
- Truth Hardware has well invested, strategically positioned facilities with available capacity through which the Group could drive increased production without the need for major investment;
- Truth Hardware has demonstrated a consistent track record of top-line performance with strong margins and strong cash generation during the recent market downturn and is well positioned for future growth;
- Truth Hardware will gain access to the Group's well established routes to market outside North America through grouphomesafe and Schlegel; and
- The Acquisition is expected to be accretive to the Group's earnings per share in the first full financial year following completion of the Acquisition.<sup>2</sup>

Truth Hardware operates a business model well-known and understood by the Group. The Board believes there are several areas for potential cost synergies from combining Truth Hardware and Amesbury including:

- Optimisation of overlapping product lines;
- Consolidation of manufacturing processes, particularly in the areas of stamping, die-casting and plating;
- Elimination of duplicate administrative overheads;
- Alignment of sales and marketing resources;

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2. This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cashflows of the Group will necessarily be greater than the historic published figures.



- Co-ordination of third party sourcing, freight and logistics; and
- Sharing of best practice between Amesbury and Truth Hardware.

The Board expects the combination of Truth Hardware and Amesbury will deliver annual pre-tax cost savings of at least \$5 million from 2015 onwards. The expected one-off cash costs to implement the integration and deliver synergies are estimated at approximately \$2.5 million. These costs include a preliminary estimate of the costs to convert Truth Hardware to Amesbury's new enterprise resource planning ("ERP") system. This statement of estimated cost savings relates to future actions and circumstances which by their nature involve risks, uncertainties, contingencies and other factors. As a result, the cost savings referred to may not be achieved, or those achieved may be materially different from those estimated. The figures as set out in this paragraph are unaudited numbers based on management estimates.

A detailed integration plan, led by senior executives of Tyman, Truth Hardware and Amesbury, will be established to deliver benefits from the combination of Truth Hardware and the Group, including the formation of an integration steering group with key individuals from Tyman and Truth Hardware. The integration plan will include identifying and implementing a cost synergy plan; building customer, supplier and employee communications; ensuring use of best practice across the Enlarged Group; and implementing a more unified structure over time.

### **3. Summary information on Tyman**

Tyman is the holding company of the Group and its Ordinary Shares are currently traded on AIM. Tyman had a market capitalisation of £265 million based on the closing share price of 203.75 pence as at the Latest Practicable Date.

On 1 February 2013, the Company changed its name and branding from Lupus Capital plc to Tyman to reflect its focus as a supplier of components to the door and window industry worldwide.

The principal businesses operated by Tyman's trading subsidiaries are:

- Amesbury, which offers a range of door and window sealing solutions and hardware, with manufacturing and distribution capability throughout the US;
- grouphomesafe, which is involved in the design, development, manufacture and distribution of innovative solutions to improve performance and enhance protection and security for the residential building and home improvement markets in the UK; and
- Schlegel International, which manufactures seals and related products and whose products are sold in more than 75 countries around the world.

In the year ended 31 December 2012, Tyman recorded sales of £228.8 million (2011: £216.3 million) from continuing operations and underlying operating profit<sup>3</sup> of £23.0 million (2011: £22.2 million) from continuing operations.

Part XII of this Document sets out further information on Tyman.

### **4. Summary information on Truth Hardware**

Truth Hardware, comprising Truth Corporation and Atlas, is a North American manufacturer of hardware products used in windows, doors and skylights. Truth Hardware's route to market is primarily through the North American window and door OEMs.

The main manufacturing facility of Truth Hardware and its headquarters are in Owatonna, Minnesota (US), where its engineering, research and development, die casting, metal stamping, component fabrications and assembly manufacturing takes place. Truth Hardware also has a separate facility in Brampton, Toronto

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

(Canada), which serves as a competency centre for machining technology. Truth Hardware has recently made targeted investments in automation at its facilities.

The manufacture of Truth Hardware's product is carried out by a combination of in-house manufacturing, together with third party sourcing of certain products.

Truth Hardware currently employs approximately 700 people throughout North America.

For the year ended 31 December 2012, Truth Hardware recorded sales of \$126.0 million (2011: \$120.9 million), EBITDA of \$22.5 million (2011: \$18.9 million) and operating profit of \$18.6 million (2011: \$13.5 million). Truth Hardware's sales for the year ended 31 December 2012 of \$126.0 million compare with Truth Hardware's historic peak of sales over the last 10 years of \$167.8 million. An accountants' report on Truth Hardware covering the three years ended 31 December 2012 restated according to Tyman's accounting policies is set out in Part XVI of this Document.

Part XIII of this Document sets out further information on Truth Hardware.

## **5. Principal terms and conditions of the Acquisition**

Pursuant to the Acquisition Agreement, the Group has agreed to purchase the entire issued and to be issued share capital of Truth Corporation and Atlas for a cash consideration of \$200 million on a cash free/debt free basis, subject to customary adjustments.

The Acquisition is conditional upon the Firm Placing and the Placing and Open Offer becoming effective.

The Acquisition is expected to complete following admission of the New Ordinary Shares to trading on AIM and following a termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 in the US. The Acquisition is expected to complete by late June 2013 and by no later than 31 July 2013

A summary of the Acquisition Agreement is set out in Part VIII of this Document.

## **6. Financing the Acquisition**

The Board has given careful consideration as to the mix of the acquisition financing including the impact on gearing and the structure of the proposed fundraising. The Board has concluded that the Acquisition should be funded from a combination of:

- The Firm Placing and the Placing and Open Offer on the basis of 23 New Ordinary Shares for every 91 Existing Ordinary Shares, both at a price of 185 pence per New Ordinary Share, raising gross proceeds of approximately £73.4 million;
- The New Debt Facility, comprising a \$100 million multi-currency term loan facility (of which approximately \$100 million will be drawn for purposes of funding the Acquisition); and
- The Group's existing cash reserves.

The Firm Placing and the Placing and Open Offer are described in Part IX of this Document.

The New Debt Facility is described in paragraph 13.2 of Part XVIII of this Document.

## **7. Summary of the principal terms of the Firm Placing and the Placing and Open Offer**

The Group intends to raise gross proceeds of approximately £73.4 million in total pursuant to the Firm Placing and the Placing and Open Offer at the Issue Price. The issue price of 185 pence per New Ordinary Share represents a 9.2 per cent. discount to the closing middle market price 203.75 pence on the Latest Practicable Date. This discount has been set by the Board following careful consideration.

The Open Offer provides Qualifying Shareholders with an opportunity to subscribe for Open Offer Shares *pro rata* to their current holdings at the Issue Price. The Open Offer Shares will be offered to Qualifying Shareholders on the following basis:

**23 Open Offer Shares for every            91 Existing Ordinary Shares**

held at the Record Date and so in proportion for any other number of Ordinary Shares then held.

Pursuant to the Firm Placing, the Firm Placees have conditionally agreed to subscribe for 6,864,200 New Ordinary Shares at the Issue Price. The Firm Placing Shares comprise 6,864,200 New Ordinary Shares to be sold by the Company out of treasury under its standing authority pursuant to section 571 of the Companies Act. The Firm Placing Shares have been offered to specific investors only and not *pro rata* to existing Shareholders and do not form part of the Open Offer.

Applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlements. Open Offer Entitlements to Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders are also being given the opportunity, provided they take up their Basic Entitlement in full, to apply for Excess Shares through the Excess Application Facility. Qualifying Shareholders may apply for Excess Shares up to a maximum number of Excess Shares equal to 1 times the Basic Entitlement of such Qualifying Shareholder at the Record Date.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, applications under the Excess Application Facility shall be scaled back *pro rata* to the number of Excess Shares applied for by the Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full, in part or at all.

**The Open Offer is not a rights issue and any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlement will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders.**

The Firm Placing and the Placing and Open Offer have been fully underwritten by Canaccord Genuity and HSBC pursuant to the terms of the Underwriting Agreement.

The New Ordinary Shares, when issued and fully paid will rank *pari passu* with the existing Ordinary Shares including the right to receive dividends or distributions declared after the date of this Document. The New Ordinary Shares will not be entitled to the recommended final dividend of 3.5 pence per ordinary share in relation to the financial year ended 31 December 2012 which was announced on 12 March 2013.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission to AIM will become effective and dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on 23 May 2013. The admission of the Existing Ordinary Shares and New Ordinary Shares to trading on the Main Market and cancellation of the admission to trading on AIM is expected to take effect shortly following completion of the Acquisition.

The Firm Placing and the Placing and Open Offer are conditional, amongst other things, upon Admission to AIM, but not Admission to the Official List, and are not conditional on completion of the Acquisition.

Open Offer Entitlements set out in an Application Form may be converted into uncertificated form, that is, deposited into CREST. Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST and an Application Form used instead.

Further details of the Firm Placing and the Placing and Open Offer, the terms and conditions on which it is being made and details of the procedure for application and payment for the Placing and Open Offer Shares are set out in Part IX of this Document and in the accompanying Application Form.

## **8. Use of proceeds of the Firm Placing and the Placing and Open Offer**

The Net Proceeds, along with the New Debt Facility and the Group's existing cash reserves, will be used to satisfy the cash consideration for the Acquisition and associated expenses. It is anticipated that the Firm Placing and the Placing and Open Offer will complete on 23 May 2013 and that the Acquisition will complete by late June 2013.

In the event that the Acquisition does not complete, the Issue will still complete (subject to, the Underwriting Agreement not having been terminated and the conditions to the Underwriting Agreement including amongst other things, Admission to AIM being satisfied) and the Company intends that the Net Proceeds would be retained for a limited period by the Company for general corporate purposes and potential alternative acquisitions. If the Acquisition does not complete, the Board would not intend to draw the New Debt Facility.

## **9. Financial effects of the Proposals**

The Board expects that the Acquisition will be accretive to earnings per share in 2014, being the first full financial year following completion of the Acquisition and will result in significant EBITDA margin enhancement.

The Board expects leverage on completion of the Acquisition to be approximately at 2.6 times net debt/underlying EBITDA, which is above the Board's stated through-the-cycle target of 1.5 to 2.0 times. Leverage is projected to reduce to within the through-the-cycle range by the end of 2013.<sup>4</sup> The Group retains full flexibility to realise its additional strategic organic growth objectives and targeted investment opportunities following the Acquisition.

On a pro forma basis and assuming that the Firm Placing and the Placing and Open Offer and the Acquisition had become effective on 31 December 2012, the Enlarged Group would have had net assets of approximately £313 million at that date (based on the net assets of the Group as at 31 December 2012 and the net assets of Truth Hardware as at 31 December 2012) as more fully described in Part XVII (Unaudited Pro Forma Financial Information of the Group) of this Document.

## **10. Admission to the Official List**

As announced on 12 March 2013, the Board believes that moving to the Official List is an appropriate step in the continued development of the Group. Given the strategic nature of the Acquisition and the increased scale of the Enlarged Group, the Board considers it is appropriate to proceed with this move alongside the Acquisition. The Board believes that the Enlarged Group will benefit generally from a higher profile as a result of admission to the Official List and will be better placed to achieve improved liquidity in the Ordinary Shares due to the greater number of institutional investors who regularly trade in companies admitted to the Official List. In the event that the Acquisition does not complete, the Board would not intend to proceed with its application for admission of its Shares to Listing on the Official List and will seek to move to the Official List at a later date.

## **11. Current trading and prospects**

### ***Outlook***

Across the Group as a whole, order intake and revenues in the first three months of 2013 are slightly ahead of the equivalent period in 2012.

The housing market in North America appears more robust today than at any point in the past five years, with recovery in housing starts and remodelling expenditure underway, and 2013 has started well for Amesbury. The remainder of 2013 will see further difficult markets outside of North America, particularly in

4. This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cashflows of the Group will necessarily be greater than the historic published figures.

Continental Europe, however the Group is committed to its well defined plans to invest in its businesses, take market share, deliver margin improvement, increase returns on capital and drive earnings for shareholders. The Board remains optimistic that the Group will make further progress in 2013.

### ***Amesbury***

Collectively, the Amesbury businesses in North America performed well in 2012 and took market share, with a particularly strong performance from the Group's sealing systems business. Margins in the division were impacted by some of the investments the Group made, most notably the start-up of the Group's new Atlanta plant and the fixed overhead of the Montreal facility acquired as part of the Unique Balance transaction; neither of which are expected to repeat in 2013. Overall, on a constant currency, like for like basis, Amesbury revenues grew by 5.0 per cent. to £112.0 million.

2013 has started well for Amesbury with order intake and revenues ahead of 2012 for the first three months and with a higher order bank. Provided repair and remodelling expenditure follows historic patterns, Amesbury remains well positioned to benefit as the Group moves towards the seasonally higher demand months in North America.

### ***grouphomesafe***

In the UK, grouphomesafe saw further overall market contraction during 2012, which has continued into the first quarter of 2013. Like for like revenues from continuing operations in the UK in 2012 decreased by 5.5 per cent. and underlying operating profit decreased by 1.1 per cent.

However, once the acquisition of Fab & Fix is taken into account, reported revenues from continuing operations increased by 3.8 per cent. to £73.3 million, underlying operating profit increased by 10.0 per cent. to £9.0 million and underlying operating margins increased to 12.2 per cent. By comparison, the reported underlying operating margins for the UK element of the building products segment in 2011 was 8.7 per cent., demonstrating the transformational impact of the corporate activity undertaken in the UK business during the year.

The corporate activity undertaken in the UK in 2012 has transformed the Group's grouphomesafe business. During 2013, while the Group expects the overall market will continue to contract, the Group will aim to take further market share through organic growth, new product introductions and growing the Fab & Fix offering. Import cost inflation could be a potential risk factor in 2013. The Group aims to minimise this risk through strong long-term relationships with suppliers, economies of purchasing, multiple suppliers and inventory management. In addition, the Group will seek to increase the price of its products or apply surcharges to its customers to recover unavoidable input cost increases.

### ***Schlegel International***

Schlegel International had a difficult trading year in 2012 with revenues down 8.6 per cent. and underlying operating margins decreasing from 8.2 to 6.7 per cent. In Continental Europe, which remains a tough trading environment, the Group has addressed its fixed cost base through the closure of production at its building products facility in Gistel, Belgium transferring production to the UK and Spain. During 2013 the Group will take further steps to enhance the efficiency of Schlegel International in Europe.

Further afield, Australian markets contracted during 2012, however the Group successfully grew the business through a combination of market share gain and new product introductions. The Group's Brazilian and Singaporean operations have also shown encouraging continued growth.

In Europe, where the general macroeconomical environment remains challenging, the overall market has continued to contract and the Group's businesses have had a slow start to 2013, however the Board believes the rebalancing of the Group's European footprint gives the Group the right platform for the manufacture and distribution of sealing products in Europe going forward. The Group expects Australasian markets to be more robust in 2013 and to return to growth and the Group will continue to promote its product offering in emerging markets, with South America and South East Asia being particular focus areas in 2013.



## **12. Directors, employees and key personnel of the Enlarged Group**

The average number of people employed by Tyman in the financial years ended 31 December 2010, 2011 and 2012 were 2,090, 1,992 and 2,017 respectively.

The average number of people employed by Truth Hardware in the financial years ended 31 December 2010, 2011 and 2012 were 897, 781 and 728 respectively.

Following completion of the Acquisition, the senior management of Truth Hardware are expected to remain within the business.

Further details of the Directors and the Group's corporate governance policies are set out in paragraph 11.5 of Part XVIII of this Document.

## **13. Dividends and dividend policy**

The New Ordinary Shares issued pursuant to the Firm Placing and the Placing and Open Offer will, following allotment and issue, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared in respect of the ordinary share capital of Tyman, save that the New Ordinary Shares will not be eligible for any dividend or other distribution in respect of the financial year ended 31 December 2012.

In respect of the final dividend payable for the financial year ended 31 December 2012, the ex-dividend date is 1 May 2013 and the record date is 3 May 2013. The final dividend is subject to approval by Shareholders at the Company's annual general meeting to be held on 24 June 2013. The payment date for such dividends is 25 June 2013.

Subject to there being sufficient distributable reserves available for the purpose, following the Firm Placing and the Placing and Open Offer the Board intends to declare dividends on the Ordinary Shares twice annually at the time of announcement of the Enlarged Group's interim and final results. The Board intends to continue a progressive dividend policy taking into account the Enlarged Group's leverage, earnings growth potential and future expansion plans, and will target a dividend cover of between 2.0–2.5x underlying EPS through the cycle.

## **14. Action to be taken**

If you are a Qualifying Non-CREST Holder you will have received a Non-CREST Application Form which gives details of your Basic Entitlement and Excess Open Offer Entitlements under the Open Offer (as shown by the number of the Open Offer Entitlements and Excess Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the enclosed Non-CREST Application Form in accordance with the procedure for application set out in paragraph 3.1 of Part IX of this Document and on the Non-CREST Application Form itself.

If you are a Qualifying CREST Holder, no Non-CREST Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements and Excess Open Offer Entitlements representing your Basic Entitlement and Excess Open Offer Entitlement under the Open Offer. You should refer to the procedure for application set out in paragraph 3.2 of Part IX of this Document.

**The latest time for applications under the Open Offer to be received is 11.00 a.m. on 20 May 2013. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have a Non-CREST Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements and Excess Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement.**

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are within the UK, or, if you are outside the UK, from another appropriately authorised professional adviser.



## **15. Overseas shareholders**

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons, (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this Document or the Application Form to such persons, is drawn to the information which appears in paragraph 5 of Part IX of this Document.

## **16. Taxation**

Your attention is drawn to paragraph 15 of Part XVIII of this Prospectus in relation to taxation matters. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

## **17. Further information**

You should read the whole of this Prospectus and not just rely on the information contained in this letter.

## **18. Directors' Intentions**

Each of the Directors has irrevocably undertaken to take up in full his or her Basic Entitlement in respect of his and her own beneficial shareholdings.

The Board, which has received financial advice from Rothschild, considers that the Proposals are in the best interests of the Group and its Shareholders as a whole. In providing its financial advice to the Board, Rothschild has relied upon the Board's commercial assessment of the Proposals.

Yours sincerely

**Jamie Pike**

*Non-Executive Chairman*

## PART VIII

### SUMMARY OF PRINCIPAL TERMS OF THE ACQUISITION

#### 1. Acquisition Agreement

The Acquisition Agreement was entered into on 1 May 2013 between the Company, Amesbury Industries Inc, Schlegel Acquisition Holdings Limited and the Vendor pursuant to which Amesbury Industries Inc and Schlegel Acquisition Holdings Limited (together the “**Purchaser**”) will acquire the entire issued share capital of Truth Corporation and Atlas. The Company has guaranteed the obligations of the Purchaser under the Acquisition Agreement.

#### 2. Consideration and adjustments

The purchase price for the Acquisition is \$200 million on a cash free/debt free basis, subject to customary adjustments. The existing intra-group indebtedness of Truth Corporation and Atlas to its parent company will be repaid by the Purchaser on completion and such amount will be deducted from the Purchase Price to be paid on completion.

#### 3. Conditions of the Acquisition

Completion under the Acquisition Agreement is conditional upon:

- Admission becoming effective; and
- termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

#### 4. Warranties

The Acquisition Agreement contains title and operational warranties given by the Vendor and include, amongst other things, accounting, material contracts, tax, property and environmental matters. A number of warranties are subject to the Vendor's awareness (including the awareness of the management of Truth Hardware).

The Acquisition Agreement also contains a tax covenant.

All warranty claims, indemnities and covenants are subject to certain time limitations. Warranty claims, other than environmental claims, must be notified prior to the earlier of 18 months from completion and the date the Company announces its interim results for the six months ending on 30 June 2014. Environmental claims and any tax claim must be notified on the date falling five years after completion. All claims are subject to a financial cap and other customary vendor limitations.

#### *Conduct of Truth Hardware's business prior to Completion*

The Seller has undertaken, pursuant to the terms of the Acquisition Agreement that up to Completion, Truth Hardware will carry on its business as a going concern in the ordinary and usual course and will not take certain actions without the prior written consent of the Purchaser.

#### 5. Termination of the Acquisition Agreement

In the event that the conditions referred to in paragraph 3 above have not been satisfied by 3.00 p.m. on 31 July 2013 the parties obligations under the Acquisition Agreement will lapse.

## PART IX

### TERMS AND CONDITIONS OF THE OPEN OFFER

*As explained in the letter set out in Part VII of this Document, the Company is proposing to issue 39,681,104 New Ordinary Shares to raise through the Firm Placing and the Placing and Open Offer, approximately £65.5 million (net of expenses).*

*Upon completion of the Firm Placing and the Placing and Open Offer, the New Ordinary Shares will represent approximately 23.4 per cent. of the Company's Enlarged Share Capital and the Existing Ordinary Shares will represent approximately 76.6 per cent. of the Enlarged Share Capital. New Ordinary Shares issued through the Placing and Open Offer and New Ordinary Shares issued as part of the Firm Placing will account for approximately 19.4 per cent. and 4.0 per cent., respectively of the total New Ordinary Shares.*

*The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is the close of business on 29 April 2013. Application Forms for Qualifying Non-CREST Shareholders accompany this Document and Open Offer Entitlements and Excess Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 3 May 2013. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 20 May 2013 with Admission to AIM and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 23 May 2013.*

*This Document and, for Qualifying Non-CREST Shareholders only, the Application Form, contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part IX, which gives details of the procedure for application and payment for the Open Offer Shares. The attention of Overseas Shareholders is drawn to paragraph 5 of this Part IX below.*

*The Open Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, if any, by reference to a record date after the date of their issue.*

*The Company is proposing to issue 32,816,904 Open Offer Shares at the Issue Price conditional, inter alia, on Admission to AIM.*

*Applications will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM and, shortly following completion of the Acquisition, to the Financial Conduct Authority for the Enlarged Share Capital to be admitted to the Official List and to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on the Main Market.*

*The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, 32,816,904 Open Offer Shares pro rata to their current holdings and pursuant to the Excess Application Facility, to apply for Excess Shares at the Issue Price in accordance with the terms of the Open Offer.*

*Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to the close of business on 2 May 2013 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.*

#### **1. The Open Offer**

Subject to the terms and conditions set out below and, where relevant, in the Application Form, the Company hereby invites Qualifying Shareholders to apply for Open Offer Shares *pro rata* to their existing shareholdings at a price of 185 pence per Ordinary Share, payable in full in cash on application, free of all expenses, on the basis of:

**23 Open Offer Shares for every                      91 Existing Ordinary Shares**

held by Qualifying Shareholders at the Record Date and so in proportion for any other number of Existing Ordinary Shares then held, rounded down to the nearest whole number of Open Offer Shares.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

Qualifying Shareholders applying for their full Basic Entitlement may also apply, under the Excess Application Facility, for Excess Shares in excess of their Basic Entitlement at the Issue Price, payable in full on application, and free of expenses up to a maximum number of Excess Shares equal to 1 times the Basic Entitlement of such Qualifying Shareholders under the Excess Application Facility at the Record Date.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, such applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Board may, in its absolute discretion, determine. No assurance can be given that the applications by Qualifying Shareholders will be met in full, in part or at all.

Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders and entitlements to apply for Open Offer Shares will be rounded down to the nearest whole number of New Ordinary Shares.

The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements and Excess Open Offer Entitlements credited to your stock account in CREST.

If you have received an Application Form with this Document please refer to paragraph 3.1 of this Part IX.

If you hold your Ordinary Shares in CREST and have received a credit of Open Offer Entitlements and Excess Open Offer Entitlements to your CREST stock account, please refer to paragraph 3.2 of this Part IX and also to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders may apply for any number of Open Offer Shares (including Excess Shares) up to the maximum to which they are entitled to apply under the Open Offer. No application in excess of a person's Basic Entitlement and Excess Open Offer Entitlement will be met and any person so applying, and whose application is otherwise valid in all respects, will be deemed to have applied for the maximum number of Open Offer Shares as specified on the Application Form and the maximum number of Excess Shares that can be applied for under the Excess Application Facility (or, in the case of a Qualifying CREST Shareholder for the Open Offer Entitlement and Excess Open Offer Entitlement standing to the credit of its stock account in CREST), or as otherwise notified to him or her, as applicable (and any monies received in excess of the amount due will be returned to any Qualifying Non-CREST Shareholder without interest as soon as practicable by way of cheque at such applicant's sole risk).

The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this Document into a jurisdiction other than the UK is drawn to paragraph 5 below. The Open Offer will not be made into any Excluded Territories. Subject to the provisions of paragraph 5.4, Qualifying Shareholders with a registered address in an Excluded Territory will not be sent an Application Form.

Following the issue of New Ordinary Shares to be allotted pursuant to the Firm Placing and the Placing and Open Offer (unless a Qualifying Shareholder also participates in the Firm Placing), Qualifying Shareholders who take up their Open Offer Entitlements in full will suffer a dilution of up to 4.0 per cent. to their interests in the Company.

**Qualifying Shareholders who do not take up any of their Open Offer Entitlements will suffer a dilution of up to 23.4 per cent. to their interests in the Company.**

**The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, the Open Offer Entitlements will not be tradable and applications in respect of the Open Offer Entitlements and the Excess Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled**

or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlements will have no rights under the Open Offer or receive any proceeds from it.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Shortly following completion of the Acquisition, the Board intends to apply to the FCA and the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be listed on the Official List and to be admitted to trading on the Main Market. It is expected that Admission to AIM and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on 23 May 2013. It is expected that Admission to the Official List will occur by late June 2013.

The Existing Ordinary Shares are already admitted to CREST. Application has been made for the New Ordinary Shares to be admitted to CREST on Admission to AIM. The Existing Ordinary Shares and the New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Application has been made for the Open Offer Entitlements to be admitted to CREST. The Open Offer Entitlements are expected to be admitted to CREST with effect from 3 May 2013.

The Open Offer Shares will be issued credited as fully paid and rank *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

## **2. Conditions of the Open Offer**

The Open Offer is conditional upon the Underwriting Agreement becoming or being declared unconditional in all respects by 8.00 a.m. on 23 May 2013 (or such later time and/or date as the Company, Canaccord Genuity, HSBC and Rothschild (as sponsor) may agree, being not later than 8.00 a.m. on 5 June 2013) and the Underwriting Agreement not being terminated in accordance with its terms prior to Admission to AIM. The Underwriting Agreement is conditional, *inter alia*, upon:

- (i) Admission to AIM becoming effective on or before 8.00 a.m. on 23 May 2013 (or such later date and/or time as the Company, Canaccord Genuity, HSBC and Rothschild (as sponsor) may agree, being no later than 8.00 a.m. on 5 June 2013); and
- (ii) the Underwriting Agreement having become unconditional in all other respects and not having been terminated in accordance with its terms prior to Admission to AIM.

Further details of the Underwriting Agreement are set out in paragraph 13.1 of Part XVIII of this Document. Further terms of the Open Offer are set out in the Application Form. If the Underwriting Agreement is not declared or does not become unconditional in all respects by 8.00 a.m. on 23 May 2013 or such later time and date as the Company, Canaccord Genuity, HSBC and Rothschild (as sponsor) shall agree (being no later than 8.00 a.m. on 5 June 2013), or if it is terminated in accordance with its terms prior to Admission to AIM, the Open Offer will be revoked and will not proceed. Revocation cannot occur after dealings in New Ordinary Shares have begun.

In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 3 June 2013. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares

in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 23 May 2013.

All monies received by the Registrar in respect of Open Offer Shares will be placed on deposit in a non-interest bearing account by the Registrar or trustee.

### **3. Procedure for application and payment**

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether at the relevant time, a Qualifying Shareholder has an Application Form in respect of its entitlement under the Open Offer or has Open Offer Entitlements and Excess Open Offer Entitlements credited to its CREST stock account.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements and Excess Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2 of this Part IX.

CREST Sponsored Members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess Open Offer Entitlements of such members held in CREST. CREST Members who wish to apply under the Open Offer in respect of their Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this Document the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

#### **3.1 *If you have an Application Form in respect of your Open Offer Entitlement***

##### **(A) *General***

Subject as provided in paragraph 5 of this Part IX in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will have received an Application Form enclosed with this Document. The Application Form shows the number of Existing Ordinary Shares registered in their name at the close of business on the Record Date. It also shows the Basic Entitlement for which they are entitled to apply under the Open Offer taking into account that they will not be entitled to take up an Open Offer Share in respect of any fraction of an Open Offer Share arising when their entitlement was calculated, such entitlement being rounded down to the nearest whole number of Open Offer Shares, as set out in Box 2. Box 3 shows how much they would need to pay if they wish to take up their Open Offer Entitlements in full. Qualifying Non-CREST Shareholders may apply for less than their maximum entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim. Under the Excess Application Facility, provided that they have agreed to take up their Basic Entitlement, Qualifying Non-CREST Shareholders may apply for more than their Basic Entitlement should they wish to do so. Applications by Qualifying Non-CREST Shareholders for Excess Shares under the Excess Application Facility will be limited to a maximum number of Excess Shares equal to 1 times the Basic Entitlement of such Qualifying Non-CREST Shareholders at the Record Date. If the total number of Excess Shares applied for by all Qualifying Shareholders exceeds the total number of Excess Shares available, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Board may, in its absolute discretion, determine.



The instructions and other terms set out in the Application Form are also part of the terms and conditions of the Open Offer.

(B) *Market Claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” entitlement to participate in the Open Offer by the London Stock Exchange, being 2 May 2013 but only to satisfy a *bona fide* market claim. Application Forms may be split up to 3.00 p.m. on 16 May 2013. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or transferred all or part of its holding of Existing Ordinary Shares prior to 2 May 2013, being the date upon which the Existing Ordinary Shares were marked “ex” entitlement to the Open Offer by the London Stock Exchange, should consult its broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 13 on the Application Form and immediately send it (together with this Document) to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, be forwarded to or transmitted in or into the Excluded Territories.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 3.2 below.

(C) *Excess Applications*

Qualifying Non-CREST Shareholders applying for their Basic Entitlement may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The total number of Open Offer Shares will not be increased in response to any excess applications. Applications for Excess Shares will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements. Qualifying Shareholders applying for their Basic Entitlement will be entitled to apply for a maximum number of Excess Shares of up to a maximum number of Excess Shares equal to 1 times the Basic Entitlement of such Qualifying Shareholders at the Record Date.

If applications under the Excess Applications Facility are received for more than the total number of Excess Shares available following take up of Basic Entitlements, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility, allocated in such manner as the Board may, in its absolute discretion, determine.

Qualifying Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Basic Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional in all respects and applications for Excess Shares exceed the total number of Excess Shares available following the take up of Basic Entitlements, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for Excess Shares under the Excess Application Facility has been received, will receive a Pounds Sterling amount equal to the number of Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying Non-CREST Shareholder,

multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter by cheque, without payment of interest and at the applicant's sole risk.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

(D) *Application Procedures*

A Qualifying Non-CREST Shareholder wishing to apply for all or some of its Open Offer Entitlements (including any of its entitlement under the Excess Application Facility) should complete and sign the Application Form in accordance with the instructions printed on it and send it, together with the appropriate remittance, by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 11.00 a.m. on 20 May 2013, after which time Application Forms will not be valid. A reply paid envelope is enclosed for use by Qualifying Non-CREST Shareholders in connection with the Open Offer.

If any Application Form is sent by first class post within the United Kingdom, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery.

The Company may, but shall not be obliged to, elect in its absolute discretion to accept Application Forms received after 11.00 a.m. on 20 May 2013. The Company may also (in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it does not strictly comply with the terms and conditions of the Open Offer. Applications will not be acknowledged.

The Company also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 20 May 2013 from an authorised person (as defined in FSMA) specifying the number of Open Offer Shares concerned, and undertaking to lodge the relevant Application Form in due course, but in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or bankers' draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Capita Registrars, Canaccord Genuity, HSBC, Rothschild or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(E) *Payments*

All payments must be in Pounds Sterling and cheques or bankers' drafts should be made payable to "Capita Registrars Limited re: Tyman plc Open Offer" and crossed "A/C payee only". Cheques or bankers' drafts must be drawn on an account where the applicant has sole or joint-title to the funds and on an account at a branch of a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and bankers' drafts to be cleared through the

facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque or bankers' draft to such effect. Please do not send cash.

Cheques or bankers' drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Registrars to seek special clearance of cheques and bankers' drafts to allow the Company to obtain value for remittances at the earliest opportunity. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured.

In the event that it does not become unconditional by 8.00 a.m. on 23 May 2013 or such later time and date as the Company and Canaccord Genuity, HSBC and Rothschild (as sponsor) shall agree (being no later than 8.00 a.m. on 5 June 2013), the Open Offer will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter.

(F) *Effect of Application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) represent and warrant to the Company, Canaccord Genuity and HSBC that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting there from and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a nondiscretionary basis;
- (ii) agree with the Company, Canaccord Genuity and HSBC that all applications under the Open Offer, and any contracts or non-contractual obligations resulting therefrom, shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iii) represent and warrant to the Company, Canaccord Genuity and HSBC that you are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or have received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (iv) represent and warrant to the Company, Canaccord Genuity and HSBC that if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (v) confirm to the Company, Canaccord Genuity and HSBC that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this Document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Canaccord Genuity and HSBC;
- (vi) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this Document and the Application Form, subject to the Articles;
- (vii) represent and warrant to the Company, Canaccord Genuity and HSBC that you are not, nor are you applying on behalf of any person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory and you are not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of the

application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory nor acting on behalf of any such person;

- (viii) represent and warrant to the Company, Canaccord Genuity and HSBC that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67 (depository receipts), section 70 (clearance services), section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;
- (ix) confirm to the Company, Canaccord Genuity and HSBC that in making such application you are not relying on any information or representation in relation to the Company other than that contained in this Document and agree that no person responsible solely or jointly for this Document or any part thereof, or involved in the preparation thereof, shall have any liability for any such other information or representation not so contained and further agree that, having had the opportunity to read this Document, you will be deemed to have had notice of all the information concerning the Company in this Document; and
- (x) confirm that in making the application you are not relying and have not relied on Canaccord Genuity and HSBC or any person affiliated with Canaccord Genuity and HSBC in connection with any investigation of the accuracy of any information contained in this Document or your investment decision.

**If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form.**

If you are in doubt as to whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying Non-CREST Shareholders under the Open Offer should be made to Capita Registrars on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

**3.2 If you have your stock account in CREST credited in respect of your Basic Entitlement and Excess Open Offer Entitlements:**

**(A) General**

Subject as provided in paragraph 5 of this Part IX in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to its stock account in CREST of its Open Offer Entitlements equal to the Basic Entitlement and Excess Open Offer Entitlement.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlement and Excess Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlement which should have been but cannot be admitted to CREST by 3 May 2013 or the stock accounts of Qualifying CREST Shareholders cannot be credited by 3 May 2013 or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess Open Offer Entitlements which should have been credited to its stock account in CREST. In these circumstances the expected timetable as set out in this Document

will be adjusted as appropriate with the amendments announced via a Regulatory Information Service and the provisions of this Document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST Members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST Sponsored Member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

(B) *Bona fide market claims*

The Open Offer Entitlement and Excess Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and Excess Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess Open Offer Entitlements will thereafter be transferred accordingly.

(C) *Excess Applications*

Qualifying CREST Shareholders applying for their Basic Entitlement in full may apply to acquire Excess Shares using the Excess Application Facility, should they wish, up to a maximum number of Excess Shares equal to 1 times the Basic Entitlement of such Qualifying CREST Shareholder at the Record Date.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Board may, in its absolute discretion determine.

Excess Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 5 of this Part IX in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Open Offer Entitlement in order for any applications for Excess Shares pursuant to the Excess Application Facility to be settled through CREST. The credit of such Excess Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the Excess Shares attributable to the Excess Open Offer Entitlement as an Excess Open Offer Entitlement is subject to scaling back in accordance with the terms of this Document.

Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purpose of market claims only). Neither the Open Offer Entitlements nor the Excess Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 3.2(D) below and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlements and the relevant Basic Entitlements are transferred, the Excess Open Offer Entitlements will not transfer with the Basic Entitlements claim, but will be transferred as a



separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess Open Offer Entitlements credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess Open Offer Entitlements.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number and disregarded.

The total number of Open Offer Shares is fixed and will not be increased in response to applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for the Basic Entitlements. Qualifying Shareholders applying for their full Basic Entitlement will be entitled to apply for Excess Shares in proportion to the number of Existing Ordinary Shares held respectively by such Qualifying Shareholders, rounded down to the nearest whole number of Excess Shares. Excess monies in respect of applications which are not met in full will be returned to the Applicant (at the Applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

(D) *USE Instructions*

CREST Members who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) an Unmatched Stock Event ("USE") instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Registrars under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

(E) *Content of USE instructions in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00B7HKGH03;
- (iii) the CREST participant ID of the accepting CREST Member;
- (iv) the CREST Member account ID of the accepting CREST Member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars, in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account of Capita Registrars, in its capacity as a CREST receiving agent. This is 27926TYM;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;



- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 20 May 2013; and
- (ix) the corporate action number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 20 May 2013.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) should add the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 20 May 2013 in order to be valid is 11.00 a.m. on that day.

In the event that the Firm Placing and the Placing and Open Offer does not become unconditional by 8.00 a.m. on 23 May 2013 or such later time and date as the Company and Canaccord Genuity, HSBC and Rothschild (as sponsor) determine (being no later than 8.00 a.m. on 5 June 2013), the Firm Placing and the Placing and Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies (if any) will be retained for the benefit of the Company.

(F) *Content of USE instruction in respect of Excess Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear UK specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Open Offer Shares for which the application is being made (and hence the number of the Excess Open Offer Entitlements being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess Open Offer Entitlements. This is GB00B8FLVR77;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess Open Offer Entitlements is to be debited;
- (v) the participant ID of the Receiving Agent, in its capacity as Receiving Agent. This is 7RA33;
- (vi) the member account ID of the Receiving Agent, in its capacity as CREST Receiving Agent. This is 27926TYM;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in paragraph (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 20 May 2013;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of Excess Open Offer Entitlements under the Open Offer to be valid, the USE instruction must comply with the requirement as to authentication and contents set out above and must settle on or before 11.00 a.m. on 20 May 2013.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 20 May 2013 in order to be valid is 11.00 a.m. on that day.

In the event that the Firm Placing and the Placing and Open Offer does not become unconditional by 8.00 a.m. on 23 May 2013, or such later time and date as Canaccord Genuity, HSBC and Rothschild (as sponsor) and the Company shall agree being not later than 8.00 a.m. on 5 June 2013, the Firm Placing and the Placing and Open Offer will lapse, the Excess Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(G) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in their Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 3.00 p.m. on 15 May 2013. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Open Offer Entitlements which will be managed by Capita Registrars.

In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 15 May 2013, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 15 May 2013, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and/or following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 20 May 2013.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Registrars by the relevant CREST Member(s) that it/they is/are not in

breach of the provisions of the notes on page 2 of the Application Form, and a declaration to the Company and Capita Registrars from the relevant CREST Member(s) that it/they is/are not citizen(s) or resident(s) of any Excluded Territory and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(H) *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 20 May 2013 will constitute a valid application under the Open Offer.

(I) *CREST Procedures and Timings*

CREST Members and (where applicable) their CREST Sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that their CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 20 May 2013. In this connection CREST Members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(J) *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Registrars reserves the right:

- (i) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST Member in question (without interest).

(K) *Effect of Valid Application*

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to the Company, Canaccord Genuity and HSBC that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the

payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);

- (iii) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this Document and subject to the Articles;
- (iv) agrees with the Company, Canaccord Genuity and HSBC that all applications and any contracts or noncontractual obligations resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- (v) represents and warrants to the Company, Canaccord Genuity and HSBC that he is not, nor is he applying on behalf of any person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory nor acting on behalf of any such person;
- (vi) represents and warrants to the Company, Canaccord Genuity and HSBC that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67 (depository receipts), section 70 (clearance services), section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;
- (vii) confirms to the Company, Canaccord Genuity and HSBC that in making such application he is not relying on any information or representation in relation to the Company other than that contained in this Document and agrees that no person responsible solely or jointly for this Document or any part thereof, or involved in the preparation thereof, shall have any liability for any such other information and further agrees that, having had the opportunity to read this Document, he will be deemed to have had notice of all the information concerning the Company contained in this Document;
- (viii) represents and warrants to the Company, Canaccord Genuity and HSBC that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (ix) represents and warrants to the Company, Canaccord Genuity and HSBC that if he has received some or all of their Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (x) confirms to the Company, Canaccord Genuity and HSBC that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this Document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Canaccord Genuity and HSBC; and
- (xi) confirms to Canaccord Genuity and HSBC that in making this application he is not relying and has not relied on Canaccord Genuity and HSBC or any person affiliated with Canaccord Genuity and HSBC in connection with any investigation on the accuracy of any information contained in this Document or their investment decision.

(L) *The Company's discretion as to rejection and validity of Applications*

The Company may in its sole discretion, but shall not be obliged to:

- (i) treat as valid (and binding on the CREST Member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IX;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “**first instruction**”) as not constituting a valid application if, at the time at which Capita Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Registrars have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST Member or CREST Sponsored Member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Registrars in connection with CREST.

(M) *Lapse of the Open Offer*

In the event that the Firm Placing and the Placing and Open Offer does not become unconditional by 8.00 a.m. on 23 May 2013 or such later time and date as the Company and Canaccord Genuity, HSBC and Rothschild (as sponsor) may agree (being no later than 8.00 a.m. on 5 June 2013), the Firm Placing and the Placing and Open Offer will lapse, the Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

### 3.3 *Withdrawal Rights*

Qualifying Shareholders wishing to exercise statutory withdrawal rights after publication by the Company of a prospectus supplementing this Document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published, which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is CREST Member, the Participant ID and the Member Account ID of such CREST Member. The notice must be sent to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Kent BR3 4TU by mail or by hand (during normal business hours only) or by electronic communication to [withdraw@capitaregistrars.com](mailto:withdraw@capitaregistrars.com) so as to be received before the end of the withdrawal period. Notice of withdrawal given by any other means or which is deposited with or received by Capita Registrars after expiry of such period will not constitute a valid withdrawal provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares applied for in full and the allotment of such Open Offer Shares to such persons becomes unconditional save to the extent required by statute. In such event Shareholders are advised to seek independent legal advice.



## 4. Money Laundering Regulations

### 4.1 *Holders of Application Forms*

It is a term of the Open Offer that to ensure compliance with the Money Laundering Regulations, the Receiving Agent may, at its absolute discretion, verify the identity of the person by whom or on whose behalf an Application Form is lodged with payment including, without limitation, any applicant who (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the applicant, or (ii) appears to Capita Registrars to be acting on behalf of some other person (which requirements are referred to below as the “**verification of identity requirements**”).

If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Application Form.

The applicant(s) who, by lodging an Application Form with payment, and in accordance with the other terms as described above, accept(s) the Open Offer in respect of the New Ordinary Shares (the “**relevant shares**”) comprised in such Application Form shall thereby be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If Capita Registrars, having (where time allows) consulted with the Company and having taken into account its comments and requests, by 11.00 a.m. on 20 May 2013 determines that the verification of identity requirements apply to any applicant or application, and the verification of identity requirements have not been satisfied (which Capita Registrars shall in its absolute discretion determine), the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the application as invalid or may confirm the allotment of the relevant shares to the applicant but (notwithstanding any other term of the Open Offer) the relevant shares will not be issued to the applicant unless and until the verification of identity requirements have been satisfied in respect of that application (which Capita Registrars shall in its absolute discretion determine).

If the application is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is dispatched to the applicant, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations. Capita Registrars is entitled, in its absolute discretion, to determine whether the verification of identity requirements applies to any applicant or application and whether such requirements have been satisfied. Neither the Company nor Capita Registrars will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Capita Registrars, Canaccord Genuity and HSBC from the applicant that the Money Laundering Regulations will not be breached by application of such remittance. If the verification of identity requirements applies, failure to provide the necessary evidence of identity within a reasonable time may result in your application being treated as invalid or in delays in the despatch of share certificates or in crediting CREST stock accounts.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the

prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or

- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers their application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (approximately £13,000).

In other cases the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of Capita Registrars to require verification of identity as stated above). Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (A) **if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or bankers' draft, by the building society or bank endorsing on the back of the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature; or**
- (B) **if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, Republic of Korea, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation that it has that status with the Application Form and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to Capita Registrars or the relevant authority. In order to confirm the acceptability of any written assurance referred to above or any other case, the applicant should contact Capita Registrars (telephone Capita Registrars on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK). Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice; or**
- (C) **if an Application Form is/are in respect of relevant shares with an aggregate subscription price of €15,000 (or its equivalent, being approximately £13,000) or more and is/are lodged by hand by the applicant in person, they should ensure that they have with them evidence of identity bearing their photograph (for example, their passport) and separate evidence of their address.**

**If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 20 May 2013, Capita Registrars has not received evidence satisfactory to it as aforesaid, Capita Registrars may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account**



at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 20 May 2013, the Registrars have not received evidence satisfactory to it as aforesaid, the Registrars may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

#### 4.2 *Open Offer Entitlements*

If you hold your Open Offer Entitlements and Excess Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements and Excess Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then irrespective of the value of the application, Capita Registrars is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Capita Registrars before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to Capita Registrars such information as may be specified by Capita Registrars as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Capita Registrars as to identity, Capita Registrars may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

### 5. **Overseas Shareholders**

This Document has been approved by the FCA, being the competent authority in the United Kingdom. The making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 5 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

#### 5.1 *General*

The distribution of this Document and any Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, Canaccord Genuity, HSBC or Rothschild (as sponsor), or any other person, to permit a public offering or distribution of this Document (or any

other offering or publicity materials or Application Form(s)) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this Document and/or an Application Form and/or a credit of Open Offer Entitlements and Excess Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in any Excluded Territory and, in those circumstances, this Document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to stock accounts in CREST of, persons with registered addresses in any Excluded Territory or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this Document and/or an Application Form and/or a credit of Basic Entitlements and Excess Open Offer Entitlements to a stock account in CREST in any Excluded Territory may treat the same as constituting an invitation or offer to them, nor should they in any event use any such Application Form and/or credit of Basic Entitlements and Excess Open Offer Entitlements to a stock account in CREST. In circumstances where an Overseas Shareholder in an Excluded Territory receives this Document and/or an Application Form this Document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Canaccord Genuity, HSBC, Rothschild (as sponsor) or any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this Document and/or an Application Form and/or a credit of Open Offer Entitlements and Excess Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements and Excess Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this Document and/or an Application Form and/or a credit of Open Offer Entitlements and Excess Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by their custodian, agent, nominee or trustee, they must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company and Canaccord Genuity, HSBC and Rothschild (as sponsor) determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this Document and/or an Application Form and/or transfers Open Offer Entitlements and Excess Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part IX and specifically the contents of this paragraph.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from any Excluded Territory or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer

Shares or in the case of a credit of Open Offer Entitlements and Excess Open Offer Entitlements to a stock account in CREST, to a CREST Member whose registered address would be, in any Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 5.2 to 5.5 below. Notwithstanding any other provision of this Document or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Qualifying Shareholders in any Excluded Territory or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territory will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in any Excluded Territory or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any other Excluded Territory.

No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any Excluded Territory. Receipt of this Document and/or an Application Form and/or a credit of an Open Offer Entitlement or Excess Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in any Excluded Territory and, in those circumstances, this Document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

## **5.2 *United States***

The New Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within, into or from the United States.

The Open Offer will be made to all Qualifying Shareholders through a notice in the London Gazette, details of which are provided in paragraph 5.4 of this Part IX.

Accordingly, the Company is not extending the Firm Placing or the Placing and Open Offer into the United States and neither this Document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States. Neither this Document nor the Application Form will be sent to any Shareholder with a registered address in the United States. No Open Offer Entitlement, Excess Open Offer Entitlement or New Ordinary Shares will be credited to a stock account in CREST of any Qualifying Shareholder with a registered address in the United States.

Any person who acquires New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Document or the Application Form and delivery of the New Ordinary Shares, that they are not, and that at the time of acquiring the New Ordinary Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States.

This offer is being made outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S. Any person in the United States who obtains a copy of this Document or an Application Form is required to disregard them.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranty set out in the Application Form to the effect that the person accepting the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any New Ordinary Shares may be transferred. In addition, the Company, Canaccord Genuity and HSBC reserve the right to reject any USE instruction sent by or on behalf of any CREST Member with a registered address in the United States in respect of the New Ordinary Shares.

Each subscriber or purchaser acknowledges that the Company, Canaccord Genuity and HSBC will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by its subscription for, or purchase of, the New Ordinary Shares, as the case may be, are no longer accurate, it shall promptly notify the Company, Canaccord Genuity and HSBC. If such subscriber or purchaser is subscribing for, or purchasing, the New Ordinary Shares as a fiduciary agent for one or more investor accounts each subscriber or purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Each subscriber or purchaser acknowledges that it will not resell the New Ordinary Shares absent registration or an available exemption from registration under the US Securities Act.

In addition, until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the Open Offer or the Firm Placing or the Placing) may violate the registration requirements of the US Securities Act.

### **5.3 *Other Excluded Territories***

Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territories will not qualify to participate in the Open Offer and will not be sent this Document or an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Excluded Territory or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Excluded Territory except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this Document or the Application Forms into any Excluded Territory.

### **5.4 *Notice in the London Gazette***

In accordance with section 562(3) of the Companies Act, the offer by way of Open Offer to Qualifying Shareholders who have no registered address in the EEA and who have not given to the Company an address in the EEA for the serving of notices, will be made by the Company causing a notice to be published in the London Gazette on 2 May 2013 stating where copies of this Document and the Application Form may be obtained or inspected on personal application by or on behalf of such Qualifying Shareholders.

However, in order to facilitate acceptance of the offer made to such Qualifying Shareholders by virtue of such publication, Application Forms will also be posted to Qualifying Shareholders who are Overseas Shareholders (other than to those, subject to certain exceptions, with registered addresses in, or who are resident in, the United States or any other Excluded Territory). Such Shareholders, if it is lawful to do so, may accept the offer by way of Open Offer either by returning the Application Form posted to them in accordance with the instructions set out therein or, subject to surrendering the original Application Form posted to them, by obtaining a copy thereof from the place stated in the notice and returning it in accordance with the instructions set out therein. Similarly, the stock accounts in CREST will be credited with Open Offer Entitlements or Excess Open Offer Entitlements to Qualifying Shareholders who are Overseas Shareholders other than to those, subject to certain exceptions, with registered addresses, or who are resident in the United States or any other Excluded Territory.

#### **5.5 Waiver**

The provisions of this paragraph 5 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, Canaccord Genuity, HSBC and Rothschild (as sponsor) in their absolute discretion. Subject to this, the provisions of this paragraph 5 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 5 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 5 shall apply to them jointly and to each of them.

### **6. Taxation**

Information regarding United Kingdom taxation in connection with the Open Offer is set out in paragraph 15 of Part XVIII of this Document. If you are in any doubt about your tax position or are subject to a tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

### **7. Listing, Settlement, Dealings and Publication**

Applications have been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM subject to the fulfilment of the conditions of the Firm Placing and the Placing and Open Offer. It is expected that Admission to AIM will become effective and that dealings therein for normal settlement will commence at 8.00 a.m. on 23 May 2013. The New Ordinary Shares can be held in either certificated or uncertificated form through CREST. In the case of Shareholders wishing to hold the New Ordinary Shares in certificated form, definitive certificates in respect of the New Ordinary Shares will be issued free of stamp duty and are expected to be despatched by post within seven days of Admission to AIM. No temporary documents of title will be issued and, pending such despatch, transfers will be certified against the share register.

Open Offer Entitlements and Excess Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 20 May 2013 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 23 May 2013). On this day, Capita Registrars will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlement to Open Offer Shares with effect from Admission to AIM (expected to be 23 May 2013). The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this Document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Capita Registrars in



connection with CREST. This right may also be exercised if the correct details (such as participant ID and member account ID details) are not provided as requested in the Application Form.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be despatched by post within seven days of Admission to AIM. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to the Application Form.

The completion and results of the Firm Placing and the Placing and Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as possible.

## **8. Times and date**

The Company shall, in agreement with Canaccord Genuity and HSBC and after consultation with its legal advisers, be entitled to amend the dates on which Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this Document and in such circumstances shall notify the FCA, and make an announcement on a Regulatory Information Service approved by the FCA and, if appropriate, by Shareholders, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this Document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **9. Further information**

Your attention is drawn to the further information set out in this Document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

## **10. Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this Document, the Application Form and any noncontractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England and Wales.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this Document or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this Document or the Application Form. By taking up Open Offer Shares in accordance with the instructions set out in this Document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.



## PART X

### QUESTIONS AND ANSWERS ABOUT THE FIRM PLACING AND THE PLACING AND OPEN OFFER

*The questions and answers set out in this Part X are intended to be in general terms only and, as such, you should read Part IX of this Document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under FSMA if you are in the United Kingdom.*

This Part X deals with general questions relating to the Firm Placing and the Placing and Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 5 of Part IX of this Document. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read paragraph 3.2 of Part IX of this Document for full details of what action you should take. If you are a CREST Sponsored Member, you should also consult your CREST Sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call Capita Registrars' shareholder helpline on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

**The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice. The contents of this Document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult their, her or its own appropriate professional advisers for advice. This Document is for your information only and nothing in this Document is intended to endorse or recommend a particular course of action.**

#### **1. What is a firm placing and a placing and open offer?**

A firm placing and a placing and open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for new investors to acquire new shares in the company (a firm placing and a placing). The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

#### **2. Am I eligible to participate in the Firm Placing or the Placing?**

A firm placing or a placing is where specific investors procured by a company's advisers agree to subscribe for placed shares. The Firm Placing Shares and the Placing Shares do not form part of the Open Offer. Unless you are a Firm Placee or a Placing Placee, you will not participate in the Firm Placing or the Placing.

#### **3. What is the Company's Open Offer?**

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire an aggregate of up to 32,816,904 Open Offer Shares at a price of 185 pence per Open Offer Share. If you hold Ordinary Shares on the Record Date or have a *bona fide* market claim, other than where you are a Shareholder with a registered address in or are located in any Excluded Territory, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 23 Open Offer Shares for every 91 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy an Open Offer Share in respect of any fraction of an Open Offer Share

and your entitlement will be rounded down to the nearest whole number. Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the share price on the last Business Day before the announcement of the terms of the Issue. The Issue Price of 185 pence per Open Offer Share represents a 9.2 per cent. discount to the closing middle-market price of 203.75 pence per Ordinary Share on the Latest Practicable Date. This discount has been set by the Board following careful consideration. The Board considers that the level of discount is appropriate in order to secure the investment necessary in the Company, having regard to prevailing market conditions and transaction costs.

Qualifying Shareholders are also being given the opportunity, provided they take up their Basic Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 1 times the amount of the Basic Entitlement of such Qualifying Shareholders at the Record Date.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlement in full. Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

If applications under the Excess Application Facility are received for more than the total number of Excess Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility in such manner as the Board may, in its absolute discretion, determine, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all.

Valid applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement (excluding any New Ordinary Shares applied for through the Excess Application Facility).

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, neither the Open Offer Entitlements nor the Excess Open Offer Entitlements will be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear UK's Claims Processing Unit.

New Ordinary Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any Open Offer Shares which are not applied for under the Open Offer may be allocated to other Qualifying Shareholders under the Excess Application Facility.

#### **4. When will the Open Offer take place?**

The Open Offer is subject to Admission to AIM becoming effective by not later than 8.00 a.m. on 23 May 2013 (or such later time and date as the Company may determine).

#### **5. What is an Application Form?**

It is a form sent to those Qualifying Shareholders who hold their Ordinary Shares in certificated form. It sets out your entitlement to subscribe for the Open Offer Shares and contains a form for you to complete if you want to participate.

**6. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?**

If you receive an Application Form and are not a holder with a registered address or located in any Excluded Territory, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 2 May 2013 (the date when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

**7. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and do not have a registered address and are not located in any Excluded Territory, you will be sent an Application Form that shows:

- (i) how many Existing Ordinary Shares you held at the close of business on the Record Date;
- (ii) how many Open Offer Shares are comprised in your Basic Entitlement;
- (iii) how much you need to pay if you want to take up your right to buy all of your Open Offer Entitlement; and
- (iv) how many Excess Shares you may apply for under the Excess Application Facility.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Basic Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this Document. Completed Application Forms should be posted, along with a cheque or bankers’ draft drawn in the appropriate form, in the accompanying pre-paid envelope or returned by hand (during normal office hours only), to Capita Registrars, (who will also act as receiving agent in relation to the Open Offer) so as to be received by Capita Registrars by no later than 11.00 a.m. on 20 May 2013, after which time Application Forms will not be valid.

**8. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?**

**(a) *If you do not want to take up any of your Basic Entitlement***

If you do not want to take up any of your Basic Entitlement, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form or your Basic Entitlement to anyone else. If you do not take up your Basic Entitlement, then following the issue of the Open Offer Shares pursuant to Open Offer, your interest in the Company will be diluted by approximately 23.4 per cent.

**(b) *If you want to take up some but not all of your Basic Entitlement***

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Boxes 6 and 9 of your Application Form; for example, if you are entitled to take up 100 shares but you only want to take up 50 shares, then you should write ‘50’ in Boxes 6 and 9. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, ‘50’) by £1.85, which is the price in pounds of each Open Offer Share (giving you an amount of £92.50 in this example). You should write this amount in Box 10, rounding down to the nearest whole pence and this should be the amount your cheque or bankers’ draft is made out for. You should then sign the Application Form on page 1 (ensuring that all joint holders sign (if applicable)) and return the completed Application Form, together with a cheque or bankers’ draft for the relevant amount, in the accompanying pre-paid envelope (for use within the UK only), by post or by hand (during normal office hours only) to Capita Registrars so as to be received no later than 11.00 a.m. on 20 May 2013, after which time Application Forms will not be valid. Please do not send cash.

All payments must be in Pounds Sterling and made by cheque or bankers' draft made payable to "Capita Registrars Limited re: Tyman plc Open Offer" and crossed "A/C Payee Only". Cheques or bankers' drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom, Channel Islands or Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast Clearing houses or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable for the application. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the back of the building society cheque or bankers' draft to such effect.

Cheques or bankers' drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Registrars to seek special clearance of cheques and bankers' drafts to allow the Company to obtain value for remittances at the earliest opportunity. Funds will be held in a non-interest bearing bank account. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured.

Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 23 May 2013 or such later time and date as the Company and Canaccord Genuity, HSBC and Rothschild (as sponsor) shall agree (being no later than 8.00 a.m. on 5 June 2013), the Open Offer will lapse and application monies will be returned by post to Applicants, at the Applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter.

(c) ***If you want to take up all, but no more than, of your Basic Entitlement***

If you want to take up all of your Basic Entitlement, all you need to do is sign the Application Form on page 1 (ensuring that all joint holders sign (if applicable)) and send the Application Form, together with your cheque or bankers' draft for the amount (as indicated in Box 3 of your Application Form), payable to "Capita Registrars Limited re: Tyman plc Open Offer" and crossed "A/C payee only", in the accompanying pre-paid envelope (for use within the UK only) by post or by hand (during normal business hours only) to Capita Registrars (who will act as receiving agent in relation to the Open Offer) so as to be received by Capita Registrars by no later than 11.00 a.m. on 20 May 2013, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. Please do not send cash.

All payments must be made in accordance with the instructions contained in answer 8.(b) above.

(d) ***If you want to take up more than your Basic Entitlement***

Provided that you have agreed to take up your Basic Entitlement in full, you can apply for further Open Offer Shares up to a maximum number of Excess Shares under the Excess Application Facility. You should write the number of Excess Shares equal to 1 times your Basic Entitlement at the Record Date that you wish to apply for under the Excess Application Facility in Box 7 and add that number to the number in Box 6 and insert that total in Box 9.

If applications made under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated as the Board may, in its absolute discretion, determine. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event, Qualifying Shareholders will receive a Pounds Sterling amount equal to the number of Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying Shareholder, multiplied

by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment and at the applicant's sole risk.

**9. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST Members should follow the instructions set out in paragraph 3.2 of Part IX of this Document. Persons who hold Existing Ordinary Shares through a CREST Member should be informed by the CREST Member through whom they hold their Existing Ordinary Shares of the number of Open Offer Shares which they are entitled to acquire under the Open Offer and should contact them if they do not receive this information.

**10. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What shall I do if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 29 April 2013 at 6.00 p.m. (close of business) and who have subsequently converted them to certificated form; and
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 7.00 a.m. on 2 May 2013 but were not registered as the holders of those shares at the close of business on 29 April 2013.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact Capita Registrars' shareholder helpline on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

**11. I am a Qualifying Non-CREST Shareholder, do I have to apply for all of my Basic Entitlement?**

You can take up any number of the Open Offer Shares allocated to you under your Basic Entitlement. Your Basic Entitlement is shown on your Application Form. Any applications by a Qualifying non-CREST Shareholder for a number of Open Offer Shares which is equal to or less than that person's Basic Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the Open Offer Shares comprised in your Basic Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced over and above the amount it will be reduced as a result of the Firm Placing. Please refer to the answer to question 8 for further information.

**12. What if I change my mind?**

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in Part IX of this Document.



**13. What if the number of Open Offer Shares to which I am entitled is not a whole number: am I entitled to fractions of Open Offer Shares?**

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

**14. I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box 3 of the Application Form?**

You cannot spend more than an amount equal to the Issue Price multiplied by the total number of Open Offer Shares pursuant to your Basic Entitlement and the Excess Shares to which you are entitled (the total of the amounts set out in Box 3 and Box 5). If you want to spend less than the amount set out in Box 3, you should divide the amount you want to spend by £1.85 (being the price, in pounds, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100 you should divide £100 by £1.85. You should round that down to the nearest whole number, to give you the number of shares you want to take up. Write that number in Boxes 6 and 9. To then get an accurate amount to put on your cheque or bankers' draft, you should multiply the whole number of Open Offer Shares you want to apply for by £1.85 and then fill in that amount (rounded down to the nearest whole pence) in Box 10 and on your cheque or bankers' draft accordingly.

Under the Excess Application Facility, provided that you are a Qualifying Non-CREST Shareholder and you have agreed to take up your Basic Entitlement in full, you may apply for more than the amount of your Basic Entitlement should you wish to do so. Application can be made for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 1 times your Basic Entitlement at the Record Date.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take up of Basic Entitlements. If applications are received for more than the number of available Open Offer Shares, applications made under the Excess Application Facility will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders or allocated as the Board may, in its absolute discretion, determine. If every Qualifying Shareholder takes up their Basic Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying Non-CREST Shareholders whose applications under the Excess Application Facility are so scaled back will receive a Pounds Sterling amount equal to the number of Open Offer Shares applied and paid for, but not allocated to them, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

**15. What if I hold options and awards under the LTIP and Deferred Plan?**

Participants in the LTIP and Deferred Plan will be advised separately of any adjustments to their rights under the LTIP and Deferred Plan to take account of the Open Offer.

**16. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 2 May 2013, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer.

**17. I hold my Existing Ordinary Shares in certificated form. How do I pay?**

Completed Application Forms should be returned with a cheque or bankers' draft drawn in the appropriate form. All payments must be in Pounds Sterling and made by cheque or bankers' draft made payable to "Capita Registrars Limited re: Tyman plc Open Offer A/C" and crossed "A/C Payee Only". Please do not send cash. Cheques or bankers' drafts must be drawn on an account when the applicant has sole or joint title to the funds and on a bank or building society or branch of a bank or building society in the United Kingdom, Channel Islands or Isle of Man which is either a settlement member of the Cheque and Credit Clearing



Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of the Scottish and Belfast Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

**18. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any of the Open Offer Shares under your Basic Entitlement, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced following completion of the Firm Placing and the Placing and Open Offer.

**19. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form together with payment in the accompanying pre-paid envelope, by post or by hand (during normal office hours only), together with the payments by cheque or bankers' draft in the appropriate form to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**20. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?**

The Receiving Agent must receive the Application Form by no later than 11.00 a.m. on 20 May 2013, after which time Application Forms will not be valid. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

**21. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?**

It is expected that Capita Registrars will post all new share certificates on 3 June 2013.

**22. How do I transfer my entitlements into the CREST system?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST Member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service ("CCSS") in accordance with the instructions in the Application Form. CREST Sponsored Members should arrange for their CREST Sponsors to do this.

**23. If I buy Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?**

If you bought your Ordinary Shares after the Record Date you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

**24. Will the Firm Placing and the Placing and Open Offer affect dividends on the Ordinary Shares?**

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, if any, by reference to a record date after the date of their issue.

**25. Will I be taxed if I take up my entitlements?**

Information on taxation with regard to the Open Offer is set out in paragraph 15 of Part XVIII of this Document. This information is intended as a general guide only and Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

**26. What should I do if I live outside the United Kingdom?**

Your ability to apply to subscribe for Open Offer Shares may be affected by the laws of the jurisdiction in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Basic Entitlement.

Shareholders with registered addresses or who are located in any Excluded Territory are, subject to certain exceptions, not eligible to participate in the Open Offer. For the avoidance of doubt the Open Offer is not being made into any of the Excluded Territories. Your attention is drawn to the information in paragraph 5 of Part IX of this Document.

If you do not have a registered address in the EEA and have not given to the Company an address in the EEA for the sending of notices, the Open Offer will be made to you through a notice in the London Gazette, details of which are provided in paragraph 5.4 of Part IX of this Document.

**27. Further assistance**

All enquiries in relation to the procedure for application and completion of Application Forms should be addressed to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or made by telephone on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

## **PART XI**

### **INFORMATION CONCERNING THE NEW ORDINARY SHARES**

#### **1. Description of the type and class of securities being offered**

The New Ordinary Shares to be issued by the Company will be ordinary shares with a nominal value of 5 pence each, with ISIN GB00B29H4253. Following the Issue, which is expected to occur on 23 May 2013, the Company will have one class of Ordinary Shares, the rights of which are set out in the Articles.

The New Ordinary Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests.

#### **2. Legislation under which the New Ordinary Shares have been created**

The New Ordinary Shares will be created under the Companies Act.

#### **3. Listing**

The Existing Ordinary Shares are currently admitted to trading on AIM. An application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Subject to satisfaction of the conditions in the Underwriting Agreement and such agreement not having been terminated in accordance with its terms, it is expected that Admission to AIM will become effective and that dealings for normal settlement in all of the New Ordinary Shares will commence at 8.00 a.m. on 23 May 2013.

#### **4. Form and currency of the New Ordinary Shares**

The New Ordinary Shares to be issued pursuant to the Issue will, when issued, be in registered form and will be capable of being held in certificated and uncertificated form. The registrars of the Company are Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company). No share certificates will be issued in respect of the New Ordinary Shares in uncertificated form. If any such shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with applicable legislation. The New Ordinary Shares will be denominated in Pounds Sterling.

#### **5. Rights attached to the New Ordinary Shares**

Each New Ordinary Share will rank *pari passu* in all respects with each Existing Ordinary Share, and will have the same rights and restrictions as each Existing Ordinary Share. Further details of the rights attaching to the Existing Ordinary Shares and the New Ordinary Shares are set out in paragraph 8 of Part XVIII of this Document.

#### **6. Authorisations relating to the New Ordinary Shares**

The Company has sufficient existing authority from Shareholders pursuant to the Companies Act to allot and issue the New Ordinary Shares and consequently no further authorisations are required from Shareholders.

#### **7. Dilution**

Assuming that the Open Offer Entitlements are taken up in full by Qualifying Shareholders and unless a Qualifying Shareholder also participates in the Firm Placing, the holders of Existing Ordinary Shares shall account for 96.0 per cent. of the Enlarged Share Capital as they will be diluted by the Firm Placing which will represent a 4.0 per cent. immediate dilution of the holders of the Existing Ordinary Shares.

If none of the holders of Existing Ordinary Shares take up their Open Offer Entitlements and are not participating in the Firm Placing they will be diluted by the Firm Placing, which will represent a 23.4 per cent. immediate dilution of the holders of the Existing Ordinary Shares.

## **8. Taxation**

Please see paragraph 15 of Part XVIII of this Document for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of Ordinary Shares, irrespective of their tax residence).

## **9. Migration to the Official List following completion of the Acquisition**

The Board intends to seek admission of the Enlarged Share Capital to the premium segment of the Official List shortly following completion of the Acquisition. Accordingly the Company intends to apply for the admission of the Existing Ordinary Shares and the New Ordinary Shares to the Official List and to trading on the Main Market, which is expected to take place by late June 2013. The Company intends to submit a request to the London Stock Exchange for the cancellation of the trading of the Existing Ordinary Shares and the New Ordinary Shares on AIM and it is anticipated that such cancellation will occur simultaneously with Admission to the Official List.

## PART XII

### INFORMATION ON TYMAN

*Investors should read the whole of this Document and should not just rely on the financial information set out in Part XV of this Document.*

#### 1. Introduction

Tyman is an international supplier of building products to the door and window industry, and operates industrial manufacturing businesses with operations across Europe, the Americas, Asia and Australasia.

Tyman's products and services comprise:

- weatherproof seals that help make homes more energy efficient;
- compact balances and reinforcers that enable windows to function effectively;
- full suite of door and window hardware, including high security locks and electronic access controls; and
- in the UK, the market leading sash window renovation service.

#### 2. History of Tyman

Tyman has been a quoted company since 1999, when it was named Lupus Capital plc. The key events in the history of Tyman since then are summarised below:

- February 2004 – change of management at Tyman, with the incoming management team adopting a new strategy to acquire industrial assets with a view to improving their profitability and realising value for shareholders through the eventual sale of those assets.
- April 2006 – Tyman acquired Schlegel Building Products division from UniPoly Holdings Limited, and transferred its listing from the Main Market to AIM.
- April 2007 – Tyman acquired Laird Security Systems division from Laird PLC.
- April 2009 – Tyman announced that it had defaulted under its financing facilities and in July 2009 Tyman entered into new banking arrangements and completed a restructuring of its Board. Further Board changes took place in late 2009, culminating in the appointment of the current executive directors in early 2010.
- March 2012 – Tyman sold Gall Thomson Environmental Limited to a company set up by Phoenix Equity Partners and announced that, following the disposal, it would focus on becoming a global leader in international building products.
- August 2012 – the Board of Tyman announced it had exited its loss making composite doors business. In the same month, Tyman acquired Window Fabrication and Fixing Supplies Limited (known as “**Fab & Fix**”), a UK door and window hardware supplier.
- February 2013 – Tyman changed its name from Lupus Capital plc to Tyman plc in order to reflect the refocusing of the Group as an international building products business.

Tyman presently operates through three separate business units:

- Amesbury, Tyman's North American Building Products division which manufactures products and solutions for the US residential housing markets;
- grouphomesafe, Tyman's UK Building Products division which manufactures products and security solutions for the UK residential and social housing markets; and

- Schlegel, Tyman's International Building Products division which manufactures and distributes seals and hardware for residential housing worldwide.

### **3. Strategy**

Tyman's strategy is to be a clearly focused building products company and a leader in the supply of components to the door and window industry worldwide.

The Group will focus on the following five principal areas for growth acceleration in 2013:

- Acceleration of the Group's new product development programme with the prioritisation of those product applications and markets that can contribute meaningfully to the Group in the near term;
- Investment in the Group's existing businesses and people and in its supply chain;
- Expansion of the Group's emerging markets presence, through accelerated investment in sales and technical resource in the key targeted territories;
- Further improvements to the Group's customer service programmes, marketing and communications; and
- Supplementing organic initiatives through the Group's active acquisition programme, prioritising the North American market where it believes there remains a structural cyclical opportunity and those emerging markets where market position may be most easily obtained through acquisitions.

Tyman will also target margin expansion and significant growth in the Group's return on capital in future years which it will achieve through management of the supply chain, continued cost discipline and critical analysis and implementation of investment opportunities.

### **4. Organisational Structure**

Tyman is the parent company of the Group. A list of Tyman's principal subsidiary undertakings, which are considered by Tyman to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and profits and losses of Tyman, is set out in paragraph 12 of Part XVIII of this Document.

### **5. Principal Activities and Principal Markets**

#### ***Amesbury***

Tyman's North American Building Products division operates as Amesbury and is headquartered in Danvers, Massachusetts. With manufacturing and distribution capability throughout North America, Amesbury offers a large range of door and window hardware, extrusions and sealing solutions through its three divisions.

#### **(i) *Hardware Division***

- Balance Systems – manufacturer of a range of block and tackle, constant force and spiral balances for single and double hung wood, uPVC or aluminium windows. Additional products include commercial balances acquired as part of the Unique transaction in April 2012. Balance Systems' plants are located in Statesville, North Carolina; Sioux Falls, South Dakota; and Juarez, Mexico.
- Door Hardware – manufacturer and supplier of hardware for sliding and hinged patio doors based in Sioux Falls, South Dakota. Additional products include multi-point locks and multi-adjustable hinges.
- Fastek Products – supplier to the door and window industry of custom, plastic injection-moulded and zinc die-cast components, as well as complete assemblies. Fastek is based in Canton, South Dakota.



- Overland Products – manufacturer of stampings and assemblies for the door and window industry. Overland was acquired in December 2011 and is located in Fremont, Nebraska.
- (ii) *Extruded Products Division*
- PPI – designer and extruder of a wide range of customised and standard profiles, primarily for door and window applications. PPI is based in Cannon Falls, Minnesota and Covington, Georgia.
  - Bandlock Products – manufacturer of profile extrusions and industrial vacuum couplers, based in Ontario, California.
- (iii) *Sealing Systems Division*
- Foam-Tite® – producer of a range of standard and customised sealing profiles, primarily for use in windows and doors. Its products are based on a closed cell foam which does not absorb water. Foam-Tite® is based in Amesbury, Massachusetts.
  - Textile – producer of pile window seals in a complete range of sizes to suit wood, vinyl and aluminium fabrications. Textile also manufactures pile fabrications for industrial applications. Textile is based in Statesville, North Carolina.
  - Schlegel – manufacturer of high performance urethane seals and extruded seals for use in doors and windows. Schlegel is based in Rochester, New York.

### ***grouphomesafe***

Tyman's UK Building Products division operates as grouphomesafe. grouphomesafe designs, develops, manufactures and distributes innovative solutions to improve performance and enhance protection and security for the residential building and home improvement markets.

grouphomesafe supplies a comprehensive range of security, hardware and sealing products for doors and windows in the UK and has manufacturing operations located at several sites in the UK.

grouphomesafe's principal businesses, and their products, comprise:

- ERA Products – manufacturer of home security locking mechanisms for doors and windows. The door hardware range includes British Standard 5-lever mortice door locks, night latches, cylinders and multipoint door locks. The package of window hardware includes high security shootbolt locking mechanisms and compatible friction hinges, as well as a range of handles. ERA also supplies a wide range of ironmongery through its Crompton brand. ERA is based in Willenhall, West Midlands and Falkirk, Scotland.
- Fab & Fix – a design-led supplier of suited door and window hardware, including handles, letter plates, knockers and numerals, available in twelve different perfectly matching finishes. Acquired in August 2012, Fab & Fix is based in Coventry.
- EWS Manufacturing – manufacturer of steel reinforcement products, both in standard sections and custom designed primarily for use in uPVC door and window profiles. Profiles are mainly manufactured from galvanised mild steel and can be cut to length, pre-formed, routed and can incorporate customised features where appropriate. EWS is based in Wolverhampton.
- Schlegel UK – manufacturer of foam weather seals for the door and window market. Schlegel UK is based in Henlow, Bedfordshire.
- Balance UK – supplier of spiral sash balances, sash window hardware and other accessories for vertical sliding window systems. Balance UK is located in Martock, Somerset.
- Ventrolla – sash window renovation. Ventrolla is able to restore, repair and upgrade the performance of sliding sash windows resulting in the reduction of air leakage and noise penetration. Ventrolla goes

to market both directly and via a network of franchisees. Ventrolla is headquartered in Harrogate, North Yorkshire, although its franchise network covers the majority of the United Kingdom.

#### *Schlegel International*

Schlegel International is Tyman's International Building Products Division with manufacturing sites in Germany, Spain, and Australia.

With products sold in more than 75 countries, it has the advantage of local insight on the ground and the reach of worldwide distribution, making Schlegel a respected and widely recognised sealing and hardware brand.

Schlegel's principal products comprise:

- weatherseals, which eliminate the flow of air and water around doors or windows;
- compression seals, which are sealing devices used in hinged door and window applications;
- sliding seals, which allow a window or patio door to operate easily so that both the frame and sash stay in close proximity when the window is opened or closed; and
- hardware: in certain markets, Schlegel sells hardware as a complementary product to its core seals business, including window and door locking mechanisms and associated fittings which are often sold to the same customers.

Schlegel International also manufactures related products such as cleaning brushes, static control devices for copiers and printers, speciality automotive products such as sunroof seals and truck spray suppressants, tractor seat trim and sway bar bushes, and distributes a number of products manufactured by grouphomesafe and Amesbury.

## **6. Key Individuals**

### ***Directors***

The Company's Directors are:

#### **Jamie Robert Provan Pike, aged 57, Chairman (appointed November 2009)**

Jamie Pike was previously Chief Executive of Foseco Limited (formerly 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. His early career was as a consultant with Bain and Co and A T Kearney before joining Burmah Castrol in 1991, where he rose to become Chief Executive of Burmah Castrol Chemicals before leading the Foseco buy-out.

Mr. Pike was educated at Oxford, holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers.

Mr. Pike is currently Chairman of RPC Group PLC, MBA Polymers Inc. and the Lafarge Tarmac joint venture, and had previously been a Non-Executive Director of two FTSE 250 companies, RMC Group plc and Kelda Group plc.

Mr. Pike is Chairman of the Nominations Committee and is a member of the Audit and Corporate Governance and Remuneration Committees of the Company.

#### **Louis Leslie Alexander Eperjesi, aged 51, Chief Executive Officer (appointed February 2010)**

Louis Eperjesi 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, Redland plc, Lafarge S.A. and Caradon plc.

**James Edward Brotherton**, *aged 43, Chief Financial Officer (appointed May 2010)*

James Brotherton 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.

**Leslie Owen Tench**, *aged 68, Non-Executive Director (appointed December 2009)*

Leslie Tench has considerable experience in the building products sector, 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, and was Non-Executive Chairman of SIG plc until 2011 and a Non-Executive Director of Norcros plc until 2012.

Mr. Tench is Chairman of the Remuneration Committee and also sits on the Audit and Corporate Governance and Nominations Committees of the Company.

**Martin George Towers**, *aged 60, Non-Executive Director (appointed December 2009)*

Mr. Towers is a Chartered Accountant 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, Allied Textile Companies plc and Yorkshire Group plc, and was a Non-Executive Director of Homestyle Group Plc from 2004 to 2006.

Martin Towers is currently Non-Executive Chairman of Norcros plc and a Non-Executive Director of KCOM Group plc and RPC Group plc. He was previously Chief Executive of Spice plc until its sale to Cinven in December 2010 and was also Group Finance Director of Kelda Group plc from 2003 until February 2008.

Mr. Towers is the senior independent director of the Company, Chairman of the Audit and Corporate Governance Committee and is a member of the Remuneration and Nomination Committees of the Company.

**Dr. Angelika Westerwelle**, *aged 50, Non-Executive Director (appointed November 2012)*

Dr. Westerwelle, a German national, is the Managing Director of PPG-Pet Products GmbH, a joint venture of five Euro-Asian companies in the pet accessory market. She is also 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 and as Managing Director of the Weidemann Group. 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.

Dr. Westerwelle sits on the Audit and Corporate Governance, Remuneration and Nominations Committees of the Company.

## 7. Property, Plant and Equipment

As at 31 December 2012, Tyman's principal establishments which are occupied by Tyman and its subsidiaries were:

<i>Address</i>	<i>Current Use</i>	<i>Owned/Leased</i>	<i>End date</i>
65 Buckingham Gate London United Kingdom	Office	Leased	December 2014
Schlegel UK (2006) Ltd Unit 25–28 Henlow Industrial Estate Henlow Bedfordshire SG16 6DS United Kingdom	Office	Leased	August 2018
Schlegel UK (2006) Ltd, Unit 20–22 Henlow Industrial Estate Henlow Bedfordshire SG16 6DS United Kingdom	Factory	Leased	August 2018
Schlegel UK (2006) Ltd Unit 10–11A Henlow Industrial Estate Henlow Bedfordshire SG16 6DS United Kingdom	Warehouse	Leased	August 2013
Balance UK 30–32 Martock Business Park Great Western Rd Somerset TA12 6HB United Kingdom	Factory	Owned	N/a
Era Products Straight Road Short Heath Willenhall West Midlands WV12 5RA United Kingdom	Factory	Owned	N/a
Era Products Unit 18 Burnbank Road Falkirk FK2 7PE United Kingdom	Factory	Leased	October 2020
EWS Manufacturing Headway Road Wolverhampton West Midlands WV10 6PZ United Kingdom	Factory	Leased	November 2020

<i>Address</i>	<i>Current Use</i>	<i>Owned/Leased</i>	<i>End date</i>
Ventrolla Ventrolla House Crimple Court Hornbeam Business Park, Harrogate North Yorkshire HG2 8PB United Kingdom	Factory and office	Leased	December 2021
Window Fabrications & Fixings Supplies Unit 4 Moorings Business Park Channel Way Exhall Coventry CV6 6RH United Kingdom	Factory	Leased	March 2020
Linear Coatham Avenue Aycliffe Industrial Estate Newton Aycliffe County Durham DL5 6DB United Kingdom	Factory	Owned	N/a
Linear Unit 2 Redworth Way Aycliffe Industrial Estate Newton Aycliffe County Durham DL5 6QX United Kingdom	Factory	Leased	September 2017
Crittall Works Boars Tye Road Silver End Witham Essex CM8 3QB United Kingdom	Empty	Leased	December 2017
Unit 1 Newent Business Park Newent Gloucestershire GL18 1DZ United Kingdom	Subleased	Leased	January 2021
Units B1, B8 and B9 Halesfield Telford Shropshire United Kingdom	Empty	Leased	November 2112
Schlegel Taliana, S.L. c/. Anoia 9 Pgno. Ind. Santa Margarida 08223 Terrassa Barcelona Spain	Factory Warehouse Office	Leased	September 2022
Schlegel BVBA Rochesterlaan 4 Gistel 8470 Belgium	Factory	Owned	N/a

<i>Address</i>	<i>Current Use</i>	<i>Owned/Leased</i>	<i>End date</i>
Schlegel Srl. Via Miglioli 28/30 20090 Segrate (MI) Milan Italy	Office/ Warehouse	Leased	March 2017
Schlegel Germany GmbH Bredowstrasse 33 22113 Hamburg Germany	Factory	Leased	December 2017
Schlegel Asia PTE. LTD. 24 Boon Lay Way Trade Hub 21, #01-70 Singapore 609969	Office Warehouse	Leased	October 2014
Schlegel Australia Pty Ltd 44-48 Riverside Road Chipping Norton NSW 2170 Australia	Factory	Leased	December 2016
Schlegel Australia Pty Ltd 16/2-4 Damian Court Dandenong Victoria, 3175 Australia	Warehouse	Leased	December 2014
Schlegel Australia Pty Ltd 3/45 Truganina Road Malaga, WA, 6090 Australia	Warehouse	Leased	June 2015
Schlegel Australia Pty Ltd 1/37 Forge Road Silverdale, 0932 New Zealand	Warehouse	Leased	October 2014
Bandlock 1734 S. Vineyard Ave. Ontario, California 91761 United States of America	Factory	Leased	February 2016
Amesbury Mexico Avenue Roberto Fierro Verde AeroParque, #4 II Industrial S. de RL. De C.V. Ciudad Juarez, Chihuahua, Mexico 32690	Factory	Leased	July 2017



<i>Address</i>	<i>Current Use</i>	<i>Owned/Leased</i>	<i>End date</i>
Window and Door Hardware 620 East 54th Street North Sioux Falls, SD 57104 United States of America	Factory	Leased	December 2021
Window and Door Hardware 517 East 52nd Street North Sioux Falls, SD 57104 United States of America	Vacant	Owned	N/a
PPI 105 Washington Street NW Cannon Falls, MN 55009 United States of America	Factory	Owned	N/a
Fastek Products 515 Noid Road Canton, SD 57013 United States of America	Factory	Owned	N/a
Overland Products Overland Products Inc 1687 Airport Road Fremont, NE 68025 United States of America	Factory	Leased	December 2016
Extruded Products 13170 Lochridge Boulevard Covington, GA 30014 United States of America	Factory	Leased	July 2017
Textile 159 Walker Road Statesville, NC 28625 United States of America	Factory	Owned	N/a
Textile 160 Walker Road Statesville, NC 28625 United States of America	Office/ Warehouse	Leased	July 2018
BSI-Balance Systems North Carolina 2061 Sherrill Drive Statesville, NC 28625 United States of America	Factory	Leased	December 2016
Schlegel North America Schlegel Systems, Inc. 1555 Jefferson Road Rochester NY, 14623 United States of America	Factory	Leased	June 2019
Foamtite 57 Hunt Road Amesbury, MA 01913 United States of America	Factory	Owned	N/a

<i>Address</i>	<i>Current Use</i>	<i>Owned/Leased</i>	<i>End date</i>
Schlegel América do Sul Vedações para Construção Civil Ltda Rua Dr. Afonso Verguerio, 1040 – Vila Maria CEP 021 16-001 São Paulo, Brazil	Office Warehouse	Leased	Termination may occur by either party serving one month's notice
Amesbury Industries, Inc. 222 Rosewood Drive, Suite 220 Danvers, MA 01923 United States of America	Office	Leased	January 2018
LSSN No.5 Chuangye Road 1 Western Section Ningbo Free Trade Zone Ningbo City Zhejiang Province China	Office/factory	Leased	December 2013

The net book value of all of the Group's properties as at 31 December 2012 was £11.6 million.

The Group's property is stated at cost less accumulated depreciation and impairment. 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.

The Group does not own any fixed assets, other than property, plant and equipment, that it considers material to its ongoing business. Further details regarding the property, plant and equipment of the Group are set out in note 12 to the financial information for the year ended 31 December 2012 as set out at Part A of Part XV of this Document.

The Company is not aware of any environmental issues that would compromise the Company's ability to utilise the assets detailed above.

## **8. Principal Investments**

The Company had no principal investments during the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010.

## **9. Dividends and Dividend Policy**

The Directors intend to continue to maintain a progressive dividend policy taking into account the Enlarged Group's leverage, earnings growth potential and future expansion plans, and intend to target a dividend cover of between 2.0–2.5x underlying EPS through the cycle.

The Group declared a dividend of 4.5 pence per share in the year ended 31 December 2012 (3.5 pence in 2011), an increase of 28.6 per cent. on the prior year.

## **PART XIII**

### **INFORMATION ON TRUTH HARDWARE**

#### **1. Introduction**

Truth Hardware comprises Truth Corporation and Atlas, both of which are wholly owned subsidiaries of FKI Engineering Limited. The ultimate parent company is Melrose Industries PLC. Truth Hardware is a manufacturer of operating hardware for residential and light commercial windows and doors. Truth Hardware has a catalogue of over 5,000 products ranging from simple or complex hinges, operators and multi-point patio door locking handles, to sophisticated remote-controlled, motorised operators for windows and skylights.

Truth Hardware operates from well invested, strategically positioned manufacturing facilities located in Owatonna, Minnesota (US), where the business is headquartered, and Brampton, Ontario (Canada). The business also has outsourced manufacturing arrangements in place in the Far East.

#### **2. History of Truth Hardware**

The key events in the history of Truth Hardware are summarised below:

- Early 1900's – Truth Hardware began as the Cowden Truth Tool Company, a small hand tool manufacturing business owned and operated by Arthur E. Cowden. Previously Truth Hardware only manufactured small tools such as chisels and punches, but in the 1920's Mr. Cowden began to produce automotive tools for use in automotive manufacturing.
- 1950's – Truth Hardware was acquired by a group of investors, and during their ownership the business designed and patented its first non-rotary type window operator, known as the Lever Lock, and quickly established itself as a major supplier of a full line of window hardware products for the window industry.
- 1960's – Truth Hardware was acquired by the Owatonna Tool Company, and over the next 15 years began expanding both geographically (across Canada, Australia, Japan and the United Kingdom amongst others) and into new product ranges (e.g. skylight hardware).
- 1985 – The Owatonna Tool Company and its subsidiaries were acquired by Sealed Air Corporation (now known as SPX Corporation).
- 1993 – FKI plc purchased the Truth Division from SPX Corporation and the business was renamed Truth Corporation.
- July 2008 – Truth Hardware became owned by Melrose PLC (now named Melrose Industries PLC) as a part of Melrose PLC's acquisition of FKI plc and has remained in its ownership since that time.
- Following the downturn, Truth Hardware experienced an acceleration in demand in 2010 as a result of temporary US government initiatives to stimulate the housebuilding and repair and remodelling markets, reporting revenues of \$130.8 million. In 2011, once the government initiatives had expired, the US housing market underwent a contraction and Truth Hardware's revenues declined to \$120.9 million. In 2012, Truth Hardware's revenues rose to \$126.0 millions a consequence of the recovery in the North American housing market.

#### **3. Strategy**

Truth Hardware designs and manufactures a range of hinges, locks, operators, and window systems used on wood, vinyl, metal and fiberglass windows, skylights, and patio doors for the North American market.

Truth Hardware's core product range is focussed on the casement window segment of the market and Truth Hardware has developed innovative mechanisms for the operation of casement windows.

Truth Hardware aims to add value to its customer base in the following areas:

- Continuing to design and manufacture innovative mechanisms for the operation of casement windows in the North American market;
- Developing products for the patio door, vertical sliding window and the light commercial door and window markets;
- Focusing on continuous improvement in its manufacturing processes; including the automation of manual processes and the elimination of waste to further strengthen its flexible business model; and
- Developing an efficient outsourced supply chain for lower value hardware products.

#### **4. Principal Activities and Principal Markets**

Truth Hardware is a manufacturer of hardware products serving the door and window markets. The product portfolio includes hardware for windows, patio doors and skylights with a focus on casement window solutions and is supported by a track record of new product development. Truth Hardware's route to market is primarily via the North American door and window OEMs.

Truth Hardware's product portfolio comprises the following:

- Casement products (72 per cent. of 2012 revenues):
  - Casement operators (40 per cent. of 2012 revenues);
  - Casement locks (18 per cent. of 2012 revenues);
  - Casement hinges (14 per cent. of 2012 revenues).
- Patio door hardware (sliding and swing) comprising Sentry bi-fold, sidelite and custom rollers for sliding doors together representing 10 per cent. of 2012 revenues;
- Commercial products comprising push-out hardware, Maxim style locks and Euro Groove systems together representing 10 per cent. of 2012 revenues; and
- Double hung hardware comprising Fusion series and Harmony series together representing 9 per cent. of 2012 revenues.

In 2012, approximately 70 per cent. of Truth Hardware's revenues were derived from US customers and approximately 30 per cent. from Canadian customers.

#### **5. Key Individuals**

The senior management team of Truth Hardware comprises:

**Jeffrey Graby**, *aged 52, President and Chief Executive Officer (appointed April 2012)*

Jeffrey Graby joined Truth Hardware in April 2012 and prior to joining Truth Hardware Jeffrey Graby was Senior Vice President of Operations at Interface Solutions from March 2010 to March 2012. From January 2004 to March 2010 Mr. Graby was President and Chief Operating Officer at RAM Industries/Schneider Electric. From 1983 until January 2004 Mr. Graby was employed by FES/GEA and from 1996 to 2004 was President of FES/GEA.

Jeffrey Graby earned a BS in Mechanical Engineering from Drexel University in Philadelphia, P.A. and joined Truth Hardware in his current role.

**Patricia Siegfried**, *aged 57, Vice President and Chief Financial Officer (appointed Chief Financial Officer in January 2010)*

Patricia Siegfried joined Truth Hardware in 1981 and held numerous finance roles within Truth Hardware before being appointed to her most recent role as Chief Financial Officer. Patricia Siegfried earned a BS in Accounting from the University of Minnesota – Mankato.

**Steven Groves, aged 58, Senior Vice President Sales, Marketing and New Business Development**

Steven Groves joined Truth Hardware in March 2005. Prior to joining Truth Hardware he was a Director of Industrial Products at Donaldson Company from 2000 to 2005. Mr. Groves also previously held management positions at Andersen Window and Doors from 1980 to 2000 mostly recently as Director of Strategic Planning.

Steven Groves earned a BA in Business Management from the University of Wisconsin – Eau Claire and joined Truth Hardware in his current role.

**Carlos Masters, aged 55, Vice President of Operations**

Carlos Masters joined Truth Hardware in July 2011. Prior to joining Truth Hardware Carlos Masters was country manager for Freudenberg from September 2008 to July 2011. From 2006 to 2008 Mr. Masters was Director of Operations at Kautex Textron. From 2001 to 2006 Mr. Masters was Vice President of Operations at American Standard.

Carlos Masters earned a BS in English and History from Sul Ross St. University in Del Rio, Texas and an MBA from the University of Tennessee in Knoxville, Tennessee. Mr. Masters joined Truth Hardware in his current role.

## **6. Property, Plant and Equipment**

As at 31 December 2012, Truth Hardware's principal establishments which are occupied by Truth Hardware were:

<i>Address</i>	<i>Current Use</i>	<i>Owned/Leased</i>	<i>End date</i>
700 West Bridge Street Owatonna, MN 55060 United States of America	Manufacturing	Owned	N/A
205 24th Avenue SW Owatonna, MN 55060 United States of America	Manufacturing	Owned	N/A
8043 Dixie Road Brampton, Ontario L6T 3V1 Canada	Manufacturing	Leased	31 January 2014
670, 24th Avenue NW Owatonna, MN 55060 United States of America	Manufacturing	Leased	31 December 2013

The net book value of all of Truth Hardware's freehold land and buildings as at 31 December 2012 was \$2.9 million.

Truth Hardware's property is stated at cost less accumulated depreciation and impairment. 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.

## **7. Research and Development, Patents and Licenses**

Truth Hardware has a strong track record of new product development, managing and maintaining an active portfolio of approximately 140 patents. Truth Hardware generally applies for 6-8 patents per year.

## PART XIV

### OPERATING AND FINANCIAL REVIEW OF TYMAN

*The following review of the Group's financial condition and results of operations should be read in conjunction with the other financial information contained elsewhere in this Document. The financial information included in this Part XIV has been extracted without material adjustment from the financial information referred to in Part XV which has been extracted without material adjustment from the Group's accounting records which formed the underlying basis of such financial information.*

*This review contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "Risk Factors" in Part II and "Forward-Looking Statements" on page 23 of this Document.*

*Investors should read this Document as a whole and not rely exclusively on the summarised operating and financial information set out in this Part XIV.*

#### 1. Overview

##### **Introduction**

The Group is a supplier of building products to the door and window industry, operating its business in nine separate countries across Europe, the Americas and Australasia.

Amesbury, the Group's US building products division manufactures and distributes throughout the US and offers a range of door and window sealing solutions and hardware.

grouphomesafe, the Group's UK building products division is involved in the design, development, manufacture and distribution of innovative solutions to improve performance and enhance protection and security for the residential building, home improvement and social housing markets.

Schlegel International, the Group's international building products division manufactures and distributes seals and hardware for residential housing globally. It operates in a number of countries with manufacturing sites in the UK, Germany, Spain, Belgium and Australia.

The Group's building products solutions range includes weatherproof seals that help make homes more energy efficient, compact balances and reinforcers that enable windows to function effectively and a full suite of window and door hardware, including high security locks and electronic access controls. In the UK, the Group also offers a sash window renovation service.

The Group's current offering is as a result of various strategic acquisitions over the years allowing the Group to diversify and enter new markets.

##### **Group strategy**

Tyman's strategy is to be a clearly focused building products company and a leader in the supply of components to the door and window industry worldwide.

The Group will focus on the following five principal areas for growth acceleration in 2013:

- Acceleration of the Group's new product development programme with the prioritisation of those product applications and markets that can contribute meaningfully to the Group in the near term;
- Investment in the Group's existing businesses and people and in its supply chain;
- Expansion of the Group's emerging markets presence, through accelerated investment in sales and technical resource in the key targeted territories;



- Further improvements to the Group's customer service programmes, marketing and communications; and
- Supplementing organic initiatives through the Group's active acquisition programme, prioritising the North American market where it believes there remains a structural cyclical opportunity and those emerging markets where market position may be most easily obtained through acquisition.

Tyman will also target margin expansion and significant growth in the Group's return on capital in future years which it will achieve through management of the supply chain, continued cost discipline and critical analysis and implementation of investment opportunities.

### ***Customers***

The Group serves a number of large customers and works closely with them to ensure that it continues to deliver value and quality across all products. Customer service is a core business value and there is a commitment to the ongoing development of customer relationships.

### ***Competition***

The Group faces competition from a number of companies that operate on a national and international basis within similar single and multiple product categories as the Group. Its competitors have varying abilities to withstand changes in market conditions however the Group is well positioned in its core markets.

## **2. Factors Affecting the Results of the Business**

The Group's operating results and its financial results, have been and may continue to be affected by a number of external factors including the conditions in the markets in which it operates: changes to exchange rates and interest rates, as well as internal factors including costs of overheads and inventory management, disposals, acquisitions and the successful integration thereof.

Set out below are certain key factors which the Directors believe have affected the Group's results of operations, or could affect its results of operations in the future.

### ***Market conditions***

The overall growth and demand for the Group's products is subject to the usual drivers of construction activity. The general macro-economic environment plays a significant role in its effect on consumer confidence and on the willingness of the end-consumer to invest in their properties. This demand can be unpredictable and the Group has a low visibility of future orders from its customers. During any economic downturn customers and competitors may apply pressure to prices and this pressure can lead to lasting changes in terms of pricing policies, delivery capabilities and market expectations.

The success of the Group will, to some extent, be dependent on the continuation of satisfactory commercial relationships with the major customers of the Group. The raw materials used in the Group's businesses include commodities that experience price volatility caused by changes in supply and demand, and commodity market fluctuations. The Group's ability to deliver according to market 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.

### ***Acquisitions***

Growth by selective acquisitions has expanded the Group's operations and geographical presence. The Group's acquisitions over the last three years include:

- *Fab & Fix*: On 2 August 2012, the Group completed the acquisition of Fab & Fix for an enterprise valuation of approximately £14 million in order to accelerate growth across all of the Group's hardware business globally.
- *Unique Balance International*: On 24 April 2012, the Group acquired the net assets of Unique Balance International located in Montreal, Canada for a consideration of £1.9 million.

- *Overland Products Company, Inc.:* On 20 December 2011, the Group acquired 100 per cent. of the issued share capital of Overland Products Company, Inc. Overland Products Company, Inc. is based in Fremont, Nebraska and supplies a range of stampings mainly for the door and window market, which provides the Group with access to new markets and customers.

During 2010 there were no material acquisitions made by the Group.

### ***Disposals***

The Group's disposals over the last three years include:

- *Gall Thomson:* On 13 March 2012, the Group entered into an agreement to sell the Group's oil services division (operating as Gall Thomson) to Copper Bidco Limited, a company controlled by Phoenix Equity Partners for a total cash consideration of £75 million. Of the disposal proceeds, £29.2 million was applied in permanent pay down of the Group's debt facilities, offsetting future scheduled repayments.
- *Composite Doors:* On 31 August 2012, the Group completed the disposal of the business and assets of Composite Doors to Britdoors Limited for consideration of approximately £748,000. The Group has also agreed to supply component products to Britdoors on commercial terms following the disposal. During the eight month period ending on 31 August 2012 the Composite Doors business generated turnover of £9.1 million and incurred an operating loss of £1.4 million. At the date of disposal the business had net assets of £17.2 million, including goodwill of £14.3 million.

### ***Bad Debts***

During each of 2012, 2011 and 2010 a number of the Group's customers ceased trading. Over the past three financial years the bad debts written off were approximately £666,000 in 2012, approximately £651,000 in 2011 and approximately £336,000 in 2010.

### ***Exchange rates***

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. Each 10 per cent. increase in the GBP to USD exchange rate will reduce profit after tax by £0.9 million. Each 10 per cent. increase in the GBP to Euro exchange rate will increase profit after tax by £0.2 million.

The impact of movements in other exchange rates is immaterial.

See the Risk Factor regarding exchange rate fluctuations which may adversely affect the Group's earnings on page 17 of this Document for further information.

### ***Interest rates***

The Board periodically reviews any exposure the Group may have to interest rate fluctuations. The weighted average interest rate received on deposited funds was 1.24 per cent. during 2012.

### ***Pensions***

The Group's principal defined benefit pension scheme and post-retirement healthcare benefit scheme is operated in the US. The pension scheme is closed to new entrants and post-retirement healthcare benefit contributions are capped. As at 31 December 2012, the defined benefit obligation for all Group pension and post-retirement healthcare benefit schemes was £24.2 million (2011: £21.8 million, 2010: £18.9 million) and the schemes had plan assets of £12.9 million (2011: £12.1 million, 2010: £11.6 million), resulting in an increased net deficit on the schemes of £11.2 million (2011: £9.7 million, 2010: £7.2 million). Cash contributions made to the schemes in the year were £1.0 million (2011: £1.2 million, 2010: £0.8 million).

### ***Taxation***

The group is subject to taxation in numerous jurisdictions. Judgement is required in determining the world wide provision for income taxes as there are transactions for which the ultimate tax determination is

uncertain. The amounts provided are accrued based on management's interpretation of country-specific tax laws and the likelihood of settlement, which may differ from actual liabilities.

### **Refinancing**

On 5 September 2011, the Group refinanced its banking facilities into a new £110 million multicurrency term loan and a £30 million multicurrency working capital facility. This refinancing of facilities provided the Group with more favourable terms, reduced costs and significantly enhanced flexibility.

In addition, of the disposal proceeds received in relation to Gall Thomson, £29.2 million were applied in permanent pay down of the Group's debt facilities in 2012, offsetting future scheduled repayments.

### **3. Key performance indicators ("KPIs")**

Management use a variety of KPIs to analyse and manage the business. The Directors believe that each of the measures provide useful information with respect to the performance of the Group's operations. None of these KPIs are audited. They are not meant to be considered in isolation or as a substitute for measures of financial performance reported in accordance with EU adopted IFRS. Moreover, these measures may be defined or calculated differently by other companies, and as a result the KPIs of the Group may not be comparable to similar measures calculated by its peers.

	<i>For the year ended 31 December 2012</i>	<i>For the year ended 31 December 2011</i>	<i>For the year ended 31 December 2010</i>
Like for like revenue growth <sup>(1)</sup>	(0.3)%	(7.0)%	12.2%
Return on sales <sup>(2)</sup>	10.1%	10.3%	11.3%
Underlying earnings per share before property provision release <sup>(3)</sup>	10.45p	8.94p	8.95p
Return on capital employed <sup>(4)</sup>	7.7%	7.3%	8.2%
Net debt to EBITDA <sup>(5)</sup>	1.17	2.33	2.36
On time delivery rate <sup>(6)</sup>	93.0%	90.7%	89.1%
Lost time injuries per 1,000,000 hours worked <sup>(7)</sup>	6.71 hours	7.17 hours	N/a
Operational cash flow/continuing operating profit <sup>(8)</sup>	79.4%	93.4%	106.3%

#### **Notes:**

- <sup>(1)</sup> Year on year revenue growth excluding the effect of acquisitions and disposals
- <sup>(2)</sup> Underlying earnings before interest, tax and amortisation as a percentage of revenue for continuing operations
- <sup>(3)</sup> Underlying earnings before interest, tax and amortisation divided by weighted basic average number of ordinary shares
- <sup>(4)</sup> Underlying earnings before interest, tax and amortisation as a percentage of the 12 month average capital employed for continuing operations
- <sup>(5)</sup> Net debt at period end over underlying earning before interest, tax, depreciation and amortisation adjusted for the effects acquisitions and disposals
- <sup>(6)</sup> Proportion of customer orders that are delivered in full within the customer required time-slot
- <sup>(7)</sup> Number of lost time injuries per 1,000,000 hours worked
- <sup>(8)</sup> Cash generated from continuing operations as a percentage of earnings before interest, tax and amortisation

### **4. Current trading**

The housing market in North America appears more robust today than at any point in the past five years and 2013 has started well for Amesbury with order intake and revenues ahead of 2012 for the first three months of 2013 and with a higher order bank. Recovery from historic lows in respect of the number of single family housing starts in the United States is underway and is expected to continue. Recovery from lows in respect of the number of housing starts in Canada is also continuing. Provided repair and remodelling expenditure follows historic patterns and continues to increase, Amesbury remains well positioned to benefit as the Group moves towards the seasonally higher demand months in North America.

The UK has seen further market contraction in the first quarter, however the Board believes that the prospects for gaining market share and upselling Fab & Fix products to grouphomesafe customers remain good.

In Europe, where the general macroeconomic environment remains challenging, the overall market has continued to contract and the Group's businesses have had a slow start to 2013.

Meanwhile the Group expects Australasian markets to be more robust in 2013 and to return to growth. In addition the Group will continue to promote its product offering in emerging markets, with South America and South East Asia being particular focus areas in 2013.

The Group continues to invest in its businesses at a time when, the Board believes that, a number of competitors are capital constrained and by delivering the highest quality of customer service and fulfilment along with competitively priced products that reflect the value add of the Group's offer.

## **5. Critical Accounting Policies and Use of Estimates**

### ***Critical accounting estimates and judgements***

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### ***Critical judgements in applying the Group's accounting policies***

The following areas represent the key judgements made by management in order to facilitate the preparation of the Group's financial statements:

#### ***Taxation***

The Group is subject to taxation in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes as there are transactions for which the ultimate tax determination is uncertain.

#### ***Impairment reviews and discount rates***

The Group tests intangible assets and goodwill for impairment in accordance with the stated accounting policy. The value in use calculations require the use of estimates of future growth and assessment of appropriate discount rates.

#### ***Exceptional items***

Exceptional items are expense or income items recorded in a period which have been determined by management as being material by their size or incidence and are presented separately within the results of the Group. The determination of which items are disclosed as exceptional will affect the presentation of profit measures including EBITA and adjusted earnings per share, and requires a degree of judgement.

#### ***Non-current assets (disposal groups) held for sale***

Non-current assets and all assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets and all assets and liabilities, or disposal groups, are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition

is met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

#### ***Key sources of estimation uncertainty***

The preparation of financial statements requires management to make judgements, estimates and assumptions. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### ***Impairment of goodwill and other intangible assets***

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets. In determining whether goodwill is impaired an estimation of value in use of the cash-generating units to which goodwill has been allocated has been prepared. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

#### ***Provisions***

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### ***Valuation of financial instruments at fair value***

Management make a number of assumptions with regards to the models used to value financial instruments at their fair value at year end. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

#### ***Intangible assets acquired in a business combination***

On acquisition of Group companies, the Group recognises any separately identifiable intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets will include purchased brands, customer relationships, trademarks and licences. The determination of fair value 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.

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Net realisable value is based on current assessments of future demand, market conditions and new product development initiatives. Should demand for the Group's products decline further during the next financial year as a result of the current economic downturn, additional allowances may be necessary in respect of excess or slow-moving items.

#### ***Defined benefit pension and post-retirement benefit schemes***

The benefit obligation is 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 present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date. The plan assets consist largely of listed securities and their fair values are subject to fluctuation in response to changes in market conditions.

## 6. Results

The following table, extracted or derived without adjustment from the information in Part XV sets out certain financial information for the Group for the periods indicated.

### Year ended 31 December 2012 compared to year ended 31 December 2011

	2012 £'000	2011 <sup>(1)</sup> £'000
<b>Continuing operations<sup>(2)</sup></b>		
<b>Revenue</b>	228,753	216,293
<b>Operating profit</b>	(21,143)	12,327
Analysed as:		
Operating profit before exceptional items and amortisation of intangible assets	23,030	22,223
Property provision release	2,021	1,221
Exceptional items	(2,574)	(552)
Amortisation of intangible assets	(10,754)	(10,565)
Accelerated amortisation of intangible assets and impairment of intangible assets and goodwill	(32,866)	–
<b>Operating (loss)/profit</b>	(21,143)	12,327
<b>(Loss)/Profit before taxation</b>	(25,652)	2,632
<b>Income tax credit</b>	3,700	6,428
<b>(Loss)/Profit for the year</b>	(21,952)	9,060
<b>Basic (loss)/earnings per share</b>	(16.93p)	6.99p

#### Notes:

(1) 2011 results as restated in the Group's annual results for the year ended 31 December 2012.

(2) "Continuing Operations" means the total Group excluding Gall Thomson and its subsidiary. All the figures for the year ended 31 December 2012 and the comparative figures for 2011 reflect this definition.

### Sales

Group revenues from continuing operations increased by 5.8 per cent. to £228.8 million (2011: £216.3 million). On a constant currency, like for like basis, Group revenues were broadly flat year on year.

### Margins

Gross margins from continuing operations decreased marginally compared with 2011 from 32.9 per cent. to 32.7 per cent. reflecting changes in business mix and the falls in demand seen in continental Europe, offset in part by improvements to the grouphomesafe gross margin following the acquisition of Fab & Fix.

### Profits

Underlying administrative expenses increased by approximately £2.9 million principally reflecting the overhead acquired as part of the acquisitions made and the levels of investment in the business.

Underlying operating profit from continuing operations before Peterlee property releases of £23.0 million (2011: £22.2 million) was some 3.6 per cent. ahead of 2011.

Exceptional charges of £2.6 million were incurred during the year (2011: £0.6 million) principally comprising the redundancy and restructuring charges associated with the closure of the Belgian Building Products business and transaction costs associated with M&A activity.

Net finance charges in the year reduced from £9.7 million to £4.5 million. The reduction in the finance charge reflects the significantly lower Group levels of debt following the disposal of Gall Thomson, the Group's improved margin grid together with lower amortisation of historic arrangement fees, and the initial benefits of the revised hedging arrangements put in place in 2012. Of the total net finance charge, £0.6 million relates to the unwinding of discounts on pensions and provisions (2011: £0.6 million).



Underlying earnings per share before Peterlee property provision releases increased by 16.9 per cent. to 10.45 pence (2011 restated: 8.94 pence). The increase reflects the improvement in underlying operating profit from continuing operations, the incremental impact of acquisitions, the reduction in finance charges, offset in part by the slightly higher effective tax rate for the year.

Underlying earnings per share increased by 20.6 per cent. to 11.63 pence (2011 restated: 9.64 pence). Basic loss per share from continuing operations was (16.93) pence (2011 restated earnings per share: 6.99 pence).

### ***Taxation***

The net tax credit in 2012 of £3.7 million (2011: £6.4 million) resulted from a high deferred tax credit following the accelerated amortisation and impairment of intangible assets and the deferred tax rate changes. The Group incurred an underlying tax charge during the year of £6.4 million (2011: £4.9 million) equating to an underlying tax rate of 29.8 per cent. (2011: 28.1 per cent.).

As expected, cash taxes paid during the year increased to £4.9 million (2011: £1.9 million) equating to a cash tax rate of 22.6 per cent. (2011: 10.8 per cent.), reflecting the reduction in taxable losses and deductible goodwill available to offset against earnings.

### ***Acquisitions***

The comparability of the Group's results year on year are affected by the following acquisitions of the Group which only form part of the total Group as and from their respective dates of acquisition: Overland Products Company Inc. which was acquired in December 2011, Unique Balance International which was acquired in April 2012 and Fab & Fix which was acquired in August 2012.

### **Year ended 31 December 2011 compared to year ended 31 December 2010**

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
<b>Continuing operations<sup>(1)</sup></b>		
<b>Revenue</b>	230,372	252,464
<b>Operating profit</b>	11,004	13,922
Analysed as:		
Operating profit before exceptional items and amortisation of intangible assets	22,399	26,066
Exceptional items	(830)	(395)
Amortisation of intangible assets	(10,565)	(11,749)
<b>Operating profit</b>	11,004	13,922
<b>Profit before taxation</b>	1,309	1,777
<b>Income tax credit/(expense)</b>	6,775	(281)
<b>Profit for the year</b>	8,084	1,496
<b>Basic earnings per share</b>	<u>6.23p</u>	<u>1.15p</u>

### **Notes:**

- (1) "Continuing Operations" means the total Group excluding Gall Thomson and its subsidiary and the Composite Doors business. All the figures for the year ended 31 December 2011 and the comparative figures for 2010 reflect this definition.

### ***Sales***

Total sales of Building Products in the year of £230.4 million decreased by 8.8 per cent. from the prior year (2010: £252.5 million). In constant currency terms, total sales decreased in the year by 7.6 per cent.

### ***Margins***

Despite the Group's success in passing on pound for pound input cost increases, the lower volumes sold by the Building Products division in 2011 impacted both gross and operating margins. The Group's gross profit margin decreased to 31.5 per cent. from 32.9 per cent. in 2010. The underlying operating margin for the Group decreased from 10.3 per cent. in 2010 to 9.7 per cent. in 2011.

### ***Profits***

Underlying earnings before interest, tax, depreciation and amortisation were £27.7 million (2010: £32.5 million). Underlying operating profit decreased by 14.1 per cent. to £22.4 million (2010: £26.1 million). On a constant currency basis this represents a decrease of 12.8 per cent. over the prior year. Underlying administrative expenses decreased by £6.8 million or 12.0 per cent. to £50.1 million (2010: £56.9 million). Administration costs included lower freight, commission and management incentive costs associated with the subdued levels of activity. Net finance costs decreased by 20.2 per cent. to £9.7 million (2010: £12.1 million), reflecting a combination of lower levels of absolute debt and the beneficial impact of the 2011 refinancing on margins payable. Amortisation of borrowing costs increased from £2.3 million to £3.1 million reflecting the write off of £2.9 million of costs associated with the 2009 bank facility. Net cash interest paid of £6.7 million (2010: £9.3 million) was 27.9 per cent. lower than that paid in 2010. Underlying profit before taxation from continuing operations was £0.5 million lower at £16.3 million (2010: £16.8 million) with the improved interest position partially offsetting the decline in underlying operating profit.

### ***Taxation***

There was a net tax credit in the year amounting to £6.8 million in respect of continuing operations (2010: charge of £0.3 million). Exceptional tax credit adjustments in respect of prior periods of £5.0 million arose in 2011 from the clarification with the tax authorities of the tax treatment of provisions, principally those made at the time of the acquisitions in 2006 and 2007. Excluding the effect of the change in tax rates on deferred tax and the adjustments in respect of prior periods, the underlying tax rate on the underlying profit before taxation of continuing operations was 28 per cent. (2010: 32 per cent.). The underlying tax rate decreased during 2011 due mainly to the corporation tax rate reductions in the United Kingdom. The underlying cash tax rate in the year was 11 per cent. (2010: 14 per cent.) and is lower than the underlying tax rate due to historic losses utilised and tax deductible goodwill. The underlying cash tax rate is expected to trend towards the underlying tax rate over the coming years.

## **7. Liquidity and Capital Resources**

### ***Historical cash flows***

The Group's principal source of liquidity has been and is expected to continue to be, cash generated from operating activities, together with short and long term borrowing.

The Group's policy is to ensure that the funding requirements forecast by the Group can be met within available committed facilities provided under the New Debt Facility as may be appropriate at the time. The Group's operating subsidiaries are financed by a combination of retained profits, intra-group loans and bank borrowings.

	2012 £'000	2011 <sup>(1)</sup> £'000	2011 £'000	2010 <sup>(2)</sup> £'000	2010 £'000
<b>Cash flows from operating activities</b>					
(Loss)/Profit before tax					
– continuing operations	(25,652)	2,632	1,309	1,777	9,535
(Loss)/Profit before tax					
– discontinued operations	(379)	8,785	10,108	7,758	–
Adjustments <sup>(3)</sup>	50,335	26,335	26,335	30,666	30,666
Movement in inventories	79	(263)	(263)	451	451
Movement in trade and other receivables	2,768	965	965	(2,728)	(2,728)
Movement in trade and other payables	(593)	(2,830)	(2,830)	4,011	4,011
Provisions utilised	(1,911)	(1,854)	(1,854)	(2,515)	(2,515)
Pension contributions	(1,010)	(1,191)	(1,191)	(841)	(841)
Income tax paid	(4,862)	(1,870)	(1,870)	(2,304)	(2,304)
<b>Net cash inflow from operating activities</b>	<b>18,775</b>	<b>30,709</b>	<b>30,709</b>	<b>36,275</b>	<b>36,275</b>
<b>Net cash inflow/(outflow) from investing activities</b>	<b>44,671</b>	<b>(14,816)</b>	<b>(14,816)</b>	<b>(2,945)</b>	<b>(2,945)</b>
<b>Net cash outflow from financing activities</b>	<b>(51,334)</b>	<b>(19,580)</b>	<b>(19,580)</b>	<b>(31,000)</b>	<b>(31,000)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>12,112</b>	<b>(3,687)</b>	<b>(3,687)</b>	<b>2,330</b>	<b>2,330</b>
Effect of exchange rates on cash and cash equivalents	(641)	325	325	463	463
Cash and cash equivalents at the beginning of the year	24,386	27,748	27,748	24,955	24,955
<b>Cash and cash equivalents at the end of the year</b>	<b>35,857</b>	<b>24,386</b>	<b>24,386</b>	<b>27,748</b>	<b>27,748</b>

**Notes:**

- (1) Restated to include the cash flows of Composite Doors within discontinued operations.
- (2) Restated to include the cash flows of Gall Thomson within discontinued operations.
- (3) Refer to note 28 of the financial information contained in Part A of Part XV of this Document.

***Cash flow and capital expenditure 2012***

As indicated at the start of 2012, during the year the Group increased its capital investment programme by 39.8 per cent., or £1.9 million, to £6.9 million. Tangible capital expenditure for the year increased to £5.5 million (2011: £4.4 million) or 1.1x depreciation and intangible capital expenditure increased to £1.4 million (2011: £0.5 million) principally as a result of the Group's investment in US ERP.

The Group has continued to focus on management of working capital within the business. Inventories increased on a reported basis as a result of acquisitions however inventory turns remained broadly in line with 2011. Total working capital at the year-end was also impacted by December pre buys of c. £1.6 million made at the Group's EWS facility.

During the year a number of the Group's customers ceased trading, however vigilant management of customer credit risks throughout the year, starting at the point of sale, meant that bad debts written off amounted to only 0.3 per cent. of revenues (2011: 0.4 per cent.).

Operating cash conversion for the year from continuing operations was 79.4 per cent. (2011: 93.4 per cent.), reflecting the significantly increased capital expenditure that occurred in the Group in 2012. Over the past three years, cash conversion has averaged approximately 93.7 per cent.

### ***Cash flow and capital expenditure 2011***

For the Group as a whole, net cash inflow from operating activities of £30.7 million was approximately 15 per cent. lower than the prior year (2010: £36.3 million) principally due to lower levels of operating profit combined with some incremental investment in working capital in the year.

Capital expenditure increased by 32 per cent. to £4.4 million (2010: £3.3 million) which meant that operational cashflow fell to £28.2 million (2010: £35.3 million).

Operational cash flow from continuing operations was approximately £19.0 million (2010: £28.7 million) and operating cash conversion from continuing operations was approximately 84.8 per cent. (2010: 110.0 per cent.). This is lower than the Group's through the cycle target which remains at 100 per cent. Over the past three years the Group has averaged operating cash conversion from continuing operations of 115 per cent.

### ***Cash flow and capital expenditure 2010***

Despite the 10.2 per cent. increase in sales, in 2010 the Group generated £1.7 million cash from net working capital reductions (2009: £10.7 million). These reductions, combined with the increased operating profit generated by the Group, meant that the net cash inflow from operating activities of £36.3 million remained broadly in line with prior year (2009: £36.5 million).

Operating cash conversion, being the proportion of underlying operating profit converted into cash, exceeded 100 per cent. at 105 per cent. in 2010 (2009: 142 per cent.).

### ***Borrowings***

Tyman plc finances its operations from a mix of equity, cash and cash equivalents and bank borrowings available under current committed borrowing facilities, the principal terms of which are set out in paragraphs 13.8 and 13.9 of Part XVIII of this Document.

The table below sets out the net indebtedness position, excluding capitalised borrowing costs, of the Group as at 31 December 2012:

<i>Net indebtedness as at:</i>	<i>31 December 2012</i>
	<i>£'000</i>
Bank borrowings <sup>(1)</sup>	72,839
Finance leases	—
Cash and cash equivalents	(35,857)
Net indebtedness	<u>36,982</u>

#### **Note:**

(1) Excludes capitalised borrowing costs of £1.7 million.

The Group's net indebtedness levels vary throughout the year due to the nature of its working capital cycle. Working capital increases in quarter one when the business starts to build inventory in anticipation of the peak trading period which commences in quarter two. Investment in working capital typically reduces towards the end of the year. The Group finances working capital from its existing cash resources and from committed bank borrowing facilities, which currently consist of a £110 million multicurrency term loan and a £30 million multicurrency working capital facility. At 31 December 2012 there was £72.8 million drawn under the £110 million multicurrency term loan facility and £0.4 million utilised under the £30 million multicurrency working capital facility in respect of guarantees.

At the 31 March 2013, the last practicable date before publication of this Prospectus, the Group had total bank borrowings of £76.8 million and net indebtedness of £45.6 million.

The Group's policies on liquidity, credit and interest rate risks and capital management are set out in note 23 to the financial information for the year ended 31 December 2012 as set out in Part A of Part XV of this Document. These policies have been applied consistently since that time.

## 8. Contractual Obligations and Off-Balance Sheet Transactions

The table below sets out contractual obligations of the Group as at 31 December 2012:

<i>Contractual Obligations</i>	<i>Payments due by period</i>			
	<i>Total</i>	<i>less than 1 year</i>	<i>1-5 years</i>	<i>more than 5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Long-Term Debt Obligations <sup>1</sup>	72,839	8,136	64,703	–
Capital (Finance) Lease Obligations	–	–	–	–
Operating Lease Obligations	20,606	4,041	12,616	3,949
Purchase Obligations	–	–	–	–
Other Long-Term Liabilities Reflected on the Group's balance sheet	–	–	–	–
<b>Total</b>	<b>93,445</b>	<b>12,177</b>	<b>77,319</b>	<b>3,949</b>

### Note:

1 Excludes capitalised borrowing costs of £1,743,000

## 9. Market Risks

The Group is exposed to a variety of risks but principally it is exposed to building and construction market risks, raw material cost increases and the risk of supply chain failures, liquidity risk and other financial risks.

### 9.1 Building and construction market risk

The Group is subject to the prevailing conditions of the building and construction market particularly in the US but also in the UK and globally. The overall growth and demand for the Group's products is subject to the usual drivers of construction activity (including general economic conditions, interest rates, business/consumer confidence levels, unemployment and population growth). This demand can be unpredictable and the Group has a low visibility of future orders from its customers.

The Group faces competition in the markets in which it operates, including competition from global competitors with large capital resources. Competition in the industry is based on: range and quality of products offered, geographical reach, reputation and customer relationships.

Reductions in the Group's net debt and the committed current banking facilities, which run until March 2016, have strengthened the Group's ability to withstand future downturns in its markets. The geographic spread of the Group's business and the Group's ability to flex its cost base helps to mitigate some of this risk. Management prepares regular forecasts that focus on remedial action plans required to deliver the desired performance during the balance of the year. Continuing to monitor and measure commercial performance enables the Group to offer industry leading customer service which improves customer retention and wins new customers. The current investment in enterprise resource planning systems will enhance management visibility of operational performance and drive continuous improvement in customer service, product availability and product quality. In addition, the recent disposal of the Composite Door business reduces the risk of direct exposure to social housing in the UK.

Some of the Group's markets are relatively concentrated, while others are highly fragmented and offer significant opportunities for consolidation and penetration. Furthermore the Directors believe that, in view of its range of products, focus on setting industry leading standards for delivery on time and in full, geographical spread, strategic focus and reputation, the Group can compete effectively with its competitors. The Group aims to minimise the impact of aggressive pricing by competitors through a low cost manufacturing strategy supported by programmes of continuous process improvements and building long-term relationships with customers based on value, quality, service and added value technical support.

## 9.2 *Raw material cost increases and the risk of supply chain failures*

The raw materials used in the Group's businesses include commodities that experience price volatility (such as steel, aluminium and zinc) caused by changes in supply and demand, and commodity market fluctuations. The Group's ability to deliver according to market demands depends in large 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 Group continues to develop its strategic sourcing and procurement capability which enhances knowledge of raw material price risks and the Group's risk management approach. The Group aims to minimise these risks through strong long-term relationships with suppliers, economies of purchasing, multiple suppliers and inventory management. In addition, the Group seeks to increase the price of its products or apply surcharges to its customers to recover unavoidable input cost increases.

## 9.3 *Liquidity risk*

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group's liquidity requirements typically increase throughout the financial year, peaking around the Group's half-year in June and unwinding in the final two months of the year as net receivables from the peak trading months are realised. The Group's current bank facility agreement extends to the Group a multicurrency term loan of £110 million and a £30 million multicurrency working capital facility, with both facilities committed until 31 March 2016. The Directors believe that these bank facilities, together with the cash and cash equivalent balances (which stood at £35.9 million as at 31 December 2012) provides sufficient headroom to finance the Group's commitments when they fall due.

## 9.4 *Other financial risk*

The Group operates on a global basis and is therefore exposed to transactional and translational foreign exchange risk against Sterling. The Group is also exposed to interest rate risks 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 the Group uses derivative financial instruments to hedge its interest rate exposure.

## 10. **Capitalisation and indebtedness**

The following table shows the capitalisation of the Group as at 31 December 2012 and the indebtedness of the Group as at 28 February 2013<sup>(1)(2)</sup>.

	<i>As at 28 February 2013 £000's</i>
<b>Current debt</b>	
Secured <sup>(3)</sup>	(18)
Unsecured <sup>(4)(5)</sup>	(7,511)
<b>Total current debt</b>	<u>(7,529)</u>
<b>Total non-current debt (excluding current portion of the long term debt)</b>	
Secured <sup>(3)</sup>	(47)
Unsecured <sup>(4)(5)</sup>	(66,787)
<b>Total non-current debt</b>	<u>(66,834)</u>
<b>Total indebtedness</b>	<u>(74,363)</u>



*As at*  
*31 December*  
*2012*  
*£000's*

<b>Shareholders' equity<sup>(6)</sup></b>	
Share capital	(6,864)
Share premium	(101)
Other reserves	(8,920)
Treasury reserve	8,161
Hedging reserve	605
Translation reserve	(24,321)
<b>Total capitalisation</b>	<b>(31,440)</b>

**Notes:**

- (1) This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in preparing the Group's financial statements for the year ended 31 December 2012.
- (2) As at the date of this Document, there has been no material change in the capitalisation of the Group since 31 December 2012.
- (3) The secured debt relates to borrowings in the Overland operating unit secured against plant and machinery.
- (4) Tyman plc has a £110 million multicurrency term loan, of which £75.9 million was drawn down as at 28 February 2013. An additional £29.4 million of funds were available under the multicurrency working capital facility as at 28 February 2013. These facilities are unsecured and guaranteed by Tyman plc and its principal subsidiary undertakings. Scheduled repayments commenced annually on 31 December 2012 and will continue until 31 December 2015, with the balance outstanding payable on the termination date of the facility, being 31 March 2016.
- (5) The Group's debt is shown net of unamortised issue costs of £1.64 million.
- (6) Shareholders' equity does not include the profit and loss reserve.

The following table sets out the Group's net indebtedness at 28 February 2013:

<i>Net indebtedness</i>	<i>£000's</i>
Cash	16,478
Cash equivalents	15,000
<b>Total liquidity</b>	<b>31,478</b>
Current bank debt	(7,529)
<b>Current financial debt</b>	<b>(7,529)</b>
<b>Net current financial liquidity</b>	<b>23,949</b>
Non-current bank loans	(66,834)
<b>Non current financial indebtedness</b>	<b>(66,834)</b>
<b>Net indebtedness<sup>(1)</sup></b>	<b>(42,885)</b>

**Notes:**

- (1) The Group has no indirect or contingent indebtedness as at 28 February 2013.

## **PART XV**

### **HISTORICAL FINANCIAL INFORMATION RELATING TO TYMAN**

#### **Part A: 2012 Financial Statements**

The following is the text of the independent auditors' report on the Group from its statutory accounts for the financial year ended 31 December 2012.

#### **Independent auditors' report to the members of Tyman plc (formerly Lupus Capital plc)**

We have audited the group financial statements of Tyman plc (formerly Lupus Capital plc) for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

**Matters on which we are required to report by exception**

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

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

**Other matter**

We have reported separately on the parent company financial statements of Tyman plc for the year ended 31 December 2012.

**Simon O'Brien** (*Senior Statutory Auditor*)

for and on behalf of PricewaterhouseCoopers LLP

*Chartered Accountants and Statutory Auditors*

London

12 March 2013

## Consolidated income statement

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Continuing operations</b>			
Revenue	3	228,753	216,293
Cost of sales		(154,023)	(145,236)
<b>Gross profit</b>		74,730	71,057
Administrative expenses		(95,873)	(58,730)
<b>Operating (loss)/profit</b>		(21,143)	12,327
Analysed as:			
Underlying operating profit <sup>1</sup>	3	23,030	22,223
Property provision release	3	2,021	1,221
Exceptional items	4	(2,574)	(552)
Amortisation of intangible assets	5	(10,754)	(10,565)
Accelerated amortisation of intangible assets and impairment of intangible assets and goodwill	5	(32,866)	–
<b>Operating (loss)/profit</b>		(21,143)	12,327
Finance income	7	276	287
Finance costs	7	(4,785)	(9,982)
Net finance costs	7	(4,509)	(9,695)
<b>(Loss)/Profit before taxation</b>		(25,652)	2,632
Income tax credit	8	3,700	6,428
<b>(Loss)/Profit for the year from continuing operations</b>		(21,952)	9,060
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	25	37,374	6,423
<b>Profit for the year</b>		15,422	15,483
<b>Basic (loss)/earnings per share</b>			
From continuing operations	9	(16.93p)	6.99p
From discontinued operations	9	28.83p	4.95p
From profit for the year		11.90p	11.94p
<b>Diluted (loss)/earnings per share</b>			
From continuing operations	9	(16.93p)	6.93p
From discontinued operations	9	28.37p	4.91p
From profit for the year		11.44p	11.84p
<b>Non-GAAP measure</b>			
<b>Basic earnings per share</b>			
Underlying <sup>1</sup> basic EPS from continuing operations	9	11.63p	9.64p
Underlying <sup>1</sup> basic EPS from discontinued operations	9	28.95p	5.11p
Total underlying basic EPS		40.58p	14.75p
Underlying <sup>1</sup> profit before taxation from continuing operations	9	21,494	17,389
Underlying <sup>1</sup> profit before taxation from discontinued operations	9	37,225	9,064
Total underlying profit before taxation		58,719	26,453

### Note:

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

The notes on pages 109 to 162 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

For the year ended 31 December 2012

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>Profit for the year</b>		<u>15,422</u>	<u>15,483</u>
<b>Other comprehensive (loss)/income:</b>			
Exchange differences on retranslation of foreign operations		(8,763)	(354)
Actuarial losses on defined benefit plans	20	(2,403)	(4,699)
Effective portion of changes in value of cash flow hedges		92	1,228
Tax on items included in other comprehensive income	8	<u>820</u>	<u>1,659</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(10,254)</u>	<u>(2,166)</u>
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<u>5,168</u>	<u>13,317</u>

The notes on pages 109 to 162 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2012

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Other reserves<sup>1</sup> £'000</i>	<i>Treasury reserve £'000</i>	<i>Hedging reserve £'000</i>	<i>Translation reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
At 1 January 2011		6,864	101	10,389	(6,764)	(1,925)	33,438	196,472	238,575
Total comprehensive income		–	–	–	–	1,228	(354)	12,443	13,317
Profit for the year		–	–	–	–	–	–	15,483	15,483
Other comprehensive income/(loss)		–	–	–	–	1,228	(354)	(3,040)	(2,166)
Transactions with owners		–	–	–	(250)	–	–	(2,424)	(2,674)
Share based payments	22	–	–	–	–	–	–	172	172
Dividends paid	27	–	–	–	–	–	–	(2,596)	(2,596)
Purchase of treasury shares		–	–	–	(250)	–	–	–	(250)
<b>At 31 December 2011</b>		<b>6,864</b>	<b>101</b>	<b>10,389</b>	<b>(7,014)</b>	<b>(697)</b>	<b>33,084</b>	<b>206,491</b>	<b>249,218</b>
Total comprehensive income		–	–	(1,469)	–	92	(8,763)	15,308	5,168
Profit for the year		–	–	–	–	–	–	15,422	15,422
Disposal of subsidiary		–	–	(1,469)	–	–	–	1,469	–
Other comprehensive income/(loss)		–	–	–	–	92	(8,763)	(1,583)	(10,254)
Transactions with owners		–	–	–	(1,147)	–	–	(5,350)	(6,497)
Share based payments	22	–	–	–	–	–	–	482	482
Dividends paid	27	–	–	–	–	–	–	(5,832)	(5,832)
Purchase of treasury shares		–	–	–	(1,147)	–	–	–	(1,147)
<b>At 31 December 2012</b>		<b>6,864</b>	<b>101</b>	<b>8,920</b>	<b>(8,161)</b>	<b>(605)</b>	<b>24,321</b>	<b>216,449</b>	<b>247,889</b>

### Note:

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

The notes on pages 109 to 162 are an integral part of these consolidated financial statements.



# Consolidated balance sheet

As at 31 December 2012

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10	184,896	213,678
Intangible assets	11	73,834	99,047
Property, plant and equipment	12	29,785	30,461
Deferred tax assets	19	9,774	9,618
		<u>298,289</u>	<u>352,804</u>
<b>Current assets</b>			
Inventories	13	27,558	26,586
Trade and other receivables	14	27,269	28,235
Cash and cash equivalents	15	35,857	20,426
		<u>90,684</u>	<u>75,247</u>
Assets of disposal group classified as held for sale		<u>–</u>	<u>21,114</u>
		<u>90,684</u>	<u>96,361</u>
<b>TOTAL ASSETS</b>		<u>388,973</u>	<u>449,165</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(32,375)	(34,638)
Current tax payable		(1,868)	(1,976)
Interest bearing loans and borrowings	17	(7,521)	(12,930)
Derivative financial instruments	18	–	(777)
Provisions	21	(2,456)	(1,510)
		<u>(44,220)</u>	<u>(51,831)</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	17	(63,575)	(100,235)
Derivative financial instruments	18	(605)	–
Deferred tax liabilities	19	(11,766)	(18,941)
Employee benefit liability	20	(11,230)	(9,732)
Provisions	21	(7,513)	(14,487)
Other payables	16	(2,175)	(1,450)
		<u>(96,864)</u>	<u>(144,845)</u>
Liabilities of disposal group classified as held for sale		<u>–</u>	<u>(3,271)</u>
<b>TOTAL LIABILITIES</b>		<u>(141,084)</u>	<u>(199,947)</u>
<b>NET ASSETS</b>		<u>247,889</u>	<u>249,218</u>

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	22	6,864	6,864
Share premium		101	101
Other reserves		8,920	10,389
Treasury reserve		(8,161)	(7,014)
Hedging reserve		(605)	(697)
Translation reserve		24,321	33,084
Retained earnings		216,449	206,491
<b>TOTAL EQUITY</b>		<u>247,889</u>	<u>249,218</u>

The notes on pages 109 to 162 are an integral part of these consolidated financial statements.

The financial statements on pages 103 to 107 were approved by the Board on 12 March 2013 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 2012

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>Cash flows from operating activities</b>			
(Loss)/Profit before tax – continuing operations		(25,652)	2,632
Profit before tax – discontinued operations	25	(379)	8,785
Adjustments	28	50,335	26,335
Movement in inventories		79	(263)
Movement in trade and other receivables		2,768	965
Movement in trade and other payables		(593)	(2,830)
Provisions utilised		(1,911)	(1,854)
Pension contributions		(1,010)	(1,191)
Income tax paid		(4,862)	(1,870)
<b>Net cash inflow from operating activities</b>		<u>18,775</u>	<u>30,709</u>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment		(5,462)	(4,384)
Payments to acquire intangible assets		(1,355)	(492)
Acquisition of subsidiary undertakings, net of cash acquired	24	(16,726)	(10,280)
Proceeds on disposal of subsidiary undertakings	26	67,905	–
Interest received		309	340
<b>Net cash inflow/(outflow) from investing activities</b>		<u>44,671</u>	<u>(14,816)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(4,540)	(7,011)
Dividends paid	27	(5,832)	(2,596)
Purchase of treasury shares		(1,147)	(250)
New bank loans raised		–	112,551
Refinancing costs paid		–	(2,643)
Repayment of borrowings		(39,815)	(119,621)
Repayment of capital element of finance leases		–	(10)
<b>Net cash outflow from financing activities</b>		<u>(51,334)</u>	<u>(19,580)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>12,112</u>	<u>(3,687)</u>
Effect of exchange rates on cash and cash equivalents		(641)	325
Cash and cash equivalents at the beginning of the year	15	<u>24,386</u>	<u>27,748</u>
<b>Cash and cash equivalents at the end of the year</b>	15	<u>35,857</u>	<u>24,386</u>

The notes on pages 109 to 162 are an integral part of these consolidated financial statements.

## **Notes to the financial statements**

### **1. General information and basis of preparation**

The Group's principal activities are the manufacture, supply and distribution of building products. Tyman plc (formerly Lupus Capital plc) is the Group's ultimate parent company and it is incorporated and domiciled in England and Wales at the address shown on page 88 of the annual report for the year ended 31 December 2011.

The Group's shares are admitted to trading on AIM, a market of the London Stock Exchange.

#### **1.1 Basis of preparation**

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

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

The financial statements are prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities (including derivatives) through profit and loss, as described in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Actual results could differ from those estimates.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.2 New and amended standards adopted by the Group**

There were no standards, interpretations and amendments adopted by the Group since 1 January 2012 which had a material impact on the Group's consolidated results or financial position.

#### **1.3 New standards and interpretations not yet adopted**

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group:

- Amendments to IAS1 'Presentation of financial statements' regarding other comprehensive income (effective 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IAS19 'Employee benefits' (effective 1 January 2013). The impact on the Group will be to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The Group has yet to assess the full impact of the amendments.
- IFRS13 Fair value measurement (effective 1 January 2013). IFRS13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single

source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

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

## **2. Summary of significant accounting policies and basis of consolidation**

### **2.1 *Basis of consolidation***

The financial statements consolidate the Company and its subsidiary undertakings (note 31) drawn up to 31 December each year. The financial statements of the subsidiaries are prepared to the same reporting date as the parent, using consistent accounting policies.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50 per cent. of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control over financial and operating policies is transferred to the Group and continue to be consolidated until the date that such control ceases.

All business combinations are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of any assets given, liabilities incurred or assumed, including contingent liabilities, and equity instruments issued by the Group which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The identifiable assets and liabilities of the acquiree are measured initially at fair value at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including those of an intangible and tangible nature, liabilities and contingent liabilities is recognised as goodwill.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated, but are considered an impairment indicator of the underlying asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### **2.2 *Principal accounting policies***

The accounting policies set out below have been used to prepare the financial statements.

#### **2.2.1 *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 and liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is 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 value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### 2.2.2 *Intangible assets*

Intangible assets are stated at cost less accumulated amortisation and impairment. On acquisition of Group companies, 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.
- Computer software – 3 to 4 years.

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.

#### 2.2.3 *Property, plant and equipment*

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 value 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 can be measured reliably. Repairs and maintenance costs 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 land – Not depreciated.
- Freehold buildings – 2% to 5%.
- Plant and machinery – 7.5% to 33%.

The carrying values of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying value 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 financial year end.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.



#### 2.2.4 *Impairment of assets*

Goodwill arising on business combinations is allocated to cash-generating units (equivalent to the reported operating segments). The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when events or changes in circumstance indicate that it might be impaired. Goodwill that has been impaired previously cannot be reversed at a later date.

The carrying values of property, plant and equipment, and intangible assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where purchased intangible assets are considered by the Board of Directors to have an indefinite life, they are not amortised but are subject to an impairment review on an annual basis or more frequently if necessary. Intangible assets not yet available for use are tested for impairment annually.

An impairment review is performed by comparing the carrying value of the property, plant and equipment, intangible asset or cash generating units to which goodwill has been allocated with its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be obtained on disposal of the asset. The value in use is determined by discounting, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, the expected future cash flows resulting from its continued use, including those on final disposal. Impairment losses are recognised in the income statement immediately. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Considerable management judgement is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecast cash flows. Impairment reversals are permitted to property, plant and equipment or intangible assets (but not goodwill) to the extent that the new carrying value does not exceed the amount it would have been if no impairment loss had been previously recognised.

#### 2.2.5 *Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost includes cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity on a first in, first out basis. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

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.

#### 2.2.6 *Provisions*

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.

Property related provisions comprise onerous leases and dilapidation costs. Provisions for onerous leases are recognised where the unavoidable cost exceeds the expected benefit.

Restructuring provisions comprise lease termination penalties and employee termination payments. A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

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 recognised at the date the international intragroup transactions occurred, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

#### 2.2.7 *Leases*

Where the Group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Assets held under finance leases and similar contracts which confer the rights and obligations similar to those attached to owned assets are capitalised at the inception of the lease at the fair value or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Assets held under finance lease are depreciated over the lower of the useful lives and the term of the lease.

All other leases are treated as operating leases, and rentals payable are charged to the income statement on a straight-line basis over the lease term.

#### 2.2.8 *Employee benefits*

##### *Pension obligations*

The Group operates both defined contribution and defined benefit schemes.

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, together with adjustments for unrecognised past-service costs. 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, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The operating and financing costs of the pension schemes are charged to the income statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The net surplus or deficit is presented with the other net assets on the balance sheet. The related deferred tax is shown with the other deferred tax balances.

For defined contribution plans, contributions are recognised as employee benefit expense when they are due. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### 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.

#### 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 when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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.

#### 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.

#### 2.2.9 *Share based payments*

The Group operates an equity-settled share based remuneration scheme (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.

#### 2.2.10 *Financial assets and liabilities*

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.

##### *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' and 'cash and cash equivalents' in the balance sheet.

##### *Trade receivables*

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. If not, 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 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.

##### *Cash and cash equivalents*

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.

##### *Financial liabilities held at amortised cost*

Financial liabilities held at amortised cost include trade payables, accruals, other payables, and interest bearing loans and borrowings.

##### *Trade payables*

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.

#### Interest bearing loans and borrowings

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.

#### 2.2.11 *Derivative financial instruments and hedging activities*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The group designates certain derivatives as either:

- 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. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

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.

#### Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. 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. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss.

#### Investments in foreign operations

A foreign currency exposure arises from net investments in Group entities whose functional currency differs from the Group's presentation currency. The Group uses foreign currency loans to hedge foreign currency risk. This translation risk does not give rise to a cash flow exposure. Its impact only arises from the translation of the net investment in the Group's presentation currency.

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.

#### 2.2.12 *Share capital*

Ordinary shares are classified as equity.

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 equity holders until the shares are cancelled or reissued.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

#### *2.2.13 Segment reporting*

The Group's operations are divided into three product segments: Amesbury Group, grouphomesafe and Schlegel International, which is consistent with the segments identified in internal reports which are reviewed by the chief operating decision makers, defined as the Board of Directors. A product segment is a component of the Group that is engaged in providing a group of related products and is subject to risks and returns that are different from those of the other segments. IFRS 8 also requires disclosure of information on geographical areas with the Group's system of internal reporting to key operating decision makers serving as a starting point.

#### *2.2.14 Revenue*

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

#### *2.2.15 Current and deferred taxation*

Income tax expense represents the sum of the current tax and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit or loss nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.



The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet dates and that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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 they relate to income taxes levied by the same taxation authority and where the intention is to settle the balances on a net basis.

#### *2.2.16 Exceptional items*

Where certain income or expense items recorded in the period are material by their size or incidence, the Group reflects such items as exceptional items within a separate line on the income statement, except for those exceptional items that relate to net finance costs and tax.

Separate presentation of exceptional items provides an improved understanding of the elements of financial performance in the year so as to facilitate comparison with prior periods and to assess trends in financial performance.

Exceptional items, as disclosed in note 4, include one-off redundancy and restructuring costs, and transactions costs associated with merger and acquisition activity.

#### *2.2.17 Foreign currency translation*

##### *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 Pounds Sterling, which is the functional currency of the Company and the presentation currency of the Group.

##### *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.

##### *Group companies*

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

#### 2.2.18 *Discontinued operations and non-current assets held for sale*

Non-current assets and all assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets and all assets and liabilities, or disposal groups, are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

#### 2.2.19 *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 adjusted 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 include the following:

- Exceptional income and charges – these are largely one-off in nature and therefore create volatility in reported earnings.
- Amortisation and impairment of intangible items, amortisation of borrowing costs, unwinding of discount on provisions – these are non-cash in nature and the events giving rise to them are expected to be infrequent.

#### 2.2.20 *Critical accounting estimates and judgements*

In the application of the Group’s accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group’s accounting policies

The following areas represent the key judgements made by management in order to facilitate the preparation of the Group’s financial statements:

##### **Taxation**

The Group is subject to taxation in numerous jurisdictions. Judgement is required in determining the world wide provision for income taxes as there are transactions for which the ultimate tax determination is uncertain. The amounts provided are accrued based on management’s interpretation of country-specific tax laws and the likelihood of settlement, which may differ from actual liabilities. This could have an adverse impact on the results and the net position of the Group (note 8).

#### Impairment reviews and discount rates

The Group tests intangible assets and goodwill for impairment in accordance with the stated accounting policy. The value in use calculations requires the use of estimates of future growth and assessment of appropriate discount rates. Future events could result in the assumptions used in the impairment reviews to change, with a resultant adverse impact on the results and net position of the Group. Details of estimates used and sensitivities in the impairment reviews are set out in note 10.

#### Exceptional items

Exceptional items are expense or income items recorded in a period which have been determined by management as being material by their size or incidence and are presented separately within the results of the Group. The determination of which items are disclosed as exceptional will affect the presentation of profit measures including EBITA and adjusted earnings per share, and requires a degree of judgement. Details regarding exceptional items reported during the year are set out in note 4.

#### Key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Impairment of goodwill and other intangible assets

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets. In determining whether goodwill is impaired an estimation of value in use of the cash-generating units to which goodwill has been allocated has been prepared. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (note 10).

#### Provisions

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material (note 21).

#### Valuation of financial instruments at fair value

Management makes a number of assumptions with regards to the models used to value financial instruments at their fair value at year end. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument (note 18).

#### Intangible assets acquired in a business combination

On acquisition of Group companies, the Group recognises any separately identifiable intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets will include purchased brands, customer relationships, trademarks and licences. The determination of fair value 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 (note 11).

#### Inventories

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Net realisable value is based on current assessments of future demand, market conditions and new product development initiatives. Should demand for the Group's products decline further during the next financial year as a result of the current economic downturn, additional allowances may be necessary in respect of excess or slow-moving items (note 13).

#### Defined benefit pension and post-retirement benefit schemes

The benefit obligation is 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 present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date. 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 note 20.

#### 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 (note 19).

### **3. Segmental analysis**

The tables below present the Group's operating segment revenue and results, and certain asset and liability information. The analyses have been generated using Group accounting policies, with no changes of measurement applied, other than the changes noted below.

During the year, the Group restructured its United Kingdom and International divisions, establishing separate management teams for each division. These organisational changes, together with the acquisitions and disposals, impacted how the segments are identified, measured and reported. Consequently, the Group has changed its operating segments to reflect the manner in which performance is evaluated and resources allocated. The Group now operates through three clearly defined segments, namely: Amesbury, grouphomesafe and Schlegel International.

Prior year disclosures have been amended to take account of the revised operating segments. There has been no material change to the Amesbury operating segment however Linear, which was previously reported as part of the comparative UK geographic disclosure, will now be reported as part of the Schlegel International operating segment.

During 2012, the Group disposed of its Oil Services and Composite Doors businesses (refer notes 25 and 26), included as part of discontinued operations in the analysis below.

**Segment revenues and results**

	<i>Continuing operations</i>			<i>Discontinued operations</i>		
		<i>group-</i>	<i>Schlegel</i>		<i>United</i>	
<i>Year ended 31 December 2012</i>	<i>Amesbury</i>	<i>homesafe</i>	<i>Inter-</i>	<i>Total</i>	<i>Kingdom</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>national</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>	118,600	73,345	36,808	228,753	11,269	240,022
<b>Result</b>						
Underlying profit/(loss)	11,578	8,972	2,480	23,030	(197)	22,833
Property provision release				2,021	–	2,021
Total operating profit/(loss) before exceptional items, amortisation of intangible assets, and impairment of intangible assets				25,051	(197)	24,854
Exceptional items (note 4)				(2,574)	(215)	(2,789)
Amortisation of intangible assets				(10,754)	–	(10,754)
Accelerated amortisation of intangible assets and impairment of intangible assets and goodwill				(32,866)	–	(32,866)
Operating loss				(21,143)	(412)	(21,555)
Net finance (costs)/income				(4,509)	33	(4,476)
Loss before tax				(25,652)	(379)	(26,031)
Tax				3,700	364	4,064
<b>Loss after tax</b>				(21,952)	(15)	(21,967)
Profit on disposal of discontinued operations				–	37,389	37,389
<b>(Loss)/profit for the year</b>				(21,952)	37,374	15,422
Other segment information						
Cost of goods sold	83,555	48,961	21,507	154,023	9,508	163,531
Depreciation	2,779	1,274	838	4,891	194	5,085

Included within Schlegel International segment are revenues attributable to the United Kingdom of £5,483,000.

No revenue from any single customer exceeds 5 per cent. of total revenue from continuing operations.

## Segment assets and liabilities

	<i>Continuing operations</i>			<i>Discontinued operations</i>		
	<i>Amesbury</i>	<i>group-</i>	<i>Schlegel</i>		<i>United</i>	
	<i>Group</i>	<i>homesafe</i>	<i>Inter-</i>	<i>Total</i>	<i>Kingdom</i>	<i>Total</i>
<i>Year ended 31 December 2012</i>	<i>£'000</i>	<i>£'000</i>	<i>national</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Segment assets</b>						
Total segment assets	213,676	119,113	37,515	370,304	–	370,304
Unallocated segment assets				2,567	–	2,567
Unallocated Group assets						16,102
Consolidated total assets						388,973
<b>Segment liabilities</b>						
Total segment liabilities	(30,127)	(25,702)	(8,818)	(64,647)	–	(64,647)
Unallocated segment liabilities				(71,960)	–	(71,960)
Unallocated Group liabilities						(4,477)
Consolidated total liabilities						(141,084)
<b>Non-current assets<sup>1</sup></b>	176,639	87,397	24,479	288,515	–	288,515
<b>Other segment information</b>						
Employee benefit liability	(11,230)	–	–	(11,230)	–	(11,230)
Goodwill allocation	107,375	61,910	15,611	184,896	–	184,896
Intangible asset allocation	50,542	20,794	2,498	73,834	–	73,834
<b>Capital expenditure</b>						
– Property, plant and equipment	3,681	859	777	5,317	145	5,462
– Intangible assets	1,118	122	115	1,355	–	1,355

### Note:

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

Non-current assets of the Schlegel International segment include £3,460,000 attributable to the United Kingdom.



**Comparative information**  
**Segment revenues and results**

	<i>Continuing operations</i>			<i>Discontinued operations</i>		
	<i>Amesbury</i>	<i>group-</i>	<i>Schlegel</i>		<i>United</i>	
<i>Year ended 31 December 2011</i>	<i>Group</i>	<i>homesafe</i>	<i>Inter-</i>	<i>Total</i>	<i>Kingdom</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>national</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>	105,370	70,656	40,267	216,293	33,167	249,460
<b>Result</b>						
Underlying profit/(loss)	10,779	8,154	3,290	22,223	9,011	31,234
Property provision release				1,221	–	1,221
Total operating profit before exceptional items and amortisation of intangible assets				23,444	9,011	32,455
Exceptional items (note 4)				(552)	(278)	(830)
Amortisation of intangible assets				(10,565)	(1)	(10,566)
Operating profit				12,327	8,732	21,059
Net finance costs				(9,695)	53	(9,642)
Profit before tax				2,632	8,785	11,417
Tax				6,428	(2,362)	4,066
<b>Profit after tax</b>				9,060	6,423	15,483
Other segment information						
Cost of goods sold	73,423	49,019	22,794	145,236	18,489	163,725
Depreciation	2,645	1,362	923	4,930	373	5,303

Included within the Schlegel International segment are revenues attributable to the United Kingdom of £5,956,000.

No revenue from any single customer exceeds 5 per cent. of total revenue from continuing operations.

**Segment assets and liabilities**

	<i>Continuing operations</i>			<i>Discontinued operations</i>		
	<i>Amesbury</i>	<i>group-</i>	<i>Schlegel</i>		<i>United</i>	
<i>Year ended 31 December 2011</i>	<i>Group</i>	<i>homesafe</i>	<i>Inter-</i>	<i>Total</i>	<i>Kingdom</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>national</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Segment assets</b>						
Total segment assets	222,360	147,161	54,282	423,803	21,114	444,917
Unallocated segment assets				2,616	–	2,616
Unallocated Group assets						1,632
Consolidated total assets						449,165
<b>Segment liabilities</b>						
Total segment liabilities	(35,051)	(31,713)	(9,354)	(76,118)	(3,271)	(79,389)
Unallocated segment liabilities				(115,281)	–	(115,281)
Unallocated Group liabilities						(5,277)
Consolidated total liabilities						(199,947)
<b>Non-current assets<sup>1</sup></b>	186,964	115,195	41,027	343,186	11,849	355,035

<i>Year ended 31 December 2011</i>	<i>Continuing operations</i>			<i>Discontinued operations</i>		<i>Total</i>
	<i>Amesbury Group</i>	<i>group-homesafe</i>	<i>Schlegel International</i>	<i>United Kingdom</i>	<i>Total</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Other segment information</b>						
Employee benefit liability	(9,732)	–	–	(9,732)	–	(9,732)
Goodwill allocation	94,622	91,407	27,649	213,678	11,421	225,099
Intangible asset allocation	74,078	18,191	6,778	99,047	35	99,082
<b>Capital expenditure</b>						
– Property, plant and equipment	2,588	1,025	516	4,129	255	4,384
– Intangible assets	350	69	37	456	36	492

**Note:**

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

Non-current assets of the Schlegel International segment include £3,979,000 attributable to the United Kingdom.

#### 4. Exceptional items

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Redundancy and restructuring costs	1,825	535	215	278	2,040	813
Transaction costs associated with M&A activity	966	282	–	–	966	282
Other	(217)	(265)	–	–	(217)	(265)
	<u>2,574</u>	<u>552</u>	<u>215</u>	<u>278</u>	<u>2,789</u>	<u>830</u>

#### 5. Operating (loss)/profit

Operating profit is stated after charging the following:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Depreciation of property, plant and equipment	4,891	4,930	194	373	5,085	5,303
Amortisation of intangible assets	10,754	10,565	–	1	10,754	10,566
Amortisation of intangible assets – accelerated basis	12,566	–	–	–	12,566	–
Impairment of intangible assets	9,570	–	–	–	9,570	–
Impairment of goodwill	10,730	–	–	–	10,730	–
Operating lease rentals	4,598	3,492	327	959	4,925	4,451
Foreign exchange loss	318	455	–	–	318	455

The analysis of auditor's remuneration is as follows:

	2012 £'000	2011 £'000
<i>Group</i>		
Audit of company	99	90
Audit of subsidiaries	344	378
Total audit	443	468
Other assurance services	–	25
Other non-audit services not covered above	104	12
Total fees	547	505

## 6. Employees

### *Number of employees*

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

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Administration	219	207	11	25	230	232
Sales	166	161	12	27	178	188
Operations	1,486	1,374	123	198	1,609	1,572
	1,871	1,742	146	250	2,017	1,992

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

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Administration	236	197	–	24	236	221
Sales	175	158	–	22	175	180
Operations	1,477	1,319	–	212	1,477	1,531
	1,888	1,674	–	258	1,888	1,932

### *Employment costs*

Employment costs of these employees during the year were as follows:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Wages and salaries	53,202	48,181	3,395	6,595	56,597	54,776
Social Security costs	5,389	5,914	175	605	5,564	6,519
Pension costs – defined contribution schemes	1,450	1,746	55	184	1,505	1,930
Pension costs – defined benefit schemes	569	639	–	–	569	639
Share based payments	482	172	–	–	482	172
	61,092	56,652	3,625	7,384	64,717	64,036

### ***Directors' remuneration***

The remuneration payable to Directors, considered to be the Group's key management personnel, was as follows:

	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
Short-term employee benefits	864	734
Share-based payments	180	54
	<u>1,044</u>	<u>788</u>

## **7. Finance income and costs**

Finance income and costs from continuing operations:

	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
<b>Finance income</b>		
Bank interest receivable	<u>276</u>	<u>287</u>
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	(3,620)	(6,205)
Amortisation of borrowing costs	(681)	(3,148)
Ineffective portion of changes in value of cash flow hedges	80	(8)
Unwinding of discount on provisions	(271)	(492)
Pension scheme and other finance costs	(293)	(129)
	<u>(4,785)</u>	<u>(9,982)</u>
<b>Net finance costs</b>	<u>(4,509)</u>	<u>(9,695)</u>

## **8. Taxation**

### **8.1 Tax on profit on ordinary activities**

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Current taxation:</b>						
UK Corporation tax expense/(credit)	1,388	(647)	(275)	2,439	1,113	1,792
Foreign tax expense	<u>2,671</u>	<u>3,168</u>	<u>–</u>	<u>–</u>	<u>2,671</u>	<u>3,168</u>
Current income tax expense/(credit)	4,059	2,521	(275)	2,439	3,784	4,960
Adjustments in respect of prior years	401	–	–	–	401	–
Exceptional adjustments in respect of prior years	<u>–</u>	<u>(3,767)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,767)</u>
Total current taxation	<u>4,460</u>	<u>(1,246)</u>	<u>(275)</u>	<u>2,439</u>	<u>4,185</u>	<u>1,193</u>

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Deferred taxation:</b>						
Origination and reversal of temporary differences	(6,522)	(1,842)	(87)	(11)	(6,609)	(1,853)
Adjustment due to deferred tax rate change	(1,200)	(2,137)	(2)	–	(1,202)	(2,137)
Adjustments in respect of prior years	–	–	–	(66)	–	(66)
Exceptional adjustments in respect of prior years	(438)	(1,203)	–	–	(438)	(1,203)
<b>Total deferred taxation</b>	<b>(8,160)</b>	<b>(5,182)</b>	<b>(89)</b>	<b>(77)</b>	<b>(8,249)</b>	<b>(5,259)</b>
<b>Income tax (credit)/ expense in the income statement</b>	<b>(3,700)</b>	<b>(6,428)</b>	<b>(364)</b>	<b>2,362</b>	<b>(4,064)</b>	<b>(4,066)</b>

Tax credit relating to components of other comprehensive income is as follows:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Deferred tax credit on actuarial gains and losses	(820)	(1,659)	–	–	(820)	(1,659)
<b>Income tax credit in the statement of comprehensive income</b>	<b>(820)</b>	<b>(1,659)</b>	<b>–</b>	<b>–</b>	<b>(820)</b>	<b>(1,659)</b>
Total current taxation	4,460	(1,246)	(275)	2,439	4,185	1,193
Total deferred taxation	(8,980)	(6,841)	(89)	(77)	(9,069)	(6,918)
<b>Total taxation</b>	<b>(4,520)</b>	<b>(8,087)</b>	<b>(364)</b>	<b>2,362</b>	<b>(4,884)</b>	<b>(5,725)</b>

The standard rate of Corporation tax in the UK changed from 26 per cent. to 24 per cent. with effect from 1 April 2012. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 24.5 per cent. (2011: 26.5 per cent.). The tax rate of 23 per cent. was substantively enacted in July 2012, and UK deferred tax assets and liabilities have been provided at this rate.

Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

Exceptional adjustments in respect of prior periods arose from the clarification with the tax authorities of the tax treatment of provisions, mainly those originally made at the time of the Schlegel acquisition in 2006 and the LSS acquisition in 2007.

## 8.2 *Reconciliation of the total tax charge*

The tax assessed for the year differs from the standard rate of tax in the UK of 24.5 per cent. (2011: 26.5 per cent.). The differences are explained below:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit before taxation	(25,652)	2,632	37,010	8,785	11,358	11,417
Rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(6,285)	697	9,067	2,328	2,782	3,025
Effects of:						
Expenses not deductible/ (income not taxable) for tax purposes	3,170	(499)	(9,429)	100	(6,259)	(399)
Overseas tax rate differences	652	481	–	–	652	481
Adjustment due to deferred tax rate change	(1,200)	(2,137)	(2)	–	(1,202)	(2,137)
Adjustment in respect of prior years	(37)	(4,970)	–	(66)	(37)	(5,036)
<b>Income tax (credit)/ expense in the income statement</b>	<b>(3,700)</b>	<b>(6,428)</b>	<b>(364)</b>	<b>2,362</b>	<b>(4,064)</b>	<b>(4,066)</b>

## 9. **Earnings per share**

	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
(Loss)/profit for the year – continuing operations	(21,952)	9,060
Profit for the year – discontinued operations	37,374	6,423
	<u>15,422</u>	<u>15,483</u>
<b>Basic (loss)/profit per share</b>		
From continuing operations	(16.93p)	6.99p
From discontinued operations	28.83p	4.95p
	<u>11.90p</u>	<u>11.94p</u>
<b>Diluted (loss)/profit per share</b>		
From continuing operations	(16.93p)	6.93p
From discontinued operations	28.37p	4.91p
	<u>11.44p</u>	<u>11.84p</u>

Basic earnings per share 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 equity holders 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 dilutive potential ordinary shares into ordinary shares. There is no difference between the basic and diluted loss per share for 2012 as the effect of all potentially dilutive ordinary shares outstanding was anti-dilutive.



The weighted average number of shares was:

	2012 '000	2011 '000
Weighted average number of shares (including treasury shares)	137,287	137,287
Treasury shares	(7,643)	(7,580)
<b>Weighted average number of shares – basic</b>	<b>129,644</b>	<b>129,707</b>
Effect of dilutive potential ordinary shares – LTIP awards and options	2,108	1,011
<b>Weighted average number of shares – diluted</b>	<b>131,752</b>	<b>130,718</b>

### **Non-GAAP measure**

#### *Underlying earnings per share from continuing operations before exceptional items*

The Group presents underlying earnings per share figure which excludes the impact of exceptional items, amortisation and accelerated amortisation of intangible assets, impairment of intangible assets and goodwill, non-cash finance costs, 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 from continuing operations is derived as follows:

	2012 £'000	2011 £'000
<b>(Loss)/profit before taxation from continuing operations</b>	<b>(25,652)</b>	<b>2,632</b>
Exceptional costs	2,574	552
Amortisation of intangible assets	10,754	10,565
Amortisation of intangible assets – accelerated basis	12,566	–
Impairment of intangible assets	9,570	–
Impairment of goodwill	10,730	–
Unwinding discount on provisions	271	492
Amortisation of borrowing costs	681	3,148
Underlying profit before taxation from continuing operations	21,494	17,389
Income tax credit	3,700	6,428
Add back: Adjustment due to tax rate change	(1,200)	(2,137)
Add back: Exceptional prior year tax adjustments	(438)	(4,970)
Add back: Tax effect on exceptional costs and amortisation of intangible assets	(8,477)	(4,211)
<b>Underlying profit after taxation from continuing operations</b>	<b>15,079</b>	<b>12,499</b>
Property provision release	(2,021)	(1,221)
Tax effect on property provision release	495	324
<b>Underlying profit after taxation from continuing operations before property provision release</b>	<b>13,553</b>	<b>11,602</b>

Underlying profit after taxation from discontinued operations is derived as follows:

	2012 £'000	2011 £'000
<b>Profit before taxation from discontinued operations</b>	37,010	8,785
Exceptional costs	215	278
Amortisation of intangible assets	–	1
Underlying profit before taxation from continuing operations	37,225	9,064
Income tax credit/(expense)	364	(2,362)
Add back: Adjustment due to tax rate change	(2)	–
Add back: Exceptional prior year tax adjustments	–	–
Add back: Tax effect on exceptional costs and amortisation of intangible assets	(53)	(74)
<b>Underlying profit after taxation from discontinued operations</b>	<u>37,534</u>	<u>6,628</u>

Underlying earnings per share is summarised as follows:

	2012	2011
<b>Basic earnings per share</b>		
From continuing operations	11.63p	9.64p
From discontinued operations	28.95p	5.11p
	<u>40.58p</u>	<u>14.75p</u>
<b>Diluted earnings per share</b>		
From continuing operations	11.45p	9.56p
From discontinued operations	28.49p	5.07p
	<u>39.94p</u>	<u>14.63p</u>

Underlying earnings per share before property provision release is summarised as follows:

	2012	2011
Basic earnings per share	10.45p	8.94p
Diluted earnings per share	<u>10.29p</u>	<u>8.88p</u>

## 10. Goodwill

	Note	£'000
<b>Cost and net carrying value</b>		
At 1 January 2011		223,531
Recognition on acquisition of subsidiary (restated)	24	1,881
Transfer of assets of disposal group classified as held for sale	26	(11,421)
Exchange difference		(313)
At 31 December 2011 (restated)		213,678
Recognised on acquisition of subsidiaries	24	3,237
Derecognised on disposal of subsidiaries	26	(14,307)
Impairment		(10,730)
Exchange difference		(6,982)
<b>At 31 December 2012</b>		<u>184,896</u>

Goodwill is monitored principally on an operating segment basis and the net book value of goodwill is allocated by Cash Generating Unit (CGU) at 31 December 2012 as follows:

	£'000
Amesbury	107,375
Fab & Fix	2,335
grouphomesafe	59,575
Schlegel International	15,611
	<hr/>
	184,896

The CGUs are consistent with the reporting segments in the segment analysis (note 3), apart for Fab & Fix, which is reported under the grouphomesafe reporting segment. Going forward, Fab & Fix will form part of the grouphomesafe CGU.

In 2011, the Group reported two CGUs: Building Products and Oil Services (now discontinued). During the year the Group restructured its United Kingdom and International divisions, establishing separate management teams for each division. These operational changes together with acquisitions and disposals impacted the manner in which segments and CGUs are identified. The CGUs are now consistent with the way the business is reported to the Board on a monthly basis. The net book value of goodwill was allocated by CGU at 31 December 2011 as follows:

	£'000
Building Products	213,678
Oil Services <sup>1</sup>	11,421
	<hr/>
	225,099

**Note:**

1. Included as part of assets of disposal group classified as held for sale.

***Impairment tests for goodwill***

*Assumptions*

The recoverable amounts of the 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 1.5 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 2012 are as follows:

	<i>Average pre-tax discount rate</i>	<i>Average revenue growth for years 1 to 5</i>
Amesbury	12.4%	8.1%
Fab & Fix	12.3%	5.3%
grouphomesafe	11.7%	3.6%
Schlegel International	14.5%	9.8%

As noted above, in 2011 the Group reported two CGUs: Building Products and Oil Services (now discontinued). The key assumptions used in the value in use calculations in each of the CGUs at 31 December 2011 were as follows:

	<i>Average pre-tax discount rate</i>	<i>Average revenue growth for years 1 to 3</i>	<i>Average revenue growth for years 4 to 5</i>
Building Products	11.2%	6.1%	3.0%
Oil Services	8.5%	4.8%	3.5%

#### *Impairment review results*

The results of the impairment review process indicated that the carrying value of goodwill in the Schlegel International CGU is currently unsupportable, and that impairment is necessary.

The Group's European businesses, which are part of the Schlegel International CGU, have continued to experience challenging market conditions and this has been reflected in reduced expectations of future profitability in the value in use calculations for the Schlegel International CGU. As a result, an impairment charge of £10.7 million has been recognised in administrative expenses in the income statement. The carrying value of the remaining goodwill relating to the Schlegel International CGU was £15.6 million at 31 December 2012.

#### *Sensitivity to assumptions*

Sensitivity analysis was calculated on the basis of lowering the forecast revenues by a constant percentage each year from year one onwards in perpetuity until the excess of value in use over the carrying value of the CGU's assets was reduced to zero. Revenues would need to decrease by 9.2 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.

## **11. Intangible assets**

	<i>Note</i>	<i>Computer software £'000</i>	<i>Acquired brands £'000</i>	<i>Customer relations £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 January 2011		357	33,580	117,797	151,734
Additions		353	139	–	492
Recognised on acquisition of subsidiary (restated)	24	–	104	4,417	4,521
Transfer of assets of disposal group classified as held for sale	26	–	(36)	–	(36)
Exchange difference		6	(68)	(127)	(189)
At 31 December 2011 (restated)		716	33,719	122,087	156,522
Additions		1,279	76	–	1,355
Disposals		(8)	(8,984)	–	(8,992)
Recognised on acquisition of subsidiaries	24	–	5,534	4,667	10,201
Derecognised on disposal of subsidiaries	26	–	–	(1,238)	(1,238)
Exchange difference		(77)	(831)	(4,303)	(5,211)
<b>At 31 December 2012</b>		<b>1,910</b>	<b>29,514</b>	<b>121,213</b>	<b>152,637</b>

	<i>Note</i>	<i>Computer software £'000</i>	<i>Acquired brands £'000</i>	<i>Customer relations £'000</i>	<i>Total £'000</i>
<b>Accumulated amortisation</b>					
At 1 January 2011		170	13,463	33,392	47,025
Amortisation for the year <sup>1</sup>		118	2,314	8,134	10,566
Transfer of assets of disposal group classified as held for sale	26	–	(1)	–	(1)
Exchange difference		–	(38)	(77)	(115)
At 31 December 2011		288	15,738	41,449	57,475
Amortisation for the year <sup>1</sup>		111	2,092	8,551	10,754
Amortisation for the year <sup>1</sup> – accelerated basis		–	922	11,644	12,566
Impairment		–	7,733	1,837	9,570
Disposals		(6)	(8,984)	–	(8,990)
Derecognised on disposal of subsidiaries	26	–	–	(660)	(660)
Exchange difference		(46)	(446)	(1,420)	(1,912)
<b>At 31 December 2012</b>		<b>347</b>	<b>17,055</b>	<b>61,401</b>	<b>78,803</b>
<b>Net book value</b>					
At 1 January 2011		187	20,117	84,405	104,709
At 31 December 2011		428	17,981	80,638	99,047
<b>At 31 December 2012</b>		<b>1,563</b>	<b>12,459</b>	<b>59,812</b>	<b>73,834</b>

**Note:**

1. Amortisation for the year is included in administrative expenses in the income statement.

*Change in estimate*

During the year, the Group undertook to review the estimated useful lives of its intangible assets. Acquired brands, with a cost of £3,486,000 and an initial indefinite useful life, now have an estimated useful life of 15 years. The change in estimate arose due to a revision of the expected usage of the intangible asset by the Group. The change in estimate gave rise to an additional amortisation charge of £922,000 to the income statement in the current year. There was no change to the estimated useful lives of the remaining acquired brands.

The estimated useful lives of the United States (US) and United Kingdom (UK) customer relations intangibles, acquired in the Laird acquisition in 2007, were evaluated based on a review of revenue forecasts used in the initial intangibles valuation against actual performance. The results of the review have given rise to a change in the expected usage of the intangible assets by the Group. As such the estimated useful lives of these intangibles were revised, and the impact of the change in estimate, resulting in an additional amortisation charge to the income statement, is summarised as follows:

	<i>Cost £'000</i>	<i>Initial useful life (years)</i>	<i>Revised useful life (years)</i>	<i>Change in estimate £'000</i>
Customer relations – United States	75,492	16	12	9,088
Customer relations – United Kingdom	13,544	15	10	2,556
				<u>11,644</u>

*Impairment*

The impairment charge on acquired brands of £6,223,000 relates to a US brand name which is no longer in use.

The remaining £1,510,000 impairment on acquired brands and the £1,837,000 impairment on customer relations relates to intangibles acquired as part of the Schlegel acquisition in 2006. As mentioned in note 10, the Group's European businesses have continued to experience challenging market conditions, thus reducing the expectation of the future profitability of products marketed in this segment, under the "Schlegel" brand. As a result, the recoverable amount of these intangible assets fell below cost, giving rise to an impairment loss.

Impairment losses have been recognised in administrative expenses in the income statement.

## 12. Property, plant and equipment

	<i>Note</i>	<i>Freehold land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 January 2011		15,385	60,081	75,466
Additions		170	4,214	4,384
Disposals		–	(1,481)	(1,481)
Recognised on acquisition of subsidiary	24	–	704	704
Transfer of assets of disposal group classified as held for sale	26	(329)	(673)	(1,002)
Exchange difference		(44)	(210)	(254)
At 31 December 2011		15,182	62,635	77,817
Additions		773	4,689	5,462
Disposals		–	(3,110)	(3,110)
Transfers between fixed asset type		92	(92)	–
Recognised on acquisition of subsidiaries	24	–	935	935
Derecognised on disposal of subsidiaries	26	–	(3,793)	(3,793)
Exchange difference		(444)	(1,938)	(2,382)
<b>At 31 December 2012</b>		<b>15,603</b>	<b>59,326</b>	<b>74,929</b>
<b>Accumulated depreciation</b>				
At 1 January 2011		3,284	40,725	44,009
Charge for the year		491	4,812	5,303
Disposals		–	(1,167)	(1,167)
Transfer of assets of disposal group classified as held for sale	26	(95)	(514)	(609)
Exchange difference		(9)	(171)	(180)
At 31 December 2011		3,671	43,685	47,356
Charge for the year		482	4,603	5,085
Disposals		–	(3,040)	(3,040)
Derecognised on disposal of subsidiaries	26	–	(2,845)	(2,845)
Exchange difference		(109)	(1,303)	(1,412)
<b>At 31 December 2012</b>		<b>4,044</b>	<b>41,100</b>	<b>45,144</b>
<b>Net book value</b>				
At 1 January 2011		12,101	19,356	31,457
At 31 December 2011		11,511	18,950	30,461
<b>At 31 December 2012</b>		<b>11,559</b>	<b>18,226</b>	<b>29,785</b>

Depreciation in the year of £5,085,000 (2011: £5,303,000) is included in administrative costs in the income statement.

### 13. Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	11,417	12,388
Work in progress	1,148	2,010
Finished goods	14,993	12,188
	<u>27,558</u>	<u>26,586</u>

The cost of materials charged to the income statement during the year ended 31 December 2012 was £106,110,000 (2011: £101,299,000).

As at 31 December 2012, inventories are stated net of an allowance for excess, obsolete or slow-moving items of £5,110,000 (2011: £5,366,000).

An impairment charge of £744,000 (2011: £931,000) was recognised in respect of inventories during the year. Inventories of £34,000 (2011: £Nil) were written down to net realisable value.

There were no borrowings secured on the inventories of the group (2011: £Nil).

### 14. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	25,547	26,642
Less: provision for impairment	(1,855)	(2,558)
Trade receivables – net	<u>23,692</u>	<u>24,084</u>
Other receivables – net	547	1,449
Prepayments and accrued income	<u>3,030</u>	<u>2,702</u>
Total trade and other receivables	<u>27,269</u>	<u>28,235</u>

All trade and other receivables are current. The net carrying values of trade and other receivables are considered to be a reasonable approximation of their fair values.

At 31 December 2012 trade receivables of £20,462,000 (2011: £21,950,000) were considered to be fully performing.

Net trade receivables of £3,230,000 (2011: £2,072,000) were past due but not impaired as at 31 December 2012. These relate to customers for whom there is no recent history of default. The ageing of the net trade receivables is as follows:

	<i>Within normal payment terms</i>		<i>Past due</i>	
	<i>Fully performing</i>	<i>Not fully performing</i>	<i>Three to six months</i>	<i>Over six months</i>
	£'000	£'000	£'000	£'000
<b>At 31 December 2012</b>				
Trade receivables	<u>20,462</u>	<u>–</u>	<u>3,109</u>	<u>96</u>
				<u>25</u>
<b>At 31 December 2011</b>				
Trade receivables	<u>21,950</u>	<u>62</u>	<u>2,008</u>	<u>64</u>
				<u>–</u>

All of the Group's trade and other receivables have been reviewed for impairment. At 31 December 2012, trade receivables of £1,855,000 (2011: £2,558,000) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic situations.



Movements on the provisions for impairment of trade receivables are as follows:

	2012 £'000	2011 £'000
At 1 January	2,558	2,360
Provision for receivables impairment	824	1,358
Receivables written off during the year as uncollectible	(666)	(651)
Impairment losses reversed	(629)	(205)
Acquisition of subsidiaries (restated)	156	3
Transfers to disposal group classified as held for sale	–	(302)
Derecognised on disposal of subsidiaries	(350)	–
Exchange difference	(38)	(5)
At 31 December	<u>1,855</u>	<u>2,558</u>

The creation of provisions for impaired trade receivables is included in administrative expenses in the income statement.

Ageing of impaired trade receivables:

	2012 £'000	2011 £'000
Trade receivables within normal payment terms not fully performing	1,001	995
Trade receivables past due date and aged up to three months from invoice date	757	1,268
Trade receivables past due and aged between three and twelve months after invoice date	97	295
	<u>1,855</u>	<u>2,558</u>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2012 £'000	2011 £'000
British Pounds	11,685	13,060
US Dollars	10,523	9,959
Euros	2,804	2,887
Other currencies	2,257	2,329
	<u>27,269</u>	<u>28,235</u>

## 15. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	49,472	25,822
Short-term deposits	903	14,945
Bank overdrafts	(14,518)	(16,381)
	<u>35,857</u>	<u>24,386</u>
Cash held in disposal group classified as held for sale	–	(3,960)
	<u>35,857</u>	<u>20,426</u>

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2012	2011
	£'000	£'000
British Pounds	22,960	8,758
US Dollars	8,660	7,046
Euros	2,570	3,484
Other currencies	1,667	1,138
	<u>35,857</u>	<u>20,426</u>

#### 16. Trade and other payables

	2012	2011
	£'000	£'000
Trade payables	19,015	20,442
Other taxes and social security costs	1,762	1,808
Accruals and deferred income	13,773	13,838
	<u>34,550</u>	<u>36,088</u>
<b>Analysed as:</b>		
Current liabilities	32,375	34,638
Non-current liabilities	2,175	1,450
	<u>34,550</u>	<u>36,088</u>

The carrying amounts are considered to be a reasonable approximation of fair value.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2012	2011
	£'000	£'000
British Pounds	14,723	18,304
US Dollars	13,101	12,197
Euros	4,511	3,257
Other currencies	2,215	2,330
	<u>34,550</u>	<u>36,088</u>

#### 17. Interest-bearing loans and borrowings

	2012	2011
	£'000	£'000
<b>Unsecured borrowing at amortised cost</b>		
Bank loans	72,796	115,504
Capitalised borrowing costs	(1,743)	(2,424)
	<u>71,053</u>	<u>113,080</u>
<b>Secured borrowing at amortised cost</b>		
Bank loans	43	85
	<u>71,096</u>	<u>113,165</u>
<b>Analysed as:</b>		
Amount due for settlement within 12 months	7,521	12,930
Amount due for settlement after 12 months	63,575	100,235
	<u>71,096</u>	<u>113,165</u>

On 14 September 2011, the Group entered into a debt facility agreement which extends the Group's committed facilities to 31 March 2016. The multicurrency term loan of £110 million, as well as the £30 million multicurrency working capital facility, are unsecured and guaranteed Tyman plc and its principal subsidiary undertakings.

Scheduled repayments commenced annually on 31 December 2012 and will continue until 31 December 2015, with the balance outstanding payable on the termination date of the facility, being 31 March 2016.

There were no defaults in interest payments in the year under the terms of the loan agreements.

The Group has the following undrawn borrowing facility:

	2012 £'000	2011 £'000
<b>Floating rate:</b>		
Expiring beyond 12 months	29,594	26,868
<b>Total</b>	<u>29,594</u>	<u>26,868</u>

The carrying amounts of the Group's interest-bearing loans and borrowings are denominated in the following currencies:

	2012 £'000	2011 £'000
British Pounds	25,807	36,210
US Dollars	45,289	76,955
	<u>71,096</u>	<u>113,165</u>

## 18. Derivative financial instruments

	2012		2011	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
<b>Interest rate swaps – cash flow hedges</b>				
Current portion	–	–	–	(777)
Non-current portion	–	(605)	–	–
<b>Total</b>	<u>–</u>	<u>(605)</u>	<u>–</u>	<u>(777)</u>

### *Cash flow hedges*

The full fair value of the hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged instrument is more than 12 months and, as a current asset or liability, if the hedged item is less than 12 months.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2012 were £58.3 million (2011: £89.8 million).

During the year £92,000 (2011: £1,228,000) was recognised in the statement of comprehensive income and a credit of £80,000 (2011: charge £8,000) 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:

	<i>Notional amount '000</i>	<i>Fixed interest rate paid</i>	<i>Floating interest rate received</i>	<i>Fair value '000</i>
<b>At 31 December 2012</b>				
US Dollars swaps	\$59,900	1.09%	0.5130%	\$649
British Pounds swaps	£21,200	1.17%	0.6675%	£204
<b>At 31 December 2011</b>				
US Dollars swaps	\$93,300	1.85%	0.4625%–0.5484%	\$880
British Pounds swaps	£29,400	2.05%	1.0252%–1.2306%	£208

### ***Fair value measurement***

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Other techniques for which all inputs which have significant effect on the recorded fair value are observable either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value which are not based on observable market data.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- Other techniques such as discounted cash flow analysis.

Derivatives shown at fair value in the balance sheet have been valued by reference to level 2 techniques described above.

### ***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. The value of the net investment hedge was £46,334,000 at 31 December 2012 (2011: £78,518,000). This hedge is considered highly effective, and no ineffective portion has been recognised in profit or loss.

## 19. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2012 £'000	2011 £'000 (Restated)
Deferred tax assets	9,774	9,618
Deferred tax liabilities	(11,766)	(18,941)
<b>Deferred tax liabilities (net)</b>	<b>(1,992)</b>	<b>(9,323)</b>

The gross movement in deferred tax is as follows:

	Note	2012 £'000	2011 £'000 (Restated)
At 1 January		(9,323)	(15,715)
Acquisition of subsidiaries	24	(2,229)	1,847
Transfers to disposal group classified as held for sale	26	–	(80)
Disposals of subsidiaries	26	144	–
Income statement credit	8	8,249	5,259
Tax charge credit relating to components of other comprehensive income	8	820	–
Transfers to current tax		–	(712)
Tax charge/(credit) relating to components of other comprehensive income		–	–
Tax charged/(credited) directly to equity		–	–
Exchange difference		347	78
<b>At 31 December</b>		<b>(1,992)</b>	<b>(9,323)</b>

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 2011	439	–	3,406	3,809	7,654
Transfers to disposal group classified as held for sale	(3)	–	–	(77)	(80)
Income statement charge	(383)	3,183	2,250	(2,854)	2,196
Rate change	79	–	(310)	(13)	(244)
Exchange difference	3	121	93	(125)	92
At 31 December 2011	135	3,304	5,439	740	9,618

	<i>Accelerated tax depreciation</i>	<i>Post- retirement benefit provisions</i>	<i>Purchased goodwill</i>	<i>Other timing differences</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Deferred tax assets</i>					
Acquisition of subsidiaries	–	–	122	–	122
Transfers to disposal group classified as held for sale	–	–	–	–	–
Disposals of subsidiaries	–	–	–	–	–
Income statement (charge)/credit	(6)	(136)	(507)	439	(210)
Rate change	(48)	–	(228)	(63)	(339)
Transfers to current tax	–	–	–	–	–
Tax credit relating to components of other comprehensive income	–	820	–	–	820
Tax charged/(credited) directly to equity	–	–	–	–	–
Exchange difference	20	(158)	(105)	6	(237)
<b>At 31 December 2012</b>	<b>101</b>	<b>3,830</b>	<b>4,721</b>	<b>1,122</b>	<b>9,774</b>

	<i>Accelerated tax depreciation</i>	<i>Intangible assets on acquisition</i>	<i>Other timing differences</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Deferred tax liabilities</i>				
At 1 January 2011	(1,377)	(22,807)	815	(23,369)
Acquisition of subsidiaries	–	1,847	–	1,847
Income statement (charge)/credit	(596)	1,938	(416)	926
Rate change	(120)	2,488	13	2,381
Transfers to current tax	–	–	(712)	(712)
Exchange difference	(19)	26	(21)	(14)
<b>At 31 December 2011</b>	<b>(2,112)</b>	<b>(16,508)</b>	<b>(321)</b>	<b>(18,941)</b>
Acquisition of subsidiaries	–	(2,351)	–	(2,351)
Transfers to disposal group classified as held for sale	–	–	–	–
Disposals of subsidiaries	–	144	–	144
Income statement credit	11	6,976	270	7,257
Rate change	–	1,485	56	1,541
Transfers to current tax	–	–	–	–
Tax charge/(credit) relating to components of other comprehensive income	–	–	–	–
Tax charged/(credited) directly to equity	–	–	–	–
Exchange difference	94	513	(23)	584
<b>At 31 December 2012</b>	<b>(2,007)</b>	<b>(9,741)</b>	<b>(18)</b>	<b>(11,766)</b>

#### ***Factors that may affect future tax charges***

There are estimated tax losses of £14,403,000 (2011: £13,745,000) within the Group, comprising capital losses of £4,581,000 (2011: £7,348,000) and trading losses of £9,822,000 (2011: £6,397,000). 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 standard rate of Corporation tax in the UK changed from 26 per cent. to 24 per cent. with effect from 1 April 2012. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 24.5 per cent. (2011: 26.5 per cent.).

A further reduction in the UK corporation tax rate to 23 per cent. was substantively enacted on 2 July 2012 and will be effective from 1 April 2013. The relevant deferred tax balances have therefore been re-measured.

In addition, further changes to the UK Corporation tax system were announced in the Autumn statement 2012. This includes a further reduction to the main rate to reduce the rate to 22 per cent. from 1 April 2014. This change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reduction of the main rate of corporation tax to 22 per cent. from 1 April 2014 will be enacted separately. The overall effect of this further change, if it applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax liability by £1,139,000.

The amounts of deferred tax not recognised are as follows:

	2012 £'000	2011 £'000
Tax losses	(915)	(846)
Capital losses	(1,054)	(1,837)
	<u>(1,969)</u>	<u>(2,683)</u>

No deferred tax liability is recognised on temporary differences of £40.5 million (2011: £32.9 million) 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.

## 20. Pensions and other post-employment benefit plans

	2012 £'000	2011 £'000
<b>Balance sheet obligations for:</b>		
– Pension benefits	6,993	6,658
– Post-retirement medical benefits	4,237	3,074
<b>Liability in the balance sheet</b>	<u>11,230</u>	<u>9,732</u>
<b>Income statement charge for:</b>		
– Pension benefits	390	234
– Post-retirement medical benefits	179	405
	<u>569</u>	<u>639</u>
<b>Actuarial losses recognised in the consolidated statement of comprehensive income</b>	<u>2,403</u>	<u>2,945</u>

### 20.1 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 unpaid pension contributions of £Nil (2011: £Nil) included within employee benefit liabilities.



## 20.2 *Defined benefit pension and post-retirement benefit schemes*

The Group's principal defined benefit pension scheme and post-retirement healthcare scheme is operated in the USA. An actuarial valuation was last performed as at 31 December 2012. When revalued, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the net periodic benefit cost; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earnings yields' models, expected economic growth outlook, and market yields analysis.

The current service cost and any past service costs are included in the income statement within administrative expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income and costs. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

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 scheme and post-retirement healthcare scheme in the year to December 2013 is £1,044,000 (2012: £1,314,000).

Other defined benefit pension schemes had net liabilities of £nil (2011: £nil).

Amounts recognised in the balance sheet are determined as follows:

	2012 £'000	2011 £'000
Present value of funded obligations	(24,159)	(21,831)
Fair value of plan assets	12,929	12,099
Liability in the balance sheet	<u>(11,230)</u>	<u>(9,732)</u>

The movement in defined benefit obligation over the year is as follows:

	2012 £'000	2011 £'000
At 1 January	(21,831)	(18,866)
Current service cost	(276)	(254)
Interest cost	(937)	(977)
Employee contributions	(49)	(50)
Actuarial losses	(2,967)	(2,217)
Benefits paid	880	918
Past service cost	–	(256)
Exchange difference	1,021	(129)
<b>At 31 December</b>	<u>(24,159)</u>	<u>(21,831)</u>

The movement in the fair value of plan assets of the year is as follows:

	2012 £'000	2011 £'000
At 1 January	12,099	11,622
Expected return on plan assets	(644)	(848)
Actuarial gains	1,852	968
Employer contributions	1,010	1,191
Employee contributions	49	50
Benefits paid	(880)	(918)
Exchange difference	(557)	34
<b>At 31 December</b>	<b>12,929</b>	<b>12,099</b>

The fair value of plan assets by category was as follows:

	2012 £'000	2011 £'000
Equity securities	3,400	2,924
Debt securities	8,236	7,965
Real estate	646	726
Other	647	484
	<b>12,929</b>	<b>12,099</b>

The amounts recognised in the income statement are as follows:

	2012 £'000	2011 £'000
Current service cost	276	254
Interest cost	937	977
Expected return on plan assets	(644)	(848)
Past service cost	–	256
<b>Total</b>	<b>569</b>	<b>639</b>

Of the total charge, £276,000 (2011: £510,000) and £293,000 (2011: £129,000) were included in administrative expenses and finance income and costs respectively.

Amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit pension and post-retirement benefit schemes:

	2012 £'000	2011 £'000
Actual return on plan assets	1,208	120
Expected return on plan assets	(644)	(848)
Experience gain/(loss) on assets	564	(728)
Experience loss on liabilities	(2,967)	(2,217)
<b>Net loss</b>	<b>(2,403)</b>	<b>(2,945)</b>

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income since acquiring the pension obligations in April 2007 is as follows:

	2012 £'000	2011 £'000
Cumulative actuarial loss recognised in the consolidated statement of comprehensive income	(10,220)	(7,817)

The principal actuarial assumptions were as follows:

	2012	2011
Discount rate	3.7%	4.5%
Inflation rate	2.3%	3.0%
Expected return on plan assets	6.0%	8.1%
Future salary increases	N/a	N/a
Future pension increases	0.0%	0.0%
Health care cost trend <sup>1</sup>	8.0%–4.5%	9.0%–5.0%

**Note:**

1. The level of healthcare contributions are capped and adopting a higher trend rate does not materially affect the liability.

Life expectancy assumptions were as follows:

	2012	2011
Retiring at the end of the reporting period:		
– Male	19.9	19.8
– Female	21.7	21.7
Retiring 20 years after the end of the reporting period:		
– Male	21.3	21.3
– Female	22.6	22.6

The mortality assumptions employed in determining the present value of scheme liabilities under IAS 19 are in accordance with the underlying funding valuations and represented actuarial best practice in the relevant jurisdictions taking account of mortality experience and industry circumstances.

The five year history of experience adjustments is as follows:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of plan assets at the end of the year	12,929	12,099	11,622	9,942	8,506
Defined benefit obligation at the end of the year	(24,159)	(21,831)	(18,866)	(17,440)	(15,822)
Deficit at the end of the year	(11,230)	(9,732)	(7,244)	(7,498)	(7,316)
Actual return less expected return on scheme assets	564	(728)	623	1,073	(2,392)
% of scheme assets	4.4%	(6.0%)	5.4%	10.8%	(28.1%)
Experience loss arising on scheme obligations (present value)	(2,967)	(2,217)	(481)	(2,682)	(799)
% of scheme obligations (present value)	12.3%	10.2%	2.5%	15.4%	5.0%

## 21. Provisions

	<i>Property related £'000</i>	<i>Restructuring £'000</i>	<i>Warranty £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At 1 January 2011	11,633	376	1,542	5,022	18,573
Charged/(credited) to the income statement					
– Additional provision in year	262	105	1,201	300	1,868
– Unused amounts reversed	(1,165)	(56)	(187)	(1,700)	(3,108)
Utilised in the year	(1,290)	(228)	(336)	–	(1,854)
Unwinding of discount	492	–	–	–	492
Exchange differences	(9)	2	33	–	26
At 31 December 2011	9,923	199	2,253	3,622	15,997
Charged/(credited) to the income statement					
– Additional provision in year	486	13	1,019	–	1,518
– Unused amounts reversed	(2,868)	(61)	(944)	(1,971)	(5,844)
Utilised in the year	(1,321)	(137)	(453)	–	(1,911)
Derecognised on disposal of subsidiary	–	–	–	–	–
Unwinding of discount	271	–	–	–	271
Exchange differences	(23)	–	(39)	–	(62)
<b>At 31 December 2012</b>	<b>6,468</b>	<b>14</b>	<b>1,836</b>	<b>1,651</b>	<b>9,969</b>
				<i>2012 £'000</i>	<i>2011 £'000</i>
<b>Analysed as:</b>					
Current liabilities				2,456	1,510
Non-current liabilities				7,513	14,487
				<u>9,969</u>	<u>15,997</u>

Current liabilities are those aspects of provisions that are expected to be utilised within the next year.

### *Property related*

Property provisions relate to provisions for onerous leases of £4,661,000 (2011: £7,936,000), leasehold dilapidations of £1,804,000 (2011: £1,987,000) and 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 30.

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 30.

In 2012, Group successfully assigned the lease on Unit A at Peterlee and have been released from all remaining obligations in connection with the Peterlee site. This resulted in a release to the income statement of £2,021,000 of property provisions.

### ***Restructuring***

Restructuring provisions include provisions for staff redundancy costs at restructured/closed business units and are expected to be utilised by the end of 2013.

### ***Warranty***

The warranty provision is 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 the end of 2017.

### ***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 2014.

## **22. Share capital**

	<i>Number of shares '000</i>	<i>Ordinary shares of 5p each £'000</i>
As at 31 December 2012 and 31 December 2011	137,287	6,864

The total authorised number of ordinary shares is 180,000,000 (2011: 180,000,000) with a par value of 5p per share (2011: 5p per share). All issued shares are fully paid.

### ***Share based payments***

In 2012, the Group operated the LTIP. The nil cost options awarded under the LTIP were valued using a probability model to predict EPS levels. The charge to the income statement in 2012 was £482,000 (2011: £172,000).

### ***LTIP***

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. The percentage of shares that will actually vest is dependent upon the Group's earnings per share growth over a three year measurement period ending 31 December 2013. 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:

	<i>LTIP</i>
Valuation model	Probability model to predict EPS levels
Date of grant	3 July 2012
Number granted	1,177,263
Share price at date of award	130 pence
Fair value (pence)	52 pence
Exercise price (pence)	Nil pence
Expected life of award	3 years
Vesting conditions	Continuous service and cumulative underlying EPS over 3 years 2012 to 2014 in range of 33 to 45.6 pence

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	2012 Number of shares '000	2011 Number of shares '000
At 1 January	2,022	1,413
Granted	1,177	699
Lapsed	(205)	(90)
<b>At 31 December</b>	<b>2,994</b>	<b>2,022</b>

In December 2012, the Company purchased 728,000 ordinary shares in the Company at a cost of £1,147,000. These shares are held by the Employees Benefit Trust to satisfy future vesting of awards of shares made under the LTIP.

## 23. Financial instruments

### 23.1 Financial instruments: by category

	2012 '000	2011 '000
<i>Assets as per balance sheet</i>		
<b>Loans and receivables</b>		
Trade and other receivables <sup>1</sup>	23,692	24,084
Cash and cash equivalents	35,857	20,426
<b>Total</b>	<b>59,549</b>	<b>44,510</b>

	31 December 2012			31 December 2011		
	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 £'000	Total £'000
<i>Liabilities as per balance sheet</i>						
Borrowings <sup>2</sup>	–	72,839	72,839	–	115,589	115,589
Derivative financial instruments	605	–	605	777	–	777
Trade and other payables <sup>3</sup>	–	19,015	19,015	–	20,442	20,442
	<u>605</u>	<u>91,854</u>	<u>92,459</u>	<u>777</u>	<u>136,031</u>	<u>136,808</u>

#### Notes:

1. Excludes non-financial assets.
2. Excludes capitalised borrowing costs of £1,743,000 (2011: £2,424,000).
3. Excludes non-financial liabilities.

### 23.2 Financial instruments: risk profile

#### 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 15), interest bearing loans and borrowings (note 17) and equity attributable to the shareholders of the parent as disclosed in the consolidated statement of changes in equity.

#### Financial management

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, 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.

#### *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 2012 the Group operated within its borrowing facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	<i>Less than 1 year £'000</i>	<i>Between 1 and 2 years £'000</i>	<i>Between 2 and 5 years £'000</i>	<i>Total £'000</i>
Borrowings <sup>1</sup>	8,136	8,136	56,567	72,839
Derivative financial instruments	–	–	605	605
Trade and other payables <sup>2</sup>	32,375	2,175	–	34,550
<b>At 31 December 2012</b>	<b>40,511</b>	<b>10,311</b>	<b>57,172</b>	<b>107,994</b>
Borrowings <sup>1</sup>	12,930	10,409	92,250	115,589
Derivative financial instruments	777	–	–	777
Trade and other payables <sup>2</sup>	20,442	1,450	–	21,892
<b>At 31 December 2011</b>	<b>34,149</b>	<b>11,859</b>	<b>92,250</b>	<b>138,258</b>

#### **Notes:**

1. Excludes capitalised borrowing costs of £1,743,000 (2011: £2,424,000).
2. Excludes non-financial liabilities.



### *Interest rate risk*

The interest rate profile of the Group's borrowings as at 31 December 2012 was as follows:

	<i>Floating rate borrowings<sup>1</sup> £'000</i>	<i>Fixed rate borrowings £'000</i>	<i>Total £'000</i>
<b>At 31 December 2012</b>			
British Pounds	26,441	—	26,441
US Dollars	46,398	—	46,398
	<u>72,839</u>	<u>—</u>	<u>72,839</u>
<b>At 31 December 2011</b>			
British Pounds	36,986	—	36,986
US Dollars	78,603	—	78,603
	<u>115,589</u>	<u>—</u>	<u>115,589</u>

**Note:**

1. Excludes capitalised borrowing costs of £1,743,000 (2011: £2,424,000).

The interest rate on the floating rate 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.

	<i>Floating rate borrowings<sup>1</sup> £'000</i>	<i>Covered by interest swaps £'000</i>	<i>Swap fixed rate %</i>
<b>At 31 December 2012</b>			
British Pounds	26,441	21,200	1.167
US Dollars	46,398	37,065	1.094
	<u>72,839</u>	<u>58,265</u>	
<b>At 31 December 2011</b>			
British Pounds	36,986	29,400	2.045
US Dollars	78,518	60,377	1.850
	<u>115,504</u>	<u>89,777</u>	

**Note:**

1. Excludes capitalised borrowing costs of £1,743,000 (2011: £2,424,000).

### *Interest rate sensitivity*

The impact of a 50 basis point movement in floating interest rates on borrowings would have a circa £400,000 (2011: £600,000) impact on profits. This impact would be reduced by the tax effect on such a change.

### *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 1.24 per cent. during the year (2011: 1.82 per cent.).

### 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.

<i>Closing rates</i>	<i>2012</i>	<i>2011</i>
US Dollars	1.6161	1.5453
Euros	1.2227	1.1933
<i>Average rates</i>	<i>2012</i>	<i>2011</i>
US Dollars	1.5848	1.6040
Euros	1.2329	1.1523

### Foreign currency exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into British Pounds at the closing rate, are as follows:

	<i>British pounds £'000</i>	<i>US dollars £'000</i>	<i>Euros £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
<b>At 31 December 2012</b>					
<b>Financial assets</b>					
Trade and other receivables <sup>1</sup>	10,513	8,922	2,423	1,834	23,692
Cash and cash equivalents	22,960	8,660	2,569	1,667	35,856
	<u>33,473</u>	<u>17,582</u>	<u>4,992</u>	<u>3,501</u>	<u>59,548</u>
<b>Financial liabilities</b>					
Borrowings <sup>2</sup>	26,441	46,398	–	–	72,839
Derivative financial instruments	203	402	–	–	605
Trade and other payables <sup>3</sup>	8,137	8,170	1,922	786	19,015
	<u>34,781</u>	<u>54,970</u>	<u>1,922</u>	<u>786</u>	<u>92,459</u>
<b>Potential impact on profit or loss – (loss)/gain</b>					
10% increase in functional currency		(897)	198	(101)	(800)
10% decrease in functional currency		<u>1,096</u>	<u>(242)</u>	<u>124</u>	<u>978</u>
<b>Potential impact on other comprehensive income – (loss)/gain</b>					
10% increase in functional currency		(432)	(11)	(171)	(614)
10% decrease in functional currency		<u>528</u>	<u>14</u>	<u>207</u>	<u>749</u>

	<i>British pounds £'000</i>	<i>US dollars £'000</i>	<i>Euros £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
<b>At 31 December 2011</b>					
<b>Financial assets</b>					
Trade and other receivables <sup>1</sup>	11,303	8,461	2,424	1,896	24,084
Cash and cash equivalents	8,758	7,046	3,484	1,138	20,426
	<u>20,061</u>	<u>15,507</u>	<u>5,908</u>	<u>3,034</u>	<u>44,510</u>
<b>Financial liabilities</b>					
Borrowings <sup>2</sup>	36,986	78,603	–	–	115,589
Derivative financial instruments	208	569	–	–	777
Trade and other payables <sup>3</sup>	11,342	6,678	1,650	772	20,442
	<u>48,536</u>	<u>85,850</u>	<u>1,650</u>	<u>772</u>	<u>136,808</u>
<b>Potential impact on profit or loss – (loss)/gain</b>					
10% increase in functional currency		(896)	(28)	(141)	(1,065)
10% decrease in functional currency		<u>1,096</u>	<u>34</u>	<u>172</u>	<u>1,302</u>
<b>Potential impact on other comprehensive income – (loss)/gain</b>					
10% increase in functional currency		(306)	(179)	(127)	(612)
10% decrease in functional currency		<u>375</u>	<u>219</u>	<u>155</u>	<u>749</u>

**Notes:**

1. Excludes non-financial assets.
2. Excludes capitalised borrowing costs of £1,743,000 (2011: £2,424,000).
3. Excludes non-financial liabilities.

The movements in exchange rates are considered to be indicative of the historic average movements in exchange rates.

**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 underlying net debt to adjusted EBITDA 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.

The Group's total capital is as follows:

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Total borrowings <sup>1</sup>	17	72,839	115,589
Less: cash and cash equivalents	15	(35,857)	(24,386)
		<u>36,982</u>	<u>91,203</u>
Total equity		247,889	249,218
<b>Total capital</b>		<u>284,871</u>	<u>340,421</u>

**Note:**

1. Excludes capitalised borrowing costs of £1,743,000 (2011: £2,424,000).

## 24. Acquisition of subsidiaries

### 24.1 *Window Fabrication & Fixing Supplies Limited*

On 2 August 2012, the Group completed the acquisition of Window Fabrication & Fixing Supplies Limited ("Fab & Fix"). Fab & Fix is the leading supplier of perfectly matching hardware to the window and door market in the United Kingdom. The company is a design-led business with a focus on total quality and customer service, based in Coventry. This acquisition significantly deepens the group's hardware offering and further diversifies our supply chain.

Over time it is expected that the benefits of the high quality Fab & Fix product range will be made available to other Group companies, with a particular focus on Schlegel International.

Recognised amounts of identifiable assets acquired and liabilities assumed:

	<i>£'000</i>
Property, plant and equipment	540
Intangible assets	9,683
Inventories	2,777
Trade and other receivables	3,976
Cash and cash equivalents	1,361
Trade and other payables	(2,198)
Current tax	(165)
Deferred taxation	(2,105)
Total identifiable net assets	<u>13,869</u>
Goodwill arising on acquisition	2,335
<b>Total consideration</b>	<u>16,204</u>
Satisfied by:	
Cash	<u>16,204</u>
Net cash flow arising on acquisition:	
Cash consideration	16,204
Less: cash and cash equivalents acquired	(1,361)
	<u>14,843</u>

The fair value of financial assets includes trade receivables with a fair value of £2,762,000 and a gross contractual value of £2,909,000. The best estimate at the acquisition date of the contractual cash flows not recoverable is £147,000.

The Group incurred acquisition related costs of £374,000 for professional fees paid for due diligence, other general professional fees and legal advice. These costs have been included in exceptional costs in the Group's consolidated income statement.

The revenue included in the consolidated income statement since 2 August 2012 contributed by Fab & Fix was £6.6 million. Fab & Fix also contributed a profit of £0.7 million to the loss before taxation from continuing operations over the same period.

Had the acquisition of Fab & Fix been completed on the first day of the financial year, an additional £9.5 million of revenue and £1.3 million of profit before taxation from continuing operations would have been contributed to the Group.

Fair values remain provisional in relation to this acquisition and the Group will complete this review in 2013. Any adjustment to the carrying value is unlikely to be significant to the individual acquisition.

The estimated value of intangibles, including goodwill, deductible for tax purposes is £Nil.

## 24.2 *Unique Balance International*

On 24 April 2012, the Group acquired the business and assets of Unique Balance International ("Unique"), located in Montreal, Canada. Unique is a balance manufacturer, specialising in heavy duty and commercial balances. This small acquisition rounds out our North American balance offering as well as giving us opportunities in certain export markets.

Recognised amounts of assets acquired and liabilities assumed:

	<i>£'000</i>
Property, plant and equipment	395
Intangible assets	518
Inventories	283
Trade and other receivables	88
Trade and other payables	(179)
Deferred taxation	(124)
Total identifiable net assets	981
Goodwill arising on acquisition	902
<b>Total consideration</b>	<b>1,883</b>
Satisfied by:	
Cash	1,883
Net cash flow arising on acquisition:	
Cash consideration	1,883

The fair value of financial assets includes trade and other receivables with a fair value of £88,000 and a gross contractual value of £97,000. The best estimate at the acquisition date of the contractual cash flows not recoverable is £9,000.

The Group incurred acquisition related costs of £97,000 for professional fees paid for due diligence, other general professional fees and legal advice. These costs have been included in exceptional costs in the Group's consolidated income statement.

The revenue included in the consolidated income statement since 23 April 2012 contributed by Unique was £997,000. Unique also contributed £(202,000) to the loss before taxation from continuing operations over the same period.

Fair values remain provisional in relation to this acquisition and the Group will complete this review in 2013. Any adjustment to the carrying value is unlikely to be significant to the individual acquisition.

The estimated value of intangibles, including goodwill, deductible for tax purposes is £Nil.

### 24.3 *Overland Products Company, Inc*

On 20 December 2011, the Group acquired 100 per cent. of the issued share capital of Overland Products Company, Inc. The Group concluded the fair value review in relation to this acquisition in December 2012.

Recognised amounts of identifiable assets and liabilities assumed:

	£'000
Property, plant and equipment	704
Intangible assets	4,521
Inventories	1,379
Trade and other receivables	482
Trade and other payables	(449)
Loan borrowings	(85)
Deferred taxation	1,847
Total identifiable net assets	8,399
Goodwill arising on acquisition	1,881
<b>Total consideration</b>	<b>10,280</b>
Satisfied by:	
Cash	10,280
Net cash flow arising on acquisition:	
Cash consideration	10,280

## 25. **Discontinued operations**

### 25.1 *Composite Doors*

On 31 August 2012, the Group completed the disposal of the business and assets of its composite doors business ("Composite Doors") to Britdoors Group Limited for a consideration of £748,000.

Composite Doors has been loss-making since 2011 and has struggled to generate an acceptable return for the Group. Against this backdrop, the Board concluded that the prospects of Composite Doors returning to a sustained level of acceptable profitability under the Group's ownership as remote, and earlier this year decided to explore the strategic options available to the Group for Composite Doors.

Following a targeted sales process, the disposal was completed on 31 August 2012, on which date control of the business and assets passed to the acquirer.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>Discontinued operations</b>			
Revenue		9,166	14,079
Cost of sales		(8,867)	(12,633)
<b>Gross profit</b>		299	1,446
Administrative expenses		(1,691)	(2,769)
<b>Operating loss</b>		(1,392)	(1,323)
Analysed as:			
Underlying operating profit		(1,177)	(1,045)
Exceptional items	4	(215)	(278)
<b>Operating loss</b>		(1,392)	(1,323)
<b>Result from discontinued operations before taxation</b>		(1,392)	(1,323)
Income tax credit		620	347
<b>Result from discontinued operations after taxation</b>		(772)	(976)
<b>Loss on disposal of discontinued operations</b>	26	(16,826)	–
<b>Net loss attributable to discontinued operations</b>		(17,598)	(976)

The net cash flows attributable to the Composite Doors business are as follows:

	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Net cash outflow from operating activities	(1,156)	(991)
Net cash outflow from investing activities	(141)	(80)
<b>Net cash outflow</b>	(1,297)	(1,071)

## 25.2 *Gall Thomson*

On 13 March 2012, the Group completed the disposal of the Group's Oil Services division, Gall Thomson, to Copper Bidco Limited, a company controlled by Phoenix Equity Partners for a total cash consideration of £75 million.

Of the disposal proceeds, £29.2 million were applied in permanent pay down of the Group's debt facilities, offsetting future scheduled repayments. Approximately £1.8 million of the disposal proceeds were spent on fees and expenses relating to the disposal.



The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	<i>Note</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>Discontinued operations</b>			
Revenue		2,103	19,088
Cost of sales		(641)	(5,856)
<b>Gross profit</b>		<u>1,462</u>	<u>13,232</u>
Administrative expenses		(482)	(3,177)
<b>Operating profit</b>		<u>980</u>	<u>10,055</u>
Analysed as:			
Underlying operating profit		980	10,056
Amortisation of intangible assets		–	(1)
<b>Operating profit</b>		980	10,055
Net finance income		33	53
<b>Result from discontinued operations before taxation</b>		<u>1,013</u>	<u>10,108</u>
Income tax expense		(256)	(2,709)
<b>Result from discontinued operations after taxation</b>		<u>757</u>	<u>7,399</u>
<b>Profit on disposal of discontinued operations</b>	26	<u>54,215</u>	<u>–</u>
<b>Net profit attributable to discontinued operations</b>		<u>54,972</u>	<u>7,399</u>

The net cash flows attributable to the Gall Thomson Group are as follows:

	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Net cash inflow from operating activities	1,535	9,676
Net cash inflow/(outflow) from investing activities	29	(120)
<b>Net cash inflow</b>	<u>1,564</u>	<u>9,556</u>

## 26. Disposals of subsidiaries

### 26.1 *Composite Doors*

As referred to in note 25, on 31 August 2012, the Group disposed of its interest in its composite doors business. The profit on disposal and the net assets of the composite doors business at the date of disposal were as follows:

	<i>31 August 2012</i> <i>£'000</i>
Goodwill	14,307
Intangible assets	578
Property, plant and equipment	952
Inventories	1,150
Trade and other receivables	2,525
Trade and other payables	(2,169)
Deferred taxation	(144)
	<u>17,199</u>
Loss on disposal of discontinued operations	(16,826)
<b>Net consideration</b>	<u>373</u>

31 August 2012  
£'000

Satisfied by:	
Cash and cash equivalents	373
	<hr/>
Net cash inflow arising on disposal:	
Initial consideration	748
Less: disposal costs	(375)
	<hr/>
<b>Net consideration</b>	<b>373</b>
	<hr/>

## 26.2 *Gall Thomson*

As referred to in note 25, on 13 March 2012, the Group disposed of its interest in its Oil Services business, comprising Gall Thomson and its subsidiaries. The profit on disposal and the net assets of the Gall Thomson Group at the date of disposal were as follows:

13 March 2012  
£'000

Goodwill	11,421
Intangible assets	35
Property, plant and equipment	389
Deferred tax asset	80
Inventories	1,242
Trade and other receivables	3,235
Cash and cash equivalents	5,374
Current tax payable	(836)
Trade and other payables	(2,454)
	<hr/>
	18,486
Profit on disposal of discontinued operation	54,215
Accrued disposal costs	205
	<hr/>
<b>Net consideration</b>	<b>72,906</b>
	<hr/>
Satisfied by:	
Cash and cash equivalents	72,906
	<hr/>
Net cash inflow arising on disposal:	
Initial consideration	74,672
Less: disposal costs	(1,766)
	<hr/>
Net consideration	72,906
Less: cash and cash equivalents	(5,374)
	<hr/>
<b>Net consideration</b>	<b>67,532</b>
	<hr/>

## 27. Dividends

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 these financial statements.

	2012 £'000	2011 £'000
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Final dividend for the year ended 31 December 2011 of 3.5p per share (2010: 2.0p)	4,535	2,596
Interim dividend for the year ended 31 December 2012 of 1.0p per share (2011: nil)	1,297	–
<b>Total amounts recognised as distributions to equity holders in the year</b>	<b>5,832</b>	<b>2,596</b>
<b>Amounts not recognised in the financial statements:</b>		
Final dividend proposed for the year ended 31 December 2012 of 3.5p per share (2011: 3.5p)	4,538	4,544

## 28. Adjustments to cash flows from operating activities

The following non-cash and financing adjustments have been made to profit before tax for the year to arrive at operating cash flow:

	Note	2012 £'000	2011 £'000
Net finance costs – continuing operations	7	4,509	9,695
Net finance income – discontinued operations	25	(33)	(53)
Depreciation		5,085	5,303
Amortisation and accelerated amortisation		23,320	10,566
Impairment		20,300	–
Disposal of intangible assets and property, plant and equipment		72	314
Non-cash adjustments		(3,400)	338
Share based payments	22	482	172
		<b>50,335</b>	<b>26,335</b>

## 29. Contingent liabilities

	2012 £'000	2011 £'000
Performance bonds	–	145

The 2011 performance bonds related to guarantees provided by the bank to the Group's Oil Services business (now discontinued – refer note 25) on which no losses were anticipated.

### 30. Financial 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 value of future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	
	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	3,766	3,208
Later than one year but less than five years	12,191	13,120
After five years	3,949	7,144
<b>Total</b>	<b>19,906</b>	<b>23,472</b>

  

	<i>Other</i>	
	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	275	309
Later than one year but less than five years	425	431
After five years	–	9
<b>Total</b>	<b>700</b>	<b>749</b>

### 31. Principal subsidiaries

Details of the principal subsidiaries of the Group, all of which are wholly owned, are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
<b>Corporate</b>		
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
<b>UK operations</b>		
Balance UK Limited <sup>1</sup>	United Kingdom	Building products
ERA Products Limited <sup>1</sup>	United Kingdom	Building products
EWS (Manufacturing) Limited <sup>1</sup>	United Kingdom	Building products
grouphomesafe Limited <sup>1</sup>	United Kingdom	Holding company
Linear Limited <sup>1</sup>	United Kingdom	Building products
Schlegel UK (2006) Limited <sup>1</sup>	United Kingdom	Building products
Ventrolla Limited <sup>1</sup>	United Kingdom	Building products
Window Fabrication & Fixing Supplies Limited <sup>1</sup>	United Kingdom	Building products

<i>Name</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
<b>US operations</b>		
Amesbury Acquisition Holdings (No2) Inc <sup>1</sup>	United States	Holding company
Amesbury Door Hardware Inc (SD) <sup>1</sup>	United States	Building products
Amesbury Financial Holdings LLC <sup>1</sup>	United States	Holding company
Amesbury Group Inc <sup>1</sup>	United States	Holding company
Amesbury Group Plastic Profiles Inc <sup>1</sup>	United States	Building products
Amesbury Holdings Limited <sup>1</sup>	United Kingdom	Holding company
Amesbury Industries Inc <sup>1</sup>	United States	Building products
Balance Systems Inc <sup>1</sup>	United States	Building products
Bandlock Corporation Inc <sup>1</sup>	United States	Building products
Fastek Products Inc <sup>1</sup>	United States	Building products
Jasper Acquisition Limited <sup>1</sup>	United Kingdom	Holding company
Overland Products Company Inc <sup>1</sup>	United States	Building products
9261-9360 Québec Inc <sup>1</sup>	Canada	Building products
Schlegel Systems Inc <sup>1</sup>	United States	Building products
Tyman Investments <sup>1</sup>	United Kingdom	Holding company
<b>Other international operations</b>		
Schlegel Australia Pty Limited <sup>1</sup>	Australia	Building products
Schlegel Belgium BVBA <sup>1</sup>	Belgium	Building products
Schlegel GmbH <sup>1</sup>	Germany	Building products
Schlegel SRL <sup>1</sup>	Italy	Building products
Schlegel Taliana SL <sup>1</sup>	Spain	Building products

**Note:**

1. Held by a subsidiary.

### **32. Related party transactions**

The following transactions were carried out with related parties of Tyman plc:

#### ***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.

#### ***Key management compensation***

Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group is disclosed in note 6.

## **Part B: 2011 Financial Statements**

The following is the text of the independent auditors' report on the Group from its statutory accounts for the financial year ended 31 December 2011.

### **Independent auditor's report to the members of Lupus Capital plc**

We have audited the group financial statements of Lupus Capital plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditors**

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

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; or
- we have not received all the information and explanations we require for our audit.

**Other matters**

We have reported separately on the parent company financial statements of Lupus Capital plc for the year ended 31 December 2011.

**Steve Maslin**

*Senior Statutory Auditor*

for and on behalf of Grant Thornton UK LLP

*Statutory Auditor, Chartered Accountants*

London

20 April 2012



## Consolidated income statement

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Continuing operations</b>			
Revenue	3	230,372	252,464
Cost of sales		(157,869)	(169,468)
<b>Gross profit</b>		72,503	82,996
Administrative expenses		(61,499)	(69,074)
<b>Operating profit</b>	5	11,004	13,922
Analysed as:			
Operating profit before exceptional items and amortisation of intangible assets		22,399	26,066
Exceptional items	4	(830)	(395)
Amortisation of intangible assets	5	(10,565)	(11,749)
<b>Operating profit</b>		11,004	13,922
Finance income	7	287	417
Finance costs	7	(9,982)	(12,562)
Net finance costs		(9,695)	(12,145)
<b>Profit before taxation</b>		1,309	1,777
Income tax credit/(expense)	8	6,775	(281)
<b>Profit for the year from continuing operations</b>		8,084	1,496
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	9	7,399	5,551
<b>Profit for the year</b>		15,483	7,047
<b>Basic earnings per share</b>			
From continuing operations	10	6.23p	1.15p
From discontinued operations	10	5.71p	4.28p
		11.94p	5.43p
<b>Diluted earnings per share</b>			
From continuing operations	10	6.18p	1.14p
From discontinued operations	10	5.66p	4.21p
		11.84p	5.35p
<b>Non GAAP measure</b>			
<b>Underlying<sup>1</sup> profit before taxation from continuing operations</b>	10	16,344	16,775
<b>Underlying<sup>1</sup> profit before taxation from discontinued operations</b>	10	10,109	7,758
		26,453	24,533
<b>Basic earnings per share</b>			
Underlying <sup>1</sup> basic EPS from continuing operations	10	9.04p	8.78p
Underlying <sup>1</sup> basic EPS from discontinued operations	10	5.71p	4.28p
		14.75p	13.06p

### Note:

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

## Consolidated statement of comprehensive income

For the year ended 31 December 2011

	<i>Note</i>	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
<b>Profit for the year</b>		<u>15,483</u>	<u>7,047</u>
<b>Other comprehensive income:</b>			
Exchange differences on retranslation of foreign operations		(354)	4,511
Actuarial losses on defined benefit plans	22	(4,699)	(117)
Effective portion of changes in value of cash flow hedges		1,228	564
Tax on items included in other comprehensive income	8	<u>1,659</u>	<u>40</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u>(2,166)</u>	<u>4,998</u>
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<u>13,317</u>	<u>12,045</u>

## Consolidated statement of changes in equity

For the year ended 31 December 2011

	<i>Share capital £'000</i>	<i>Share Premium £'000</i>	<i>Other reserves<sup>1</sup> £'000</i>	<i>Treasury reserve £'000</i>	<i>Hedging reserve £'000</i>	<i>Translation reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
<b>At 1 January 2010</b>	6,864	101	10,389	(6,764)	(2,489)	28,927	189,439	226,467
Total comprehensive income	—	—	—	—	564	4,511	6,970	12,045
Profit for the year	—	—	—	—	—	—	7,047	7,047
Other comprehensive income	—	—	—	—	564	4,511	(77)	4,998
Transactions with owners	—	—	—	—	—	—	63	63
Share-based payments	—	—	—	—	—	—	63	63
<b>At 31 December 2010</b>	<u>6,864</u>	<u>101</u>	<u>10,389</u>	<u>(6,764)</u>	<u>(1,925)</u>	<u>33,438</u>	<u>196,472</u>	<u>238,575</u>
Total comprehensive income	—	—	—	—	1,228	(354)	12,443	13,317
Profit for the year	—	—	—	—	—	—	15,483	15,483
Other comprehensive income	—	—	—	—	1,228	(354)	(3,040)	(2,166)
Transactions with owners	—	—	—	(250)	—	—	(2,424)	(2,674)
Share-based payments	—	—	—	—	—	—	172	172
Dividends paid	—	—	—	—	—	—	(2,596)	(2,596)
Purchase of treasury shares	—	—	—	(250)	—	—	—	(250)
<b>At 31 December 2011</b>	<u>6,864</u>	<u>101</u>	<u>10,389</u>	<u>(7,014)</u>	<u>(697)</u>	<u>33,084</u>	<u>206,491</u>	<u>249,218</u>

### Note:

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

**Consolidated balance sheet**

As at 31 December 2011

	<i>Note</i>	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	11	214,186	223,531
Intangible assets	12	98,620	104,709
Property, plant and equipment	13	30,461	31,457
Deferred tax assets	8	9,618	7,654
		<u>352,885</u>	<u>367,351</u>
<b>Current assets</b>			
Inventories	14	26,427	26,048
Trade and other receivables	15	28,200	32,922
Cash and cash equivalents	16	20,426	27,748
		<u>75,053</u>	<u>86,718</u>
Assets of disposal group classified as held for sale	9	21,114	–
		<u>96,167</u>	<u>86,718</u>
<b>TOTAL ASSETS</b>		<u>449,052</u>	<u>454,069</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current tax payable		(1,976)	(2,679)
Trade and other payables	17	(34,632)	(40,365)
Provisions	18	(1,510)	(3,584)
Finance lease obligations	19	–	(9)
Derivative financial instruments	20	(777)	–
Interest bearing loans and borrowings	19	(12,930)	(5,163)
		<u>(51,825)</u>	<u>(51,800)</u>
Liabilities of disposal group classified as held for sale	9	(3,271)	–
		<u>(55,096)</u>	<u>(51,800)</u>
<b>Non-current liabilities</b>			
Finance lease obligations	19	–	(1)
Deferred tax liabilities	8	(18,834)	(23,369)
Interest bearing loans and borrowings	19	(100,235)	(114,304)
Employee benefit liability	22	(9,732)	(7,474)
Provisions	18	(14,487)	(14,989)
Derivative financial instruments	20	–	(1,998)
Other creditors		(1,450)	(1,559)
		<u>(144,738)</u>	<u>(163,694)</u>
<b>TOTAL LIABILITIES</b>		<u>(199,834)</u>	<u>(215,494)</u>
<b>NET ASSETS</b>		<u>249,218</u>	<u>238,575</u>

	<i>Note</i>	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Called up share capital	23	6,864	6,864
Share premium		101	101
Other reserves		10,389	10,389
Treasury reserve		(7,014)	(6,764)
Hedging reserve		(697)	(1,925)
Translation reserve		33,084	33,438
Retained earnings		206,491	196,472
<b>TOTAL EQUITY</b>		<u>249,218</u>	<u>238,575</u>

The financial statements were approved by the Board on 20 April 2012 and signed on its behalf by:

**Louis Eperjesi**  
*Chief Executive Officer*

**James Brotherton**  
*Chief Financial Officer*

## Consolidated cash flow statement

For the year ended 31 December 2011

	<i>Note</i>	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
<b>Cash flows from operating activities</b>			
Profit before tax – continuing operations		1,309	1,777
Profit before tax – discontinued operations	9	10,108	7,758
Adjustments	26	26,335	30,666
Movement in inventories		(263)	451
Movement in trade and other receivables		965	(2,728)
Movement in trade and other payables		(2,830)	4,011
Provisions utilised		(1,854)	(2,515)
Pension contributions		(1,191)	(841)
Income tax paid		(1,870)	(2,304)
<b>Net cash inflow from operating activities</b>		<u>30,709</u>	<u>36,275</u>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment		(4,384)	(3,314)
Payments to acquire intangible assets		(492)	(197)
Acquisition of subsidiary undertakings	25	(10,280)	–
Interest received		340	566
<b>Net cash outflow from investing activities</b>		<u>(14,816)</u>	<u>(2,945)</u>
<b>Financing activities</b>			
Interest paid		(7,011)	(9,822)
Dividends paid		(2,596)	–
Purchase of treasury shares		(250)	–
New bank loans raised		112,551	–
Refinancing costs paid		(2,643)	(23)
Repayment of borrowings		(119,621)	(21,147)
Repayment of capital element of finance leases		(10)	(8)
<b>Net cash outflow from financing activities</b>		<u>(19,580)</u>	<u>(31,000)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<u>(3,687)</u>	<u>2,330</u>
Effect of exchange rates on cash and cash equivalents		325	463
Cash and cash equivalents at the beginning of the year		<u>27,748</u>	<u>24,955</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>24,386</u>	<u>27,748</u>

## **Notes to the financial statements**

### **1. Basis of preparation and accounting policies**

The Group's principal activities are the manufacture, supply and distribution of building products. Lupus Capital plc is the Group's ultimate parent company and it is incorporated and domiciled in England and Wales at 65 Buckingham Gate, London, SW1E 6AS.

The Group's shares are admitted to trading on AIM, a market of the London Stock Exchange.

The Group's consolidated financial statements are prepared in accordance with the principal accounting policies adopted by the Group as set out in note 2 and International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations ("IFRIC") as adopted for use in the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following standards have been amended or became effective during the year. The Group's consolidated financial statements have been prepared in accordance with these changes where relevant.

- IAS24 (Revised), Related party disclosures – introducing revised definitions of related parties
- IAS32 (Amendment), Financial instruments: presentation – changes in the classification of certain qualifying financial instruments from financial liabilities to equity instruments
- IFRIC 14 (Amendment) – Prepayments of a minimum funding requirement
- IFRIC 19 – Extinguishing financial liabilities with equity instruments

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future.

### **2. Summary of significant accounting policies**

#### ***Accounting convention***

The financial statements are prepared under the historic cost convention, as modified by the revaluation of certain financial instruments. The measurement basis and significant accounting policies are set out below.

#### ***Basis of consolidation***

The financial statements consolidate the Company and its subsidiary undertakings (note 29) drawn up to 31 December each year. The financial statements of the subsidiaries are prepared as of the same reporting date as the parent, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control over financial and operating policies is transferred to the Group and continue to be consolidated until the date that such control ceases.

All business combinations are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of any assets given, liabilities incurred or assumed, including contingent liabilities, and equity instruments issued by the Group which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The identifiable assets and liabilities of the acquiree are measured initially at fair value at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including those of an intangible and tangible nature, liabilities and contingent liabilities is recognised as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the underlying asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



### ***Recent accounting developments***

During the year, the IASB and IFRIC have issued the following standards and interpretations with effective dates after the date of these financial statements that have not yet been adopted by the company:

- Amendments to IAS 1 Presentation of financial statements, on other comprehensive income (effective 1 July 2012)
- Amendments to IAS12 Income taxes (effective 1 January 2012)
- IAS 19 (Revised) Employee benefits (effective 1 January 2013)
- IAS 27 (Revised) Separate financial statements (effective 1 January 2013)
- IAS 28 (Revised) Associates and joint ventures (effective 1 January 2013)
- Amendments to IFRS 1 First time adoption of IFRS on hyperinflation and fixed dates (effective 1 July 2011)
- Amendments to IFRS 7 Financial instruments: Disclosures on derecognition (effective 1 July 2011)
- IFRS 9 Financial instruments (effective 1 January 2013)
- IFRS 10 Consolidated financial statements (effective 1 January 2013)
- IFRS 11 Joint arrangements (effective 1 January 2013)
- IFRS 12 Disclosures of interest in other entities (effective 1 January 2013)
- IFRS 13 Fair value measurement (effective 1 January 2013)

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's reported results.

### ***Principal accounting policies***

The preparation of financial statements in conformity with generally accepted accounting policies requires the directors to make judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported income and expense during the reporting periods.

Although the judgments and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ from these estimates.

The accounting policies set out below have been used to prepare the financial statements.

### ***Goodwill***

Goodwill, being the difference between the fair value of consideration paid for new interests in Group companies and the fair value of the Group's share of their net identifiable assets and contingent liabilities at the date of acquisition, is capitalised. Goodwill represents consideration paid by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

Goodwill is not amortised but is subject to an impairment review on an annual basis or more frequently when events or changes in circumstances indicate it might be impaired. Any impairment is charged to the income statement in the period in which it arises.

### ***Intangible assets***

On acquisition of Group companies, 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 licenses, are capitalised at fair value and amortised on a straight-line basis over their estimated useful economic lives as follows:

- Acquired brands – 5 years to indefinite;
- Customer relationships – 9 to 16 years; and
- Trade marks and licenses – 3 to 4 years.

The Group capitalises acquired computer software at cost. Computer software is amortised on a straight-line basis over its estimated useful life, up to three years. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

### ***Impairment of assets***

Goodwill arising on business combinations is allocated to cash-generating units (equivalent to the reported operating segments). The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when events or changes in circumstance indicate that it might be impaired. Goodwill that has been impaired previously cannot be reversed at a later date.

The carrying values of property, plant and equipment, and intangible assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where purchased intangible assets are considered by the Board of Directors to have an indefinite life, they are not amortised but are subject to an impairment review on an annual basis or more frequently if necessary. Intangible assets not yet available for use are tested for impairment annually.

An impairment review is performed by comparing the carrying value of the property, plant and equipment, intangible asset or cash generating units to which goodwill has been allocated with its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be obtained on disposal of the asset. The value in use is determined by discounting, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, the expected future cash flows resulting from its continued use, including those on final disposal. Impairment losses are recognised in the income statement immediately. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecast cash flows. Impairment reversals are permitted to property, plant and equipment or intangible assets (but not goodwill) to the extent that the new carrying value does not exceed the amount it would have been if no impairment loss been previously recognised.

### ***Segment reporting***

The Group's operations are divided into two product segments, Oil Services and Building Products, identified on the basis of internal reports about components of the Group. The Group's reporting formats are products and this is consistent with the segments reviewed by the chief operating decision makers, defined as the Board of Directors. A product segment is a component of the Group that is engaged in providing a group of related products and is subject to risks and returns that are different from those of the other segments. IFRS 8 also requires disclosure of information on geographical areas with the Group's system of internal reporting to key operating decision makers serving as a starting point.

### ***Revenue***

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group and the revenue can be reliably measured. Revenue represents amounts receivable for goods provided to customers during the year in the normal course of business, net of trade discounts, VAT and other sales-related taxes. As such revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

### ***Cash and cash equivalent***

Cash and cash equivalents include cash at bank and in hand as well as short-term highly liquid investments such as money market instruments and bank deposits readily convertible into cash.

### ***Interest bearing bank loans and borrowings***

Interest bearing bank loans and borrowings are recorded initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less depreciation and impairment. Depreciation is provided on all assets except freehold land 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 land and buildings***

Freehold land	Not depreciated
Freehold buildings	2% to 5%
Plant and machinery	7.5% to 33%
Motor vehicles	20% to 25%

The carrying values of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

### ***Inventories***

Inventories are valued at the lower of cost and net realisable value. Cost includes cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity on a first in, first out basis. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

### ***Leases***

Where the group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Assets held under finance leases and similar contracts which confer the rights and obligations similar to those attached to owned assets are capitalised at the inception of the lease at the fair value or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Assets held under finance lease are depreciated over the lower of the useful lives and the term of the lease.

All other leases are treated as operating leases, and rentals payable are charged to the income statement account on a straight line basis over the lease term.

### ***Foreign currencies***

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In individual companies, transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Any resulting exchange differences are taken to the income statement, with the exception of differences on foreign currency borrowings that form part of a net investment in a foreign entity. These are taken directly to equity, other than any ineffective element, until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into sterling at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into sterling 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 is recognised in the income statement as part of the gain or loss on disposal.

### ***Provisions***

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.

Restructuring provisions comprise lease termination penalties and employee termination payments. A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

### ***Pensions and other post employment benefits***

The Group operates a defined contribution pension and two defined benefit schemes.

The cost of providing benefits under the defined benefit schemes is determined using the projected unit credit actuarial valuation method. The operating and financing costs of the pension schemes are charged to the

income statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately. Actuarial gains and losses are recognised immediately through the consolidated statement of comprehensive income. The net surplus or deficit is presented with the other net assets on the balance sheet. The related deferred tax is shown with the other deferred tax balances.

The defined benefit assets and liabilities comprise the present value of the defined benefit obligations less the past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any assets is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefit available in the form of refunds from the plan or reductions in the future contributions to the plan.

Contributions to the defined contribution scheme are charged to the income statement as incurred.

### ***Share capital***

Ordinary shares are classified as equity.

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 equity holders until the shares are cancelled or reissued.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### ***Financial assets, liabilities and derivatives***

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.

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. Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

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 writedown is determined as the difference between the carrying amount and present value of estimated future cash flows.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For those instruments designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

The group designates certain derivatives as either a cash flow hedge, where exposures to variability in cash flows attributable to either a particular risk associated with a recognised asset or liability or highly probable purchase are hedged; or hedges of net investments in foreign operations (net investment hedge), where exposures to changes in fair value or future cash flows of the investment are hedged.

In relation to cash flow hedges (forward foreign currency contracts) to hedge either highly probable anticipated purchases or firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in net profit or loss.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses that were previously recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

### ***Investments in foreign operations***

A foreign currency exposure arises from net investments in Group entities whose functional currency differs from the Group's presentation currency. The Group uses foreign currency loans to hedge foreign currency risk. This translation risk does not give rise to a cash flow exposure. Its impact only arises from the translation of the net investment in the Group's presentation currency.

### ***Deferred taxation***

Income tax expense represents the sum of the current tax and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit or loss nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates enacted or substantively enacted at the balance sheet dates and that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.



Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### ***Exceptional items***

Where certain income or expense items recorded in the period are material by their size or incidence, the group reflects such items as exceptional items within a separate line on the income statement, except for those exceptional items that relate to net finance costs and tax.

Separate presentation of exceptional items provides an improved understanding of the elements of financial performance in the year so as to facilitate comparison with prior periods and to assess trends in financial performance.

### ***Share-based payments***

The Group operates an equity-settled share based remuneration scheme 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 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.

### ***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 adjusted 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 are to include the following:

- exceptional income and charges. These are largely one-off in nature and therefore create volatility in reported earnings; and
- amortisation of intangible items and borrowing costs because of their non-cash nature and expected infrequency of the events giving rise to them.

### ***Critical accounting estimates and judgements***

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



### ***Critical judgements in applying the Group's accounting policies***

The following areas represent the key judgements made by management in order to facilitate the preparation of the Group's financial statements:

#### ***Taxation***

The group is subject to taxation in numerous jurisdictions. Judgement is required in determining the world wide provision for income taxes as there are transactions for which the ultimate tax determination is uncertain.

#### ***Impairment reviews and discount rates***

The group tests intangible assets and goodwill for impairment in accordance with the stated accounting policy. The value in use calculations requires the use of estimates of future growth and assessment of appropriate discount rates.

#### ***Exceptional items***

Exceptional items are expense or income items recorded in a period which have been determined by management as being material by their size or incidence and are presented separately within the results of the Group. The determination of which items are disclosed as exceptional will affect the presentation of profit measures including EBITA and adjusted earnings per share, and requires a degree of judgement. Details regarding exceptional items reported during the year are set out in note 4.

#### ***Non-current assets (disposal groups) held for sale***

Non-current assets and all assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets and all assets and liabilities, or disposal groups, are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

#### ***Key sources of estimation uncertainty***

The preparation of financial statements requires management to make judgements, estimates and assumptions. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### ***Impairment of goodwill and other intangible assets***

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets. In determining whether goodwill is impaired an estimation of value in use of the cash-generating units to which goodwill has been allocated has been prepared. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (note 11).

#### ***Provisions***

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, and are discounted to present value where the effect is material (note 18).

#### ***Valuation of financial instruments at fair value***

Management makes a number of assumptions with regards to the models used to value financial instruments at their fair value at year end. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument (note 20).

### *Intangible assets acquired in a business combination*

On acquisition of Group companies, the Group recognises any separately identifiable intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets will include purchased brands, customer relationships, trademarks and licenses. The determination of fair value requires the directors to estimate the useful economic life each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate (note 12).

### *Inventories*

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Net realisable value is based on current assessments of future demand, market conditions and new product development initiatives. Should demand for the Group's products decline further during the next financial year as a result of the current economic downturn, additional allowances may be necessary in respect of excess or slow-moving items (note 14).

### *Defined benefit pension and post retirement benefit schemes*

The benefit obligation is 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 present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date. 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 note 22.

### *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 (note 8).

## **3. Segmental analysis**

### *Product analysis*

The following tables present group revenue and profit and certain assets and liability information regarding the Group's product segments, which have been generated using group accounting policies, with no differences of measurement applied.

Comparative figures for 2010 have been revised to reflect the elimination of intragroup trading more accurately and to re-apportion head office overheads previously included in the results of the discontinued Oil Services division.

## Segment revenues and results

The group has two operating segments: Building products and Oil services, one of which has a geographical analysis included within the tables below.

	Continuing operations – Building products			Discontinued operations – Oil services		
	United Kingdom £'000	United States £'000	Rest of the World £'000	Total £'000	United Kingdom £'000	Total £'000
<i>Year ended 31 December 2011</i>						
<b>Revenue</b>						
External sales	88,984	105,370	36,018	230,372	19,088	249,460
<b>Result</b>						
Operating profit before exceptional items and amortisation of intangible assets	7,719	11,327	3,353	22,399	10,056	32,455
Amortisation of intangible assets				(10,565)	(1)	(10,566)
Exceptional items (note 4)				(830)	–	(830)
Operating profit				11,004	10,055	21,059
Net finance costs				(9,695)	53	(9,642)
Profit before tax				1,309	10,108	11,417
Tax				6,775	(2,709)	4,066
<b>Profit after tax</b>				8,084	7,399	15,483
<b>Other segment information</b>						
Cost of goods sold				157,869	5,856	163,725
Depreciation				5,252	51	5,303
<b>Segment assets and liabilities</b>						
<b>Segment assets</b>						
Total segment assets	100,618	267,832	55,245	423,695	21,114	444,809
Unallocated segment assets				2,616	–	2,616
Unallocated group assets						1,627
Consolidated total assets						449,052
<b>Segment liabilities</b>						
Total segment liabilities	(27,676)	(41,067)	(7,270)	(76,013)	(3,271)	(79,284)
Unallocated segment liabilities				(115,281)	–	(115,281)
Unallocated group liabilities						(5,269)
Consolidated total liabilities						(199,834)
<b>Non-current assets<sup>1</sup></b>	68,078	232,650	42,539	343,267	11,849	355,116
<b>Other segment information</b>						
Employee benefit liability				(9,732)	–	(9,732)
Goodwill allocation				214,186	11,421	225,607
Intangible asset allocation				98,620	35	98,655
<b>Capital expenditure</b>						
– property, plant and equipment	1,143	2,588	516	4,247	137	4,384
– intangible assets	69	350	37	456	36	492

### Note:

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

**Comparative information**  
**Segment revenues and results**

	Continuing operations – Building products			Discontinued operations – Oil services		
	United Kingdom	United States	Rest of the World	Total	United Kingdom	Total
Year ended 31 December 2011	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>						
External sales	97,927	116,987	37,550	252,464	13,748	266,212
<b>Result</b>						
Operating profit before exceptional items and amortisation of intangible assets	8,167	14,031	3,868	26,066	7,609	33,675
Amortisation of intangible assets				(11,749)	–	(11,749)
Exceptional items (note 4)				(395)	–	(395)
Operating profit				13,922	7,609	21,531
Net finance costs				(12,145)	149	(11,996)
Profit before tax				1,777	7,758	9,535
Tax				(281)	(2,207)	(2,488)
<b>Profit after tax</b>				1,496	5,551	7,047
<b>Other segment information</b>						
Cost of goods sold				169,468	3,935	173,403
Depreciation				6,449	44	6,493
<b>Segment assets and liabilities</b>						
	Building products			Oil services		
	United Kingdom	United States	Rest of the World	Total	United Kingdom	Total
Year ended 31 December 2010	£'000	£'000	£'000	£'000	£'000	£'000
<b>Segment assets</b>						
Total segment assets	106,843	266,565	57,610	431,018	17,384	448,402
Unallocated assets						5,667
Consolidated total assets						454,069
<b>Segment liabilities</b>						
Total segment liabilities	(35,607)	(43,826)	(5,846)	(85,279)	(4,782)	(90,061)
Unallocated segment liabilities				(118,729)	–	(118,729)
Unallocated group liabilities						(6,704)
Consolidated total liabilities						(215,494)
<b>Non-current assets<sup>1</sup></b>	70,762	231,638	45,572	347,972	11,725	359,697
<b>Other segment information</b>						
Employee benefit liability				(7,474)	–	(7,474)
Goodwill allocation				212,110	11,421	223,531
Intangible asset allocation				104,709	–	104,709
<b>Capital expenditure</b>						
– property, plant and equipment	1,268	1,542	446	3,256	58	3,314
– intangible assets	51	137	9	197	–	197

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

#### 4. Exceptional items

	2011 £'000	2010 £'000
Redundancy and restructuring costs	813	151
Acquisition expenses	282	–
Adjustments to fair value accounting of acquisitions	(265)	–
Other costs, net	–	244
	<u>830</u>	<u>395</u>

All exceptional items relate to continuing operations.

#### 5. Operating profit

Operating profit is stated after charging the following:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Depreciation of property, plant and equipment – owned assets	5,251	6,250	51	44	5,302	6,294
Depreciation of property, plant and equipment – leased assets	1	199	–	–	1	199
Amortisation of intangible assets	10,565	11,749	1	–	10,566	11,749
Operating lease rentals – land and buildings	3,690	4,009	58	–	3,748	4,009
Foreign exchange loss/(gain)	455	256	–	(2)	455	254

The analysis of auditor's remuneration is as follows:

<i>Group</i>	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	90	94
Fees payable to the company's auditor for other services:		
– The audit of the company's subsidiaries pursuant to legislation	378	399
– Other services pursuant to legislation	25	29
– Other services	12	2
	<u>505</u>	<u>524</u>

#### 6. Employees

##### *Number of employees*

The average monthly number of employees (including directors) of the Group during the financial year was:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2011	2010	2011	2010	2011	2010
Administration	220	204	12	13	232	217
Sales	180	172	8	4	188	176
Operations	1,541	1,669	31	28	1,572	1,697
	<u>1,941</u>	<u>2,045</u>	<u>51</u>	<u>45</u>	<u>1,992</u>	<u>2,090</u>

The number of employees (including directors) of the Group as at 31 December 2011 was:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Administration	209	218	12	12	221	230
Sales	172	192	8	8	180	200
Operations	1,499	1,546	32	28	1,531	1,574
	<u>1,880</u>	<u>1,956</u>	<u>52</u>	<u>48</u>	<u>1,932</u>	<u>2,004</u>

### ***Employment costs***

Employment costs of these employees during the year were as follows:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	44,847	49,412	2,600	2,096	47,447	51,508
Social Security costs	6,258	5,321	289	226	6,547	5,547
Pension costs – defined contribution schemes	1,884	1,452	112	113	1,996	1,565
Pension costs – defined benefit schemes	639	507	–	–	639	507
Share based payments	172	63	–	–	172	63
	<u>53,800</u>	<u>56,755</u>	<u>3,001</u>	<u>2,435</u>	<u>56,801</u>	<u>59,190</u>

### ***Directors' remuneration***

The remuneration payable to directors, considered to be the group's key management personnel, was as follows:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Salary/fees	620	834
Bonuses	50	171
Benefits	64	57
Share-based payments	54	6
Severance payments	–	333
	<u>788</u>	<u>1,401</u>

## 7. Finance revenue and costs

Finance costs from continuing operations:

	2011 £'000	2010 £'000
<b>Finance income</b>		
Bank interest receivable	287	417
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	(6,205)	(9,429)
Amortisation of borrowing costs	(3,148)	(2,295)
Ineffective portion of changes in value of cash flow hedges	(8)	(26)
Interest on obligations under finance leases	–	(1)
Unwinding of discount on provisions	(492)	(559)
Pension scheme and other finance costs	(129)	(252)
	<u>(9,982)</u>	<u>(12,562)</u>
<b>Net finance costs</b>	<u>(9,695)</u>	<u>(12,145)</u>

## 8. Taxation

### (a) Tax on profit on ordinary activities

#### Income tax in the income statement

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Current income tax:</b>						
UK Corporation tax (credit)/expense	(986)	(1,408)	2,778	2,163	1,792	755
Foreign tax expense	3,168	5,090	–	–	3,168	5,090
Current income tax charge	2,182	3,682	2,778	2,163	4,960	5,845
Adjustments in respect of prior periods	–	(545)	–	48	–	(497)
Exceptional adjustments in respect of prior periods	(3,767)	–	–	–	(3,767)	–
Total current income tax (credit)/expense	<u>(1,585)</u>	<u>3,137</u>	<u>2,778</u>	<u>2,211</u>	<u>1,193</u>	<u>5,348</u>
<b>Deferred tax:</b>						
Origination and reversal of temporary differences	(1,850)	(2,225)	(3)	9	(1,853)	(2,216)
Adjustment due to deferred tax rate change	(2,137)	(892)	–	–	(2,137)	(892)
Adjustments in respect of prior periods	–	261	(66)	(13)	(66)	248
Exceptional adjustments in respect of prior periods	(1,203)	–	–	–	(1,203)	–
Total deferred tax (credit)/expense	<u>(5,190)</u>	<u>(2,856)</u>	<u>(69)</u>	<u>(4)</u>	<u>(5,259)</u>	<u>(2,860)</u>
<b>Income tax (credit)/expense in the income statement</b>	<u>(6,775)</u>	<u>281</u>	<u>2,709</u>	<u>2,207</u>	<u>(4,066)</u>	<u>2,488</u>

The standard rate of Corporation tax in the UK changed from 28 per cent. to 26 per cent. with effect from 1 April 2011. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 26.5 per cent. (2010: 28 per cent.). The tax rate of 25 per cent. was substantively enacted in July 2011, and UK deferred tax assets and liabilities have been provided at this rate.



Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

Exceptional adjustments in respect of prior periods arose from the clarification with the tax authorities of the tax treatment of provisions, mainly those originally made at the time of the Schlegel acquisition in 2006 and the LSS acquisition in 2007.

**Tax relating to items charged or (credited) directly to equity – continuing operations**

	2011 £'000	2010 £'000
<b>Deferred tax:</b>		
Actuarial losses on pension schemes	(1,659)	(40)
Income tax (credit) in the statement of comprehensive income	(1,659)	(40)

(b) **Reconciliation of the total tax charge**

The tax assessed for the year differs from the standard rate of tax in the UK of 26 per cent. (2010: 28 per cent.). The differences are explained below:

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Profit before taxation	1,309	1,777	10,108	7,758	11,417	9,535
Rate of corporation tax in the UK of 26.5% (2010: 28%)	347	498	2,679	2,172	3,026	2,670
Effects of: (Income not taxable)/ expenses not deductible for tax purposes	(495)	167	96	–	(399)	167
Overseas tax rate differences	481	790	–	–	481	790
Adjustment due to deferred tax rate change	(2,137)	(892)	–	–	(2,137)	(892)
Adjustment in respect of prior periods	(4,971)	(282)	(66)	35	(5,037)	(247)
<b>Income tax (credit)/expense in the income statement</b>	<b>(6,775)</b>	<b>281</b>	<b>2,709</b>	<b>2,207</b>	<b>(4,066)</b>	<b>2,488</b>

(c) **Deferred tax**

Deferred income tax at 31 December relates to the following:

	<i>Group balance sheet</i>		<i>Group income statement</i>	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Deferred tax liability</b>				
Intangible assets on acquisition	(16,399)	(22,808)	(4,426)	(4,271)
Other	(2,435)	(561)	1,136	1,241
	(18,834)	(23,369)	(3,290)	(3,030)
<b>Deferred tax assets</b>				
Post-employment benefits	3,304	1,705	3,185	–
Purchased goodwill	5,349	4,612	(1,942)	290
Other	965	1,337	(3,212)	(120)
	9,618	7,654	(1,969)	170
<b>Deferred income tax credit</b>			<b>(5,259)</b>	<b>(2,860)</b>

	<i>Group balance sheet</i>	
	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
<b>Deferred tax liabilities net</b>	<b>(9,216)</b>	<b>(15,715)</b>
Reflected in the balance sheet as follows:		
Deferred tax assets	9,618	7,654
Deferred tax liabilities	(18,834)	(23,369)
<b>Deferred tax liabilities net</b>	<b>(9,216)</b>	<b>(15,715)</b>

The gross movement in deferred tax is as follows:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
At beginning of year	(15,715)	(18,209)
Acquisition (note 25)	1,954	–
Income statement credit – continuing operations	5,190	2,856
Income statement credit – discontinued operations	69	4
Tax charge directly to equity	(1,346)	(366)
Reclassification from current tax to deferred tax	712	–
Transfer of assets of disposal group classified as held for sale	(80)	–
	<b>(9,216)</b>	<b>(15,715)</b>

(d) ***Factors that may affect future tax charges***

There are estimated tax losses of £13,745,000 (2010: £9,980,000) within the Group, comprising capital losses of £7,348,000 and trading losses of £6,397,000. 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:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Tax losses	(846)	(785)
Capital losses	(1,837)	(2,057)
	<b>(2,683)</b>	<b>(2,842)</b>

No deferred tax liability is recognised on temporary differences of £32.9 million (2010: £29.9 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

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 corporate taxes. However, remittance to the UK of those earnings may still result in a tax liability, principally as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate.

## **9. Discontinued operations**

During 2011, the Group determined to dispose of its Oil Services business, comprising Gall Thomson and its subsidiaries, and undertook a process to identify preferred bidders which was completed in December 2011 (see note 31).

Results attributable to discontinued operations are as follows:

	2011 £'000	2010 £'000
<b>Revenue</b>	19,088	13,748
Cost of sales	(5,856)	(3,935)
<b>Gross profit</b>	13,232	9,813
Administrative expenses	(3,177)	(2,204)
<b>Operating profit</b>	10,055	7,609
Analysed as:		
Operating profit before exceptional items and amortisation of intangible assets	10,056	7,609
Amortisation of intangible assets	(1)	–
<b>Operating profit</b>	10,055	7,609
Net finance income	53	149
<b>Result from discontinued operations before taxation</b>	10,108	7,758
Income tax expense	(2,709)	(2,207)
<b>Net profit attributable to discontinued operations</b>	7,399	5,551

The assets and liabilities comprising the operations classified as held for sale are as follows:

	2011 £'000
<i>Assets of disposal group classified as held for sale</i>	
Goodwill	11,421
Intangible assets	35
Property, plant and equipment	393
Deferred tax asset	80
Inventories	1,127
Trade and other receivables	4,098
Cash and cash equivalents	3,960
	<u>21,114</u>
<i>Liabilities of disposal group classified as held for sale</i>	
Current tax payable	617
Trade and other payables	2,654
	<u>3,271</u>

The net cash flows attributable to the operations classified as held for sale are as follows:

	2011 £'000
Net cash inflow from operating activities	9,676
Net cash outflow from investing activities	(120)
Net cash flow from financing activities	–
<b>Net cash inflow</b>	<u>9,556</u>

## 10. Earnings per share

Basic earnings per share 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 equity holders 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 dilutive potential ordinary shares into ordinary shares.

	2011 '000	2010 '000
Weighted average number of shares (including treasury shares)	137,287	137,287
Treasury shares	(7,580)	(7,447)
<b>Weighted average number of shares – basic</b>	<b>129,707</b>	<b>129,840</b>
Effect of dilutive potential ordinary shares – LTIP awards and options	1,011	1,967
<b>Weighted average number of shares – diluted</b>	<b>130,718</b>	<b>131,807</b>
	2011 £'000	2010 £'000
Profit for the period – continuing operations	8,084	1,496
Profit for the period – discontinued operations	7,399	5,551
	<b>15,483</b>	<b>7,047</b>
<b>Basic earnings per share</b>		
From continuing operations	6.23p	1.15p
From discontinued operations	5.71p	4.28p
	<b>11.94p</b>	<b>5.43p</b>
<b>Diluted earnings per share</b>		
From continuing operations	6.18p	1.14p
From discontinued operations	5.66p	4.21p
	<b>11.84p</b>	<b>5.35p</b>

***Earnings per share from continuing operations before exceptional items***

Basic and diluted Underlying Earnings per Share information is presented as an additional measure using the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

Underlying profit after taxation from continuing operations is derived as follows:

	2011 £'000	2010 £'000
<b>Profit before taxation from continuing operations</b>	<b>1,309</b>	<b>1,777</b>
Exceptional costs	830	395
Amortisation of intangible assets	10,565	11,749
Unwinding discount on provisions	492	559
Amortisation of borrowing costs	3,148	2,295
Underlying profit before taxation from continuing operations	16,344	16,775
Income tax expense	6,775	(281)
Adjustment due to tax rate change	(2,137)	(892)
Exceptional prior year tax adjustments	(4,971)	–
Tax effect on exceptional costs and amortisation of intangible assets	(4,285)	(4,199)
<b>Underlying profit after taxation from continuing operations</b>	<b>11,726</b>	<b>11,403</b>

Underlying profit after taxation from discontinued operations is derived as follows:

	2011 £'000	2010 £'000
<b>Profit before taxation from discontinued operations</b>	10,108	7,758
Amortisation of intangible assets	1	–
Underlying profit before taxation from discontinued operations	10,109	7,758
Income tax expense	(2,709)	(2,207)
<b>Underlying profit after taxation from discontinued operations</b>	<u>7,400</u>	<u>5,551</u>

Earnings per share is summarised as follows:

<b>Basic earnings per share</b>		
From continuing operations	9.04p	8.78p
From discontinued operations	5.71p	4.28p
	<u>14.75p</u>	<u>13.06p</u>
<b>Diluted earnings per share</b>		
From continuing operations	8.97p	8.65p
From discontinued operations	5.66p	4.21p
	<u>14.63p</u>	<u>12.86p</u>

## 11. Goodwill

	Note	£'000
<b>Cost and net carrying value</b>		
At 1 January 2010		219,850
Exchange difference		3,681
At 31 December 2010		<u>223,531</u>
Acquisition of subsidiary	25	2,389
Transfer of assets of disposal group classified as held for sale	9	(11,421)
Exchange difference		(313)
At 31 December 2011		<u>214,186</u>

### *Impairment tests for goodwill*

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

CGUs are defined as the Group's reported operating segments, namely Building Products and Oil Services, which are consistent with the product segments reported in the segment analysis in note 2. In 2010, the Group reported three CGUs (LSS, Schlegel and Gall Thomson) then defined as the three groups of businesses acquired that each generated goodwill.

The recoverable amounts of the 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 three year period. They reflect management's expectations of revenue growth, operating cost and margin for each CGU based on past experience. Cash flows beyond the first three years have been extrapolated using revenue growth rates of 3.0 per cent. for Building products and 3.5 per cent. for Oil services. After the five year forecast period, no further growth in revenue and profit has been assumed based on a prudent view of long term growth rates.

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.

Additional disclosures for the two CGUs are as follows:

	<i>Building products</i>		<i>Oil services</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Carrying amount of goodwill	214,186	212,110	11,421	11,421
Average discount rate	11.2%	11.0%	8.5%	11.0%
Average revenue growth for years 1 to 3	6.1%	2.4%	4.8%	17.2%
Average revenue growth rate for years 4 and 5	3.0%	3.0%	3.5%	3.0%

Sensitivity analysis was calculated on the basis of lowering the forecast earnings before interest, taxation, depreciation and amortisation (“EBITDA”) by a constant percentage each year from year one onwards in perpetuity until the excess of value in use over the carrying value of the CGU’s assets were reduced to zero. EBITDA would need to decrease by 25 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.

## 12. Intangible assets

	<i>Computer software</i>	<i>Acquired brands</i>	<i>Customer relations</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>				
At 1 January 2010	245	33,013	115,600	148,858
Additions	119	78	–	197
Amounts written off	(7)	–	–	(7)
Exchange difference	–	489	2,197	2,686
At 31 December 2010	357	33,580	117,797	151,734
Additions	353	139	–	492
Acquisition of subsidiary (note 25)	–	–	4,094	4,094
Transfer of assets of disposal group classified as held for sale	–	(36)	–	(36)
Exchange difference	6	(68)	(127)	(189)
<b>At 31 December 2011</b>	<b>716</b>	<b>33,615</b>	<b>121,764</b>	<b>156,095</b>
<b>Amortisation</b>				
At 1 January 2010	75	9,942	24,693	34,710
Amortisation for the year <sup>1</sup>	102	3,346	8,301	11,749
Amounts written off	(7)	–	–	(7)
Exchange difference	–	175	398	573
At 31 December 2010	170	13,463	33,392	47,025
Amortisation for the year <sup>1</sup>	118	2,314	8,134	10,566
Transfer of assets of disposal group classified as held for sale	–	(1)	–	(1)
Exchange difference	–	(38)	(77)	(115)
<b>At 31 December 2011</b>	<b>288</b>	<b>15,738</b>	<b>41,449</b>	<b>57,475</b>

	<i>Computer software £'000</i>	<i>Acquired brands £'000</i>	<i>Customer relations £'000</i>	<i>Total £'000</i>
<b>Net book value</b>				
<b>At 31 December 2011</b>	<u>428</u>	<u>17,877</u>	<u>80,315</u>	<u>98,620</u>
At 31 December 2010	<u>187</u>	<u>20,117</u>	<u>84,405</u>	<u>104,709</u>
At 1 January 2010	<u>170</u>	<u>23,071</u>	<u>90,907</u>	<u>114,148</u>

**Note:**

1. Amortisation for the year is included in administrative expenses in the income statement.

Certain brands and trademarks with a carrying value of £3,160,000 (2010: £3,230,000) are considered to have an indefinite life. This applies to those brands and trademarks which, as a result of their excellent reputation with their core customer base, and being well regarded in their market places command a significant share of the markets in which they operate.

### 13. Property, plant and equipment

	<i>Freehold land and buildings £'000</i>	<i>Plant and Machinery £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 January 2010	15,203	57,869	73,072
Additions	99	3,215	3,314
Disposals	–	(1,713)	(1,713)
Exchange difference	83	710	793
At 31 December 2010	<u>15,385</u>	<u>60,081</u>	<u>75,466</u>
Additions	170	4,214	4,384
Disposals	–	(1,481)	(1,481)
Acquisition of subsidiary (note 25)	–	704	704
Transfer of assets of disposal group classified as held for sale	(329)	(673)	(1,002)
Exchange difference	(44)	(210)	(254)
<b>At 31 December 2011</b>	<u>15,182</u>	<u>62,635</u>	<u>77,817</u>
<b>Accumulated depreciation</b>			
At 1 January 2010	2,889	35,887	38,776
Charge for the year	376	6,117	6,493
Disposals	–	(1,637)	(1,637)
Impairment	–	200	200
Exchange difference	19	158	177
At 31 December 2010	<u>3,284</u>	<u>40,725</u>	<u>44,009</u>
Charge for the year	491	4,812	5,303
Disposals	–	(1,167)	(1,167)
Transfer of assets of disposal group classified as held for sale	(95)	(514)	(609)
Exchange difference	(9)	(171)	(180)
<b>At 31 December 2011</b>	<u>3,671</u>	<u>43,685</u>	<u>47,356</u>
<b>Net book value</b>			
<b>At 31 December 2011</b>	<u>11,511</u>	<u>18,950</u>	<u>30,461</u>
At 31 December 2010	<u>12,101</u>	<u>19,356</u>	<u>31,457</u>
At 1 January 2010	<u>12,314</u>	<u>21,982</u>	<u>34,296</u>



Depreciation in the year of £5,303,000 (2010: £6,493,000) is included in administrative costs in the income statement.

The carrying value of plant and machinery held under finance leases and hire purchase contracts at 31 December 2011 was £nil (2010: £15,000).

Leased assets and assets under hire purchase contracts were pledged as security for the related finance lease and hire purchase liabilities.

#### 14. Inventories

	2011 £'000	2010 £'000
Raw materials and consumables	12,388	14,726
Work-in-progress	2,010	2,499
Finished goods	12,029	8,823
	<u>26,427</u>	<u>26,048</u>

The cost of materials charged to the income statement during the year ended 31 December 2011 was £109,197,000 (2010: £117,964,000).

As at 31 December 2011, inventories are stated net of an allowance for excess, obsolete or slow moving items of £5,366,000 (2010: £7,449,000).

An impairment charge of £931,000 was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the group (2010: £nil).

#### 15. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	26,644	30,533
Less: provision for impairment	(2,587)	(2,360)
Trade receivables – net	<u>24,057</u>	<u>28,173</u>
Other receivables – net	1,441	860
Prepayments and accrued income	<u>2,702</u>	<u>3,889</u>
<b>Total trade and other receivables</b>	<u>28,200</u>	<u>32,922</u>

All trade and other receivables are current. The net carrying values of trade and other receivables are considered to be a reasonable approximation of their fair values.

At 31 December 2011 trade receivables of £21,923,000 (2010: £25,389,000) were considered to be fully performing.

Net trade receivables of £2,072,000 (2010: £1,871,000) were past due but not impaired as at 31 December 2011. These relate to customers for whom there is no recent history of default. The ageing of the net trade receivables is as follows:

	<i>Within normal payment terms</i>		<i>Past due</i>		
	<i>Fully performing</i>	<i>Not fully performing</i>	<i>Within 3 months</i>	<i>3 to 6 months</i>	<i>Over 6 months</i>
	£'000	£'000	£'000	£'000	£'000
<b>At 31 December 2011</b>					
Trade receivables	<u>21,923</u>	<u>62</u>	<u>2,008</u>	<u>64</u>	<u>–</u>
<b>At 31 December 2010</b>					
Trade receivables	<u>25,389</u>	<u>913</u>	<u>1,780</u>	<u>82</u>	<u>9</u>

All of the Group's trade and other receivables have been reviewed for impairment. At 31 December 2011, trade receivables of £2,587,000 (2010: £2,360,000) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic situations.

Movements on the provisions for impairment of trade receivables are as follows:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January	2,360	1,909
Impairment losses recognised	1,358	974
Amounts written off during the year as uncollectible	(651)	(336)
Impairment losses reversed	(205)	(207)
Acquisition of subsidiary (note 25)	32	–
Transfer of assets of disposal group classified as held for sale	(302)	–
Foreign exchange translation gains and losses	(5)	20
At 31 December	<u>2,587</u>	<u>2,360</u>

The creation of provisions for impaired trade receivables is included in administrative expenses in the income statement.

Ageing of impaired trade receivables:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Trade receivables within normal payment terms not fully performing	995	1,095
Trade receivables past due date and aged up to three months from invoice date	1,297	1,000
Trade receivables past due and aged between three and twelve months after invoice date	295	265
	<u>2,587</u>	<u>2,360</u>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
British pounds	13,060	14,394
US dollars	9,924	11,520
Euros	2,887	4,242
Other currencies	2,329	2,766
	<u>28,200</u>	<u>32,922</u>

## 16. Cash and cash equivalents

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	25,822	28,949
Short-term deposits	14,945	13,333
Bank overdrafts	(16,381)	(14,534)
	<u>24,386</u>	<u>27,748</u>
Cash held in disposal group classified as held for sale	(3,960)	–
	<u>20,426</u>	<u>27,748</u>

## 17. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	20,435	19,773
Other taxes and social security costs	1,808	2,596
Accruals and accrued income	12,389	17,996
	<u>34,632</u>	<u>40,365</u>

The carrying amounts are considered to be a reasonable approximation of fair value.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2011 £'000	2010 £'000
Pounds	17,948	21,391
US Dollars	11,280	13,413
Euros	3,084	3,468
Other currencies	2,320	2,093
	<u>34,632</u>	<u>40,365</u>

## 18. Provisions

	<i>Property related</i> £'000	<i>Restructuring</i> £'000	<i>Warranty</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
At 1 January 2010	13,088	731	1,474	5,722	21,015
Provided during the year	142	412	607	–	1,161
Utilised during the year	(1,604)	(472)	(439)	–	(2,515)
Released during the year	(565)	(307)	(100)	(700)	(1,672)
Unwinding of discount	559	–	–	–	559
Exchange of differences	13	12	–	–	25
At 31 December 2010	11,633	376	1,542	5,022	18,573
Provided during the year	262	105	1,201	300	1,868
Utilised during the year	(1,290)	(228)	(336)	–	(1,854)
Released during the year	(1,165)	(56)	(187)	(1,700)	(3,108)
Unwinding of discount	492	–	–	–	492
Exchange differences	(9)	2	33	–	26
<b>At 31 December 2011</b>	<u>9,923</u>	<u>199</u>	<u>2,253</u>	<u>3,622</u>	<u>15,997</u>
Current liabilities	1,153	175	100	82	1,510
Non-current liabilities	8,770	24	2,153	3,540	14,487
<b>Total</b>	<u>9,923</u>	<u>199</u>	<u>2,253</u>	<u>3,622</u>	<u>15,997</u>

Current liabilities are those aspects of provisions that are expected to be utilised within the next year.

### *Property related*

Property provisions relate to provisions for onerous leases of £7,936,000, and leasehold dilapidations of £1,987,000, and 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 28.

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 28.

### ***Restructuring***

Restructuring provisions include provisions for staff redundancy costs at restructured/closed business units and are expected to be utilised by the end of 2013.

### ***Warranty***

The warranty provision is 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 the end of 2017.

### ***Other***

Other provisions comprise taxation and inventory-related provisions, expected to be utilised by 2013 and 2018 respectively.

## **19. Interest-bearing loans and borrowings**

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
<b>Unsecured borrowing at amortised cost</b>		
Bank loans	113,080	—
<b>Secured borrowing at amortised cost</b>		
Bank loans	85	119,467
Finance lease liabilities	—	10
	85	119,477
<b>Total borrowings</b>	<b>113,165</b>	<b>119,477</b>
<b>Analysed as:</b>		
Amount due for settlement within 12 months	12,930	5,172
Amount due for settlement after 12 months	100,235	114,305
	<b>113,165</b>	<b>119,477</b>

On 14 September 2011, the Group entered into a new debt facility agreement which extends the Group's committed facilities to 31 March 2016. The multicurrency term loan of £110 million, as well as the £30 million multicurrency working capital facility, are unsecured and guaranteed by Lupus Capital plc and its principal subsidiary companies.

At 31 December 2011, the Group had drawn down \$4,000,000 of the £30 million multicurrency working capital facility.

Scheduled repayments are to commence annually on 31 December 2012 and will continue until 31 December 2015, with the balance outstanding payable on the termination date of the facility, being 31 March 2016.

There were no defaults in interest payments in the year under the terms of the loan agreements.

## 20. Derivative financial instruments

	2011		2010	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cash flow hedges:</b>				
Interest rate swaps	—	(777)	—	(1,998)

### *Cash flow hedges*

The full fair value of the hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged instrument is more than 12 months and, as a current asset or liability, if the hedged item is less than 12 months. Fair value measurements are based on quoted prices in active markets for the same instrument.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2011 were £95.7 million (2010: £120.5 million).

During the year £1,228,000 (2010: £564,000) was recognised in the statement of comprehensive income and £8,000 (2010: £26,000) in the Income Statement for change in the value of cash flow hedges.

Details of the swaps are as follows:

	<i>Notional amount '000</i>	<i>Fixed interest rate paid</i>	<i>Floating interest rate received</i>	<i>Fair value '000</i>
<b>At 31 December 2011</b>				
US dollar swaps	\$93,300	1.850%	0.4625% – 0.5484%	\$880
Pound sterling swaps	£35,300	2.045%	1.0252% – 1.2306%	£208
<b>At 31 December 2010</b>				
US dollar swaps	\$112,500	1.850%	0.4394% – 0.4625%	\$2,203
Pound sterling swaps	£47,800	2.045%	0.8794% – 1.0252%	£574

### *Fair value measurement*

The group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Other techniques for which all inputs which have significant effect on the recorded fair value are observable either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value which are 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.

### *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. The value of the net investment hedge was £78,518,000 at 31 December 2011 (2010: £74,483,000). This hedge is considered highly effective, and no ineffective portion has been recognised in profit or loss.

## 21. Financial instruments: risk profile

### *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 16), borrowings (note 19) and equity attributable to the shareholders of the parent as disclosed in the consolidated statement of changes in equity.

### *Financial management*

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, 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.

### *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 Poors. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance by 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, as summarised below:

	2011 £'000	2010 £'000
<b>Classes of financial instruments – carrying amounts</b>		
Cash and cash equivalents	24,386	27,748
Trade and other receivables	28,200	32,922
<b>At 31 December</b>	<b>52,586</b>	<b>60,670</b>

Management considers that all the above 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 2011 the Group operated within its borrowing facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	<i>Less than 1 year £'000</i>	<i>Between 1 and 2 yrs £'000</i>	<i>Between 2 and 5 yrs £'000</i>	<i>Total £'000</i>
Borrowings	12,930	10,409	89,826	113,165
Derivative financial instruments	777	–	–	777
Interest cash flows on debt and derivatives, settled net	2,830	2,829	5,219	10,878
Trade and other payables	32,824	1,450	–	34,274
<b>At 31 December 2011</b>	<b>49,361</b>	<b>14,688</b>	<b>95,045</b>	<b>159,094</b>
Borrowings	5,172	114,305	–	119,477
Derivative financial instruments	–	1,998	–	1,998
Interest cash flows on debt and derivatives, settled net	6,040	2,905	–	8,945
Trade and other payables	40,365	1,559	–	41,924
<b>At 31 December 2010</b>	<b>51,577</b>	<b>120,767</b>	<b>–</b>	<b>172,344</b>

Derivative financial instruments mature between 3 months and 1 year from 31 December 2011.

### ***Interest rate risk***

The interest rate profile of the Group's borrowings as at the 31 December 2011 was as follows:

	<i>Floating rate liabilities £'000</i>	<i>Fixed rate liabilities £'000</i>	<i>Total £'000</i>
Pounds	36,210	–	36,210
US Dollars	76,955	–	76,995
<b>At 31 December 2011</b>	<b>113,165</b>	<b>–</b>	<b>113,165</b>
Pounds	46,867	–	46,867
US Dollars	72,600	10	72,610
<b>At 31 December 2010</b>	<b>119,467</b>	<b>10</b>	<b>119,477</b>

The interest rate on the floating rate bank loans are linked to LIBOR.

	<i>Floating rate borrowings<sup>1</sup> £'000</i>	<i>Covered interest swaps £'000</i>	<i>Swap fixed rate %</i>
<b>At 31 December 2011</b>			
Pounds	36,986	29,400	2.045
US Dollars	78,518	60,377	1.850
	<b>115,504</b>	<b>89,777</b>	
<b>At 31 December 2010</b>			
Pounds	47,914	47,800	2.006
US Dollars	74,483	72,717	1.850
	<b>122,397</b>	<b>120,517</b>	

### **Note:**

1. these amounts exclude capitalised loan fees.



### ***Interest rate sensitivity***

The impact of a 50 basis point movement in floating interest rates on borrowings would have a circa £0.6 million impact on profits. This impact would be reduced by the tax effect on such a change.

### ***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 1.82 per cent. during the year (2010: 2.15 per cent.).

### ***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, the Euro, the RMB and the Australian Dollar. 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.

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
<b>Closing Rates:</b>		
US Dollars	1.5453	1.5471
Euros	1.1933	1.1675
<b>Average rates:</b>		
US Dollars	1.6040	1.5463
Euros	1.1523	1.1661

### ***Foreign currency exchange rate sensitivity***

The Group receives approximately 42 per cent. of its revenues and incurs approximately 43 per cent. of its costs in USD. The Group is therefore sensitive to movements in the USD against GBP. Each 6 per cent. movement in the USD to GBP exchange rate has circa £0.7 million impact on operating profits and equity. Offsetting this will be reductions to USD interest and US tax liabilities. This analysis assumes all other variables, including interest rates, remain constant.

The group receives approximately 10 per cent. of its revenues and incurs approximately 13 per cent. of its costs in Euros. Each 3 per cent. movement in the Euro to GBP exchange rate has a circa £0.1 million impact on operating profits. Offsetting this will be reductions to euro interest and euro tax liabilities. This analysis assumes all other variables, including interest rates, remain constant.

The movements in exchange rates are considered to be indicative of the historic average movements in exchange rates.

The impact of movements in other exchange rates is immaterial.

Foreign currency financial assets and liabilities, translated into sterling at the closing rate, are as follows:

	<i>USD</i> <i>£'000</i>	<i>Euros</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<b>Short term exposure</b>	17,280	6,425	3,462	27,167
Financial liabilities	(11,302)	(3,084)	(2,320)	(16,706)
<b>At 31 December 2011</b>	<u>5,978</u>	<u>3,341</u>	<u>1,142</u>	<u>10,461</u>
<b>Long term-exposure</b>				
Financial assets	–	–	–	–
Financial liabilities	(79,493)	(172)	(10)	(79,675)
<b>At 31 December 2011</b>	<u>(79,493)</u>	<u>(172)</u>	<u>(10)</u>	<u>(79,675)</u>
<b>Short term exposure</b>				
Financial assets	18,818	6,323	3,445	28,586
Financial liabilities	(16,031)	(3,468)	(2,093)	(21,592)
<b>At 31 December 2010</b>	<u>2,787</u>	<u>2,855</u>	<u>1,352</u>	<u>6,994</u>
<b>Long term-exposure</b>				
Financial assets	–	–	–	–
Financial liabilities	(75,322)	(153)	(30)	(75,505)
<b>At 31 December 2010</b>	<u>(75,322)</u>	<u>(153)</u>	<u>(30)</u>	<u>(75,505)</u>

## **22. Pensions and other post-employment benefit plans**

### **22.1 *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 unpaid pension contributions of £nil (2010: £38,000) included within employee benefit liabilities.

### **22.2 *Defined benefit pension and post retirement benefit schemes***

The Group's principal defined benefit pension scheme and post-retirement healthcare scheme is operated in the USA. An actuarial valuation was last performed as at 31 December 2011. When revalued, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the net periodic benefit cost; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

The current service cost and any past service costs are included in the income statement within operating expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income and costs. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

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 scheme and post retirement healthcare scheme in the year to December 2012 is £1,314,000 (2011: £1,266,000).

Other defined benefit pension schemes had net liabilities of £nil (2010: £230,000).

Amounts recognised in the income statement in respect of the defined benefit pension and post retirement benefit schemes:

	2011 £'000	2010 £'000
<b>Included in operating profit</b>		
Current service cost	254	255
Past service cost	256	–
	<u>510</u>	<u>255</u>
<b>Included in finance income and costs</b>		
Interest cost	977	1,009
Expected return on plan assets	(848)	(757)
	<u>129</u>	<u>252</u>

The major assumptions used by the actuary were:

	2011	2010
Rate of increase in salaries	n/a	n/a
Long term rate of inflation	3.0%	3.0%
Rate of increase in pensions in payment	0.0%	0.0%
Discount rate	4.5%	5.5%
Health care cost trend <sup>1</sup>	9.0% – 5.0%	9.0% – 5.0%

**Note:**

1. The level of healthcare contributions are capped and adopting a higher trend rate does not materially affect the liability.

Life expectancy assumptions were:

	2011	2010
Life expectancies for someone aged 65 in year of valuation – males	19.8	19.7
Life expectancies for someone aged 65 in year of valuation – females	21.7	21.6
Life expectancy at age 65 for someone aged 45 in year of valuation – males	21.3	21.2
Life expectancy at age 65 for someone aged 45 in year of valuation – females	22.6	22.5

The mortality assumptions employed in determining the present value of scheme liabilities under IAS 19 are in accordance with the underlying funding valuations and represented actuarial best practice in the relevant jurisdictions taking account of mortality experience and industry circumstances.

Amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit pension and post retirement benefit schemes:

	2011 £'000	2010 £'000
Actual return on plan assets	120	1,380
Expected return on plan assets	(848)	(757)
Experience (loss)/gain on assets	(728)	623
Experience loss on liabilities	(2,217)	(481)
Net (loss)/gain before exchange	(2,945)	142
Foreign exchange differences	(95)	(219)
Amounts recognised during the year	<u>(3,040)</u>	<u>(77)</u>
Gross amounts recognised in other comprehensive income	(4,699)	(117)
Tax on gross amounts recognised	1,659	40
Amounts recognised during the year	<u>(3,040)</u>	<u>(77)</u>

Changes in the present value of the benefit obligation were as follows:

	2011	2010
	£'000	£'000
<i>Change in defined benefit obligation</i>		
Defined benefit obligation at beginning of year	18,866	17,440
Current service cost	254	255
Interest cost	977	1,009
Plan participant contribution	50	67
Actuarial loss	2,217	481
Benefits paid	(918)	(901)
Past service cost	256	–
Foreign exchange	129	515
Defined benefit obligation at end of year	<u>21,831</u>	<u>18,866</u>

Changes in the fair value of plan assets were as follows:

	2011	2010
	£'000	£'000
<i>Change in plan assets</i>		
Fair value of plan assets at beginning of year	11,622	9,942
Actual return on plan assets	120	1,380
Plan participant contributions	50	67
Employer contributions	1,191	841
Benefits paid	(918)	(901)
Foreign exchange	34	293
Fair value of plan assets at end of year	<u>12,099</u>	<u>11,622</u>

The fair value of plan assets by asset category was as follows:

	2011	2010
	£'000	£'000
<i>Plan assets by category</i>		
Equity securities	2,924	7,414
Debt securities	7,965	3,473
Real estate	726	734
Other	484	1
Total	<u>12,099</u>	<u>11,622</u>

The expected return on plan assets was 8.11 per cent. (2010: 8.08 per cent.).

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income since acquiring the pension obligations in April 2007 is as follows:

	£'000
Recognised in 2007 financial year	(105)
Recognised in 2008 financial year	(3,669)
Recognised in 2009 financial year	(926)
Recognised in 2010 financial year	(77)
Recognised in 2011 financial year	(3,040)
Cumulative actuarial loss recognised in the consolidated statement of comprehensive income	<u>(7,817)</u>

History of scheme assets, liabilities and actuarial gains and losses:

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Fair value of plan assets at the end of the year	12,099	11,622	9,942	8,506	7,245
Defined benefit obligation at end of year	(21,831)	(18,866)	(17,440)	(15,822)	(10,503)
Deficit at the end of the year	(9,732)	(7,244)	(7,498)	(7,316)	(3,258)
Actual return less expected return on scheme assets	(728)	623	1,073	(2,392)	(335)
% of scheme assets	(6.0)%	5.4%	10.8%	(28.1)%	(4.6)%
Experience (loss)/gain arising on scheme obligations (present value)	(2,217)	(481)	(2,682)	(799)	182
% of scheme obligations (present value)	10.2%	2.5%	15.4%	5.0%	(1.7)%

## 23. Share capital

	<i>Number of shares '000</i>	<i>Ordinary shares of 5p each £'000</i>
As at 31 December 2010 and 31 December 2011	137,287	6,864

The total authorised number of ordinary shares is 180,000,000 (2010: 180,000,000) with a par value of 5p per share (2010: 5p per share). All issued shares are fully paid.

### *Share-based payments*

In 2011, the Group operated the 2008 Share Option Scheme and the LTIP. All options under the 2008 Share Option Scheme lapsed on 23 March 2011. The nil cost options awarded under the LTIP were valued using a probability model to predict EPS levels. The charge to the income statement in 2011 was £172,000 (2010: £63,000).

### *LTIP*

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. The percentage of shares that will actually vest is dependent upon the Group's earnings per share growth over a three year measurement period ending 31 December 2013. 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:

	<i>LTIP</i>	<i>LTIP</i>
Valuation model	Probability model to predict EPS levels	Probability model to predict EPS levels
Date of grant	11 December 2010	29 July 2011
Number granted	1,413,000	699,000
Share price at date of award	107 pence	123 pence
Fair value (pence)	34 pence	35 pence
Exercise price (pence)	Nil pence	Nil pence
Expected life of award	3 years	3 years
Vesting conditions	Continuous service and cumulative underlying EPS over 3 years 2011 to 2013 in range of 38 to 47 pence	Continuous service and cumulative underlying EPS over 3 years 2011 to 2013 in range of 41 to 50 pence

Movements in the number of outstanding conditional awards of shares are as follows:

	<i>2011 Number of shares '000</i>	<i>2010 Number of shares '000</i>
At 1 January	1,413	–
Granted	699	1,413
Lapsed	(90)	–
<b>31 December</b>	<b>2,022</b>	<b>1,413</b>

## 24. Dividends

	<i>2011 £'000</i>	<i>2010 £'000</i>
<b>Amounts recognised as distributions to equity holders in the period:</b>		
Final dividend for the year ended 31 December 2010 of 2p per share	2,596	–
<b>Amounts not recognised in the financial statements:</b>		
Proposed final dividend for the year ended 31 December 2011 of 3.5p per share	4,544	–

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 these financial statements.

## 25. Acquisition of subsidiary

On 31 December 2011, the Group acquired 100 per cent. of the issued share capital of Overland Products Company, Inc, obtaining control of Overland Products Company, Inc. Overland Products Company, Inc is based in Fremont, Nebraska and supplies an extensive range of stampings for a wide range of applications, mainly for the fenestration market, which provides the group with access to new markets and customers.

Recognised amounts of identifiable assets and liabilities acquired:

	<i>Book value</i>	<i>Fair value</i>
	<i>£'000</i>	<i>£'000</i>
Property, plant and equipment	57	704
Intangible assets	–	4,094
Inventories	1,382	1,220
Trade and other receivables	479	447
Trade and other payables	(427)	(443)
Loan borrowings	(85)	(85)
Deferred taxation	–	1,954
Total identifiable assets		7,891
Goodwill arising on acquisition		2,389
Total consideration		10,280
Satisfied by:		
		<i>£'000</i>
Cash		10,280

The fair value of the financial assets includes trade and other receivables with a fair value of £447,000 and a gross contractual value of £479,000. The best estimate at the acquisition date of the contractual cash flows not recoverable is £32,000.

The Group incurred acquisition related costs of £282,000 for professional fees paid for due diligence, other general professional fees and legal advice. These costs have been included in exceptional costs in the Group's consolidated income statement.

Had the acquisition of Overland Products Company, Inc been completed on the first day of the financial year, an additional £6.6 million of revenue and £1.0 million 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 in 2012. Any adjustment to the carrying value is unlikely to be significant to the individual acquisition.

The estimated value of intangibles, including goodwill, deductible for tax purposes is \$13,037,000.

## 26. Adjustments to cash flows from operating activities

The following non-cash and financing adjustments have been made to profit before tax for the year to arrive at operating cash flow:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Net finance costs	9,642	11,996
Depreciation	5,303	6,493
Amortisation	10,566	11,749
Intangible and non-current assets written off	314	76
Non cash adjustments	338	289
Share based payments	172	63
	<u>26,335</u>	<u>30,666</u>



## 27. Contingent liabilities

	2011 £'000	2010 £'000
Financial guarantees	–	983
Performance bonds	145	9
	<u>145</u>	<u>992</u>

The performance bonds relate to guarantees provided by the bank on which no losses are anticipated. These performance bonds extend to July 2013.

The 2010 financial guarantees principally related to letters of credit provided by banks in respect of workmens' compensation claims on which no losses were anticipated. The financial guarantees expired in the 2011 year.

## 28. Financial 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 value of future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and Buildings</i>	
	2011 £'000	2010 £'000
Not later than one year	3,208	3,422
After one year but less than five years	13,120	12,717
Over five years	7,144	7,106
	<i>Other</i>	
	2011 £'000	2010 £'000
Not later than one year	309	410
After one year but less than five years	431	537
Over five years	9	62

## 29. Investments in subsidiaries

Details of the principal subsidiaries of the Group, all of which are wholly owned, are as follows:

<i>Subsidiary company</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Octroi Group Limited	UK	Investment company
Lupus Capital Management Limited	UK	Management services
Schlegel Acquisition Holdings Limited	UK	Holding company
Schlegel UK (2006) Limited*	UK	Building products
Schlegel Systems Inc	USA	Building products
Schlegel Australia Pty Limited*	Australia	Building products
Schlegel GmbH	Germany	Building products
Schlegel Belgium BVBA*	Belgium	Building products
Schlegel SRL*	Italy	Building products
Schlegel Taliana SL*	Spain	Building products
Jasper Acquisition Holdings Limited	UK	Holding company
Jasper Acquisition Limited*	UK	Holding company
Amesbury Acquisition Holdings (No 2) Inc*	USA	Holding company
Amesbury Holdings Limited*	UK	Holding company
Amesbury Industries Inc*	USA	Building products

<i>Subsidiary company</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Amesbury Financial Holdings LLC*	USA	Holding company
Lupus Investments*	UK	Investment company
Amesbury Door Hardware Inc (SD)*	USA	Building products
Amesbury Group Inc*	USA	Holding company
Amesbury Group Plastic Profiles Inc*	USA	Building products
Bandlock Corporation Inc*	USA	Building products
Balance Systems Inc*	USA	Building products
Fastek Products Inc*	USA	Building products
Overland Products Inc*	USA	Building products
grouphomesafe Limited*	UK	Holding company
Balance UK Limited*	UK	Building products
ERA Products Limited*	UK	Building products
EWS (Manufacturing) Limited*	UK	Building products
Linear Limited*	UK	Building products
Securidor Holdings Limited*	UK	Building products
Ventrolla Limited*	UK	Building products

\* Held by a subsidiary.

### **30. Related party transactions**

The following transactions were carried out with related parties of Lupus Capital plc:

#### ***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.

#### ***Key management compensation***

Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group is disclosed in note 6.

### **31. Post balance sheet events**

#### ***Disposal***

On 13 March 2012, Lupus Capital plc entered into an unconditional agreement to sell the Group's Oil Services Division, Gall Thomson, to Copper Bidco Limited, a company controlled by Phoenix Equity Partners for a total cash consideration of approximately £75 million, subject to certain post-completion adjustments relating to the amounts of cash and net working capital held in the Gall Thomson Group at the date of disposal.

Approximately £30 million of the disposal proceeds will be applied in permanent pay down of the Group's debt facilities, offsetting future scheduled repayments. Approximately £2 million of the disposal proceeds will be spent on fees and expenses relating to the disposal. The disposal will lead to an accounting profit on disposal of approximately £53 million which will be recognised in the 2012 Financial Statements.

The cash consideration payable for Gall Thomson represents an exit multiple of 3.9x Gall Thomson's 2011 sales and 7.4x 2011 EBITDA. The Board believes that the valuation placed on Gall Thomson recognises the high quality of the Oil Service businesses and that, following the disposal, Lupus's focus of resources on the Building Products Division will be in the best interest of Lupus Shareholders as a whole.

#### ***Onerous lease***

On 2 March 2012, the Group concluded an agreement with a third party to assign the lease and exit Unit A, the remaining property on the Peterlee site. This will result in savings of £2.1 million in cash costs of rent, rates, utilities and services over the next six years to March 2018 and the release to the income statement in 2012 of £1.9 million of provisions, which will increase profit after tax by approximately £1.4 million.

## **Part C: 2010 Financial Statements**

The following is the text of the independent auditors' report on the Group from its statutory accounts for the financial year ended 31 December 2010.

### **Independent auditor's report to the members of Lupus Capital plc**

We have audited the group financial statements of Lupus Capital plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditors**

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

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; or
- we have not received all the information and explanations we require for our audit.

**Other matter**

We have reported separately on the parent company financial statements of Lupus Capital plc for the year ended 31 December 2010.

**Charles Hutton-Potts BSc, FCA**

*Senior Statutory Auditor*

for and on behalf of Grant Thornton UK LLP

*Statutory Auditor, Chartered Accountants*

London

23 March 2011

## Consolidated income statement

For the year ended 31 December 2010

		2010	2009
	Note	£'000	£'000
<b>Revenue</b>	3	266,212	241,621
Cost of sales		(173,403)	(161,104)
<b>Gross profit</b>		92,809	80,517
<b>Administrative expenses</b>		(71,278)	(68,527)
<b>Operating profit</b>	5	21,531	11,990
Analysed as:			
Operating profit before exceptional items and amortisation of intangible assets		33,675	25,598
Exceptional items	4	(395)	(2,055)
Amortisation of intangible assets	10	(11,749)	(11,553)
<b>Operating profit</b>		21,531	11,990
Finance income	7	566	450
Finance costs	7	(12,562)	(13,089)
Net finance costs		(11,996)	(12,639)
<b>Profit/(loss) before taxation</b>		9,535	(649)
Income tax (expense)/credit	8	(2,488)	1,062
<b>Profit for the year</b>		7,047	413
<b>Earnings per share</b>			
– Basic EPS from continuing operations	9	5.43p	0.32p
– Diluted EPS from continuing operations	9	5.35p	0.32p

All results relate to continuing operations.

		2010	2009
	Note	£'000	£'000
<b>Non GAAP measure</b>			
<b>Underlying<sup>1</sup> profit before taxation</b>		24,533	15,718
<b>Earnings per share</b>			
– Underlying <sup>1</sup> basic EPS from continuing operations	9	13.06p	9.39p
– Underlying <sup>1</sup> diluted EPS from continuing operations	9	12.86p	9.39p

### Note:

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

**Consolidated statement of comprehensive income**

For the year ended 31 December 2010

	<i>Note</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
Profit for the year		<u>7,047</u>	<u>413</u>
Actuarial losses on defined benefit plans		(117)	(1,403)
Exchange differences on retranslation of foreign operations		4,511	(11,892)
Effective portion of changes in value of cash flow hedges		564	1,449
Tax on items recognised directly in other comprehensive income	8	<u>40</u>	<u>477</u>
Other comprehensive income for the year, net of tax		<u>4,998</u>	<u>(11,369)</u>
Total comprehensive income/(expense) attributable to equity shareholders of the Company		<u>12,045</u>	<u>(10,956)</u>

## Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Other reserves <sup>1</sup> £'000	Treasury reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2009</b>	6,864	101	10,389	(6,764)	(3,938)	40,819	189,929	237,400
Share based payments	—	—	—	—	—	—	23	23
Transactions with owners	—	—	—	—	—	—	23	23
Profit after tax	—	—	—	—	—	—	413	413
Other comprehensive income/(expense):								
Exchange differences on retranslation of foreign operations	—	—	—	—	—	(11,892)	—	(11,892)
Change in fair value of cash flow hedge	—	—	—	—	(547)	—	—	(547)
Losses on settled cash flow hedges released to the income statement	—	—	—	—	1,996	—	—	1,996
Actuarial loss on defined benefit pension schemes	—	—	—	—	—	—	(926)	(926)
Total comprehensive income/(expense) for the period	—	—	—	—	1,449	(11,892)	(513)	(10,956)
<b>At 31 December 2009</b>	6,864	101	10,389	(6,764)	(2,489)	28,927	189,439	226,467
Share based payments	—	—	—	—	—	—	63	63
Transactions with owners	—	—	—	—	—	—	63	63
Profit after tax	—	—	—	—	—	—	7,047	7,047
Other comprehensive income/(expense):								
Exchange differences on retranslation of foreign operations	—	—	—	—	—	4,511	—	4,511
Change in fair value of cash flow hedge	—	—	—	—	(1,925)	—	—	(1,925)
Losses on settled cash flow hedges released to the income statement	—	—	—	—	2,489	—	—	2,489
Actuarial loss on defined benefit pension schemes	—	—	—	—	—	—	(77)	(77)
Total comprehensive income for the period	—	—	—	—	564	4,511	6,970	12,045
<b>At 31 December 2010</b>	6,864	101	10,389	(6,764)	(1,925)	33,438	196,472	238,575

### Note:

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



**Consolidated balance sheet**

As at 31 December 2010

	<i>Note</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	328,240	333,998
Property, plant and equipment	11	31,457	34,296
Deferred tax	8	7,654	7,792
		<u>367,351</u>	<u>376,086</u>
<b>Current assets</b>			
Current tax receivable		–	395
Inventories	12	26,048	26,036
Trade and other receivables	14	32,922	29,850
Cash and cash equivalents		27,748	24,955
		<u>86,718</u>	<u>81,236</u>
<b>TOTAL ASSETS</b>		<u>454,069</u>	<u>457,322</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current tax payable		(2,679)	–
Trade and other payables	15	(40,365)	(36,815)
Provisions	17	(3,584)	(3,353)
Finance lease obligations	16	(9)	(8)
Derivative financial instruments	13	–	(2,534)
Interest bearing loans and borrowings	16	(5,163)	(3,063)
		<u>(51,800)</u>	<u>(45,773)</u>
<b>Non-current liabilities</b>			
Finance lease obligations	16	(1)	(10)
Deferred tax	8	(23,369)	(26,091)
Interest bearing loans and borrowings	16	(114,304)	(132,887)
Employee benefit liability	19	(7,474)	(7,650)
Provisions	17	(14,989)	(17,662)
Derivative financial instruments	13	(1,998)	–
Other creditors		(1,559)	(782)
		<u>(163,694)</u>	<u>(185,082)</u>
<b>TOTAL LIABILITIES</b>		<u>(215,494)</u>	<u>(230,855)</u>
<b>NET ASSETS</b>		<u>238,575</u>	<u>226,467</u>

	<i>Note</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Called up share capital	20	6,864	6,864
Share premium		101	101
Other reserves		10,389	10,389
Treasury reserve		(6,764)	(6,764)
Hedging reserve		(1,925)	(2,489)
Translation reserve		33,438	28,927
Retained earnings		196,472	189,439
<b>TOTAL EQUITY</b>		<u>238,575</u>	<u>226,467</u>

The financial statements were approved by the Board on 23 March 2011 and signed on its behalf by:

**Louis Eperjesi**  
*Chief Executive Officer*

**James Brotherton**  
*Chief Financial Officer*

**Group cash flow statement**

For the year ended 31 December 2010

	<i>Note</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		9,535	(649)
Adjustments	22	30,666	32,839
Movement in inventories		451	9,752
Movement in trade and other receivables		(2,728)	3,840
Movement in trade and other payables		4,011	(2,878)
Provisions utilised		(2,515)	(2,981)
Pension contributions		(841)	(1,317)
Income tax paid		(2,304)	(2,155)
<b>Net cash inflow from operating activities</b>		<u>36,275</u>	<u>36,451</u>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment		(3,314)	(2,144)
Payments to acquire intangible assets		(197)	(91)
Interest received		566	450
<b>Net cash outflow from investing activities</b>		<u>(2,945)</u>	<u>(1,785)</u>
<b>Financing activities</b>			
Interest paid		(9,822)	(10,981)
Refinancing costs paid		(23)	(7,405)
Repayment of short term borrowings		(21,147)	(22,780)
Repayment of capital element of finance leases		(8)	(242)
<b>Net cash outflow from financing activities</b>		<u>(31,000)</u>	<u>(41,408)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		2,330	(6,742)
Effect of exchange rates on cash and cash equivalents		463	(710)
Cash and cash equivalents at the beginning of the year		24,955	32,407
<b>Cash and cash equivalents at the year end</b>		<u>27,748</u>	<u>24,955</u>

## Notes to the financial statements

### 1. Basis of preparation and accounting policies

The Group's principal activities are the manufacture, supply and distribution of building products and the manufacture and supply of coupling products to the oil and gas industry. Lupus Capital plc is the Group's ultimate parent company and it is incorporated and domiciled in England and Wales at the address shown on page 65 of the annual report for the year ended 31 December 2010.

The Group's shares are admitted to trading on AIM, a market of the London Stock Exchange.

The Group's consolidated financial statements are prepared in accordance with the principal accounting policies adopted by the Group as set out in note 2 and International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations ("IFRIC") as adopted for use in the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following standards have been amended/implemented during the year. The Group's consolidated financial statements have been prepared in accordance with these changes where relevant.

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', incorporates IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', and expands on the guidance in IFRIC 11 to address the classification of group arrangements.
- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- IAS 1 (amendment), 'Presentation of financial statements', clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.
- IAS 36 (amendment), 'Impairment of assets', clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'.
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category.
- IFRIC 16, 'Hedges of a net investment in a foreign operation', states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.
- IFRIC 17, 'Distribution of non-cash assets to owners', provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.
- IFRIC 18, 'Transfers of assets from customers' clarifies the requirements of IFRSs for agreements in which an entity receives an item of property, plant and equipment from a customer.

### ***Going concern***

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future.

The Group's debt facilities expire in July 2012 and the Group expects that it will be able to meet its debt facility interest and repayment obligations. Accordingly, the Group has assumed that the going concern basis of preparation of these financial statements is appropriate.

## **2. Summary of significant accounting policies**

### ***Accounting convention***

The financial statements are prepared under the historic cost convention, as modified by the revaluation of certain financial instruments. The measurement basis and significant accounting policies are set out below:

### ***Basis of consolidation***

The financial statements consolidate the Company and its subsidiary undertakings (note 25) drawn up to 31 December each year. The financial statements of the subsidiaries are prepared as of the same reporting date as the parent, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control over financial and operating policies is transferred to the Group and continue to be consolidated until the date that such control ceases.

All business combinations are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of any assets given, liabilities incurred or assumed, including contingent liabilities, and equity instruments issued by the Group. The identifiable assets and liabilities of the acquiree are measured initially at fair value at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including those of an intangible and tangible nature, liabilities and contingent liabilities is recognised as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### ***Recent accounting developments***

During the year, the IASB and IFRIC have issued the following standards and interpretations with effective dates after the date of these financial statements that have not yet been adopted by the company:

- IFRS 9 Financial Instruments (effective 1 January 2013).
- Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011).
- Improvements to IFRSs (Issued 16 April 2009).
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011).
- Disclosures – Transfers of assets = Amendments to IFRS7 (effective July 2011).

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's reported results.

### ***Principal accounting policies***

The preparation of financial statements in conformity with generally accepted accounting policies requires the directors to make judgments and assumptions that affect the reported amounts of assets and liabilities

and disclosures of contingencies at the date of the financial statements and the reported income and expense during the reporting periods.

Although the judgments and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ from these estimates.

The accounting policies set out below have been used to prepare the financial statements.

### ***Goodwill***

Goodwill, being the difference between the fair value of consideration paid for new interests in Group companies and the fair value of the Group's share of their net identifiable assets and contingent liabilities at the date of acquisition, is capitalised. Goodwill represents consideration paid by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

Goodwill is not amortised but is subject to an impairment review on an annual basis or more frequently when events or changes in circumstances indicate it might be impaired. Any impairment is charged to the income statement in the period in which it arises.

### ***Intangible assets***

On acquisition of Group companies, 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 licenses, are capitalised at fair value and amortised on a straight-line basis over their estimated useful economic lives as follows:

- Acquired brands – 5 years to indefinite;
- Customer relationships – 9 to 16 years; and
- Trade marks and licenses – 3 to 4 years.

The Group capitalises acquired computer software at cost. Computer software is amortised on a straight-line basis over its estimated useful life, up to three years. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

### ***Impairment of assets***

Goodwill arising on business combinations is allocated to cash-generating units (equivalent to the reported operating segments). The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when events or changes in circumstance indicate that it might be impaired. Goodwill that has been impaired previously cannot be reversed at a later date.

The carrying values of property, plant and equipment, and intangible assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where purchased intangible assets are considered by the Board of Directors to have an indefinite life, they are not amortised but are subject to an impairment review on an annual basis or more frequently if necessary. Intangible assets not yet available for use are tested for impairment annually.

An impairment review is performed by comparing the carrying value of the property, plant and equipment or intangible asset or goodwill with its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be obtained on disposal of the asset. The value in use is determined by discounting, using a pre-tax discount rate that reflects current market

assessments of the time value of money and the risks specific to the asset, the expected future cash flows resulting from its continued use, including those on final disposal. Impairment losses are recognised in the income statement immediately. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecast cash flows. Impairment reversals are permitted to property, plant and equipment or intangible assets (but not goodwill) to the extent that the new carrying value does not exceed the amount it would have been had no impairment loss been previously recognised.

### ***Segment reporting***

The Group's continuing operations are divided into two product segments, Oil and Gas Services and Building Products, identified on the basis of internal reports about components of the Group. The Group's reporting formats are products and this is consistent with the segments reviewed by the chief operating decision maker. A product segment is a component of the Group that is engaged in providing a group of related products and is subject to risks and returns that are different from those of the other segments. IFRS 8 also requires disclosure of information on geographical areas with the Group's system of internal reporting to key operating decision makers serving as a starting point.

### ***Revenue***

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group and the revenue can be reliably measured. Revenue represents amounts receivable for goods provided to customers during the year in the normal course of business, net of trade discounts, VAT and other sales-related taxes. As such revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

### ***Cash and cash equivalent***

Cash and cash equivalents include cash at bank and in hand as well as short-term highly liquid investments such as money market instruments and bank deposits readily convertible into cash. Money market instruments are financial assets carried at fair value through profit or loss.

### ***Interest bearing bank loans and borrowings***

Interest bearing bank loans and borrowings are recorded initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less depreciation and impairment. Depreciation is provided on all assets except freehold land 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 land	– not depreciated
Freehold buildings	– 2% to 5%
Plant and machinery	– 7.5% to 33%
Motor vehicles	– 20% to 25%

The carrying values of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

### ***Inventories***

Inventories are valued at the lower of cost and net realisable value. Cost includes cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads



based on normal levels of activity on a first in, first out basis. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

### ***Leases***

Where the group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Assets held under finance leases and similar contracts which confer the rights and obligations similar to those attached to owned assets are capitalised at the inception of the lease at the fair value or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

All other leases are treated as operating leases, and rentals payable are charged to the income statement account on a straight line basis over the lease term.

### ***Foreign currencies***

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In individual companies, transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Any resulting exchange differences are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into sterling at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into sterling at the average rates for 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 is recognised in the income statement as part of the gain or loss on disposal.

### ***Provisions***

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
- the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments.

Provisions are determined at the present value of the expenditures expected to be required to settle the obligation 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 as interest expense.

### ***Pensions and other post employment benefits***

The Group operates a defined contribution pension and two defined benefit schemes.

The cost of providing benefits under the defined benefit schemes is determined using the projected unit credit actuarial valuation method. The operating and financing costs of the pension schemes are charged to the income statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately. Actuarial gains and losses are recognised immediately through the consolidated statement of comprehensive income. The net surplus or deficit is presented with the other net assets on the balance sheet. The related deferred tax is shown with the other deferred tax balances.

The defined benefit assets and liabilities comprise the present value of the defined benefit obligations less the past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any assets is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefit available in the form of refunds from the plan or reductions in the future contributions to the plan.

Contributions to the defined contribution scheme are charged to the income statement as incurred.

### ***Share capital***

Ordinary shares are classified as equity.

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 equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### ***Financial assets, liabilities and derivatives***

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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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 writedown is determined as the difference between the carrying amount and present value of estimated future cash flows.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For those instruments designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; hedge of net investment in foreign operations where they hedge exposure to changes in fair value or future cash flows of the investment, or cash

flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable purchase.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

In relation to cash flow hedges (forward foreign currency contracts) to hedge either highly probable anticipated purchases or firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in net profit or loss.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses that were previously recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

### ***Investments in foreign operations***

A foreign currency exposure arises from net investments in Group entities whose functional currency differs from the Group's presentation currency. The Group uses foreign currency loans to hedge foreign currency risk. This translation risk does not give rise to a cash flow exposure. Its impact only arises from the translation of the net investment in the Group's presentation currency.

### ***Deferred taxation***

Income tax expense represents the sum of the current tax and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates enacted at the balance sheet dates and that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in

the comprehensive income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### ***Exceptional items***

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

### ***Share-based payments***

The Group has an equity settled share based remuneration scheme for certain employees. The Parent 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 determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

### ***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 adjusted 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 are to include the following:

- exceptional income and charges. These are largely one-off in nature and therefore create volatility in reported earnings; and
- amortisation of intangible items and borrowing costs because of their non-cash nature and expected infrequency of the events giving rise to them.

### ***Key judgements by management***

The following areas represent the key judgements made by management in order to facilitate the preparation of the Group's financial statements:

#### ***Taxation***

The group is subject to taxation in numerous jurisdictions. Judgement is required in determining the world wide provision for income taxes as there are transactions for which the ultimate tax determination is uncertain.

#### ***Impairment reviews and discount rates***

The group tests intangible assets and goodwill for impairment in accordance with the stated accounting policy. The value in use calculations require the use of estimates of future activity and assessment of appropriate discount rates.

#### ***Key sources of estimation uncertainty***

The preparation of financial statements requires management to make judgements, estimates and assumptions. The key assumptions concerning the future, and other key sources of estimation uncertainty at

the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Impairment of goodwill and other intangible assets*

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets. In determining whether goodwill is impaired an estimation of value in use of the cash-generating units to which goodwill has been allocated has been prepared. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value (note 10).

#### *Provisions*

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, and are discounted to present value where the effect is material (note 17).

#### *Valuation of financial instruments at fair value*

Management makes a number of assumptions with regards to the models used to value financial instruments at their fair value at year end. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument (note 13).

#### *Intangible assets acquired in a business combination*

On acquisition of Group companies, the Group recognises any separately identifiable intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets will include purchased brands, customer relationships, trade marks and licenses. The determination of fair value requires the directors to estimate the useful economic life each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate (note 10).

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Net realisable value is based on current assessments of future demand, market conditions and new product development initiatives. Should demand for the Group's products decline further during the next financial year as a result of the current economic downturn, additional allowances may be necessary in respect of excess or slow-moving items (note 12).

#### *Defined benefit pension and post retirement benefit schemes*

The benefit obligation is 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 present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date. 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 note 19.

#### *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 (note 8).

### 3. Segmental analysis

#### *Product analysis*

The following tables present reported group revenue and profit and certain assets and liability information regarding the Group's product segments; which have been generated using group accounting policies, with no differences of measurement applied.

<i>Year ended 31 December 2010</i>	<i>United Kingdom £'000</i>	<i>United States £'000</i>	<i>Rest of the World £'000</i>	<i>Building products Total £'000</i>	<i>Oil and gas services United Kingdom £'000</i>	<i>Total £'000</i>
<b>Revenue</b>						
Revenue from continuing operations	94,676	117,179	40,609	252,464	13,748	266,212
Operating profit before exceptional items and amortisation of intangible assets	7,880	14,444	4,514	26,838	6,837	33,675
Amortisation of intangible assets				(11,749)	–	(11,749)
Exceptional items (note 4)						(395)
Operating profit						21,531
Net finance costs						(11,996)
Profit before taxation						9,535
Income tax (expense)						(2,488)
Profit after tax						7,047
<b>Other segment information</b>						
Segment Assets	106,843	266,565	57,610	431,018	17,384	448,402
Unallocated assets						5,667
						454,069
Segment liabilities	(35,607)	(43,826)	(5,846)	(85,279)	(4,782)	(90,061)
Unallocated segment liabilities				(118,729)		(118,729)
Unallocated group liabilities						(6,704)
				(204,008)		(215,494)
<b>Non-current assets</b>	75,425	234,508	45,693	355,626	11,725	367,351
<b>Capital expenditure:</b>						
– property, plant and equipment	1,268	1,542	446	3,256	58	3,314
– intangible assets	51	137	9	197	–	197
Cost of goods sold				169,468	3,935	173,403
Depreciation				6,449	44	6,493
Amortisation				11,749	–	11,749
Employee benefit liabilities				7,474	–	7,474
Goodwill allocation				212,110	11,421	223,531
Intangible asset allocation				104,709	–	104,709
Exceptional items (note 4)				146	–	146
Exceptional items – unallocated (note 4)						249

All revenue comprises amounts earned on amounts receivable from customers. There is no single external customer from whom significant revenue is generated.

Comparative segmental disclosure for the year ended 31 December 2009 is as follows:

	<i>United Kingdom</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Building products Total</i>	<i>Oil and gas services United Kingdom</i>	<i>Total</i>
<i>Year ended 31 December 2009</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>						
Revenue from continuing operations	79,718	105,666	43,647	229,031	12,590	241,621
Operating profit before exceptional items and amortisation of intangible assets	6,276	10,836	2,586	19,698	5,900	25,598
Amortisation of intangible assets				(11,533)	–	(11,553)
Exceptional items (note 4)						(2,055)
Operating profit						11,990
Net finance costs						(12,639)
Loss before taxation						(649)
Income tax credit						1,062
Profit after tax						413
<b>Other segment information</b>						
Segment Assets	105,451	268,622	62,588	436,661	20,550	457,211
Unallocated assets						111
						457,322
Segment liabilities	(32,944)	(43,348)	(7,485)	(83,777)	(2,150)	(85,927)
Unallocated segment liabilities				(140,975)		(140,975)
Unallocated group liabilities				–		(3,953)
				(224,752)		(230,855)
Non-current assets	74,391	241,087	48,881	364,359	11,727	376,086
Capital expenditure:						
– property, plant and equipment	906	1,054	158	2,118	26	2,144
– intangible assets	–	86	5	91	–	91
Cost of goods sold				157,384	3,720	161,104
Depreciation				(70)	70	–
Amortisation				11,553	–	11,553
Employee benefit liabilities				7,650	–	7,650
Goodwill allocation				208,429	11,421	219,850
Intangible asset allocation				114,148	–	114,148
Exceptional items (note 4)				335	–	335
Exceptional items – unallocated (note 4)						1,720

#### 4. Exceptional items

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Redundancy and restructuring costs	151	695
Other corporate costs including EGM costs	244	708
Costs associated with negotiating new debt facilities	–	1,232
Other	–	(580)
	395	2,055



## 5. Operating profit

Operating profit is stated after charging the following:

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment – owned assets	6,294	6,520
Depreciation of property, plant and equipment – leased assets	199	221
Amortisation of intangible assets	11,749	11,553
Operating lease rentals – land and buildings	4,009	3,924
Fees payable to the Company's auditors for the audit of the Group accounts	94	91
Fees payable to the Company's auditors or their associates for other services:		
– Audit of the Company's subsidiaries	399	392
– Tax, general and other services	31	70
Foreign exchange loss	254	101

## 6. Employees

### *Number of employees*

The average monthly number of employees (including directors) of the Group during the financial year was:

	2010 Number	2009 Number
Administration	217	236
Sales	176	170
Operations	1,697	1,635
	2,090	2,041

The number of employees (including directors) of the Group as at 31 December 2010 was:

	2010 Number	2009 Number
Administration	230	227
Sales	200	167
Operations	1,574	1,609
	2,004	2,003

### *Employment costs*

Employment costs of these employees during the year were as follows:

	2010 £'000	2009 £'000
Wages and salaries	51,508	49,880
Social Security costs	5,547	5,466
Pension costs – defined contribution schemes	1,037	820
Pension costs – defined benefit schemes	1,035	798
Share based payments	63	23
	59,190	56,987

### ***Directors' remuneration***

The remuneration payable to directors was as follows:

	2010 £'000	2009 £'000
Salary/fees	834	1,266
Bonuses	171	510
Benefits	57	4
Share-based payments	6	18
Severance payments	333	481
<b>Total</b>	<b>1,401</b>	<b>2,279</b>

### **7. Finance revenue and costs**

	2010 £'000	2009 £'000
<b>Finance income</b>		
Bank interest receivable	566	450
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	(9,429)	(9,901)
Amortisation of borrowing costs	(2,295)	(2,125)
Ineffective portion of changes in value of cash flow hedges	(26)	(45)
Finance charges payable under finance lease and hire purchase contracts	(1)	(29)
Unwinding of discount on provisions	(559)	(634)
Pension scheme and other finance costs	(252)	(355)
Total finance costs	(12,562)	(13,089)
<b>Net finance costs</b>	<b>(11,996)</b>	<b>(12,639)</b>

### **8. Taxation**

#### **(a) Tax on profit on ordinary activities**

##### **Income tax in the income statement**

	2010 £'000	2009 £'000
<b>Current income tax:</b>		
UK Corporation tax	755	798
Foreign tax	5,090	905
Current income tax charge	5,845	1,703
Adjustments in respect of prior periods	(497)	(766)
Total current income tax	5,348	937
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(2,216)	(1,911)
Change in UK statutory tax rates	(892)	–
Adjustments in respect of prior periods	248	(88)
Total deferred tax	(2,860)	(1,999)
<b>Income tax expense/(credit) in the income statement</b>	<b>2,488</b>	<b>(1,062)</b>

Tax relating to items charged or credited directly to other comprehensive income.

	2010	2009		
	£'000	£'000		
<b>Deferred tax:</b>				
Actuarial gains and losses on pension schemes	(40)	(477)		
<b>Income tax expense in the statement of comprehensive income</b>	<u>(40)</u>	<u>(477)</u>		
(b) <b>Reconciliation of the total tax charge</b>				
The tax assessed for the year differs from the standard rate of tax in the UK of 28 per cent. (2009: 28 per cent.). The differences are explained below:				
	2010	2009		
	£'000	£'000		
Profit/(loss) from continuing operations before taxation	9,535	(649)		
Rate of corporation tax in the UK of 28% (2009: 28%)	2,670	(182)		
Effects of:				
Expenses not deductible/(income not taxable) for tax purposes	167	(158)		
Overseas tax rate differences	790	182		
Change in UK statutory tax rates	(892)	–		
Other movements	–	(50)		
Adjustment in respect of prior periods	(247)	(854)		
<b>Income tax expense/(credit) in the income statement</b>	<u>2,488</u>	<u>(1,062)</u>		
(c) <b>Deferred tax</b>				
Deferred income tax at 31 December relates to the following:				
	<i>Group balance sheet</i>		<i>Group income statement</i>	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
<b>Deferred tax liability</b>				
Intangible assets on acquisition	(22,808)	(24,527)	(4,271)	(3,230)
Other	(561)	(1,564)	1,241	795
	<u>(23,369)</u>	<u>(26,091)</u>	<u>(3,030)</u>	<u>(2,435)</u>
<b>Deferred tax assets</b>				
Post-employment benefits	1,705	1,640	–	–
Purchased goodwill	4,612	4,761	290	592
Other	1,337	1,391	(120)	(156)
	<u>7,654</u>	<u>7,792</u>	<u>170</u>	<u>436</u>
<b>Deferred income tax (income)</b>			<u>(2,860)</u>	<u>(1,999)</u>
<b>Deferred tax liabilities net</b>	<u>(15,715)</u>	<u>(18,299)</u>		
Reflected in the balance sheet as follows:				
Deferred tax assets	7,654	7,792		
Deferred tax liabilities	(23,369)	(26,091)		
<b>Deferred tax liabilities net</b>	<u>(15,715)</u>	<u>(18,299)</u>		
(d) <b>Factors that may affect future tax charges</b>				
There are estimated tax losses of £9,980,000 (2009: £13,296,000) within the Group, comprising capital losses of £7,348,000 and trading losses of £2,632,000. As the future use of these losses is uncertain, in accordance with the Group's accounting policy, no deferred tax asset has been recognised in respect of them.				

The amounts of deferred tax not recognised are as follows:

	2010 £'000	2009 £'000
Tax losses	(785)	(1,666)
Capital losses	(2,057)	(2,057)
	<u>(2,842)</u>	<u>(3,723)</u>

## 9. Earnings per share

Basic earnings per share 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 equity holders 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 dilutive potential ordinary shares into ordinary shares.

	2010 £'000	2009 £'000
Weighted average number of shares (including treasury shares)	137,287	137,287
Treasury shares	(7,447)	(7,447)
Weighted average number of shares – basic	<u>129,840</u>	<u>129,840</u>
Effect of dilutive potential ordinary shares – options	1,967	–
Weighted average number of shares – diluted	<u>131,807</u>	<u>129,840</u>

The effect of dilutive potential ordinary shares above is nil in 2009 due to the average market value of the shares being less than the option price.

### *Earnings per share from continuing operations before exceptional items*

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

To this end, basic and diluted underlying Earnings per Share information is presented as an additional measure and using the weighted average number of ordinary shares for both basic and diluted amounts as per the table above. Underlying earnings are derived as follows:

	2010 £'000	2009 £'000
Profit for the year from continuing operations	7,047	413
Exceptional costs	395	2,055
Amortisation of intangible assets, unwinding discount on provisions and amortisation of borrowing costs	14,603	14,312
Adjustment due to deferred tax rate change	(892)	–
Tax effect on exceptional costs, amortisation of intangible assets, unwinding discount on provision and amortisation of borrowing costs	<u>(4,199)</u>	<u>(4,582)</u>
Underlying profit after tax	<u>16,954</u>	<u>12,198</u>
Underlying basic earnings per share	<u>13.06p</u>	<u>9.39p</u>
Underlying diluted earnings per share	<u>12.86p</u>	<u>9.39p</u>

## 10. Intangible assets

	<i>Computer software £'000</i>	<i>Acquired brands £'000</i>	<i>Customer relations £'000</i>	<i>Goodwill £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 January 2009	598	34,979	124,517	234,085	394,179
Additions	–	91	–	–	91
Amounts written off	(307)	–	–	–	(307)
Exchange difference	(46)	(2,057)	(8,917)	(14,235)	(25,255)
At 31 December 2009	245	33,013	115,600	219,850	368,708
Additions	119	78	–	–	197
Amounts written off	(7)	–	–	–	(7)
Exchange difference	–	489	2,197	3,681	6,367
<b>At 31 December 2010</b>	<b>357</b>	<b>33,580</b>	<b>117,797</b>	<b>223,531</b>	<b>375,265</b>
<b>Amortisation</b>					
At 1 January 2009	53	7,176	17,690	–	24,919
Amortisation for the year	26	3,294	8,233	–	11,553
Exchange difference	(4)	(528)	(1,230)	–	(1,762)
At 31 December 2009	75	9,942	24,693	–	34,710
Amortisation for the year <sup>1</sup>	102	3,346	8,301	–	11,749
Amounts written off	(7)	–	–	–	(7)
Exchange difference	–	175	398	–	573
<b>At 31 December 2010</b>	<b>170</b>	<b>13,463</b>	<b>33,392</b>	<b>–</b>	<b>47,025</b>
<b>Net book value</b>					
<b>At 31 December 2010</b>	<b>187</b>	<b>20,117</b>	<b>84,405</b>	<b>223,531</b>	<b>328,240</b>
At 31 December 2009	170	23,071	90,907	219,850	333,998

**Note:**

1. Amortisation for the year is included in administrative expenses in the income statement.

### *Impairment tests for goodwill*

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash-generating units (“CGU”) are determined from value in use calculations. The CGU’s have been defined as the three groups of businesses acquired that each generated the current goodwill and intangibles assets, namely Gall Thomson, and the two Building Products acquisitions. The net book value of the intangible assets and goodwill is analysed by CGU below:

	<i>Intangible Assets</i>		<i>Goodwill</i>	
<i>CGU</i>	<i>2010 £'000</i>	<i>2009 £'000</i>	<i>2010 £'000</i>	<i>2009 £'000</i>
LSS	86,748	92,959	158,443	154,986
Schlegel	17,962	21,190	53,667	53,444
Gall Thomson	–	–	11,420	11,420
	<b>104,709</b>	<b>114,148</b>	<b>223,531</b>	<b>219,850</b>

Cash flow projections are derived from financial plans approved by the Board and cover a three year period. They reflect management’s expectations of revenue growth, operating cost and margin for each CGU based on past experience. Cash flows beyond the first three years have been extrapolated using revenue growth rates averaging 3 per cent. After the five year forecast period, no further growth in revenue and profit has

been assumed based on a prudent view of long term growth rates. A pre-tax discount rate of 11 per cent. has been applied to cash flow projections reflecting management's view that similar risk profiles exist for each CGU.

The forecasts are most sensitive to changes considered possible by management in projected revenue growth rates in the first three years of the forecast period. Total future forecast revenue would have to be perpetually 9 per cent. lower than currently projected before a possible impairment charge would be indicated.

Certain brands and trade-marks with a book value of £3,230,000 (2009: £3,330,000) are considered to have an indefinite life. This applies to those brands and trademarks which, as a result of their excellent reputation with their core customer base, and being well regarded in their market places command a significant share of the markets in which they operate.

## 11. Property, plant and equipment

	<i>Freehold land and buildings £'000</i>	<i>Plant and Machinery £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 January 2009	15,871	66,054	81,925
Additions	346	1,798	2,144
Disposals	–	(6,110)	(6,110)
Exchange difference	(1,014)	(3,873)	(4,887)
At 31 December 2009	15,203	57,869	73,072
Additions	99	3,215	3,314
Disposals	–	(1,713)	(1,713)
Exchange difference	83	710	793
<b>At 31 December 2010</b>	<b>15,385</b>	<b>60,081</b>	<b>75,466</b>
<b>Accumulated depreciation</b>			
At 1 January 2009	2,486	37,776	40,262
Charge for the year	541	6,200	6,741
Disposals	–	(5,938)	(5,938)
Exchange difference	(138)	(2,151)	(2,289)
At 31 December 2009	2,889	35,887	38,776
Charge for the year	376	6,117	6,493
Disposals	–	(1,637)	(1,637)
Impairment	–	200	200
Exchange difference	19	158	177
<b>At 31 December 2010</b>	<b>3,284</b>	<b>40,725</b>	<b>44,009</b>
<b>Net book value</b>			
<b>At 31 December 2010</b>	<b>12,101</b>	<b>19,356</b>	<b>31,457</b>
At 31 December 2009	12,314	21,982	34,296

Depreciation in the year of £6,493,000 is included in administrative costs in the income statement.

The carrying value of plant and machinery held under finance leases and hire purchase contracts at 31 December 2010 was £15,000 (2009: £18,000).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

## 12. Inventories

	2010	2009
	£'000	£'000
Raw materials and consumables	14,726	15,465
Work-in-progress	2,499	1,900
Finished goods	8,823	8,671
	<u>26,048</u>	<u>26,036</u>

The cost of materials charged to the income statement during the year ended 31 December 2010 was £119,936,000 (2009: £116,149,000). As at 31 December 2010, inventories are stated net of an allowance for excess, obsolete or slow-moving items of £7,449,000 (2009: £7,370,000).

## 13. Derivative financial instruments

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Interest rate swaps	–	(1,998)	–	(2,489)
Interest rate cap	–	–	–	(45)
Cash flow hedges	<u>–</u>	<u>(1,998)</u>	<u>–</u>	<u>(2,534)</u>

### *Cash flow hedges*

The Group uses interest rate swaps to hedge the cash flows from floating rate borrowings and these cash flows will occur within two years of the balance sheet date.

The full fair value of the hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the hedged item is less than 12 months. Fair value measurements are based on quoted prices in active markets for the same instrument.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2010 were £120.5 million (2009: £58.4 million).

At 31 December 2010 the fixed interest rate was 1.85 per cent. (2009: 5.025 per cent.) on the US denominated swaps (\$112.5 million). 2.045 per cent. and 1.88 per cent. (2009: nil) were the interest rates fixed on two swap contracts with notional principals at 31 December 2010 of £35.4 million and £12.4 million respectively.

Gains and losses recognised in the hedging reserve on interest rate swap and cap contracts as of 31 December 2010 will be continually released to the income statement until the repayment of the bank borrowings (Note 16).

### *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. The value of the net investment hedge was £33,438,000 at 31 December 2010 (2009: £28,927,000).

## 14. Trade and other receivables

	2010	2009
	£'000	£'000
Trade receivables	28,173	24,935
Other receivables	860	1,475
Prepayments and deferred income	3,889	3,440
	<u>32,922</u>	<u>29,850</u>



All amounts are short term. The carrying amounts are considered to be a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired and a provision of £2,360,000 (2009: £1,909,000) has been recorded. The individually impaired receivables mainly relate to customers affected by the unexpected difficult economic situation.

At 31 December 2010 trade receivables of £27,182,000 (2009: £23,528,000) were considered to be fully performing.

Trade receivables of £991,000 (2009: £1,407,000) were past due but not impaired as at 31 December 2010.

These relate to customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Trade receivables within normal payment terms and considered to be fully performing	25,389	23,528
Trade receivables within normal payment terms but considered not to be fully performing	913	–
Trade receivables past due date and aged up to three months from invoice date	1,780	1,407
Trade receivables past due and aged between three and twelve months after the invoice date	91	–
<b>Trade receivables</b>	<u>28,173</u>	<u>24,935</u>

Movements in the Group provisions for impairment of trade receivables are as follows, which are included in administrative expenses in the income statement:

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January	1,909	1,586
Provision for receivables impairment	974	1,086
Receivables written off in year	(336)	(608)
Unused amounts released	(207)	(155)
Other	–	56
Exchange differences	20	(56)
At 31 December	<u>2,360</u>	<u>1,909</u>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Pounds	14,394	14,477
US Dollars	11,520	9,091
Euros	4,242	4,684
Other currencies	2,766	1,598
	<u>32,922</u>	<u>29,850</u>

**15. Trade and other payables**

	2010 £'000	2009 £'000
Trade payables	19,773	18,045
Other taxes and social security costs	2,596	2,007
Accruals and accrued income	17,996	16,763
	<u>40,365</u>	<u>36,815</u>

The carrying amounts are considered to be a reasonable approximation of fair value.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2010 £'000	2009 £'000
Pounds	21,391	18,727
US Dollars	13,413	11,360
Euros	3,468	3,049
Other currencies	2,093	3,679
	<u>40,365</u>	<u>36,815</u>

**16. Interest-bearing loans and borrowings**

	2010 £'000	2009 £'000
<b>Current</b>		
Bank borrowings	5,163	3,063
Obligations under finance leases and hire purchase contracts	9	8
	<u>5,172</u>	<u>3,071</u>
<b>Non-current</b>		
Bank borrowings	114,304	132,887
Obligations under finance leases and hire purchase contracts	1	10
	<u>114,305</u>	<u>132,897</u>
<b>Minimum lease payments due under finance leases are as follows:</b>		
Less than one year	9	8
1 to 5 years	1	10
	<u>10</u>	<u>18</u>

All the bank borrowings are secured over the majority of the Building Products Division assets. In addition the Company has given the banks a share pledge over its shares in Gall Thomson.

The Group also has revolving credit facilities of \$10,015,000 and £5,000,000 neither of which were drawn down at 31 December 2010.

The carrying amounts of the Group's borrowings approximate to their fair value and are denominated in the following currencies:

	2010 £'000	2009 £'000
Pounds	46,867	57,352
US Dollars	72,610	78,616
	<u>119,477</u>	<u>135,968</u>

There were no defaults of interest payments in the year under the terms of the loan agreements.

## 17. Provisions

	<i>Property related £'000</i>	<i>Restructuring £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At 1 January 2009	13,459	3,202	3,780	20,441
Provided during the year	932	361	647	1,940
Utilised during the year	(1,758)	(954)	(269)	(2,981)
Released during the year	(110)	(1,711)	(62)	(1,883)
Re-categorisation	–	–	3,100	3,100
Unwinding of discount	634	–	–	634
Exchange differences	(69)	(167)	–	(236)
At 31 December 2009	13,088	731	7,196	21,015
Provided during the year	142	412	607	1,161
Utilised during the year	(1,604)	(472)	(439)	(2,515)
Released during the year	(565)	(307)	(800)	(1,672)
Unwinding of discount	559	–	–	559
Exchange differences	13	12	–	25
<b>At 31 December 2010</b>	<b>11,633</b>	<b>376</b>	<b>6,564</b>	<b>18,573</b>
Current liabilities	1,293	376	1,915	3,584
Non-current liabilities	10,340	–	4,649	14,989
<b>Total</b>	<b>11,633</b>	<b>376</b>	<b>6,564</b>	<b>18,573</b>

The property related provisions represent the estimated net present value of future costs for lease rentals, dilapidations and other property costs for facilities that are surplus to business requirements. The leases have terms of up to seven years to expiry.

Other provisions comprise product liability, taxation and inventory related provisions.

## 18. Financial instruments: risk profile

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, 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.

### *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 Poors. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance by these counterparties.

Credit risk is also attributable to the Group's exposure to trade receivables due from wholesale 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 Groups 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, as summarised below:

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Classes of financial instruments – carrying amounts		
Cash and cash equivalents	27,748	24,955
Trade and other receivables	32,922	29,850
<b>At 31 December</b>	<u>60,670</u>	<u>54,805</u>

Management considers that all the above 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 2010 the Group operated within its borrowing facilities.

The table below analyses the Group's financial liabilities, which are classified as level 3, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, including interest payments under cash flow hedges.

	<i>Less than 1 year £'000</i>	<i>Between 1 and 2 yrs £'000</i>	<i>Between 2 and 5 yrs £'000</i>	<i>Total £'000</i>
Borrowings	5,172	114,305	–	119,477
Derivative financial instruments	–	1,998	–	1,998
Interest cash flows on debt and derivatives, settled net	6,040	2,905		8,945
Trade and other payables	40,365	1,559	–	41,924
<b>At 31 December 2010</b>	<u>51,577</u>	<u>120,767</u>	<u>–</u>	<u>172,344</u>
Borrowings	3,071	6,755	126,142	135,968
Derivative financial instruments	2,534	–	–	2,534
Interest cash flows on debt and derivatives, settled net	9,071	8,945	4,278	2,534
Trade and other payables	36,815	782	–	37,597
<b>At 31 December 2009</b>	<u>51,491</u>	<u>16,482</u>	<u>130,420</u>	<u>178,633</u>

### **Interest rate risk**

The Group has an overdraft facility, but this was not used for borrowing purposes. The interest rate profile of the Group's borrowings as at 31 December 2010 was as follows:

	<i>Floating rate liabilities £'000</i>	<i>Fixed rate liabilities £'000</i>	<i>Total £'000</i>
Pounds	46,867	–	46,867
US Dollars	72,600	10	72,610
<b>At 31 December 2010</b>	<b>119,467</b>	<b>10</b>	<b>119,477</b>
Pounds	57,352	–	57,352
US Dollars	78,598	18	78,616
<b>At 31 December 2009</b>	<b>135,950</b>	<b>18</b>	<b>135,968</b>

The interest rate on the floating rate bank loans are linked to LIBOR.

The Group took out a swap agreement which was effective from 12 June 2007 and covered the period until 30 September 2010 and the economic effect was to partially fix the interest rate for the borrowings for the LSSD acquisition.

The Group entered into an interest rate cap transaction which was effective from 12 June 2007 and covered the period until 30 September 2010. The economic effect was to cap the rate at which interest is payable on 50 per cent. of the \$240 million loan facility at 5.5 per cent.

On 10 February 2010, Jasper Acquisition Holdings Limited entered into new interest swap agreements with the economic effect of fixing the USD denominated debt related to the LSS acquisition in excess of the existing swap agreement at an interest rate of 1.85 per cent. per annum. The GBP denominated debt related to the LSS acquisition was fixed at an interest rate of 2.045 per cent. All the swap agreements cover the period from 30 March 2010 to 02 July 2012.

On 9 April 2010, a GBP swap agreement was entered into by Schlegel Acquisition Holdings Limited, with the economic effect of fixing the debt related to the Schlegel acquisition at an interest rate of 1.88 per cent. The swap agreement covers the period from 30 June 2010 to 02 July 2012.

	<i>Floating rate borrowings £'000</i>	<i>Covered by interest rate swaps £'000</i>	<i>Swap fixed rate %</i>
<b>At 31 December 2010</b>			
Pounds*	47,914	47,800	2.006
US Dollars*	74,483	72,717	1.850
	<b>122,397</b>	<b>120,517</b>	
<b>At 31 December 2009</b>			
Pounds	–	–	–
US Dollars*	81,913	58,388	5.025
	<b>81,913</b>	<b>58,388</b>	

\* These amounts exclude capitalised loan fees.

### **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 2.15 per cent. during the year (2009: 1.98 per cent.).

### **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, the Euro, the RMB and the Australian Dollar. Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group's presentational 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.

Overseas subsidiaries are responsible for managing transactional foreign exchange risk arising from future commercial and financing transactions and recognised assets and liabilities in currencies other than their functional currency, usually by using forward currency contracts.

	2010	2009
<b>Closing rates</b>		
US Dollars	1.5471	1.5928
Euros	1.1675	1.1113
<b>Average rates</b>		
US Dollars	1.5463	1.5659
Euros	1.1661	1.1230

### **Foreign currency exchange rate sensitivity**

The Group receives approximately 44 per cent. of its revenues and incurs approximately 43 per cent. of its costs in USD. The Group is therefore sensitive to movements in the USD against GBP. Each five cent movement in the USD to GBP exchange rate has circa £0.4 million impact on operating profits. Offsetting this will be reductions to USD interest and US tax liabilities. This analysis assumes all other variables, including interest rates, remain constant.

The Group receives approximately 11 per cent. of its revenues and incurs approximately 10 per cent. of its costs in Euros. Each five cent movement in the Euro to GBP exchange rate has a circa £0.2 million impact on operating profits. Offsetting this will be reductions to euro interest and euro tax liabilities. This analysis assumes all other variables, including interest rates, remain constant.

Additionally the Group incurs approximately 7 per cent. of its costs in Chinese Renminbi ("RMB"). Each RMB 0.40 movement in the RMB to GBP exchange rate has a circa £0.6 million impact on operating profits.

The impact of movements in other exchange rates is immaterial.

Foreign currency financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	<i>USD</i> <i>£'000</i>	<i>Euros</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<b>Short term exposure</b>				
Financial assets	18,818	6,323	3,445	28,586
Financial liabilities	(16,031)	(3,468)	(2,093)	(21,592)
<b>At 31 December 2010</b>	<u>2,787</u>	<u>2,855</u>	<u>1,352</u>	<u>6,994</u>
<b>Long term exposure</b>				
Financial assets	—	—	—	—
Financial liabilities	(75,322)	(153)	(30)	(75,505)
<b>At 31 December 2010</b>	<u>(75,322)</u>	<u>(153)</u>	<u>(30)</u>	<u>(75,505)</u>

	<i>USD</i> <i>£'000</i>	<i>Euros</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<b>Short term exposure</b>				
Financial assets	15,768	7,381	2,411	25,560
Financial liabilities	(15,159)	(3,049)	(3,679)	(21,887)
At 31 December 2009	<u>609</u>	<u>4,332</u>	<u>(1,268)</u>	<u>3,673</u>
<b>Long term exposure</b>				
Financial assets	–	–	–	–
Financial liabilities	(80,717)	(205)	–	(80,922)
At 31 December 2009	<u>(80,717)</u>	<u>(205)</u>	<u>–</u>	<u>(80,922)</u>

## 19. Pensions and other post-employment benefit plans

### 19.1 *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 unpaid pension contributions of £38,000 (2009: £40,000) included within employee benefit liabilities.

### 19.2 *Defined benefit pension and post retirement benefit schemes*

The Group's principal defined benefit pension scheme and post-retirement healthcare scheme is operated in the USA. An actuarial valuation was last performed as at 31 December 2010. When revalued, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the net periodic benefit cost; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

The current service cost and any past service costs are included in the income statement within operating expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income and costs. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

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 scheme and post retirement healthcare scheme in the year to December 2011 is £1,266,000 (2010: £821,000).

Other defined benefit pension schemes had net liabilities of £230,000 (2009: £152,000).

Amounts recognised in the income statement in respect of the defined benefit pension and post retirement benefit schemes:

	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
<b>Included in operating profit</b>		
Current service cost	<u>255</u>	<u>216</u>
<b>Included in finance income and costs</b>		
Interest cost	1,009	995
Expected return on plan assets	<u>(757)</u>	<u>(640)</u>
	<u>252</u>	<u>355</u>



The major assumptions used by the actuary were:

	<i>31 December 2010</i>	<i>31 December 2009</i>
Rate of increase in salaries	n/a	n/a
Long term rate of inflation	3%	3%
Rate of increase in pensions in payment	0.0%	0.0%
Discount Rate	5.5%	5.75%
Health care cost trend <sup>1</sup>	<u>9.0%–5.0%</u>	<u>8.25%–5.0%</u>

**Note:**

1. The level of healthcare contributions are capped and adopting a higher trend rate does not materially affect the liability.

The mortality assumptions employed in determining the present value of scheme liabilities under IAS 19 are in accordance with the underlying funding valuations and represented actuarial best practice in the relevant jurisdictions taking account of mortality experience and industry circumstances.

Amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit pension and post retirement benefit schemes:

	<i>2010 £'000</i>	<i>2009 £'000</i>
Actual return on plan assets	1,380	1,713
Expected return on plan assets	<u>(757)</u>	<u>(640)</u>
Experience gain/(loss) on assets	623	1,073
Experience gain/(loss) on liabilities	<u>(481)</u>	<u>(2,682)</u>
Net loss before exchange	142	(1,609)
Foreign exchange differences	<u>(219)</u>	<u>683</u>
Amounts recognised during the year	<u>(77)</u>	<u>(926)</u>

Changes in the present value of the benefit obligation were as follows:

	<i>2010 £'000</i>	<i>2009 £'000</i>
<i>Change in defined benefit obligation</i>		
Defined benefit obligation at beginning of year	17,440	15,822
Current service cost	255	216
Interest cost	1,009	995
Actuarial loss	481	2,682
Benefits paid	<u>(834)</u>	<u>(784)</u>
Foreign exchange	515	(1,491)
Defined benefit obligation at end of year	<u>18,866</u>	<u>17,440</u>

Changes in the fair value of plan assets were as follows:

	<i>2010 £'000</i>	<i>2009 £'000</i>
<i>Change in plan assets</i>		
Fair value of plan assets at beginning of year	9,942	8,506
Actual return on plan assets	1,380	1,713
Employer contributions	841	1,317
Plan participant contributions	67	–
Benefits paid	<u>(901)</u>	<u>(784)</u>
Foreign exchange	293	(810)
Fair value of plan assets at end of year	<u>11,622</u>	<u>9,942</u>

The fair value of plan assets by asset category was as follows:

	2010	2009
<i>Plan assets by category</i>	<i>£'000</i>	<i>£'000</i>
Equity securities	7,414	6,535
Debt securities	3,473	2,864
Real estate	734	543
Other	1	—
<b>Total</b>	<b>11,622</b>	<b>9,942</b>

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income since acquiring the pension obligations in April 2007 is as follows:

	<i>£'000</i>
Recognised in 2007 financial year	(105)
Recognised in 2008 financial year	(3,669)
Recognised in 2009 financial year	(926)
Recognised in 2010 financial year	(77)
Cumulative actuarial loss recognised in the consolidated statement of comprehensive income	(4,777)

<i>History of scheme assets, liabilities and actuarial gains and losses</i>	2010	2009	2008	2007	2006
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fair value of plan assets at the end of the year	11,555	9,942	8,506	7,245	7,277
Defined benefit obligation at end of year	(18,866)	(17,440)	(15,822)	(10,503)	(10,552)
Deficit at the end of the year	(7,311)	(7,498)	(7,316)	(3,258)	(3,275)
Actual return less expected return on scheme assets	623	1,073	(2,392)	(335)	3
% of scheme assets	5.4%	10.8%	(28.1)%	(4.6)%	0.0%
Experience (loss)/gain arising on scheme obligations (present value)	(481)	(2,682)	(799)	182	65
% of scheme obligations (present value)	2.5%	15.4%	5.0%	(1.7)%	(0.6)%

## 20. Share capital

	<i>Number of shares</i>	<i>Ordinary shares of 5p each</i>
	<i>£'000</i>	<i>£'000</i>
31 December 2009 and 31 December 2010	137,287	6,864

The total authorised number of ordinary shares is 180,000,000 (2009: 180,000,000) with a par value of 5p per share (2009: 5p per share). All issued shares are fully paid. 7,446,683 ordinary shares (2009: 7,446,683) are held by the Company as treasury shares.

### *Share-based payments*

In 2010 the Group operated two share schemes: the 2008 Share Option Scheme and the LTIP.

For the purposes of assessing the income statement change under IFRS 2, the options awarded under the 2008 Share Option Scheme were valued using a Black Scholes model. The nil cost options awarded under the LTIP were valued using a probability model to predict EPS levels. The charge to the income statement in 2010 was £63,000 (2009: £23,000).

### **2008 Share Option Scheme**

Share options were granted under the 2008 Share Option Scheme to executive directors and managers in July 2008. The Remuneration Committee has resolved that no further options will be granted under the 2008 Share Option Scheme. The exercise price was the market price at the close of business on the day preceding the date of grant. Options are exercisable three years after the date of grant provided the participant remains an employee of the Group and performance targets for earnings per share growth are met.

The fair value per option granted under the 2008 Share Option Scheme and the assumptions used in the calculation of the share-based payment charge are as follows:

<i>2008 Share Option Scheme</i>	
Valuation model	Black Scholes
Date of grant	25 July 2008
Number granted	6,475,000
Share price at date of award	38 pence
Fair value (pence)	8 pence
Exercise price (pence)	38 pence
Expected volatility (per cent. p.a.)	35%
Expected dividends (per cent. p.a.)	1.5%
Vesting period	3 years
Vesting conditions	Continuous service and cumulative Underlying EPS in 2010 in range of 13.52 to 14.58 pence

As the vesting conditions for the 2008 Share Option Scheme have not been met, all outstanding options will lapse upon the signing of these accounts.

Movements in the number of share options outstanding and their related weighted average exercise price ("WAEP") are as follows:

	<i>2010</i>		<i>2009</i>	
	<i>Number of options £'000</i>	<i>WAEP</i>	<i>Number of options £'000</i>	<i>WAEP</i>
At 1 January	4,400	38.00p	6,475	38.00p
Lapsed	—	—	(2,075)	38.00p
<b>31 December</b>	<u>4,400</u>	<u>38.00p</u>	<u>4,400</u>	<u>38.00p</u>

### **LTIP**

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 grant at no cost to the employee. The percentage of shares that will actually vest is dependent upon the Group's earnings per share growth over a three year measurement period ending 31 December 2013. 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:

	<i>LTIP</i>
Valuation model	Probability model to predict EPS levels
Date of grant	11 December 2010
Number granted	1,413,000
Share price at date of award	107 pence
Fair value (pence)	34 pence
Exercise price (pence)	Nil pence
Expected life of award	3 years
Vesting conditions	Continuous service and cumulative Underlying EPS over 3 years 2011 to 2013 in range of 38 to 47 pence

Movements in the number of outstanding conditional awards of shares are as follows:

	<i>2010</i>	<i>2009</i>
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January	—	—
Granted	1,413	—
31 December	<u>1,413</u>	<u>—</u>

## **21. Dividends**

No dividends were declared or paid in 2010 (2009: nil). A dividend of 2.0 pence per ordinary share has been proposed by the Directors for approval at the forthcoming AGM.

## **22. Adjustments to cash flows from operating activities**

The following non-cash and financing adjustments have been made to profit/(loss) before tax for the year to arrive at operating cash flow:

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Net finance costs	11,996	12,639
Depreciation	6,493	6,741
Amortisation	11,749	11,553
Intangible and Fixed assets written off	76	479
Non cash adjustments	289	1,404
Share based payments	63	23
	<u>30,666</u>	<u>32,839</u>

## **23. Contingent liabilities**

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Financial guarantees	983	1,253
Performance bonds	9	9
	<u>992</u>	<u>1,262</u>

The Group has guarantees amounting to £983,000 (2009: £1,253,000). These guarantees principally relate to letters of credit provided by banks in respect of workmens' compensation claims on which no losses are

anticipated. These guarantees are defined as financial guarantees under IAS39 and their fair value at 31 December 2010 was £nil (2009: £nil).

## 24. Financial 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 value of future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and Buildings</i>	
	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	3,422	3,723
After one year but more than five years	12,717	9,709
Over five years	7,106	7,959
	<hr/>	<hr/>
	<i>Other</i>	
	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	410	554
After one year but more than five years	537	588
Over five years	62	2
	<hr/>	<hr/>

## 25. Investments in subsidiaries

Details of the principal subsidiaries of the Group, all of which are wholly owned, are as follows:

	<i>Country of incorporation</i>	<i>Nature of business</i>
Gall Thomson Environmental Limited	UK	Oil services
KLAW Products Limited*	UK	Industrial couplings
Octroi Group Limited	UK	Investment company
Lupus Capital Management Limited	UK	Management services
Schlegel Acquisition Holdings Limited	UK	Holding company
Schlegel UK (2006) Limited*	UK	Building products
Schlegel System Inc	USA	Building products
Schlegel Australia Pty Limited*	Australia	Building products
Schlegel GmbH*	Germany	Building products
Schlegel Belgium BVBA*	Belgium	Building products
Schlegel SRL*	Italy	Building products
Schlegel Taliana SL*	Spain	Building products
Jasper Acquisition Holdings Limited	UK	Holding company
Jasper Acquisition Limited*	UK	Holding company
Amesbury Acquisition Holdings (No 2) Inc*	USA	Holding company
Amesbury Industries Inc*	USA	Building products
Amesbury Finance Holdings LLC*	USA	Holding company
Lupus Investments Unlimited Company*	UK	Investment company
Amesbury Door Hardware Inc (SD)*	USA	Building products
Amesbury Group Inc*	USA	Holding company
Amesbury Group Plastic Profiles Inc*	USA	Building products
Bandlock Corporation Inc*	USA	Building products
Balance Systems Inc*	USA	Building products
Fastek Products Inc*	USA	Building products
grouphomesafe Limited*	UK	Holding company
Balance UK Limited*	UK	Building products
ERA Products Limited*	UK	Building products

	<i>Country of incorporation</i>	<i>Nature of business</i>
EWS (Manufacturing) Limited*	UK	Building products
Intron Limited*	UK	Building products
LSH (UK) Limited*	UK	Building products
Linear Limited*	UK	Building products
Lindman Group Limited*	UK	Building products
Securidor Holdings Limited*	UK	Building products
Ventrolla Limited*	UK	Building products

\* Held by a subsidiary.

## **26. Related party transactions**

### ***Directors***

During the financial year, no contracts of significance other than those disclosed within directors' remuneration were entered into by the Group or any of its subsidiaries in which the directors had a material interest.

### ***Key management compensation***

Compensation for directors who have the sole responsibility for planning, directing and controlling the Group is disclosed in note 6.

Transactions between the Company and its subsidiaries, which are related parties are eliminated on consolidation.

## **27. Post Balance Sheet Events**

There have been no post balance sheet events which the Group must disclose.

### ***Independent auditor's report to the members of Lupus Capital plc***

We have audited the parent company financial statements of Lupus Capital plc for the year ended 31 December 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### ***Respective responsibilities of directors and auditors***

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

### ***Scope of the audit of the financial statements***

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

***Opinion on financial statements***

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

***Opinion on other matter prescribed by the Companies Act 2006***

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

***Matters on which we are required to report by exception***

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

- 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

***Other matter***

We have reported separately on the group financial statements of Lupus Capital plc for the year ended 31 December 2010.

**Charles Hutton-Potts BSc, FCA**

*Senior Statutory Auditor*

for and on behalf of Grant Thornton UK LLP

*Statutory Auditor, Chartered Accountants*

London

23 March 2011



## PART XVI

### HISTORICAL FINANCIAL INFORMATION RELATING TO TRUTH HARDWARE

#### Part A: Accountant's report on the Historical Financial Information relating to Truth Hardware



The Directors  
Tyman PLC  
65 Buckingham Gate  
London  
SW1E 6AS

N M Rothschild & Sons Limited (the “**Sponsor**”)  
New Court  
St Swithin’s Lane  
London  
EC4N 8AL

1 May 2013

Dear Sirs

#### **Truth Corporation and Atlas (“Truth Hardware”)**

We report on the financial information set out in Part B of Part XVI as at and for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 (the “**Historical Financial Information relating to Truth Hardware**”). The Historical Financial Information relating to Truth Hardware has been prepared for inclusion in the prospectus dated 1 May 2013 (the “**Prospectus**”) of Tyman plc (“**Tyman**”) on the basis of the accounting policies set out in note 1 of the Historical Financial Information relating to Truth Hardware. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

#### **Responsibilities**

The Directors of Tyman are responsible for preparing the Historical Financial Information relating to Truth Hardware in accordance with the basis of preparation set out in note 1 to the Historical Financial Information relating to Truth Hardware.

It is our responsibility to form an opinion as to whether the Historical Financial Information relating to Truth Hardware gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information relating to Truth Hardware. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information relating to Truth Hardware and whether the accounting policies are appropriate to Truth Hardware's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information relating to Truth Hardware is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the Historical Financial Information relating to Truth Hardware gives, for the purposes of the Prospectus dated 1 May 2013, a true and fair view of the state of affairs of Truth Hardware as at the dates stated and of its profits, cash flows and changes in total invested capital for the year then ended in accordance with the basis of preparation set out in note 1.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

**PricewaterhouseCoopers LLP**

*Chartered Accountants*

**Part B: Truth Hardware Historical financial information relating to Truth Hardware**

**Combined income statement  
for the year ended 31 December**

	<i>Note</i>	<i>2012</i> \$'000	<i>2011</i> \$'000	<i>2010</i> \$'000
<b>Continuing operations</b>				
Revenue		125,999	120,852	130,770
Cost of sales		(89,338)	(88,632)	(94,070)
<b>Gross profit</b>		36,661	32,220	36,700
Administrative expenses		(18,030)	(18,683)	(19,670)
<b>Operating profit</b>	4	18,631	13,537	17,030
Finance income	6	45	22	22
Finance costs	6	(9,673)	(9,799)	(10,713)
Net finance costs		(9,628)	(9,777)	(10,691)
<b>Profit before taxation</b>		9,003	3,760	6,339
Income tax expense	7	(3,139)	(1,422)	(1,830)
<b>Profit for the year</b>		5,864	2,338	4,509

**Combined statement of comprehensive income  
for the year ended 31 December**

	<i>2012</i> \$'000	<i>2011</i> \$'000	<i>2010</i> \$'000
<b>Profit for the year</b>	5,864	2,338	4,509
<b>Other comprehensive income:</b>			
Exchange differences on retranslation of foreign operations	178	(118)	340
Effective portion of changes in value of cash flow hedges	117	(253)	131
<b>Other comprehensive income/(loss) for the year, net of tax</b>	295	(371)	471
<b>Total comprehensive income for the year attributable to equity shareholders</b>	6,159	1,967	4,980

**Combined statement of changes in total invested capital  
for the year ended 31 December**

	<i>Total invested capital \$'000</i>
<b>Balance at 1 January 2010</b>	(114,488)
Profit for the year	4,509
Other comprehensive income	471
<b>Total comprehensive income</b>	<u>4,980</u>
<b>Balance at 31 December 2010</b>	<u>(109,508)</u>
Profit for the year	2,338
Other comprehensive loss	(371)
<b>Total comprehensive income</b>	<u>1,967</u>
<b>Balance at 31 December 2011</b>	<u>(107,541)</u>
Profit for the year	5,864
Other comprehensive income	295
<b>Total comprehensive income</b>	<u>6,159</u>
<b>Balance at 31 December 2012</b>	<u>(101,384)</u>

**Combined balance sheet**  
**As at 31 December**

	<i>Note</i>	<i>2012</i> \$'000	<i>2011</i> \$'000	<i>2010</i> \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	8	149	277	469
Property, plant and equipment	9	13,220	12,523	15,833
Deferred tax assets	7	1,966	5,654	6,830
		<u>15,335</u>	<u>18,454</u>	<u>23,132</u>
<b>Current assets</b>				
Inventories	10	19,083	19,014	18,513
Trade and other receivables	11	21,200	19,116	16,295
Current tax receivable		–	444	272
Derivative financial instruments	15	–	–	136
Cash and cash equivalents	12	5,699	4,797	3,718
		<u>45,982</u>	<u>43,371</u>	<u>38,934</u>
<b>TOTAL ASSETS</b>		<u>61,317</u>	<u>61,825</u>	<u>62,066</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Loans from related parties	14	(149,975)	–	–
Current tax payable		(83)	–	–
Trade and other payables	13	(12,639)	(11,281)	(12,942)
Derivative financial instruments	15	(4)	(117)	–
		<u>(162,701)</u>	<u>(11,398)</u>	<u>(12,942)</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	7	–	(368)	(375)
Loans from related parties	14	–	(157,600)	(158,257)
		<u>–</u>	<u>(157,968)</u>	<u>(158,632)</u>
<b>TOTAL LIABILITIES</b>		<u>(162,701)</u>	<u>(169,366)</u>	<u>(171,574)</u>
<b>NET LIABILITIES</b>		<u>(101,384)</u>	<u>(107,541)</u>	<u>(109,508)</u>
<b>Total invested capital</b>		<u>(101,384)</u>	<u>(107,541)</u>	<u>(109,508)</u>

**Combined cash flow statement  
for the year ended 31 December**

		2012	2011	2010
	Note	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Profit before tax		9,003	3,760	6,339
Adjustments	17	13,051	15,164	16,288
Movement in inventories		(69)	(501)	(3,895)
Movement in trade and other receivables		614	(159)	(1,192)
Movement in trade and other payables		1,372	(1,767)	1,056
Income tax paid		701	(410)	3,152
<b>Net cash inflow from operating activities</b>		<u>24,672</u>	<u>16,087</u>	<u>21,748</u>
<b>Investing activities</b>				
Payments to acquire property, plant and equipment		(4,346)	(1,785)	(1,671)
Payments to acquire intangible assets		(100)	(23)	(128)
Proceeds on disposal of property, plant and equipment		471	13	7
Interest received		45	22	22
<b>Net cash outflow from investing activities</b>		<u>(3,930)</u>	<u>(1,773)</u>	<u>(1,770)</u>
<b>Financing activities</b>				
Repayment of related party loans		(19,996)	(13,118)	(19,739)
<b>Net cash outflow from financing activities</b>		<u>(19,996)</u>	<u>(13,118)</u>	<u>(19,739)</u>
<b>Increase in cash and cash equivalents</b>		746	1,196	239
Effect of exchange rates on cash and cash equivalents		156	(117)	284
Cash and cash equivalents at the beginning of the year		4,797	3,718	3,195
<b>Cash and cash equivalents at the end of the year</b>		<u>5,699</u>	<u>4,797</u>	<u>3,718</u>
<b>Reconciliation to net debt</b>				
		2012	2011	2010
		\$'000	\$'000	\$'000
Net related party loans brought forward		(147,242)	(150,561)	(159,587)
Accrued interest for the year		(9,673)	(9,799)	(10,713)
Repayments of related party loans		19,996	13,118	19,739
Cash and cash equivalents at the year end		5,699	4,797	3,718
<b>Net debt</b>		<u>(131,220)</u>	<u>(142,445)</u>	<u>(146,843)</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation and accounting policies

#### 1.1 *General information*

The historical financial information relating to Truth Hardware does not constitute a separate legal group. The combined financial information presented in this Part XVI – Historic Financial Information relating to Truth Hardware has been prepared specifically for the purpose of Prospectus, and incorporates financial information of the Truth Hardware entities that has been previously reported on a standalone basis using the accounting policies applied by Tyman Plc.

This combined financial information presents the financial track record of the Truth Hardware entities (Truth Corporation and Atlas) for the years ended 31 December 2010, 2011 and 2012.

The Truth Hardware entities are incorporated and domiciled in the USA and Canada. Truth Hardware's principal business activity is the engineering, design and manufacture of hardware products used to serve the fenestration market, which includes windows, patio doors and skylights.

#### 1.2 *Basis of preparation*

Truth Hardware does not constitute a separate legal group. The combined historical financial information, which has been prepared specifically for the purpose of this Prospectus, is therefore prepared on a basis that combines the results, assets and liabilities of each of the companies constituting Truth Hardware by applying the principles underlying the consolidation procedures of IAS 27 'Consolidated and Separate Financial Statements' ('IAS 27') for each of the three years to 31 December 2010, 2011 and 2012 and as at these dates. On such basis, the combined historical financial information sets out Truth Hardware's balance sheet as of 31 December 2010, 2011 and 2012 and results of operations and cash flows for the three years then ended.

The combined financial information has been prepared on a going concern basis and in accordance with the requirements of the Prospectus Directive Regulation, the Listing Rules, and in accordance with this basis of preparation. This basis of preparation describes how the combined financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union ("EU") except as described below. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU.

IFRS does not provide for the preparation of combined historical financial information, and accordingly in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 "Standards for Investment Reporting applicable to public reporting engagements on historical financial information" issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In all other respects IFRS has been applied.

As explained above, the combined financial information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27. The combined financial information has been prepared by aggregating the results, assets and liabilities of the two companies constituting Truth Hardware by applying the principles underlying the consolidation procedures of IAS 27 for each of the years to 31 December 2010, 2011 and 2012 and as at these dates.

The combined historical financial information is presented in thousands of US dollars ('\$') except when otherwise indicated.



The following summarises the accounting and other principles applied in preparing the combined historical financial information:

- The combined historical financial information of Truth Hardware has been prepared on a historical cost basis, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.
- The combined historical financial information of the entities comprising Truth Hardware has been prepared for the same reporting periods using consistent accounting policies.
- Transactions and balances between entities included within the combined historical financial information have been eliminated.
- Transactions and balances between the entities in Truth Hardware and Parent and its other subsidiaries which are not members of Truth Hardware have been presented in the appropriate caption of the historical financial information to which such transactions and balances relate. Details of such related party transactions and balances are provided in note 20.
- The income tax expense and tax balances in this combined historical financial information have been determined based on the amounts recorded by Truth Hardware companies in their tax returns. Deferred tax assets and liabilities reflect the full historical deferred tax assets and liabilities recorded by the legal entities included in Truth Hardware. The tax charges recorded in the combined income statement and combined statement of comprehensive income are not necessarily representative of the tax charges that would have been reported had Truth Hardware been an independent group throughout the years presented. They are not necessarily representative of the tax charges that may arise in the future.
- Truth Hardware does not form a separate legal group, and therefore it is not possible to show share capital or an analysis of reserves for Truth Hardware. The net assets of Truth Hardware are represented by invested capital.

### 1.3 *New standards, amendments and interpretations*

The following standards, interpretations and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2013, and have not been applied in preparing this combined historical financial information:

- **IAS 1 (amendment), ‘Financial statement presentation’** (effective 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment does not have a material impact on the combined financial information.
- **IAS 12 (amendment), ‘Income taxes’ on deferred taxes** (effective 1 January 2013). This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendment does not have a material impact on the combined financial information.
- **IAS 19, (revised 2011), ‘Employee benefits’** (effective 1 January 2013). This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendments do not have a material impact on the combined financial statements, as Truth Hardware’s entities do not offer defined benefit schemes to their employees.
- **IFRS 7 (amendment), ‘Financial instruments – Disclosures’ on asset and liability offsetting** (effective 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The amendment does not have a material impact on the combined financial information.

- **IFRS 13 ‘Fair value measurement’** (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not have a material impact on the combined financial information.
- **IFRS 9, ‘Financial instruments’, on ‘Classification and measurement’ of financial assets** (effective 1 January 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The standard does not have a material effect on Truth Hardware.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by Truth Hardware:

- **IAS 27 (revised 2011), ‘Separate financial statements’** (effective 1 January 2014). This clarifies that the consequential amendments from IAS 27 to IAS 21 ‘The effect of changes in foreign exchange rates’, IAS 28 ‘Investments in associates’, and IAS 31 ‘Interests in joint ventures’, apply **prospectively** for annual periods beginning on or after 1 July 2009. The amendment is not expected to have a material impact on the combined financial information.
- **IAS 28 (revised 2011), ‘Investments in associates and joint ventures’** (effective 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is not expected to have a material impact on the combined financial information.
- **IAS 32 (amendment), ‘Financial instruments: Presentation’, on asset and liability offsetting** (effective 1 January 2014). This amendment is to the application guidance in IAS 32, ‘Financial instruments: Presentation’, and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is not expected to have a material impact on the combined financial information.
- **IFRS 10 ‘Consolidated financial statements’** (effective 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the combined financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The new standard is not expected to have a material impact on the combined financial information.
- **IFRS 11 ‘Joint arrangements’** (effective 1 January 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have a material impact on the combined financial information, as there are no joint arrangements in Truth Hardware.
- **IFRS 12 ‘Disclosure of interests in other entities’** (effective 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not expected to have a material impact on the combined financial information.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (effective 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. These amendments are not expected to have material impact on the combined financial information.

## **2. Summary of significant accounting policies**

### **2.1 *Principal accounting policies***

The accounting policies set out below have been used to prepare the financial statements.

#### **2.1.1 *Intangible assets***

Intangible assets that are acquired by Truth Hardware principally relate to computer software. Intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

##### **Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Acquired computer software is amortised over 3 to 5 years.

#### **2.1.2 *Property, plant and equipment***

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 value 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 can be measured reliably. Repairs and maintenance costs 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 land – Not depreciated.
- Freehold buildings – 2% to 5%.
- Plant and machinery – 7.5% to 33%.

The carrying values of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying value 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 financial year end.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

#### **2.1.3 *Impairment of non-financial assets***

The carrying values of property, plant and equipment, and intangible assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

An impairment review is performed by comparing the carrying value of the property, plant and equipment or intangible asset with its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be obtained on disposal of the asset. The value in use is determined by discounting, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, the expected future cash flows resulting from its continued use, including those on final disposal. Impaired assets are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in the income statement immediately. Where it is not possible to estimate the recoverable amount of an individual asset,

Truth Hardware estimates the recoverable amount of the cash-generating unit to which it belongs. Considerable management judgement is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecast cash flows. Impairment reversals are permitted to property, plant and equipment or intangible assets to the extent that the new carrying value does not exceed the amount it would have been if no impairment loss had been previously recognised.

#### 2.1.4 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity on a first in, first out basis. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

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.

#### 2.1.5 *Leases*

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Assets held under finance leases and similar contracts which confer the rights and obligations similar to those attached to owned assets are capitalised at the inception of the lease at the fair value or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Assets held under finance lease are depreciated over the lower of the useful lives and the term of the lease.

All other leases are treated as operating leases, and rentals payable are charged to the income statement on a straight-line basis over the lease term.

#### 2.1.6 *Employee benefits*

##### *Pension obligations*

Truth Hardware operates a defined contribution scheme.

For defined contribution plans, contributions are recognised as employee benefit expense when they are due. Truth Hardware has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Truth Hardware participates in a Group defined benefit scheme. It is not possible to identify Truth Hardware's share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the scheme is accounted for as if it were a defined contribution scheme.

##### *Profit-sharing and bonus plans*

Truth Hardware 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. Truth Hardware recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### 2.1.7 *Financial assets and liabilities*

Financial assets and liabilities are recognised on the balance sheet when Truth Hardware 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.

#### 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. Truth Hardware's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

#### Trade receivables

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. If not, 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 against trade receivables is made when there is objective evidence that Truth Hardware 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.

#### Cash and cash equivalents

In the combined cash flow statement 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.

#### Financial liabilities held at amortised cost

Financial liabilities held at amortised cost include trade payables, accruals, other payables, and interest bearing loans and borrowings.

#### Trade payables

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 noncurrent liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Interest bearing loans and borrowings

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.

### 2.1.8 *Derivative financial instruments and hedging activities*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For those instruments designated as hedges, Truth Hardware documents at the inception of the transaction the relationship between hedging instruments and hedged items. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

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.

#### Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. 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. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss.

#### 2.1.9 *Segment reporting*

Truth Hardware's operations are classified as one segment, being the design, manufacture and sale of components to the door and window industry, which is consistent with the segments identified in internal reports which are reviewed by the chief operating decision makers.

#### 2.1.10 *Revenue*

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Truth Hardware and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. As such 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.

#### 2.1.11 *Current and deferred taxation*

Income tax expense represents the sum of the current tax and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Truth Hardware's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date in the countries where the subsidiaries operate and generate taxable income.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit or loss nor the accounting profit.



The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet dates and that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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 they relate to income taxes levied by the same taxation authority and where the intention is to settle the balances on a net basis.

#### *2.1.12 Foreign currency translation*

##### *Functional and presentation currency*

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The combined historical information are presented in US dollars (\$), which is the functional and presentational currency of Truth Hardware.

##### *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.

##### *Group companies*

On combination, assets and liabilities of the Truth Hardware entities denominated in foreign currencies are translated into US dollars at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into US dollars at the average rates throughout the year. Exchange differences existing are recognised in other comprehensive income.

#### *2.1.13 Critical accounting estimates and judgements*

In the application of Truth Hardware's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Critical judgements in applying the accounting policies*

The following areas represent the key judgements made by management in order to facilitate the preparation of the Truth Hardware's historical financial information:



#### Taxation

Truth Hardware is subject to taxation in a number of jurisdictions. Judgement is required in determining the provision for income taxes as there are transactions for which the ultimate tax determination is uncertain.

#### Key sources of estimation uncertainty

The preparation of the historical financial information requires management to make judgements, estimates and assumptions. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Inventories

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Net realisable value is based on current assessments of future demand, market conditions and new product development initiatives. Should demand for Truth Hardware's products decline further during the next financial year as a result of the current economic downturn, additional allowances may be necessary in respect of excess or slow-moving items.

### 3. Segmental analysis

The directors consider there to be one reportable segment, being the design, manufacture and sale of components to the door and window industry.

#### *Revenue by geographic destination*

	2012 \$'000	2011 \$'000	2010 \$'000
North America	124,292	118,562	129,040
Rest of the World	1,707	2,290	1,730
Total revenue	<u>125,999</u>	<u>120,852</u>	<u>130,770</u>

The total non-current assets other than deferred tax assets located in Canada were \$915,000 in 2012 (2011: \$1,184,000 and 2010: \$1,572,000).

### 4. Operating profit

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

	2012 \$'000	2011 \$'000	2010 \$'000
Depreciation of property, plant and equipment (note 9)	3,642	5,122	5,411
Amortisation of intangible assets (note 8)	228	215	184
Operating lease rentals – land and buildings	1,028	1,003	947
Operating lease rentals – plant and equipment	576	602	593
Foreign exchange (gain)/loss	(74)	133	(145)
(Profit)/loss on disposal of property, plant and equipment and intangible assets	<u>(443)</u>	<u>49</u>	<u>2</u>

The analysis of auditor's remuneration is as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Fees payable to the company's auditor for the agreed upon procedures on Truth Hardware Financial Information	85	83	94
Fees payable to the company's auditor for other services:			
– Tax services in support of IRS audit	–	9	89
– Taxation services	71	60	58
	<u>156</u>	<u>152</u>	<u>241</u>

## 5. Employees

### *Number of employees*

The average monthly number of employees (including directors) of Truth Hardware during the financial year was:

	2012 Number	2011 Number	2010 Number
Administration	31	30	30
Sales	40	42	44
Operations	660	716	823
	<u>731</u>	<u>788</u>	<u>897</u>

The number of employees (including directors) of Truth Hardware as at 31 December was:

	2012 Number	2011 Number	2010 Number
Administration	127	132	150
Sales	27	26	28
Operations	657	709	704
	<u>728</u>	<u>781</u>	<u>882</u>

### *Employee costs*

Employee costs during the year were as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Wages and salaries	33,118	31,707	37,983
Social Security costs	2,853	2,710	2,882
Pension costs – defined contribution schemes	1,200	1,160	1,332
Pension costs paid to related parties for defined benefit schemes (note 20)	1,173	1,211	1,339
	<u>38,344</u>	<u>36,788</u>	<u>43,536</u>

**Key management remuneration**

The remuneration payable to key management, considered to be Truth Hardware's senior executive management, was as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Salary and other short-term employee benefits	1,274	754	1,112
Post employment benefits	23	20	17
	<u>1,297</u>	<u>774</u>	<u>1,129</u>

The legal directors of Truth Hardware are remunerated by Melrose Industries PLC.

**6. Net finance costs**

	2012 \$'000	2011 \$'000	2010 \$'000
<b>Finance income</b>			
Bank interest receivable	<u>45</u>	<u>22</u>	<u>22</u>
<b>Finance costs</b>			
Interest payable on related party loans	<u>(9,673)</u>	<u>(9,799)</u>	<u>(10,713)</u>
<b>Net finance costs</b>	<u>(9,628)</u>	<u>(9,777)</u>	<u>(10,691)</u>

**7. Taxation****(a) Tax on profit on ordinary activities**

Income tax in the income statement

	2012 \$'000	2011 \$'000	2010 \$'000
Current income tax:			
Corporation tax expense/(credit)	6	178	—
Adjustments in respect of prior periods	<u>(187)</u>	<u>75</u>	<u>(919)</u>
Total current income tax (credit)/expense	<u>(181)</u>	<u>253</u>	<u>(919)</u>
<b>Deferred tax:</b>			
Origination and reversal of temporary differences	3,441	1,289	2,803
Adjustments in respect of prior periods	<u>(121)</u>	<u>(120)</u>	<u>(54)</u>
Total deferred tax expense	<u>3,320</u>	<u>1,169</u>	<u>2,749</u>
<b>Income tax expense in the income statement</b>	<u>3,139</u>	<u>1,422</u>	<u>1,830</u>

(b) **Reconciliation of the total tax charge**

The tax assessed for the year differs from the standard rate of tax in the US of 37 per cent. (2011: 37 per cent. and 2010: 37 per cent.). The differences are explained below:

	2012 \$'000	2011 \$'000	2010 \$'000
Profit before taxation	9,003	3,760	6,339
Rate of corporation tax in the US of 37% (2011: 37% and 2010: 37%)	3,331	1,391	2,346
Effects of:			
Expenses not deductible for tax purposes	116	76	457
Adjustment in respect of prior periods	(308)	(45)	(973)
<b>Income tax expense in the income statement</b>	<b>3,139</b>	<b>1,422</b>	<b>1,830</b>

(c) **Deferred tax**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Deferred tax assets:			
– Deferred tax asset to be recovered within 12 months	379	1,162	1,542
– Deferred tax asset to be recovered after more than 12 months	1,587	4,492	5,288
	<u>1,966</u>	<u>5,654</u>	<u>6,830</u>
Per BS			
Deferred tax liabilities:			
– Deferred tax liability to be recovered within 12 months	–	–	–
– Deferred tax liability to be recovered after more than 12 months	–	(368)	(375)
<b>Deferred tax assets (net)</b>	<b><u>1,966</u></b>	<b><u>5,286</u></b>	<b><u>6,455</u></b>

The gross movement on the deferred income tax account is as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
At 1 January	5,286	6,455	9,204
Income statement charge	(3,320)	(1,169)	(2,749)
<b>At 31 December</b>	<b><u>1,966</u></b>	<b><u>5,286</u></b>	<b><u>6,455</u></b>

The movement in deferred income tax assets and liabilities during the year, is as follows:

	<i>Accelerated tax depreciation</i>
	<i>\$'000</i>
<i>Deferred tax liabilities</i>	
At 1 January 2010	(375)
Income statement charge	–
At 31 December 2010	(375)
Income statement charge	7
At 31 December 2011	(368)
Income statement charge	368
<b>At 31 December 2012</b>	<b>–</b>

	<i>Other timing differences</i>	<i>Tax losses</i>	<i>Intangible assets on acquisition</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Deferred tax assets</i>				
At 1 January 2010	4,294	1,418	3,867	9,579
Income statement charge	(1,587)	–	(1,162)	(2,749)
At 31 December 2010	2,707	1,418	2,705	6,830
Income statement charge	598	(612)	(1,162)	(1,176)
At 31 December 2011	3,305	806	1,543	5,654
Income statement charge	(1,720)	(806)	(1,162)	(3,688)
At 31 December 2012	1,585	–	381	1,966

## 8. Intangible assets

	<i>Computer software \$'000</i>
<b>Cost</b>	
At 1 January 2010	964
Additions	128
Exchange difference	1
At 31 December 2010	1,093
Additions	23
Amounts written off	(8)
Exchange difference	—
At 31 December 2011	1,108
Additions	100
At 31 December 2012	1,208
<b>Amortisation</b>	
At 1 January 2010	439
Amortisation for the year <sup>1</sup>	184
Exchange difference	1
At 31 December 2010	624
Amortisation for the year <sup>1</sup>	215
Disposals	(8)
At 31 December 2011	831
Amortisation	228
At 31 December 2012	1,059
<b>Net book amount</b>	
At 31 December 2012	149
At 31 December 2011	277
At 31 December 2010	469
At 1 January 2010	525

1 Amortisation for the year is included in administrative expenses in the income statement.

## 9. Property, plant and equipment

	<i>Freehold land and buildings \$'000</i>	<i>Plant and machinery \$'000</i>	<i>Total \$'000</i>
<b>Cost</b>			
At 1 January 2010	14,628	85,518	100,146
Additions	26	1,616	1,642
Disposals	(96)	(2,369)	(2,465)
Exchange difference	21	247	268
At 31 December 2010	14,579	85,012	99,591
Additions	87	1,803	1,890
Disposals	(10)	(2,374)	(2,384)
Exchange difference	(10)	(97)	(107)
At 31 December 2011	14,646	84,344	98,990
Additions	125	4,212	4,337
Disposals	(38)	(600)	(638)
Exchange difference	11	125	136
At 31 December 2012	14,744	88,081	102,825
<b>Accumulated depreciation</b>			
At 1 January 2010	10,669	69,951	80,620
Charge for the year	505	4,906	5,411
Disposals	(96)	(2,360)	(2,456)
Exchange difference	13	170	183
At 31 December 2010	11,091	72,667	83,758
Charge for the year	473	4,649	5,122
Disposals	(7)	(2,314)	(2,321)
Exchange difference	(8)	(84)	(92)
At 31 December 2011	11,549	74,918	86,467
Charge for the year	358	3,284	3,642
Disposals	(21)	(593)	(614)
Exchange difference	8	102	110
At 31 December 2012	11,894	77,711	89,605
<b>Net book amount</b>			
At 31 December 2012	2,850	10,370	13,220
At 31 December 2011	3,097	9,426	12,523
At 31 December 2010	3,488	12,345	15,833
At 1 January 2010	3,959	15,567	19,526

Depreciation in the year of \$3,642,000 (2011: \$5,122,000 and 2010: \$5,411,000) is included in administrative costs in the income statement.



## 10. Inventories

	2012 \$'000	2011 \$'000	2010 \$'000
Raw materials and consumables	5,078	5,082	4,898
Work-in-progress	3,422	3,619	379
Finished goods	10,583	10,313	13,236
	<u>19,083</u>	<u>19,014</u>	<u>18,513</u>

The cost of materials charged to the income statement during the year ended 31 December 2012 was \$86,028,000 (2011: \$85,798,000 and 2010: \$91,407,000).

As at 31 December 2012, inventories are stated net of an allowance for excess, obsolete or slow-moving items of \$707,000 (2011: \$674,000 and 2010: \$788,000).

An impairment charge of \$462,000 (2011: charge \$384,000 and 2010: charge \$137,000) was recognised in respect of inventories during the year.

There were \$nil borrowings secured on the inventories of Truth Hardware (2011: \$nil and 2010: \$nil).

## 11. Trade and other receivables

	2012 \$'000	2011 \$'000	2010 \$'000
Trade receivables	6,594	6,726	6,836
Less: provision for impairment	(204)	(195)	(235)
Trade receivables – net	<u>6,390</u>	<u>6,531</u>	<u>6,601</u>
Other receivables	82	80	87
Prepayments	<u>1,672</u>	<u>2,147</u>	<u>1,911</u>
Amounts due from related parties	<u>13,056</u>	<u>10,358</u>	<u>7,696</u>
<b>Total trade and other receivables</b>	<u>21,200</u>	<u>19,116</u>	<u>16,295</u>

Amounts due from related parties are interest free, unsecured and receivable on demand.

All trade and other receivables are current. The net carrying values of trade and other receivables are considered to be a reasonable approximation of their fair values.

At 31 December 2012 trade receivables of \$6,390,000 (2011: \$6,531,000 and 2010: \$6,601,000) were considered to be fully performing.

Net trade receivables of \$1,497,000 (2011: \$1,328,000 and 2010: \$1,078,000) were past due but not impaired as at 31 December 2012. These relate to customers for whom there is no recent history of default.

The ageing of the net trade receivables is as follows:

	Within normal payment terms Fully performing \$'000	Not fully performing \$'000	Within 3 months \$'000	Past due 3 to 6 months \$'000	Over 6 months \$'000
<b>At 31 December 2012</b>					
Trade receivables	<u>4,893</u>	<u>–</u>	<u>1,497</u>	<u>–</u>	<u>–</u>
<b>At 31 December 2011</b>					
Trade receivables	<u>5,066</u>	<u>–</u>	<u>1,463</u>	<u>2</u>	<u>–</u>
<b>At 31 December 2010</b>					
Trade receivables	<u>5,523</u>	<u>–</u>	<u>1,078</u>	<u>–</u>	<u>–</u>

All of Truth Hardware's trade and other receivables have been reviewed for impairment. At 31 December 2012, trade receivables of \$204,000 (2011: \$195,000 and 2010: \$235,000) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic situations.

Movements on the provisions for impairment of trade receivables are as follows:

	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
At 1 January	195	235	503
Impairment losses recognised	62	127	–
Amounts written off during the year as uncollectible	(53)	(167)	(119)
Impairment losses reversed	–	–	(149)
At 31 December	<u>204</u>	<u>195</u>	<u>235</u>

The creation of provisions for impaired trade receivables is included in administrative expenses in the income statement.

Ageing of impaired trade receivables:

	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Trade receivables within normal payment terms not fully performing	–	–	–
Trade receivables past due date and aged up to three months from invoice date	(204)	(184)	(235)
Trade receivables past due and aged between three and twelve months after invoice date	–	(11)	–
	<u>(204)</u>	<u>(195)</u>	<u>(235)</u>

The carrying amounts of Truth Hardware's trade and other receivables are denominated in the following currencies:

	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
US dollars	6,269	6,342	6,531
Canadian dollars	121	189	70
	<u>6,390</u>	<u>6,531</u>	<u>6,601</u>

## 12. Cash and cash equivalents

	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash at bank and in hand	<u>5,699</u>	<u>4,797</u>	<u>3,718</u>

The carrying amounts of Truth Hardware's cash and cash equivalents are denominated in the following currencies:

	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
US Dollars	914	1,468	735
Canadian Dollars	4,785	3,329	2,983
	<u>5,699</u>	<u>4,797</u>	<u>3,718</u>

### 13. Trade and other payables

	2012	2011	2010
	\$'000	\$'000	\$'000
Trade payables	7,298	7,390	6,916
Social security and other taxes	46	327	30
Accruals	5,295	3,564	5,996
	<u>12,639</u>	<u>11,281</u>	<u>12,942</u>

The carrying amounts are considered to be a reasonable approximation of fair value.

The carrying amounts of the Truth Hardware's trade payables are denominated in the following currencies:

	2012	2011	2010
	\$'000	\$'000	\$'000
US Dollars	6,567	6,484	6,424
Canadian dollars	731	906	492
	<u>7,298</u>	<u>7,390</u>	<u>6,916</u>

### 14. Loans from related parties

	2012	2011	2010
	\$'000	\$'000	\$'000
<b>Unsecured borrowing at amortised cost due less than one year</b>			
Loans from related parties	(149,975)	—	—
<b>Unsecured borrowing at amortised cost due greater than one year</b>			
Loans from related parties	—	(157,600)	(158,257)
	<u>(149,975)</u>	<u>(157,600)</u>	<u>(158,257)</u>

The related party loan carries fixed interest of 6.31 per cent. and is repayable in full in October 2013.

### 15. Derivative financial instruments

	2012		2011		2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Forward currency contracts	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>(117)</u>	<u>136</u>	<u>—</u>

Details of the forward currency contracts, which are all classified as level 2 financial instruments, are as follows:

	31 December 2012		31 December 2011		31 December 2010	
	Selling	Average	Selling	Average	Selling	Average
	currency	hedged	currency	hedged	currency	hedged
	(thousands)	rate	(thousands)	rate	(thousands)	rate
Contract currency						
Sell USD/Buy CAD	<u>3,692</u>	<u>0.9967</u>	<u>4,311</u>	<u>0.9937</u>	<u>4,104</u>	<u>1.032</u>

### 16. Financial instruments: risk profile

Truth Hardware's principal financial instruments comprise intercompany loans and short-term deposits. Truth Hardware 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.

Management reviews and agrees policies for managing each financial instrument risk and they are summarised below.

### ***Liquidity and credit risk***

Truth Hardware maintains sufficient cash and available funding through group funding arrangements. Management monitors rolling forecasts of Truth Hardware's liquidity on the basis of expected cash flow. Truth Hardware's credit risk on cash and cash equivalents and derivative financial instruments is limited because the counter-parties are banks with high credit-ratings assigned by international credit-rating agencies. Truth Hardware's credit risk is primarily attributable to its trade receivables. The amounts presented in the Combined Balance Sheet are net of allowances for doubtful receivables, estimated by Truth Hardware's management based on prior experience and their assessment of the current economic environment. Management does not expect any losses from the nonperformance by these counterparties.

Truth Hardware's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2012 \$'000	2011 \$'000	2010 \$'000
Classes of financial instruments – carrying amounts			
Cash and cash equivalents	5,699	4,797	3,718
Trade and other receivables	21,200	19,116	16,295
Derivative financial instruments	–	–	136
<b>At 31 December</b>	<b>26,899</b>	<b>23,913</b>	<b>20,149</b>

Management considers that all the above 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.

The table below analyses Truth Hardware's undiscounted financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, including interest payments under cash flow hedges.

	<i>Less than 1 year \$'000</i>	<i>Between 1 and 2 yrs \$'000</i>	<i>Between 2 and 5 yrs \$'000</i>	<i>Total \$'000</i>
Loans from related parties	(157,861)	–	–	(157,861)
Derivative financial instruments	(4)	–	–	(4)
Trade and other payables	(7,298)	–	–	(7,298)
<b>At 31 December 2012</b>	<b>(165,163)</b>	<b>–</b>	<b>–</b>	<b>(165,163)</b>
Loans from related parties	(9,945)	(8,810)	(157,600)	(176,355)
Derivative financial instruments	(117)	–	–	(117)
Trade and other payables	(7,390)	–	–	(7,390)
<b>At 31 December 2011</b>	<b>(17,452)</b>	<b>(8,810)</b>	<b>(157,600)</b>	<b>(183,862)</b>
Loans from related parties	(9,986)	(10,616)	(167,662)	(188,264)
Derivative financial instruments	–	–	–	–
Trade and other payables	(6,916)	–	–	(6,916)
<b>At 31 December 2010</b>	<b>(16,902)</b>	<b>(10,616)</b>	<b>(167,662)</b>	<b>(195,180)</b>

### ***Interest rate risk***

The loans from related parties carry fixed rate interest of 6.31 per cent. therefore Truth Hardware is not exposed to fluctuations in interest rates.

### ***Foreign currency risk***

Truth Hardware operates in the USA and Canada and is exposed to foreign exchange risk arising from changes in the Canadian dollar. Truth Hardware uses forward contracts to manage this exposure and the details of the instruments held is set out in note 15.

Currency risks are defined by IFRS 7 as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the Balance Sheet date, illustrating the (decrease)/increase in Truth Hardware's total invested capital caused by a 10 cent strengthening of the Canadian Dollar against the US Dollar compared to the year end spot rate. The analysis assumes that all other variables remain constant.

	2012 \$'000	2011 \$'000	2010 \$'000
Canadian dollar	<u>(347)</u>	<u>(322)</u>	<u>(203)</u>

### **Capital risk management**

Truth Hardware manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of Truth Hardware consists of cash and cash equivalents, loans from and due to related parties and Capital and reserves attributable to equity holders of the Company.

### **17. Adjustments to cash flows from operating activities**

The following non-cash and financing adjustments have been made to profit before tax for the year to arrive at operating cash flow:

	2012 \$'000	2011 \$'000	2010 \$'000
Net finance costs	9,628	9,777	10,691
Depreciation	3,642	5,122	5,411
Amortisation	228	215	184
(Profit)/loss on disposal of property, plant and equipment and intangible assets	<u>(447)</u>	<u>50</u>	<u>2</u>
	<u>13,051</u>	<u>15,164</u>	<u>16,288</u>

### **18. Financial commitments**

Truth Hardware has entered into commercial leases on certain properties.

The present value of future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and Buildings</i>		
	2012 \$'000	2011 \$'000	2010 \$'000
Not later than one year	1,037	1,035	845
After one year but less than five years	128	1,165	1,816
Over five years	<u>—</u>	<u>—</u>	<u>—</u>
	<i>Other</i>		
	2012 \$'000	2011 \$'000	2010 \$'000
Not later than one year	300	397	393
After one year but less than five years	282	325	480
Over five years	<u>—</u>	<u>—</u>	<u>—</u>

### **19. Investment in subsidiary**

The Company had one subsidiary (Whipp and Bourne Inc), which was liquidated on 28 June 2012 and the remaining assets and liabilities were hived up into Truth Hardware. Prior to this date, this entity was fully consolidated into the results presented.

<i>Subsidiary company</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Whipp and Bourne Incorporated	USA	Non trading

## 20. Related parties

As discussed in Note 1, Truth Hardware has historically been part of the wider group of companies of Melrose Industries PLC (the “Melrose Group”). Due to this relationship, Truth Hardware participated in operating and financial relationships with holding and operating companies in the Melrose Group. These transactions primarily consist of two related party loans. Firstly, a legacy loan payable to the immediate parent company dating from pre Melrose Group acquisition structuring. Secondly, a funding loan between the Group and a US head office company within the Melrose Group used for upstream and downstream movements of excess cash between the Group and its ultimate parent Melrose Industries PLC.

Truth Hardware incurred interest expenses on loans with related parties of \$9,673,000 (2011: \$9,799,000 and 2010: \$10,713,000).

The outstanding amounts on these loans are as follows at 31 December:

	<i>Related Party Loans</i>		
	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Parent – Interest bearing	(149,975)	(157,600)	(158,257)
Other Melrose Group entities – non interest bearing	13,056	10,358	7,696
Total	<u>(136,919)</u>	<u>(147,242)</u>	<u>(150,561)</u>

The outstanding amounts on trade accounts receivable/(payable) from related parties and reported through trade and other receivables/(payables) are as follows at 31 December:

	<i>Related Party Receivables/(Payables)</i> <i>arising from trading activities</i>		
	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Other Melrose Group entities	–	–	(32)
Total	<u>–</u>	<u>–</u>	<u>(32)</u>

Truth Hardware participates in a group defined benefit scheme. It is not possible to identify Truth Hardware’s share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the scheme is accounted for as if it were a defined contribution scheme.

Payments are made twice each year to a related party entity to fund the pension plan. The funding amount is calculated at 4.5 per cent. of earnings for all employees, regardless of whether or not they qualify for the plan.

Contributions to this scheme amounted to \$1,173,000 in 2012, \$1,211,000 in 2011 and \$1,339,000 in 2010.

## **PART XVII**

### **UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

#### **Part A: Unaudited pro forma net assets statement**

The unaudited pro forma net assets statement set out below has been prepared to illustrate the effect of the Firm Placing and the Placing and Open Offer (the “Issue”) and Acquisition on the net assets of the Group as if the Issue and Acquisition had occurred on 31 December 2012. The Issue will complete in advance of the Acquisition and is not conditional on the completion of the Acquisition. Accordingly, the unaudited pro forma net assets statement also illustrates by way of a sub-total the effect on the net assets of the Group as if only the Issue had occurred on 31 December 2012. The Acquisition will not proceed without the Issue.

This unaudited pro forma net assets statement has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group’s actual financial position or results. It may not, therefore, give a true picture of the Group’s financial position nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with the requirements of items 1 to 6 of Annex II to the Prospectus Directive Regulation.



## Unaudited Pro Forma Statement of Net Assets

				Further Adjustments		
	As at 31 December 2012 (Note 1) £'000	Adjustments for the Issue (Note 2) £'000	Pro Forma sub-total £'000	Truth Hardware as at 31 December 2012 (Note 3) £'000	Adjustments for the Acquisition (Note 4) £'000	Pro Forma total £'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Goodwill	184,896	–	184,896	–	105,293	290,189
Intangible assets	73,834	–	73,834	92	–	73,926
Property, plant and equipment	29,785	–	29,785	8,180	–	37,965
Deferred tax assets	9,774	–	9,774	1,217	–	10,991
	<u>298,289</u>	<u>–</u>	<u>298,289</u>	<u>9,489</u>	<u>105,293</u>	<u>413,071</u>
<b>Current assets</b>						
Inventories	27,558	–	27,558	11,808	–	39,366
Trade and other receivables	27,269	–	27,269	13,118	(8,079)	32,308
Cash and cash equivalents	35,857	66,774	102,631	3,526	(66,635)	39,522
	<u>90,684</u>	<u>66,774</u>	<u>157,458</u>	<u>28,452</u>	<u>(74,714)</u>	<u>111,196</u>
<b>TOTAL ASSETS</b>	<u>388,973</u>	<u>66,774</u>	<u>455,747</u>	<u>37,941</u>	<u>30,579</u>	<u>524,267</u>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Current tax payable	(1,868)	–	(1,868)	(51)	–	(1,919)
Trade and other payables	(32,375)	–	(32,375)	(7,821)	–	(40,196)
Provisions	(2,456)	–	(2,456)	–	–	(2,456)
Derivative financial instruments	–	–	–	(2)	–	(2)
Interest bearing loans and borrowings	(7,521)	–	(7,521)	–	–	(7,521)
Loans from related parties	–	–	–	(92,801)	92,801	–
	<u>(44,220)</u>	<u>–</u>	<u>(44,220)</u>	<u>(100,675)</u>	<u>92,801</u>	<u>(52,094)</u>
<b>Non-current liabilities</b>						
Deferred tax liabilities	(11,766)	–	(11,766)	–	–	(11,766)
Interest bearing loans and borrowings	(63,575)	–	(63,575)	–	(61,877)	(125,452)
Employee benefit liability	(11,230)	–	(11,230)	–	–	(11,230)
Provisions	(7,513)	–	(7,513)	–	–	(7,513)
Derivative financial instruments	(605)	–	(605)	–	–	(605)
Other payables	(2,175)	–	(2,175)	–	–	(2,175)
<b>Total non-current liabilities</b>	<u>(96,864)</u>	<u>–</u>	<u>(96,864)</u>	<u>–</u>	<u>(61,877)</u>	<u>(158,741)</u>
<b>TOTAL LIABILITIES</b>	<u>(141,084)</u>	<u>–</u>	<u>(141,084)</u>	<u>(100,675)</u>	<u>30,924</u>	<u>(210,835)</u>
<b>NET ASSETS/LIABILITIES</b>	<u>247,889</u>	<u>66,774</u>	<u>314,663</u>	<u>(62,734)</u>	<u>61,503</u>	<u>313,432</u>

### Notes:

- The net assets of the Group have been extracted, without material adjustment, from the financial information as set out in Part A of Part XV 'Historical Financial Information relating to Tyman'.
- The Issue will complete before the Acquisition and is not conditional upon the Acquisition completing. Accordingly, there is a possibility that Group will only complete the Issue and not the Acquisition and, therefore, the adjustment reflects the standalone impact on the Group's net assets as if only the Issue completed on 31 December in 2012.

The adjustment reflects the net proceeds of the Issue receivable by the Company of £66.8 million, being gross proceeds of £73.4 million less total estimated fees of approximately £6.6 million, which include the equity issue costs plus the unavoidable costs associated with the Proposals. The Group intends to use the net proceeds to finance the proposed Acquisition. If the Acquisition does not complete the Company will retain the net proceeds for a limited period and use them for general corporate purposes and potential alternative acquisitions.

- The financial information of Truth Hardware has been translated from US Dollars to sterling using an exchange rate of 1.6161, being the closing rate of exchange on 31 December 2012. The US Dollar financial information for Truth Hardware has been extracted, without material adjustment, from the financial information as set out in Part XVI 'Historical Financial Information relating to Truth Hardware' of this Document. The financial information of Truth Hardware as at 31 December 2012 has been prepared on a basis consistent with Tyman's accounting policies.

4. The unaudited pro forma statement of net assets has been prepared on the basis that the Acquisition will be accounted for in the Group's consolidated financial statements using the acquisition method required by IFRS 3 'Business Combinations'. The identified assets and liabilities of Truth Hardware will be adjusted to fair value at the date of purchase and a purchase price allocation (PPA) exercise will be undertaken.

The excess of the costs of acquisition over the fair value of the identified assets and liabilities acquired will be recorded as goodwill. However, for the purposes of the pro forma and in the absence of any fair value adjustments or a PPA exercise, no additional assets or liabilities have been recognised. The acquisition accounting is therefore based on the following:

(i) *Consideration*

The purchase consideration of \$200 million (£123.8 million) is to be paid entirely in cash, subject to customary adjustments.

(ii) *Goodwill*

The incremental goodwill arising upon acquisition has been calculated as follows:

	\$m	£m
Total consideration	200.0	123.8
Truth net liabilities	(101.4)	(62.7)
Truth cash and cash equivalents	(5.7)	(3.5)
Truth related party receivables	(13.1)	(8.1)
Truth loans from related parties	150.0	92.8
Net assets acquired	29.7	18.5
Goodwill	170.1	105.3

The US Dollar net liabilities, cash and cash equivalents related party receivables and loans from related parties are as at 31 December 2012 and have been extracted without material adjustment from Part XVI 'Historical Financial Information relating to Truth Hardware' of this Document. The US Dollar amounts have been converted at the closing rate of exchange on 31 December 2012 of \$1.6161/£.

(iii) *Cash and cash equivalents outflow on acquisition*

The adjustment of £65.4 million represents the sum of consideration £(123.8) million less the draw down of new debt of £61.9 million under the Company's New Debt Facility, transaction costs of £1.2 million and elimination of Truth Hardware's cash and cash equivalents of £3.5 million.

	£m
Total consideration	(123.8)
Debt draw down	61.9
Transaction costs	(1.2)
Elimination of cash and cash equivalents	(3.5)
Adjustment to cash and cash equivalents	(66.6)

(iv) *Loans from related parties and interest bearing loans and borrowings*

These adjustments eliminate Truth Hardware's loans from related parties (\$150.0 million or £92.8 million) as this amount will be repaid at completion of the Acquisition and reflects the draw down by Tyman of £61.9 million under the New Debt Facility.

5. No adjustment has been made to reflect the trading results or transactions of the Group or Truth Hardware since 31 December 2012.

## Part B: Accountant's report on unaudited pro forma net assets statement



The Directors  
Tyman PLC  
65 Buckingham Gate  
London  
SW1E 6AS

N M Rothschild & Sons Limited (the "Sponsor")  
New Court  
St Swithin's Lane  
London  
EC4N 8AL

1 May 2013

Dear Sirs,

### **Tyman PLC (the "Company")**

We report on the unaudited pro forma net assets statement (the "Pro forma financial information") set out in Part XVII of the Company's prospectus dated 1 May 2013 (the "**Prospectus**"), which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the Issue and proposed acquisition of Truth Hardware might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the audited financial information for the period ending 31 December 2012. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

### **Responsibilities**

It is the responsibility of the Directors of the Company to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation, as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

**PricewaterhouseCoopers LLP**  
*Chartered Accountants*

## PART XVIII

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names appear on page 29 of this Document, accept responsibility for the information contained in this Document. Having taken all reasonable care to ensure that such is the case, the information contained in this Document is, to the best of the knowledge of the Company and the Directors, in accordance with the facts and contains no omission likely to affect its import.

PricewaterhouseCoopers LLP accepts responsibility for its report contained in Parts XV, XVI and XVII of this Document. To the best of the knowledge and belief of PricewaterhouseCoopers LLP (who have taken all reasonable care to ensure that such is the case) the information in the report is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Incorporation and registered office

The Company was incorporated in England and Wales on 1 April 1993 under the Companies Act 1985 as a private company with limited liability with the name Ichnolite Limited and with registered number 02806007.

The Company changed its name to Dean & Bowes (Homes) Limited on 24 May 1993 and was re-registered as a public limited company on 7 March 1995. The Company changed its name to Dean Corporation Plc on 13 April 1995 and on 8 December 1998 it changed its name to Environmental Property Services Plc. On 4 June 1999 the Company changed its name to Lupus Capital Plc, and on 1 February 2013 changed its name to Tyman plc.

The principal legislation under which the Company operates is the Companies Act and regulations made under the Companies Act.

The registered office of the Company and the business address of the Directors is at 65 Buckingham Gate, London SW1E 6AS. The telephone number of the Company is +44 (0)20 7976 8000.

#### 3. Directors and senior managers

3.1 Directorships held by the Directors in the five years preceding the date of this Document are as follows:

<i>Director</i>	<i>Company</i>	<i>Status</i>
<b>Jamie Pike</b>	Lafarge Tarmac Holdings Limited	Current
	RPC Group plc	Current
	MBA Polymers Inc	Current
	The Cancer Prevention and Education Society	Current
	Coleford Property Investments LLP	Current
	Volunteer Reading Help (trading as Beanstalk)	Current
	Defence Support Group	Resigned 31/12/2011
	Beauesert Park School Trust Limited	Resigned 23/11/2011
<b>Louis Eperjesi</b>	Lupus Capital Limited	Current
	Jasper Acquisition Holdings Limited	Current
	Jasper Acquisition Limited	Current
	Schlegel Acquisition Holdings Limited	Current
	Tyman Investments	Current
	Kingspan Limited	Resigned 31/07/2009
	Ward Insulated Panels Limited	Resigned 31/07/2009

<i>Director</i>	<i>Company</i>	<i>Status</i>
<b>Louis Eperjesi</b> <b>(continued)</b>	Kingspan Controlled Environments Limited	Resigned 31/07/2009
	Kingspan Services (UK) Limited	Resigned 31/07/2009
	Ever 2479 Limited	Resigned 31/07/2009
	Kingspan Holdings (Panels) Limited	Resigned 31/07/2009
	Saferidge Limited	Resigned 31/07/2009
	Alsteel Fabrications Limited	Resigned 31/07/2009
	Interlink Fabrications Limited	Resigned 31/07/2009
<b>James Brotherton</b>	Tyman Investments	Current
	Octroi Group Limited	Current
	Octroi Investments Limited	Current
	Otterburn Limited	Current
	Tyman Equities Limited	Current
	Tyman Management Limited	Current
	Jasper Acquisition Holdings Limited	Current
	Jasper Acquisition Limited	Current
	Schlegel Acquisition Holdings Limited	Current
	Amesbury Holdings Limited	Current
	Lupus Capital Limited	Current
<b>Leslie Tench</b>	Norcros plc	Resigned 26/07/2012
	SIG plc	Resigned 31/01/2011
<b>Martin Towers</b>	Kcom Group plc	Current
	RPC Group plc	Current
	Norcros plc	Current
	Enserve Group Limited	Resigned 02/11/2010
	Team Simoco Limited	Resigned 17/05/2010
<b>Dr. Angelika Westerwelle</b>	LANAX Management GmbH	Current
	PPG-Pet Products Group GmbH	Current
	Pet Products Belgium N.V.	Current
	Karlie Heimtler-bedarf GmbH	Current
	Karlie Reitsport GmbH	Current
	RMG Regel-und Messtechnik GmbH	Resigned 15/02/2010

3.2 As at the date of this Document, no Director or senior manager:

- 3.2.1 has been at any time in the five years prior to the date of this Document a director (or otherwise a member of any administrative, management or supervisory body) or partner of any companies or partnerships other than directorships or partnerships of any member of the Group from time to time, except as disclosed in paragraph 3.1; or
- 3.2.2 has any convictions in relation to fraudulent offences for at least the last five years; or
- 3.2.3 has been adjudged bankrupt or been a party to a deed of arrangement or any form of voluntary arrangement; or
- 3.2.4 has in the five years prior to the date of this Document been a director of any company which, while he or she was such a director, was put into receivership or compulsory liquidation or creditors' voluntary liquidation or company voluntary arrangement or has had an administrator or an administrative or other receiver appointed or entered into any composition or arrangement with its creditors generally or any class of its creditors; or
- 3.2.5 in the five years prior to the date of this Document has been a partner in any partnership which, while he or she was a partner, was put into compulsory liquidation, administration or partnership voluntary arrangement; or

- 3.2.6 has had an administrative or other receiver appointed in respect of any asset belonging to him or her or to a partnership of which he or she was a partner; or
- 3.2.7 has received any official public incrimination and/or sanctions by any statutory or regulatory authorities, including designated professional bodies, or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company in the previous five years.
- 3.3 No Director nor senior manager has, or has had, any interest in any transaction effected by the Company or any of its subsidiaries which is or was unusual in its nature or conditions or significant to the business of the Group and (in any such case) was effected during the current or immediately preceding financial year of the Company or during an earlier financial year and remains in any respect outstanding or unperformed.
- 3.4 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any Director.
- 3.5 No Director nor senior manager has any potential conflict of interest between his or her duties to the Company and his or her private interests or other duties.

#### 4. Share Capital

- 4.1 The following table sets out the issued and fully paid share capital of the Company as at the Latest Practicable Date and as it will be (assuming that no options or awards granted under the LTIP and the Deferred Plan are exercised between the date of this Document and completion of the Issue) following the allotment and issue of 39,681,104 New Ordinary Shares under the Issue. The ISIN for the Open Offer Entitlements is GB00B7HKGH03 and the ISIN for the Excess Open Offer Entitlements is GB00B8FLVR77.

	<i>Nominal Value</i>	<i>Issued and fully paid</i>
Number of Ordinary Shares prior to completion of the Issue	£0.05	137,287,481
Proposed number of Ordinary Shares upon completion of the Issue	£0.05	170,104,385

As at the Latest Practicable Date, the Company held 7,446,683 treasury shares, equal to 5.4 per cent. of the existing issued share capital. No Ordinary Shares have been issued otherwise than as fully paid. The Ordinary Shares have a nominal value of 5 pence each.

Other than that detailed in paragraph 6.2 of this Part XVIII of the Document there is no share capital under option.

- 4.2 The table below sets out the changes to the issued share capital of the Company for the three financial years ended 31 December 2010, 2011 and 2012 and for the period 1 January 2013 to 30 April 2013 (the Latest Practicable Date):

<i>Period ended</i>	<i>Number of issued Ordinary Shares</i>
30 April 2013	137,287,481
31 December 2012	137,287,481
31 December 2011	137,287,481
31 December 2010	137,287,481

- 4.3 The Issue will result in an overall immediate dilution of approximately 23.4 per cent. of the Existing Ordinary Shares in the capital of the Company.

- 4.3.1 By ordinary resolution of the Company passed on 25 May 2012, in substitution for all existing authorities, the Directors were generally and unconditionally authorised, in accordance with section 551 of the Companies Act, to exercise all powers of the Company to allot Ordinary



Shares in the Company and grant rights to subscribe for, or convert any security into, Ordinary Shares in the Company up to an aggregate nominal amount of £2,164,013.30. Such authority shall expire on 1 July 2017 (unless previously revoked or varied by the Company in general meeting) save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after the authority ends.

4.4 By special resolution of the Company passed on 25 May 2012, the Directors were generally authorised pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) for cash as if section 561(1) of the Companies Act did not apply to the allotment but this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue, open offer or any other preemptive offer in favour of ordinary Shareholders (excluding any Shareholder holding shares as treasury shares) and in favour of holders (excluding any holder holding shares as treasury shares) of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of such persons on a fixed record date are proportionate (as nearly may be) to the respective numbers of equity securities held by them, or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and
- (b) the allotment of equity securities and/or sale of equity securities held as treasury shares up to an aggregate nominal value of £343,218.70,

and this power shall expire at the conclusion of the annual general meeting of the Company to be held in 2013 and the Company may, before this power expires, make any offer, agreement or arrangement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer, agreement or arrangement as if this power had not expired.

## **5. Employee Share Plans**

The Group currently operates two employee share schemes.

The Group's LTIP is the main share incentive plan for executive directors and key employees and its terms are summarised at paragraph 5.1 below.

The Company's Deferred Plan is used by the Company to defer part of the annual bonuses of executive directors and key employees into share incentive awards and its terms are summarised at paragraph 5.2 below.

### **5.1 LTIP**

#### *General*

The LTIP was adopted on 30 November 2010 by the Company's shareholders. Nil or nominal cost options to acquire Shares under the LTIP are granted to eligible employees by the Company. Conditional share awards and market value options may also be granted although have not been to date. The options have a normal vesting period of three years but only if, and to the extent that, performance conditions have been satisfied. Awards are not transferable (except on death) and are not pensionable benefits.

#### *Eligibility*

Awards may be granted under the LTIP to any person who is an employee of the Group, at the discretion of the Remuneration Committee.

### *Grant of Awards*

Awards can generally only be made:

- 42 days following the announcement by the Company of the Group's results for any period; or
- 28 days immediately after the recipient of the award first becomes an employee; or
- at any other time but only if, in the opinion of the Remuneration Committee, the circumstances are exceptional.

No payment is required for the making of awards. No awards may be made after 30 November 2020.

### *Exercise Price of Options*

Options normally have a nil or nominal exercise price, as determined by the Remuneration Committee before an option is granted taking into account local law.

### *Performance Targets*

The vesting of awards is subject to the satisfaction of a performance target measured over a defined performance period, as determined by the Remuneration Committee at the date of grant. The Remuneration Committee determines the extent to which performance targets are satisfied.

The Remuneration Committee may amend a performance target if it reasonably considers that the performance target should be amended to be a fairer measure of performance and more effectively incentivise the awardholder, so long as the new performance target is no more or less demanding to satisfy than originally.

All awards granted under the LTIP to date have a performance target measured by reference to the 3-year cumulative earnings per share "EPS" of the Company. 25 per cent. of award shares vest if a threshold target is achieved, rising on a straight line basis to 100 per cent. if a stretch target is achieved. Following adjustments to existing awards made following the disposal of the Gall Thomson business, the EPS performance targets are as follows:

	<i>2010 Awards</i>	<i>2011 Awards</i>	<i>2012 Awards</i>
Threshold (25% vesting)	25.7p	27.5p	33.0p
Stretch (100% vesting)	32.4p	34.2p	45.6p

In addition, 2012 awards to executive directors are subject to an underpin whereby the extent to which options vest may be scaled down if the Remuneration Committee determines that the EPS outcome is not a genuine reflection of the Group's performance, having regard to the Group's relative total shareholder return performance compared to the FTSE All-Share Index and the median of a tailored group of comparator companies over the same performance period.

### *Individual Limit*

In any financial year, an individual will not normally be granted nil/nominal options or conditional share awards with a market value in excess of the individual's annual basic salary or market value options exceeding 200 per cent. of the individual's annual basic salary. A combination of the above awards may be granted subject to a fair value cap equal to 100 per cent. of the individual's annual basic salary (increasing to 150 per cent. at the discretion of the Remuneration Committee in exceptional circumstances only).

### *Vesting of Awards*

Awards normally vest following the announcement of the Company's results for the last financial year in the three year performance period.

On the making of an award, the Remuneration Committee may determine that the awardholder will, on the receipt of shares following vesting of an award, be paid a cash amount in lieu of dividends paid on such shares during the vesting period or given additional shares equal to such dividends.

#### *Leavers*

If an awardholder leaves employment with the Group any unvested portion of his award will normally be forfeited. If the reason for leaving is death, injury, disability, ill-health, redundancy, retirement (by agreement with the Remuneration Committee), the sale of the employing business or company, or for any other reason which the Remuneration Committee so determines at its discretion, unvested awards would vest according to performance over the full performance period (or over the performance period elapsed at the date of leaving if deemed appropriate by the Remuneration Committee).

In addition, awards would be pro-rated for time based on the proportion of the performance period elapsed at the date the awardholder ceased employment, with Remuneration Committee discretion to treat otherwise. If the awardholder leaves for any other reason, awards will typically lapse.

#### *Corporate Events*

In the event of a takeover of the Company, awards shall vest at that time in proportion of such of the award shares as the Remuneration Committee shall determine, having regard to the proportion of the performance period that has elapsed and the extent to which the Remuneration Committee deems the performance target to be satisfied, with Remuneration Committee discretion to determine otherwise.

In the event of a reorganisation, reconstruction upon a change of control, amalgamation, demerger or voluntary winding-up of the Company, awards may, if the Remuneration Committee so determines, vest early in such proportion of the award shares as the Remuneration Committee may determine. In making its determination, the Remuneration Committee will take into account the proportion of the performance period that has elapsed and the extent to which it deems the performance target to be satisfied, with Remuneration Committee discretion to determine otherwise.

#### *Dilution Limit*

Awards may be made over unissued or existing Ordinary Shares.

In the event that awards are satisfied through new issue Shares, the number of Shares issued or in respect of which rights to subscribe may be granted pursuant to the LTIP and the Company's other executive and employee share schemes in any rolling period of 10 years, will not exceed 10 per cent. of the ordinary share capital of the Company in issue from time to time (ignoring an issue of shares in 2004 and an exceptional grant of options in 2008).

#### *Rights attaching to ordinary shares*

Shares allotted or transferred under the LTIP will rank alongside Shares of the same class then in issue.

#### *Variation of share capital*

If there is a variation of the share capital of the Company, the Remuneration Committee may adjust the number of Shares subject to awards (and, where applicable, the exercise price of options).

#### *Alteration of the LTIP*

The Remuneration Committee may amend the LTIP. However, the provisions governing eligibility requirements, equity dilution, individual participation limits, the basis for determining the rights of participants to acquire Shares and the adjustments that may be made following a rights issue or any other variation of capital cannot be altered to the advantage of existing or new participants without the prior approval of the Company's shareholders in general meeting.

There is an exception to the above for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or developments in the law affecting the LTIP or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the LTIP or for any member of the Group.

In addition, no alteration may be made that would materially affect any subsisting rights of any participants without their prior consent.

## 5.2 *Deferred Plan*

### *General*

The Deferred Plan was adopted on 30 November 2010 by the Company's shareholders. Nil cost options or conditional share awards to acquire shares under the Deferred Plan are granted to eligible employees by the Company (depending on the legal jurisdiction in which the participant is resident). Awards generally have a vesting period of three years. Awards are not transferable (except on death) and are not pensionable benefits.

### *Eligibility*

Awards may be granted under the Deferred Plan to any person who is an employee of the Group who participates in the Group's annual bonus framework, at the discretion of the Remuneration Committee.

### *Grant of Awards*

Awards can generally only be granted in the 42 days following the announcement by the Company of its results for any period.

No payment is required for the making of awards. No awards may be granted after 30 November 2020.

### *Performance Targets*

Awards made under the Deferred Plan are not subject to performance targets.

### *Calculation of Deferred Plan Awards*

Participants under the Deferred Plan will receive a specified proportion of their ordinary cash bonus under the Group's annual bonus framework in the form of an award under the Deferred Plan over shares with an equivalent market value.

### *Vesting of Awards*

Awards normally vest on the third anniversary of the award date.

On the making of an award, the Remuneration Committee may determine that the awardholder will, on the receipt of shares following vesting of an award, be paid a cash amount in lieu of dividends paid on such shares during the vesting period or given further shares equal in value to such dividends.

### *Leavers*

If an awardholder leaves the Group any unvested element of his award will normally be forfeited with Remuneration Committee discretion to determine otherwise (except in cases of gross misconduct). If the reason for leaving is death, injury, disability, ill-health, redundancy, retirement (by agreement with the Remuneration Committee), the sale of the employing business or company, or for any other reason which the Remuneration Committee so determines at its discretion awards vest in full.

### *Corporate Events*

In the event of a takeover of the Company, awards shall vest in full.

In the event of a reorganisation, reconstruction upon a change of control, amalgamation, demerger or voluntary winding-up of the Company, awards will vest in full.

#### *Dilution Limit*

Awards may be granted over unissued or existing shares although existing shares will be used where possible.

In the event that awards are satisfied through new issue Shares, the number of Shares issued or in respect of which rights to subscribe may be granted pursuant to the Deferred Plan and the Company's other executive and employee share schemes in any rolling period of 10 years, will not exceed 10 per cent. of the ordinary share capital of the Company in issue from time to time (ignoring an issue of shares in 2004 and an exceptional grant of options in 2008).

#### *Rights attaching to ordinary shares*

Shares allotted or transferred under the Deferred Plan will rank alongside Shares of the same class then in issue.

#### *Variation of share capital*

If there is a variation of the share capital of the Company, the Remuneration Committee may adjust the number of Shares subject to awards.

#### *Alteration of the Deferred Plan*

The Remuneration Committee may amend the Deferred Plan as it sees fit.

However, no alteration may be made that would materially affect any subsisting rights of any participants without their prior consent.

## **6. Interests in Ordinary Shares**

### **6.1 *Interests of Directors and senior managers***

As at the Latest Practicable Date, the interests (all of which are beneficial unless otherwise stated) of the Directors and senior managers (as well as their immediate families) in the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or senior manager) interests of a person connected (within the meaning of section 252 of the Companies Act) with a Director or senior manager and the existence of which was known to or could, with reasonable due diligence, be ascertained by the relevant Director or senior manager are as follows:

<i>Director/senior manager</i>	<i>Number of Ordinary Shares held prior to the Issue</i>	<i>Percentage of issued share capital held prior to the Issue</i>	<i>Proposed number of Ordinary Shares upon completion of the Issue</i>	<i>Proposed percentage of the Enlarged Share Capital held upon completion of the Issue</i>
Jamie Pike	405,000	0.31	507,362	0.30
Louis Eperjesi	145,000	0.11	181,648	0.11
James Brotherton	149,191	0.11	186,898	0.11
Leslie Tench	93,750	0.07	117,445	0.07
Martin Towers	50,277	0.04	62,984	0.04
Angelika Westerwelle	25,000	0.02	31,318	0.02

## 6.2 *LTIP awards*

Directors' and senior managers' interests in awards made under the LTIP are set out below:

<i>Deferred share bonus plan</i>	<i>Award date</i>	<i>Market value at award date</i>	<i>Shares over which LTIP awards held at 1 January 2012</i>	<i>Shares over which LTIP awards granted during 2012</i>	<i>Shares over which LTIP awards held at Latest Practicable Date</i>	<i>Normal vesting date</i>	<i>Expiry date</i>
James Brotherton	10/12/2010	£1.0375	150,000	–	150,000	23/03/2014	10/12/2020
James Brotherton	06/07/2011	£1.2300	150,000	–	150,000	23/03/2014	06/07/2021
James Brotherton	03/07/2012	£1.2950	–	153,193	153,193	23/03/2015	03/07/2022
Louis Eperjesi	10/12/2010	£1.0375	200,000	–	200,000	23/03/2014	10/12/2020
Louis Eperjesi	06/07/2011	£1.2300	200,000	–	200,000	23/03/2014	06/07/2021
Louis Eperjesi	03/07/2012	£1.2950	–	201,570	201,570	23/03/2015	03/07/2022

No other share options over Ordinary Shares have been granted to the Directors nor senior managers.

## 7. **Substantial Shareholders**

Save as disclosed below, the Company is not aware of any person who, directly or indirectly, was, as at the Latest Practicable Date interested in three per cent. or more of the current issued ordinary share capital of the Company:

	<i>Number of Ordinary Shares currently held</i>	<i>Percentage of issued share capital currently held</i>	<i>Commitment received to subscribe for shares under the Firm Placing and the Placing</i>	<i>Expected number of Ordinary Shares held immediately after the Issue*</i>	<i>Expected percentage of the Enlarged Share Capital held immediately after the Issue</i>
F&C Asset Management (UK)	14,270,477	10.99	2,162,162	16,432,639	9.69
Standard Life Investments	14,207,234	10.94	4,482,590	18,689,824	11.03
Aviva Investors Global Solutions	12,965,311	9.99	3,015,711	15,981,022	9.43
Greg Hutchings Esq and associated entities	10,851,245	8.36	Nil	10,851,245	6.40
Polar Capital	7,868,077	6.06	1,891,891	9,759,968	5.76
SVG Capital	5,037,948	3.88	648,345	5,686,293	3.35
Old Mutual Asset Management	4,876,714	3.76	428,441	5,305,155	3.13

\*Assuming that all of the New Ordinary Shares are issued and that no further Ordinary Shares are issued as a result of the exercise of any options under the LTIP and Deferred Plan between the posting of this Document and the closing of the Issue and that Shareholders do not take up their Open Offer Entitlements.

The Shareholders detailed in the above table do not have different voting rights from those of the other Shareholders.

The Directors are not aware (i) of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control or ownership over the Company, nor (ii) of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## 8. **Articles of association of the Company**

### 8.1 *Articles of association*

The Articles of the Company which were adopted by special resolution dated 28 May 2010 and amended by special resolution on 25 May 2012 have unrestricted objects and contain, *inter alia*, provisions to the following effect:

(A) *Shares*

**Voting Rights**

Pursuant to the Articles, the Company can issue shares with any rights or restrictions attached to them as long as this is not restricted by any rights attached to existing shares. These rights or restrictions can be decided either by an ordinary resolution passed by the Shareholders or by the Directors as long as there is no conflict with any resolution passed by the Shareholders. These rights and restrictions will apply to the relevant shares as if they were set out in the Articles. Subject to any rights attached to existing shares, the Company can issue shares which can be redeemed. This can include shares which can be redeemed if the holders want to do so, as well as shares which the Company can insist on redeeming. The Directors can decide on the terms and conditions and the manner of redemption of any redeemable share. These terms and conditions will apply to the relevant shares as if they were set out in the Articles. If new shares are created or issued which rank equally with any other existing shares, the rights of the existing shares will not be regarded as changed or abrogated unless the terms of the existing shares expressly say otherwise.

**Variation of Class Rights**

If the legislation allows this, the rights attached to any class of shares can be changed if this is approved either in writing by Shareholders holding at least three quarters of the issued shares of that class by amount (excluding any shares of that class held as treasury shares) or by a special resolution passed at a separate meeting of the holders of the relevant class of shares. A quorum will be present at such a class meeting if at least two Shareholders who are entitled to vote are present in person or by proxy who own at least one third in amount of the issued shares of the class (excluding any shares of that class held as treasury shares).

**Uncertificated Shares**

The Directors can allow the ownership of shares to be evidenced without share certificates and for these shares to be transferred through CREST. The Directors can select and make arrangements for any class of shares to participate in CREST in this way, provided that the shares of the class are identical in all respects. The Directors can also withdraw a class of shares from being transferred through CREST and from allowing ownership of them to be evidenced without share certificates. CREST shares do not form a class of shares separate from certificated shares with the same rights.

CREST shares can be changed to become certificated shares and certificated shares can be changed to become CREST shares, provided the requirements of the uncertificated securities rules are met. Unless the Directors decide otherwise, CREST shares held by a Shareholder will be treated as separate holdings from any certificated shares which that Shareholder holds.

**Right to Share Certificates**

When a Shareholder is first registered as the holder of any class of certificated shares, he is entitled, free of charge, to one certificate for all of the certificated shares of that class which he holds. If a Shareholder holds certificated shares of more than one class, he is entitled to a separate share certificate for each class. If a Shareholder receives more certificated shares of any class, he is entitled, without charge, to a certificate for the extra shares. If a Shareholder transfers some of the shares represented by a share certificate, he is entitled, free of charge, to a new certificate for the balance to the extent the balance is to be held in certificated form. Where a certificated share is held jointly, the Company does not have to issue more than one certificate for that share. When the Company delivers a share certificate to one joint Shareholder, this is treated as delivery to all of the joint Shareholders.



## Transfer

Any Shareholder can transfer some or all of his certificated shares to another person. There are no restrictions on the free transferability of the New Ordinary Shares or the Existing Ordinary Shares. A transfer of certificated shares must be made in writing and either in the usual standard form or in any other form approved by the Directors. A transfer of CREST shares must be made through CREST and must comply with the uncertificated securities rules. The person making a transfer will continue to be treated as a Shareholder until the name of the person to whom the share is being transferred is put on the register for that share. The Directors can refuse to register the transfer of any shares which are not fully paid.

## (B) *General Meetings*

### Quorum

A quorum for a general meeting is two people who are entitled to vote. They can be Shareholders who are personally present or proxies for Shareholders or a combination of both. If a quorum is not present, a chairman of the meeting can still be chosen and this will not be treated as part of the business of the meeting. If a quorum is not present within five minutes of the time fixed for a general meeting to start or within any longer period not exceeding one hour which the chairman of the meeting can decide or if a quorum ceases to be present during a general meeting, the meeting (if called by Shareholders) will be cancelled or (any other meeting) will be adjourned to a day (being not less than ten days later), time and place decided on by the chairman of the meeting. One Shareholder present in person or by proxy and entitled to vote will constitute a quorum at any adjourned meeting.

If the Directors consider that it is impracticable or undesirable to hold a general meeting on the date or at the time or place stated in the notice calling the meeting, they can move or postpone the meeting (or do both). If the Directors do this, an announcement of the date, time and place of the rearranged meeting will, if practicable, be published in at least two national newspapers in the United Kingdom. Notice of the business of the meeting does not need to be given again. The Directors must take reasonable steps to ensure that any Shareholder trying to attend the meeting at the original time and place is informed of the new arrangements. If a meeting is rearranged in this way, proxy forms are valid if they are received not less than 48 hours before the time of the rearranged meeting. The Directors can also move or postpone the rearranged meeting (or do both).

### Voting

Shareholders will be entitled to vote at a general meeting, whether on a show of hands or a poll. Where a proxy is given discretion as to how to vote on a show of hands this will be treated as an instruction by the relevant Shareholder to vote in the way in which the proxy decides to exercise that discretion. This is subject to any special rights or restrictions as to voting which are given to any shares or upon which any shares may be held at the relevant time. A resolution put to the vote at any general meeting will be decided on a show of hands unless a poll is demanded when, or before, the chairman of the meeting declares the result of the show of hands. A poll can be demanded by the chairman of the meeting; at least three persons at the meeting who are entitled to vote; one or more Shareholders at the meeting who are entitled to vote (or their proxies) and who have between them at least ten per cent. of the total votes of all Shareholders who have the right to vote at the meeting; or one or more Shareholders at the meeting who have shares which allow them to vote at the meeting (or their proxies) and on which the total amount which has been paid up is at least ten per cent. of the total sum paid up on all shares which give the right to vote at the meeting. Unless the Directors decide otherwise, a Shareholder cannot attend or vote shares at any general meeting of the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he has not paid all amounts relating to those shares which are due at the time of the meeting.



(C) *Directors*

*Directors' meetings*

Directors' meetings are called by giving notice to all the Directors. Notice is treated as properly given if it is given personally, by word of mouth or in writing to the Director's last known address or any other address given by him to the Company for this purpose. Any Director can waive his entitlement to notice of any Directors' meeting, including one which has already taken place and any waiver after the meeting has taken place will not affect the validity of the meeting or any business conducted at the meeting.

If no other quorum is fixed by the Directors, two Directors are a quorum. If a Director ceases to be a Director at a Directors' meeting, he can continue to be present and to act as a Director and be counted in the quorum until the end of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

Matters to be decided at a Directors' meeting will be decided by a majority vote. If votes are equal, the chairman of the meeting has a second, casting vote.

*Appointment*

The Company must have a minimum of two Directors (disregarding alternate Directors) and the number of Directors will not be subject to a maximum. But the Shareholders can change this restriction by passing an ordinary resolution.

The Company can, by passing an ordinary resolution, appoint any willing person to be a Director, either as an extra Director or to fill a vacancy where a Director has stopped being a Director for some reason. The Directors can appoint any willing person to be a Director, either as an extra Director or as a replacement for another Director. Any Director appointed in this way must retire from office at the first annual general meeting after his appointment. A Director who retires in this way is then eligible for re-appointment.

*Retirement*

At every annual general meeting any Director who has been appointed by the Directors since the last annual general meeting; and any Director who held office at the time of the two preceding annual general meetings and who did not retire at either of them, and any Director who has been in office, other than as a Director holding an executive position, for a continuous period of nine years or more at the date of the meeting shall retire. Any Director who retires at an annual general meeting may offer himself for re-appointment by the Shareholders.

At the general meeting at which a Director retires, Shareholders can pass an ordinary resolution to reappoint the Director or to appoint some other eligible person in his place. In addition to any power to remove Directors conferred by the legislation, the Company can pass a special resolution to remove a Director from office even though his time in office has not ended and can appoint a person to replace a Director who has been removed in this way by passing an ordinary resolution.

Any Director automatically stops being a Director if he gives the Company a written notice of resignation; he gives the Company a written notice in which he offers to resign and the Directors decide to accept this offer; all of the other Directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the Director to resign; he is or has been suffering from mental or physical ill health and the Directors pass a resolution removing the Director from office; he has missed Directors' meetings (whether or not an alternate Director appointed by him attends those meetings) for a continuous period of six months without permission from the Directors and the Directors pass a resolution removing the Director from office; a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally; he is prohibited from being a Director under the legislation; or he ceases to be a Director under the legislation or he is removed from office. If

a Director stops being a Director for any reason, he will also automatically cease to be a member of any committee or sub-committee of the Directors.

#### Alternate Directors

Any Director can appoint any person (including another Director) to act in his place (called an “**alternate Director**”). That appointment requires the approval of the Directors, unless previously approved by the Directors or unless the appointee is another Director. A Director appoints an alternate Director by sending a signed written notice of appointment to the office or to an address specified by the Company or by tabling it at a meeting of the Directors, or in such other way as the Directors approve.

The appointment of an alternate Director ends on the happening of any event which, if he were a Director, would cause him to vacate that office. It also ends if the alternate Director resigns his office by written notice to the Company or if his appointor stops being a Director, unless that Director retires at a general meeting at which he is re-appointed. A Director can also remove his alternate Director by a written notice sent to the office or to an address specified by the company or tabled at a meeting of the Directors.

An alternate Director is entitled to receive notices of meetings of the Directors. He is entitled to attend and vote as a Director at any meeting at which the Director appointing him is not personally present and generally at that meeting is entitled to perform all of the functions of his appointor as a Director. If he is himself a Director, or he attends any meeting as an alternate Director for more than one Director, he can vote cumulatively for himself and for each other Director he represents but he cannot be counted more than once for the purposes of the quorum. An alternate Director’s signature to any resolution in writing of the Directors is as effective as the signature of his appointor, unless the notice of his appointment provides to the contrary.

An alternate Director is entitled to contract and be interested in and benefit from contracts, transactions or arrangements and to be repaid expenses and to be indemnified by the Company to the same extent as if he were a Director. However, he is not entitled to receive from the company as an alternate Director any pay, except for that part (if any) of the pay otherwise payable to his appointor as his appointor may tell the company in writing to pay to his alternate Director.

#### Executive Directors

The Directors or any committee authorised by the Directors can appoint one or more Directors to any executive position, on such terms and for such period as they think fit. They can also terminate or vary an appointment at any time. The Directors or any committee authorised by the Directors will decide how much remuneration a Director appointed to an executive office will receive (whether as salary, commission, profit share or any other form of remuneration) and whether this is in addition to or in place of his fees as a Director.

If the Directors terminate the appointment, the termination will not affect any right of the company or the Director in relation to any breach of any employment contract which may be involved in the termination.

#### Directors’ Fees

The total fees paid to all of the Directors (excluding any payments made under any other provision of these articles) must not exceed £500,000 a year; or any higher sum decided on by an ordinary resolution at a general meeting.

#### Additional Remuneration

The Directors or any committee authorised by the Directors can award extra fees to any Director who, in their view, performs any special or extra services for the Company. Extra fees can take the form of salary, commission, profit-sharing or other benefits (and can be paid partly

in one way and partly in another). This is all decided by the Directors or any committee authorised by the Directors.

#### Expenses

The Company can pay the reasonable travel, hotel and incidental expenses of each Director incurred in attending and returning from general meetings, meetings of the Directors or committees of the Directors or any other meetings which as a Director he is entitled to attend. The Company will pay all other expenses properly and reasonably incurred by each Director in connection with the Company's business or in the performance of his duties as a Director. The Company can also fund a Director's or former Director's expenditure and that of a Director or former Director of any holding company of the Company for the purposes permitted by the legislation and can do anything to enable a Director or former Director or a Director or former Director of any holding company of the Company to avoid incurring such expenditure all as provided in the legislation.

#### Pensions and Gratuities for Directors

The Directors or any committee authorised by the Directors can decide whether to provide pensions, annual payments or other benefits to any Director or former Director of the company, or any relation or dependant of, or person connected to, such a person. The Directors can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes. The Company can only provide pensions and other benefits to people who are or were Directors but who have not been employed by, or held an office or executive position in, the Company or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the Company or any such other company or to relations or dependants of, or persons connected to, these Directors or former Directors if the Shareholders approve this by passing an ordinary resolution.

A Director or former Director will not be accountable to the Company or the Shareholders for any benefit provided pursuant to the Articles. Anyone receiving such a benefit will not be disqualified from being or becoming a Director of the Company.

#### Directors' Interests

The Directors may authorise any matter which would otherwise involve a Director breaching his duty under the legislation to avoid conflicts of interest ("**Conflict**").

A Director seeking authorisation in respect of a Conflict must tell the Directors of the nature and extent of his interest in a Conflict as soon as possible. The Director must give the Directors sufficient details of the relevant matter to enable them to decide how to address the Conflict together with any additional information which they may request.

Any Director (including the relevant Director) may propose that the relevant Director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the Directors shall be effected in the same way that any other matter may be proposed to and resolved upon by the Directors.

Subject to certain exceptions, the relevant Director and any other Director with a similar interest will not count in the quorum and will not vote on a resolution giving such authority; and the relevant Director and any other Director with a similar interest may, if the other Directors so decide, be excluded from any meeting of the Directors while the Conflict is under consideration.

The Directors can exercise or arrange for the exercise of the voting rights attached to any shares in another company held by the Company and the voting rights which they have as Directors of that company in any way that they decide. This includes voting in favour of a resolution appointing any of them as Directors or officers of that company and deciding their

remuneration. Subject to the Articles, they can also vote and be counted in the quorum as Directors of the Company in connection with any of these things.

If a question comes up at a meeting of the Directors about whether a Director (other than the chairman of the meeting) has an interest in a contract and whether it is likely to give rise to a conflict of interest or whether he can vote or be counted in the quorum and the Director does not agree to abstain from voting on the issue or not to be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman of the meeting's ruling about any other Director is final and conclusive unless the nature or extent of the Director's interest (so far as it is known to him) has not been fairly disclosed to the Directors. If the question comes up about the chairman of the meeting, the question shall be decided by a resolution of the Directors. The chairman of the meeting cannot vote on the question but can be counted in the quorum. The Directors' resolution about the chairman of the meeting is conclusive, unless the nature or extent of the chairman's interest (so far as it is known to him) has not been fairly disclosed to the Directors.

(D) *Borrowing Powers*

The Directors can exercise all the Company's powers to borrow money; to guarantee; to indemnify; to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital; to issue debentures and other securities; and to give security, either outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

The Directors must limit the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure that no money is borrowed if the total amount of the group's borrowings then exceeds, or would as a result of such borrowing exceed, the greater of £2,000,000 or three times the Company's adjusted capital and reserves. This affects subsidiary undertakings only to the extent that the Directors can do this by exercising these rights or powers of control. This limit can be exceeded if the consent of the Shareholders has been given in advance by passing an ordinary resolution. This limit does not include any borrowings owing by one member of the group to another member of the group.

(E) *Dividends and distributions to Shareholders*

The Company's Shareholders can declare dividends in accordance with the rights of the Shareholders by passing an ordinary resolution. No such dividend can exceed the amount recommended by the Directors.

If the Directors consider that the financial position of the Company justifies such payments, they can pay the fixed or other dividends on any class of shares on the dates prescribed for the payment of those dividends; and pay interim dividends on shares of any class of any amounts and on any dates and for any periods which they decide.

If the Directors act in good faith, they will not be liable for any loss that any Shareholders may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares.

All dividends will be declared and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid. Sums which have been paid up in advance of calls will not count as paid up for this purpose. If the terms of any share say that it will be entitled to a dividend as if it were a fully paid up, or partly paid up, share from a particular date (in the past or future), it will be entitled to a dividend on this basis.

If a Shareholder owes the Company any money for calls on shares or money in any other way relating to his shares, the Directors can deduct any of this money from any dividend or other

money payable to the Shareholder on or in respect of any share held by him. Money deducted in this way can be used to pay amounts owed to the Company.

Unless the rights attached to any shares, or the terms of any shares, say otherwise, no dividend or other sum payable by the Company on or in respect of its shares carries a right to interest from the Company.

Where any dividends or other amounts payable on a share have not been claimed, the Directors can invest them or use them in any other way for the Company's benefit until they are claimed. The Company will not be a trustee of the money and will not be liable to pay interest on it. If a dividend or other money has not been claimed for 12 years after being declared or becoming due for payment, it will be forfeited and go back to the Company unless the Directors decide otherwise.

#### Scrip Dividends

The Directors can offer ordinary Shareholders (excluding any Shareholder holding shares as treasury shares) the right to choose to receive extra ordinary shares, which are credited as fully paid up, instead of some or all of their cash dividend. Before they can do this, Shareholders must have passed an ordinary resolution authorising the Directors to make this offer. The Directors can also offer Shareholders the right to request new shares instead of cash for all future dividends (if a share alternative is available), until they tell or are treated as telling the Company that they no longer wish to receive new shares.

A Shareholder will be entitled to ordinary shares whose total "relevant value" is as near as possible to the cash dividend he would have received (disregarding any tax credit), but not more than it. The relevant value of a share is the average value of the Company's ordinary shares for five consecutive dealing days selected by the Directors starting on or after the day when the shares are first quoted "ex dividend".

The new ordinary shares will rank equally in all respects with the existing fully paid up ordinary shares at the time when the new ordinary shares are allotted. But, they will not be entitled to share in the dividend from which they arose, or to have new shares instead of that dividend.

The Directors can decide that new shares will not be available in place of any cash dividend. They can decide this at any time before new shares are allotted in place of such dividend, whether before or after Shareholders have opted to receive new shares.

The Directors may not proceed with any election unless the Company has sufficient reserves or funds that may be capitalised, and the Directors have authority to allot sufficient shares, to give effect to it after the basis of allotment is determined.

#### (F) *Indemnity*

As far as the legislation allows, the Company can indemnify any Director or former Director of the Company or of any associated company against any liability; and can purchase and maintain insurance against any liability for any Director or former Director of the Company or of any associated company.

### **9. Disclosure of interests in Ordinary Shares**

The Disclosure and Transparency Rules require Shareholders to notify the Company if the voting rights held by such Shareholders (including by way of a certain financial instrument) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.

Pursuant to the Companies Act, the Company may also send a notice to any person whom the Company knows or believes to be interested in the Company's shares requiring that person to confirm whether he has such an interest and if so, details of that interest.

Under the Articles and the Companies Act, if a person fails to provide the Company with the information required by the notice within the time specified, or information provided happens to be false (whether deliberate or reckless) in respect of any Ordinary Shares (the “**default shares**”) the Directors may serve a restriction notice on such person. Such a restriction notice will state that the default shares held by that person shall not confer any right to attend or vote at any general meeting of the Company, or separate meeting of the holders of any class of shares, and certain other sanctions may also apply.

## **10. Service agreements and remuneration of the Directors**

### **10.1 Executive Directors**

The Company has entered into the following contracts with its Executive Directors:

#### *Louis Eperjesi*

Pursuant to an executive service agreement dated 20 July 2010, the Company employed Louis Eperjesi as Chief Executive Officer of the Company commencing 22 February 2010. The appointment can be terminated by either party giving twelve months' written notice. The appointment shall in any event terminate on Mr Eperjesi's sixty-fifth birthday. Under the appointment, Mr Eperjesi receives a base salary of £261,000 per annum (or such higher salary as may be agreed by the Board), and is entitled to participate in any bonus arrangements which the Board establish. The Company provides access to a designated stakeholder pension scheme, but does not make any contributions to such scheme and provides access to membership of a private medical expenses arrangement (for him and his dependants) and health insurance cover.

#### *James Brotherton*

Pursuant to an executive service agreement dated 20 July 2010, the Company employed James Brotherton as Chief Financial Officer of the Company commencing 10 May 2010. The appointment can be terminated by either party giving twelve months' written notice. The appointment shall in any event terminate on Mr Brotherton's sixty-fifth birthday. Under the appointment, Mr Brotherton receives a base salary of £199,000 per annum (or such higher salary as may be agreed by the Board), and is entitled to participate in any bonus arrangements which the Board establish. The Company provides access to a designated stakeholder pension scheme, but does not make any contributions to such scheme and provides access to membership of a private medical expenses arrangement (for him and his dependants) and health insurance cover.

### **10.2 Non-Executive Directors**

The Company has entered into the following contracts with its non-executive Directors:

#### *Jamie Pike*

Pursuant to a letter of appointment dated 23 November 2009, the Company appointed Jamie Pike to the office of non-executive Chairman of the Company, member of the Remuneration Committee, the Nomination Committee and the Audit and Corporate Governance Committee of the Board. The appointment was for an initial three year period (which has been extended by the Board) and can be terminated by giving one month's written notice. The continued appointment is subject to re-election by shareholders in accordance with the Articles. Under the appointment, Mr Pike receives fees of £100,000 per annum.



### *Martin Towers*

Pursuant to a letter of appointment dated 6 January 2010 (but commencing 17 December 2009), the Company appointed Martin Towers to the office of non-executive director of the Company, member of the Remuneration Committee, the Nomination Committee and the Audit and Corporate Governance Committee of the Board. The appointment was for an initial three year period (which has been extended by the Board) and can be terminated by giving one month's written notice. The continued appointment is subject to re-election by shareholders in accordance with the Articles. Under the appointment, Mr Towers receives fees of £40,000 per annum.

### *Leslie Tench*

Pursuant to a letter of appointment dated 6 January 2010 (but commencing 17 December 2009), the Company appointed Leslie Tench to the office of non-executive director of the Company, member of the Remuneration Committee, the Nomination Committee and the Audit and Corporate Governance Committee of the Board. The appointment was for an initial three year period (which has been extended by the Board) and can be terminated by giving one month's written notice. The continued appointment is subject to re-election by shareholders in accordance with the Articles. Under the appointment, Mr Tench receives fees of £40,000 per annum.

### *Dr. Angelika Westerwelle*

Pursuant to a letter of appointment dated 1 November 2012 (but commencing 30 November 2012), the Company appointed Dr. Angelika Westerwelle to the office of non-executive director of the Company, member of the Remuneration Committee, the Nomination Committee and the Audit and Corporate Governance Committee of the Board. The appointment is for an initial three year period (which can be extended by invite of the Board) and can be terminated by giving one month's written notice. The continued appointment is subject to re-election by shareholders in accordance with the Articles. Under the appointment, Dr. Westerwelle receives fees of £35,000 per annum.

## 10.3 **Remuneration**

The amount of remuneration paid to the Directors and senior managers (including any contingent or deferred compensation) and benefits in kind granted to the Directors and senior managers by the Company or any member of the Group during the financial year ended 31 December 2012 was, on an individual basis, as follows:

	<i>Basic salary/fees</i>	<i>Cash payment in lieu of pension and benefits</i>	<i>Bonuses</i>	<i>Other benefits</i>	<i>2012 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Executive Directors</i>					
Louis Eperjesi	261	53	89	1	404
James Brotherton	199	10	68	—	277
<i>Non-executive Directors</i>					
Jamie Pike	100	—	—	—	100
Leslie Tench	40	—	—	—	40
Martin Towers	40	—	—	—	40
Dr. Angelika Westerwelle	3	—	—	—	3

### **Notes**

The above figures do not include amounts in respect of (i) the value of share options granted to or held by the Directors, further details of which are contained at paragraph 6.2 of this Part XVIII; or (ii) Directors' pension entitlements, further details of which are contained in paragraph 10.4 of this Part XVIII.

#### 10.4 *Directors' pension entitlements*

The Directors are not members of any of the Company's pension schemes. During 2012, Louis Eperjesi and James Brotherton received cash payments in lieu of pension and benefits as set out below in 2012. Louis Eperjesi entered into salary sacrifice arrangements with the Company to pay £60,000 of his annual salary directly into his personal pension plan. The non-executive directors of the Company did not receive any cash payments in lieu of pension and benefits in 2012.

<i>Director</i>	<i>Membership of Tyman pension plan and per cent. Company contribution</i>	<i>Cash payment in lieu of pension and benefits £'000</i>	<i>Company contribution for Directors not in Tyman pension plan</i>
Louis Eperjesi	–	53	–
James Brotherton	–	10	–

#### 10.5 *General*

Save as set out in paragraphs 10.1 and 10.2, there are no existing contracts between any of the Directors and any member of the Group.

Other than the Directors, there are no Persons Discharging Managerial Responsibilities as at the date of this Document.

### 11. **Board Practices**

#### 11.1 *Audit and Corporate Governance Committee*

The following is a summary of the terms of reference under which the Audit and Corporate Governance Committee operates. Information as to the composition of the Audit and Corporate Governance Committee is contained in paragraph 11.4 below.

The Audit and Corporate Governance Committee comprises the non-Executive Directors and meets at least three times a year. The Executive Directors also attend certain meetings of the committee by invitation. The committee considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. The committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements.

The work of the committee includes considering of the following matters:

- (a) The annual financial statements and the preliminary results announcement before their submission to the Board for approval, including consideration of the Group on an going concern basis;
- (b) The interim financial statements and interim results announcement;
- (c) Areas of significance in the preparation of the financial statements, including exceptional items, impairment reviews, tax provisions;
- (d) Reports from the external auditors on the annual and interim financial statements, the approval of the audit plan and fee proposal for the year end audit;
- (e) Developments in accounting standards and the Group's responses;
- (f) The internal control environment and risk management systems and the Group's statement on internal control systems, prior to endorsement by the Board;
- (g) Revisions to treasury policies and compliance with risk limits;
- (h) Material legal developments;



- (i) Whistleblowing systems in place within the Group and material whistleblowing reports;
- (j) The effectiveness of the external auditors, completion of the audit tender process and the recommendation to the Board of the appointment of the external auditors;
- (k) The policy on auditor independence and non-audit services, and consideration of the nature, scope and appropriateness of non-audit services supplied by the external auditors; and
- (l) Its terms of reference and effectiveness.

## 11.2 *Remuneration Committee*

The Remuneration Committee considers and approves the remuneration and benefits of the Directors. The committee also determines the remuneration of the members of the executive management committee of the Company 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 Remuneration Committee of the Board comprises all non-executive Directors of the Company. The executive Directors may, by invitation, attend meetings and provide advice to the committee, except when their own remuneration is discussed.

The Remuneration Committee is responsible for:

- (a) Setting, reviewing and recommending to the Board for approval the Company's overall remuneration policy and strategy;
- (b) Determining and reviewing the terms of appointment and the remuneration arrangements of the executive Directors of the Company and the chairman;
- (c) Determining and reviewing the terms of appointment and the remuneration arrangements of the members of the executive management committee of the Company; and
- (d) Approving the rules, and launch, of 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 Remuneration Committee considers the need to attract, retain and motivate executive Directors and senior management in determining appropriate remuneration policies and packages. It also takes into account the internal pay and benefits practice and employment conditions both within the Group as a whole and within the particular national context. External comparisons examine equivalent roles in similar companies taking into account their size, business complexity, internal scope and relative performance. Consideration is also given to the risks arising from market comparisons and inappropriate performance criteria.

## 11.3 *Nomination Committee*

The Nomination 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.

#### 11.4 *Constitution of Audit and Corporate Governance, Remuneration and Nomination Committees*

The Company's audit and corporate governance, remuneration and nomination committees are constituted as follows:

<i>Committee</i>	<i>Members</i>
Audit and Corporate Governance	Martin Towers ( <i>Chairman</i> ) Jamie Pike Leslie Tench Dr. Angelika Westerwelle
Remuneration	Leslie Tench ( <i>Chairman</i> ) Martin Towers Jamie Pike Dr. Angelika Westerwelle
Nomination	Jamie Pike ( <i>Chairman</i> ) Martin Towers Leslie Tench Dr. Angelika Westerwelle

#### 11.5 *Corporate Governance*

The Company is committed to the principles of corporate governance contained in the Corporate Governance Code. The Company, as a company admitted to trading on AIM at the date of this Document, has not been required to comply with the provisions of the Corporate Governance Code. Nevertheless, the Company has complied with the main provisions of the Corporate Governance Code with the following exception:

The Board has not previously undertaken a formal annual evaluation of its own performance and that of its committees and individual directors in accordance with principle B6 of the Corporate Governance Code, however, as provided in the Company's annual report and accounts for the financial year ended 31 December 2012, it is the Board's intention to carry out such annual evaluation for the financial year ended 31 December 2013.

#### 12. *Subsidiary undertakings of the Company*

The Company is the parent company of the Group. The principal subsidiary undertakings of the Company (being those which are considered by the Company to be most likely to have a significant effect on the assessment of the assets and liabilities, financial position or profits and losses of the Company) are set out below:

<i>Company</i>	<i>Principal activity</i>	<i>Share- holding held (%)</i>	<i>Immediate parent</i>	<i>Country of Incorporation</i>
Schlegel Systems Inc	Building products	100	Unipoly Schlegel Holdings Inc.	USA
Octroi Group Limited	Holding company	100	Tyman plc	England and Wales
Tyman Management Limited	Management services	100	Tyman plc	England and Wales
Schlegel Acquisition Holdings Limited	Holding company	100	Tyman plc	England and Wales
Schlegel UK (2006) Limited	Building products	100	Schlegel Acquisition Holdings Limited	England and Wales
Schlegel Australia Pty Limited	Building products	100	Schlegel Australia PTY (2006) Limited	Australia

<i>Company</i>	<i>Principal activity</i>	<i>Share- holding held (%)</i>	<i>Immediate parent</i>	<i>Country of Incorporation</i>
Schlegel GmbH	Building products	100	Schlegel Acquisition Holdings Limited	Germany
Schlegel Belgium BVBA	Building products	100	Schlegel Acquisition Holdings Limited	Belgium
Schlegel SRL	Building products	100	Schlegel Acquisition Holdings Limited	Italy
Schlegel Taliana SL	Building products	100	Schlegel Acquisition Holdings Limited	Spain
Jasper Acquisition Holdings Limited	Holding company	100	Tyman plc	England and Wales
Jasper Acquisition Limited	Holding company	100	Amesbury Holdings Limited	England and Wales
Amesbury Acquisition Holdings (2) Inc	Holding company	100	Jasper Acquisition Holdings Limited	USA
Amesbury Holdings Limited	Holding company	100	Amesbury Acquisition Holdings (No 2) Inc	England and Wales
Amesbury Industries Inc	Building products	100	Tyman Investments	USA
Amesbury Finance Holdings LLC	Holding company	100	Amesbury Holdings Limited	USA
Tyman Investments	Holding company	100	Amesbury Finance Holdings LLC	England and Wales
Amesbury Door Hardware Inc (SD)	Building products	100	Amesbury Industries Inc	USA
Amesbury Group Inc	Holding company	100	Amesbury Industries Inc	USA
Amesbury Group Plastic Profiles Inc	Building products	100	Amesbury Group Inc	USA
Bandlock Corporation Inc	Building products	100	Amesbury Group Inc	USA
Balance Systems Inc	Building products	100	Amesbury Group Inc	USA
Fastek Products Inc	Building products	100	Balance Systems Inc	USA
Overland Products Company Inc	Building products	100	Amesbury Door Hardware Inc (SD)	USA
9261-9360 Quebec Inc.	Building products	100	BSI-Omega Canada Inc	Canada
grouphomesafe Limited	Building products	100	Jasper Acquisition Holdings Limited	England and Wales
Balance UK Limited	Building products	100	grouphomesafe Limited	England and Wales
ERA Products Limited	Building products	100	grouphomesafe Limited	England and Wales
EWS (Manufacturing) Limited	Building products	100	grouphomesafe Limited	England and Wales
Linear Limited	Building products	100	grouphomesafe Limited	England and Wales
Window Fabrication & Fixing Supplies Limited	Building products	100	Jasper Acquisition Holdings Limited	England and Wales
Ventrolla Limited	Building products	100	grouphomesafe Limited	England and Wales

Subject to completion of the Acquisition, Truth Corporation and Atlas will each become a wholly-owned indirect subsidiary of the Company, Truth Corporation will become a wholly-owned direct subsidiary of Amesbury Industries Inc and Atlas will become a wholly-owned direct subsidiary of Schlegel Acquisition Holdings Limited.

The Company holds voting rights in each subsidiary undertaking in the same proportion to its holdings in the ordinary share capital of the respective subsidiaries.

### **13. Material contracts**

Save for the contracts described or referred to in this paragraph 13, no member of the Group or Truth Hardware has (i) entered into any material contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this Document or (ii) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which any member of the Group or Truth Hardware has any obligation or entitlement which is or may be material to the Group or Truth Hardware as at the date of this Document.

#### **13.1 Underwriting Agreement**

An agreement dated 1 May 2013 made between (1) the Company, (2) Canaccord Genuity, (3) Rothschild and (4) HSBC whereby, subject to the terms and conditions stated below, Canaccord Genuity and HSBC, as agents for the Company, have severally agreed to make the Open Offer to the Qualifying Shareholders and to use their reasonable endeavours to procure placees to acquire New Ordinary Shares (other than Open Offer Shares which are acquired pursuant to the Open Offer) at the Issue Price and, to the extent that they fail to procure such placees, to acquire any remaining New Ordinary Shares at the Issue Price in the Agreed Proportions. The fees for such underwriting are included in the commission set out below.

In addition, the Underwriting Agreement provides for the payment of the Net Proceeds to the Company. The Company intends to deposit such proceeds into a deposit account until such time as the Acquisition becomes unconditional and that such proceeds shall then be applied to the Acquisition. If the Acquisition does not complete, the Company intends that the Net Proceeds would be retained by the Company for a limited period for general corporate purposes and potential alternative acquisitions.

The provisions of the Underwriting Agreement relating to the Placing and Open Offer and Admission to AIM are conditional, *inter alia*, on:

- (i) Admission to AIM having become effective by no later than 8.00 a.m. on 23 May 2013; and
- (ii) Canaccord Genuity, HSBC and Rothschild (as sponsor) not terminating the Underwriting Agreement, in accordance with its terms, at any time prior to Admission to AIM.

The Company is obliged to use reasonable endeavours to procure Admission to AIM by 8.00 a.m. on 23 May 2013 or such later time and/or date, being no later than 5 June 2013, or the Company and HSBC, Canaccord Genuity and Rothschild may agree.

The Company has agreed to pay Canaccord Genuity and HSBC in the Agreed Proportions a commitment commission equal to 2.5 per cent. of the aggregate value at the Issue Price of the New Ordinary Shares in respect of which Canaccord and HSBC have not procured placing commitments at the date of the Underwriting Agreement, a commitment commission equal to 2 per cent. of the aggregate value at the Issue Price of the New Ordinary Shares in respect of which Canaccord and HSBC have procured placing commitments at the date of the Underwriting Agreement, and a commitment commission equal to 2 per cent. of the aggregate value at the Issue Price of the Firm Placing Shares which amounts are now due and shall be paid on the earlier of Admission to AIM or the termination of the Underwriting Agreement.

The Company has also agreed to pay Canaccord Genuity and HSBC in the Agreed Proportions, subject to Admission to AIM taking place, a discretionary commission of up to 0.5 per cent. of the aggregate value at the Issue Price of the New Ordinary Shares.

The Underwriting Agreement contains warranties given by the Company and indemnities given by the Company, in favour of HSBC, Canaccord Genuity and Rothschild, which are customary for this type of agreement. In addition, between the date of the Underwriting Agreement and Admission to AIM, Canaccord Genuity, HSBC and Rothschild may in certain circumstances, including where there is a material breach of warranty or a material adverse change in the financial position of the Group or Truth Hardware or in the event of a breach of the Acquisition Agreement or the New Debt Facility Agreement, terminate the Underwriting Agreement or fix a new date as the latest date by which all conditions in the Underwriting Agreement must have been satisfied or waived.

The Underwriting Agreement also sets out the terms on which Rothschild will provide services to the Company in connection with its role as the Company's sponsor. The provisions of the Underwriting Agreement relating to Admission to the Official List are conditional, *inter alia*, on:

- (i) Admission to the Official List having become effective by no later than 8.00 a.m. on 23 May 2013; and
- (ii) Rothschild not terminating the Underwriting Agreement, in accordance with its terms, at any time prior to Admission to the Official List.

The Underwriting Agreement contains provisions entitling Rothschild to terminate its obligations under the agreement at any time prior to Admission to the Official List in certain circumstances, including where there is a material breach of warranty or a material adverse change in the financial position of the Group or Truth Hardware.

The Company also gives certain undertakings and indemnities in favour of Rothschild which are customary in agreements of this kind.

### 13.2 **New Debt Facility**

The Company and others propose to enter into a \$100,000,000 multi-currency term facility agreement with Barclays Bank PLC, HSBC Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc for the purpose of paying the consideration for, and any related costs and expenses incurred in connection with, the Acquisition (the "**New Debt Facility Agreement**"). Under the terms of the New Debt Facility Agreement, the lenders will make available to the Company and others the New Debt Facility.

The New Debt Facility will be unsecured but guaranteed by certain members of the Group.

The interest rate for each loan made under the New Debt Facility is the aggregate of the margin (which may vary in accordance with the New Debt Facility Agreement) and LIBOR or EURIBOR (as applicable). The New Debt Facility Agreement requires the Company to pay a quarterly commitment fee of 20 per cent. of the applicable margin in respect of any unused portion of the New Debt Facility for the period beginning on the date of the New Debt Facility Agreement to (but excluding) the date falling six months after the completion of the Acquisition.

The average cost of debt on the New Debt Facility is 50bps lower than on the Group's existing facilities within the expected leverage range.

The New Debt Facility Agreement will terminate on 30 June 2015, with no scheduled repayments until maturity.

The New Debt Facility Agreement contains representations, undertakings and events of default which are customary for this type of agreement and for a borrower of the standing of the Company.

### **13.3 *Disposal of the business and assets relating to Homesafe Doors and Securidor***

On 31 August 2012, grouphomesafe Limited (a subsidiary of the Company) entered into an agreement with Britdoors Group Limited for the disposal of the business and assets of its Homesafe Doors and Securidor division for a total cash consideration of £748,000, subject to adjustment to reflect the actual financial position of the business on completion of the transaction. grouphomesafe Limited gave customary warranties and indemnities in favour of Britdoors Group Limited with the benefit of customary limitations. The limitation period in respect of any claim for breach of warranty (other than tax claims) will expire on 31 August 2013. In respect of a tax claim, the limitation period will expire on 31 August 2018.

### **13.4 *Acquisition of Fab & Fix***

On 2 August 2012, the Company entered into an agreement with Mr P. Freeman for the acquisition by Jasper Acquisition Holdings Limited (a subsidiary of the Company) of Fab & Fix for a consideration of £14 million. The seller, Mr P. Freeman, gave customary warranties and indemnities in favour of Jasper Acquisition Holdings Limited with the benefit of customary limitations. The limitation period in respect of any claim for breach of warranty (other than tax claims) will expire on 2 August 2014. In respect of a tax claim, the limitation period will expire on 2 August 2019. The Company acted as a guarantor of Jasper Acquisition Holdings Limited's obligations under the agreement.

### **13.5 *Acquisition of Unique Balance International***

On 23 April 2012, 9261-9360 Quebec Inc., (a subsidiary of the Company) entered into an agreement with 9218-1999 Quebec Inc., for the acquisition of certain assets and the business of Unique Balance International for a total cash consideration of CAN\$2,950,000 (£1.9 million). 9218-1999 Quebec Inc. gave customary warranties and indemnities in favour of 9261-9360 Quebec Inc. with the benefit of customary limitations. The limitation period in respect of any claim for breach of warranty will expire on 23 April 2014. The agreement is governed by the laws of the Province of Quebec.

### **13.6 *Disposal of Gall Thomson***

On 13 March 2012, the Company entered into an agreement with Copper Bidco Limited, a company controlled by Phoenix Equity Partners for the disposal of the Group's oil services business operating as Gall Thomson for a total cash consideration of £75 million, such consideration payable to the Company on completion and subject to adjustment to reflect the actual financial position of the business on completion of the transaction. The Company gave customary warranties and indemnities in favour of Copper Bidco Limited with the benefit of customary limitations. The limitation period in respect of any claim for breach of warranty (other than tax claims) will expire on 13 September 2013. In respect of a tax claim, the limitation period will expire on 13 March 2019.

### **13.7 *Acquisition of Overland Products***

On 19 December 2011, Amesbury Industries Inc and Amesbury Door Hardware Inc (both subsidiaries of the Company) entered into an agreement with Mr J Ekeler and Mr W Ekeler for the acquisition of Overland Products Company, Inc., for a consideration of \$16 million (£10.3 million). Mr J Ekeler and Mr W Ekeler gave customary warranties and indemnities in favour of Amesbury Industries Inc and Amesbury Door Hardware Inc with the benefit of customary limitations. The limitation period in respect of any claim for breach of warranty will expire on 19 June 2013 save for the warranties in respect of taxes, environmental matters and employee benefit plans which shall remain in full force and effect until ninety days after expiration of the applicable statute of limitations and the warranties in respect of incorporation and authorities and transaction bonuses shall remain in full force and effect indefinitely. The agreement is governed by the laws of the State of Nebraska.

### **13.8 *Facilities Agreement***

Tyman and others entered into a £140,000,000 multi-currency term and revolving facilities agreement with Barclays Bank PLC, HSBC Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland



plc on 5 September 2011 (the “**Facilities Agreement**”) for the purpose of refinancing existing indebtedness and for the general corporate and working capital purposes of the Group. Under the terms of the Facilities Agreement, the lenders have made available to Tyman and others a term loan (the “**Term Loan**”) and a revolving credit facility (the “**RCF**”) (together the “**Facilities**”). The RCF may be utilised by way of letters of credit.

The Facilities are unsecured but are guaranteed by certain members of the Group.

The interest rate for each loan made under a Facility is the aggregate of the applicable margin (which may vary in accordance with the Facilities Agreement), LIBOR or EURIBOR (as applicable) and mandatory costs (as set out in the Facilities Agreement). The Facilities Agreement requires Tyman to pay a quarterly commitment fee of 40 per cent. of the applicable margin on the preceding quarter’s unused portion of the RCF. The Facilities Agreement also requires the borrowers and Tyman to pay other fees based on the amount of and drawings under the Facilities.

The Facilities Agreement will terminate on 31 March 2016. The availability period for the Term Loan expired on 5 October 2011 and the Term Loan was fully utilised by that date. The RCF can be drawn until one month prior to 31 March 2016 with limited scheduled repayments until maturity.

The Facilities Agreement contains representations, undertakings and events of default which are customary for this type of agreement and for a borrower of the standing of Tyman.

In March 2012, Tyman disposed of its shares in Gall Thomson Environmental Limited. Under the terms of the Facilities Agreement, Tyman was required to prepay £29,200,000 of the Term Loan on the completion of the disposal. The terms of the Facilities Agreement allowed the Group to reinvest £43,800,000 of the disposal proceeds in the business of the Group for a period of two years from the date of the disposal. At the end of that two year period, Tyman will be required to make a further prepayment of the Term Loan in an amount to be determined in accordance with the terms of the Facilities Agreement.

#### 13.9 *Truth Hardware Revolving Credit Facility Agreement*

On 19 October 2004, Truth, as borrower, entered into a Revolving Credit Facility Agreement (the “**Credit Agreement**”) with FKI plc, as lender, for an unsecured revolving line of credit in the principal amount of \$170 million. The lender’s rights under the Credit Agreement were subsequently assigned to FKI Engineering Limited, Truth’s parent. Borrowings under the Credit Agreement bear interest at a fixed rate of 6.31 per cent., computed on the basis of a 360 day year. The Credit Agreement terminates pursuant to its terms and borrowings thereunder mature on 21 October 2013. The Credit Agreement requires Truth to repay all obligations thereunder if Truth and FKI Engineering cease to be a member of the same group of companies. Accordingly, the Credit Agreement will terminate, and all borrowings thereunder will be repaid, in connection with the completion of the Acquisition. The Credit Agreement is governed by the laws of England.

#### 13.10 *Truth Hardware Accession Letter*

On 31 August 2012, Truth entered into an accession letter with Melrose Industries PLC (“**Melrose**”), its ultimate parent, pursuant to which Truth agreed to become an additional guarantor under Melrose’s facility agreement, dated 29 June 2012. Truth will be released as a guarantor in connection with the completion of the Acquisition. The accession letter is governed by the laws of England.

### 14. **Litigation**

#### *Tyman plc*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), nor have there been any such proceedings during the 12 months preceding the date of this Document, which may have, or have had in the recent past, a significant effect on the Company and/or the Group’s financial position or profitability.

## *Truth Hardware*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), nor have there been any such proceedings during the 12 months preceding the date of this Document, which may have, or have had in the recent past, a significant effect on Truth Hardware's and/or the Enlarged Group's financial position or profitability.

### **15. Taxation**

**The comments set out below are based on existing United Kingdom law and what is understood to be current HM Revenue & Customs practice, both of which are subject to change at any time. They are intended as a general guide only and apply only to Shareholders who are resident and, in the case of individuals, resident and domiciled, in the United Kingdom for tax purposes (except to the extent that specific reference is made to Shareholders resident outside the United Kingdom), who hold the shares as investments and who are the absolute beneficial owners of those shares. The comments set out below do not deal with the position of certain classes of Shareholders, such as dealers in securities, broker dealers, insurance companies, collective investment schemes or Shareholders who have or are deemed to have acquired their Existing Ordinary Shares by virtue of an office or employment. Shareholders who are in any doubt as to their taxation position or who are subject to taxation in any jurisdiction other than the United Kingdom, should consult their own professional advisers immediately.**

#### *Capital Gains Tax*

It is understood that HM Revenue & Customs takes the view that, in circumstances such as these, the issue of Open Offer Shares under the Open Offer by the Company to Qualifying Shareholders up to each Qualifying Shareholder's entitlement may be treated as a reorganisation of the share capital for the purposes of United Kingdom taxation of capital gains.

Accordingly, Open Offer Shares issued to a Qualifying Shareholder by the Company pursuant to the Open Offer and not exceeding the Qualifying Shareholder's pro rata entitlement may, together with the shareholder's holding of Existing Ordinary Shares, be treated as a single asset acquired at the time the holding of Existing Ordinary Shares was acquired. The price paid for the Open Offer Shares would then be added to the base cost of the existing holding.

Depending upon their individual circumstances and any available reliefs, United Kingdom resident individual Qualifying Shareholders may be subject to capital gains tax at the prevailing rate on any disposals of Existing Ordinary Shares or Open Offer Shares. For individuals whose total taxable income and gains after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount) is less than the upper limit of the basic rate income tax band (£32,010 for 2013-2014), the rate of capital gains tax will be 18 per cent. For gains (and any parts of gains) above that limit, the rate will be 28 per cent. for trustees and personal representatives, the rate will be 28 per cent. for gains above the applicable capital gains tax annual exempt amount.

A United Kingdom resident corporate Qualifying Shareholder is entitled to indexation allowance. For the purposes of calculating the indexation allowance, the expenditure incurred in subscribing for the Open Offer Shares will be treated as having been incurred when the Qualifying Shareholder makes or becomes liable to make payment of the subscription monies. A subsequent disposal of the Open Offer Shares may give rise to a liability to United Kingdom corporation tax on chargeable gains.

A Qualifying Shareholder who is not resident in the UK for tax purposes is generally not subject to UK capital gains tax.

However if such a Qualifying Shareholder carries on a trade, profession or vocation in the UK through a branch or agency or, in the case of a non-UK resident corporate Qualifying Shareholder, a permanent establishment to which the Ordinary Shares are attributable, the Qualifying Shareholder will be subject to the same rules which apply to UK resident Qualifying Shareholders.

A Qualifying Shareholder who is an individual and who acquires the shares whilst UK resident but subsequently ceases to be resident for tax purposes in the UK for a period of less than five complete years



of assessment and who disposes of the Ordinary Shares during that period may be liable, on his return, to UK capital gains tax (subject to any available exemption or relief).

### ***Taxation of Dividends***

No taxation will be withheld from dividends paid by the Company. Dividends carry a tax credit equal to one ninth of the dividend.

#### *United Kingdom resident individuals*

Individual shareholders, who are resident in the United Kingdom for tax purposes, will generally be subject to income tax on the aggregate amount of the dividend and associated tax credit (the “**gross dividend**”). For example, on a cash dividend of £90 an individual would be treated as having received dividend income of £100 and as having paid income tax of £10 (the “**associated tax credit**”). The gross dividend will be regarded as the top slice of the shareholder’s income.

Individual shareholders who (after taking account of the gross dividend) are liable to income tax at the basic rate, pay tax on dividends at the dividend ordinary rate of 10 per cent. Such individuals will have no further tax to pay, as the tax liability will be fully extinguished by the associated tax credit. Individual shareholders who are not liable to income tax are not able to recover the tax credit.

Individual shareholders who (after taking account of the gross dividend) are subject to income tax at the higher rate (currently 40 per cent.) will be liable to tax at the dividend upper rate of 32.5 per cent., on the gross dividend. For example, a higher rate tax payer receiving a dividend of £90 would for income tax purposes be treated as receiving dividend income of £100 (the aggregate of the £90 dividend received and the associated tax credit of £10). The tax liability would be £32.50. However, the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £22.50.

Individual shareholders who (after taking account of the gross dividend) are subject to income tax at the additional rate (currently 45 per cent.) will be liable to income tax at the dividend additional rate of 37.5 per cent. on the gross dividend. For example, a 45 per cent. tax payer receiving a dividend of £90 would for income tax purposes be treated as receiving dividend income of £100 (the aggregate of the £90 dividend received and the associated tax credit of £10). The tax liability would be £37.50. However the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £27.50.

#### *United Kingdom resident trustees*

Trustees of discretionary trusts liable to account for income tax on the income of the trust will be treated as having received gross income equal to the aggregate amount of the dividend and associated tax credit. Trustees will pay tax on dividends received at the rate of 37.5 per cent. As with the additional rate individual shareholders, the 10 per cent. tax credit will be set against the tax liability leaving further tax to pay of 27.5 per cent. of the gross dividend.

#### *United Kingdom resident companies*

A corporate Qualifying Shareholder (within the charge to UK corporation tax) which is a ‘small company’ for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company.

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on dividends unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether other conditions are met will depend upon the circumstances of the particular shareholder, although it is expected that the dividends paid by the company would normally be exempt.

#### *United Kingdom resident gross funds/charities*

There is no entitlement, for either a gross fund or charity, to a tax credit and consequently no claim to recover the tax credit will be possible.

### *Non-United Kingdom residents*

Generally, non-United Kingdom residents will not be subject to any United Kingdom taxation in respect of United Kingdom dividend income nor will they be able to recover the associated tax credit, although this will depend upon the existence of and the terms of any double taxation convention between the United Kingdom and the country in which such shareholder is resident.

Where a non-UK resident Qualifying Shareholder carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade or, in the case of corporation tax, the Ordinary Shares are held by or for a UK permanent establishment through which the trade is carried on, there may be a liability to UK tax. In such cases there will also be no entitlement to repayment of the tax credit. Such Qualifying Shareholders should consult their own tax advisers concerning their tax liabilities.

Non-United Kingdom resident shareholders may be subject to tax on United Kingdom dividend income under any law to which that person is subject outside the United Kingdom. Non-United Kingdom resident shareholders should consult their own tax advisers with regard to their liability to taxation in respect of the cash dividend.

### ***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No liability to United Kingdom stamp duty or SDRT should arise on the issue of New Ordinary Shares to a Qualifying Shareholder under the Firm Placing and the Placing or Open Offer.

### *Shares held outside the CREST system*

The conveyance or transfer on sale of the New Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the consideration given for the shares in money or money's worth. Stamp duty is charged in multiples of £5. An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

An obligation to account for SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the New Ordinary Shares is not completed by a duly stamped instrument of transfer before the “accountable date” for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer becomes unconditional. Payment of the stamp duty will cancel the liability to account for SDRT.

It is the purchaser who is in general liable to account for stamp duty or SDRT.

### *Shares held within the CREST system*

The transfer of the New Ordinary Shares in uncertificated form in the CREST system will generally attract a liability of 0.5 per cent. of the consideration given for the shares in money or money's worth. The SDRT will generally be collected by CREST.

**The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.**

### ***Inheritance Tax***

Admittance of the Existing Ordinary Shares to the Official List may result in the Existing Ordinary Shares being treated as UK assets for UK inheritance tax purposes. Admittance of the Existing Ordinary Shares to the Official List will not constitute a disposal of the Existing Ordinary Shares held by existing Shareholders. However, as the Existing Ordinary Shares will no longer be admitted to trading on AIM, this could have an adverse impact on the reliefs available from inheritance tax to individual shareholders. Existing Ordinary Shares that were admitted to trading on AIM may qualify for business property relief (a relief from UK inheritance tax), provided that certain circumstances are met by both the Company and the shareholder.

However, Ordinary Shares listed on the Official List are unlikely to benefit from business property relief from inheritance tax.

UK inheritance tax is a complex area and individual Shareholders who are in any doubt about the impact of this change on their tax position should obtain detailed tax advice from their own professional advisers.

## **16. Working capital**

### ***Existing Group***

The Company is of the opinion that the Group, taking into account the Net Proceeds, has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this Document.

### ***Enlarged Group***

The Company is of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this Document.

## **17. Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

The Company is subject to the City Code. There is not in existence any current mandatory takeover bid in relation to the Company. Were there to be a takeover offer for the Company (as defined in section 974 of the Companies Act), compulsory purchase provisions in the Companies Act would be triggered, subject to, amongst other things, the offeror achieving certain thresholds in terms of acquired shares and subject to serving certain notices within prescribed time limits, which would give the offeror the right to buy out minority Shareholders (in accordance with section 979 of the Companies Act). The Companies Act also contains provisions allowing, in certain circumstances, for a right for a minority Shareholder to be bought out by an offeror. Other than as provided by the Companies Act and the City Code, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

## **18. Public takeover bids in the last and current financial years**

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

## **19. Employees**

As at the Latest Practicable Date the Group had 1,936 employees. The tables below set out the average number of people employed by the Group in each of the last three financial years:

The average monthly number of employees during the last three financial years was made up as follows:

### ***Financial year ended***

<i>31 December 2012</i>	<i>31 December 2011</i>	<i>31 December 2010</i>
2,017	1,992	2,090

## **20. Consent**

PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its accountants' reports as included in Part XVI (Historical Financial Information relating to Truth Hardware) of this Prospectus and its report concerning the pro forma financial information as included in Part XVII (Unaudited Pro Forma Financial Information of the Group) of this Prospectus and the references thereto in the form and context in which they appear and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

Rothschild has given and has not withdrawn its written consent to the inclusion in this Document of the references to its name in the form and context in which they appear.

Canaccord Genuity has given and has not withdrawn its written consent to the inclusion in this Document of the references to its name in the form and context in which they appear.

HSBC has given and has not withdrawn its written consent to the inclusion in this Document of the references to its name in the form and context in which they appear.

## **21. Significant Change**

### ***Tyman Plc***

There has been no significant change in the financial or trading position of the Group since 31 December 2012, being the date up to which the Company's latest audited annual accounts were prepared.

### ***Truth Hardware***

There has been no significant change in the financial or trading position of Truth Hardware since 31 December 2012, being the date up to which Truth Hardware's latest audited annual accounts were prepared.

## **22. Related party transactions**

Other than as disclosed in note 32 of the financial information contained in Part A of Part XV of this Document, note 30 of the financial information contained in Part B of Part XV of this Document and note 26 of the financial information contained in Part C of Part XV of this Document, there are no related party transactions between the Company and members of the Group that were entered into between 1 January 2010 and the Latest Practicable Date.

Other than as disclosed in note 19 of the financial information contained in Part XVI of this Document, there are no related party transactions between members of Truth Hardware that were entered into between 1 January 2010 and the Latest Practicable Date.

## **23. Miscellaneous**

- 23.1 The total expenses of or incidental to the Issue (including irrecoverable VAT) which are payable by the Company are estimated to amount to approximately £7.9 million.
- 23.2 The Company's auditors are PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP has audited the Company's accounts for the financial year ended 31 December 2012. Grant Thornton UK LLP carried out the audits of the accounts for the financial years ended 31 December 2011 and 31 December 2010. Such accounts have been prepared in accordance with the Auditing Standards issued by the Auditing Practices Board. Such accounts have been reported on without qualification. Save for the information contained in Part XV of this Document, none of the information contained in this Document has been audited.
- 23.3 The Company's registrars and receiving agents are Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 23.4 The Existing Ordinary Shares are in registered form, are capable of being held in uncertificated or certificated form and are admitted to trading on AIM. It is expected that the New Ordinary Shares will be admitted to AIM on 23 May 2013 and that dealings in the New Ordinary Shares will commence on AIM, at 8.00 a.m. on 23 May 2013. Shortly following completion of the Acquisition the Board intends to seek admission to trading on the Main Market and Admission to the Official List which is expected to take place in late June 2013.
- 23.5 The New Ordinary Shares will be issued at 185 pence per Share. The closing mid-market price of a Share on the Latest Practicable Date was 203.75 pence.
- 23.6 The Company is not aware of any potential conflict of interest between any of the Directors' duties to the Company and their private interests. There is no arrangement or understanding between the Company and any major Shareholders, clients, suppliers or others, pursuant to which any Director was selected as a Director.

23.7 The Company confirms that where information in this Document has been sourced from a third party, the source of this information has been provided, this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the authors of those documents, no facts have been omitted which would render the reproduced information inaccurate or misleading.

**24. Documents available for inspection**

24.1 Copies of the documents listed below may be inspected free of charge at the offices of the Company at 65 Buckingham Gate, London SW1E 6AS and at the offices of Pinsent Masons LLP, 1 Park Row, Leeds LS1 5AB during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 23 May 2013:

- (1) the Articles;
- (2) the statutory accounts of the Company for the three financial years ended 31 December 2012, 31 December 2011 and 31 December 2010;
- (3) the report on the Unaudited Pro Forma Financial information set out in Part XVII; and
- (4) this Document.

Dated: 1 May 2013

## PART XIX

### DEFINITIONS

In this Document the following terms and expressions have the following meanings unless the context requires otherwise:

All references to legislation in this Prospectus are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, reenactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

<b>Acquisition</b>	the acquisition of Truth Hardware by Tyman on the terms and conditions set out in the Acquisition Agreement
<b>Acquisition Agreement</b>	the conditional share acquisition agreement dated 1 May 2013 between Tyman plc, the Vendor and others relating to the Acquisition and described in Part VIII of this Document
<b>Admission to AIM</b>	the admission of the New Ordinary Shares to trading on AIM
<b>Admission to the Official List</b>	the admission of the Enlarged Share Capital to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules
<b>Agreed Proportions</b>	60 per cent. as to Canaccord Genuity and 40 per cent. as to HSBC
<b>AIM</b>	the AIM market, a market operated by the London Stock Exchange
<b>AIM Rules for Companies</b>	the London Stock Exchange's rules and guidance notes contained in its "AIM Rules for Companies" publication
<b>AIM Rules for Nominated Advisers</b>	the London Stock Exchange's rules and guidance notes contained in its "AIM Rules for Nominated Advisers" publication
<b>Application Form</b>	the application form accompanying this Document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
<b>Articles</b>	the articles of association of Tyman, details of which are set out in paragraph 8 of Part XVIII of this Document
<b>Atlas</b>	Atlas Holdings Company Limited
<b>Audit Committee</b>	the Company's audit committee further details of which are set out in Part XVIII of this Document
<b>Auditors and Reporting Accountants</b>	PricewaterhouseCoopers LLP of 1 Embankment Place, London, WC2N 6RH
<b>Basic Entitlement</b>	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 23 Open Offer Shares for every 91 Existing Ordinary Shares registered in their name as at the Record Date, on and subject to the terms of the Open Offer
<b>Board or Directors</b>	the executive directors and non-executive directors of Tyman, whose names appear on page 29 of this Document

<b>bps</b>	a basis point, with one basis point being equal to 0.01 per cent.
<b>Business Day</b>	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business
<b>Canaccord Genuity</b>	Canaccord Genuity Limited in its capacity as nominated adviser, sole broker and lead bookrunner
<b>Capita Registrars</b>	a trading name of Capita Registrars Limited
<b>certificated or in certificated form</b>	not in uncertificated form (that is, not in CREST)
<b>Closing Price</b>	the closing middle market quotation as derived from the Daily Official List of the London Stock Exchange on a particular day
<b>City Code</b>	The City Code on Takeovers and Mergers
<b>Companies Act</b>	Companies Act 2006
<b>Company or Tyman</b>	Tyman plc with registered Company number 02806007
<b>Corporate Governance Code</b>	the code of best practice including the principles of good governance published by The Financial Reporting Council in June 2008, as amended from time to time and as replaced by the UK Corporate Governance Code dated June 2010
<b>CREST</b>	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations)
<b>CREST Manual</b>	the CREST manual consisting of the CREST reference manual; CREST international manual; CREST central counterparty service manual; CREST rules; CCSS operations manual and CREST glossary of terms available at <a href="https://www.euroclear.com">https://www.euroclear.com</a>
<b>CREST Member</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
<b>CREST Participant</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
<b>CREST Sponsor</b>	a CREST participant admitted to CREST as a CREST Sponsor
<b>CREST Sponsored Member</b>	a CREST Member admitted to CREST as a sponsored member
<b>Daily Official List</b>	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
<b>Deferred Plan</b>	the Company's deferred plan which defers part of the annual bonuses of executive directors and key employees into share incentive awards
<b>Disclosure and Transparency Rules</b>	the rules relating to the disclosure of information made in accordance with Section 73A(3) of FSMA
<b>EBITDA</b>	earnings before interest, taxes, depreciation and amortisation
<b>EEA State</b>	European Economic Area member states



<b>Enlarged Group</b>	the Group as enlarged by Truth Hardware assuming completion of the Acquisition
<b>Enlarged Share Capital</b>	the issued share capital of the Company assuming completion of the Issue including the Existing Ordinary Shares and the New Ordinary Shares
<b>Euroclear</b>	Euroclear UK & Ireland Limited (formerly CrestCo Limited), the operator of CREST
<b>Excess Application Facility</b>	the arrangement whereby Qualifying Shareholders who apply for their Basic Entitlement in full may apply for Excess Shares in excess of their Basic Entitlements which may be subject to scaling back in accordance with the terms of the Open Offer
<b>Excess Open Offer Entitlements</b>	in respect of each Qualifying Shareholder, the entitlement (in addition to their Basic Entitlement) to apply for Excess Shares in excess of their Basic Entitlement, pursuant to the Excess Application Facility
<b>Excess Shares</b>	Open Offer Shares for which Qualifying Shareholders may apply under the Excess Application Facility
<b>Excluded Territories</b>	Australia, Canada, Japan, New Zealand, The Republic of South Africa and the US and any jurisdiction where the availability of the Issue would breach any applicable laws or regulations, and “ <b>Excluded Territory</b> ” shall mean any of them
<b>Existing Ordinary Shares</b>	the 137,287,481 existing ordinary shares of 5 pence each in the capital of the Company in issue at the date of this Document
<b>Fab &amp; Fix</b>	Window Fabrication and Fixing Supplies Limited, a company incorporated in England and Wales with registered number 03440991
<b>Financial Conduct Authority or FCA</b>	the Financial Conduct Authority of the United Kingdom
<b>Firm Placee</b>	any person that has agreed to subscribe for Firm Placing Shares
<b>Firm Placing</b>	the conditional placing by Canaccord Genuity and HSBC on behalf of Tyman of the Firm Placing Shares, not subject to clawback to satisfy applications from Qualifying Shareholders under the Open Offer pursuant to the Underwriting Agreement
<b>Firm Placing Shares or Firm Shares</b>	the 6,864,200 New Ordinary Shares which are to be issued pursuant to the Firm Placing
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>GBP or £</b>	means the lawful currency of the United Kingdom
<b>Group</b>	Tyman and its subsidiaries at the date of this Document
<b>HMRC</b>	HM Revenue & Customs
<b>HSBC</b>	HSBC Bank plc in its capacity as joint bookrunner
<b>IFRS</b>	International Financial Reporting Standards as issued by the International Accounting Standards Board and, for the purposes of this Document, as adopted by the European Union



<b>ISIN</b>	International Securities Identification Number
<b>Issue</b>	the issue of New Ordinary Shares pursuant to the Firm Placing and the Placing and Open Offer
<b>Issue Price</b>	185 pence per New Ordinary Share
<b>Latest Practicable Date</b>	30 April 2013
<b>Listing Rules</b>	the Listing Rules made by the FCA under Part VI of FSMA
<b>London Gazette</b>	the official newspaper of the Crown
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Long Term Incentive Plan or LTIP</b>	the Tyman plc Long Term Incentive Plan
<b>Main Market</b>	London Stock Exchange's main market for listed securities
<b>Member Account ID</b>	the identification code or number attached to any member account in CREST
<b>Member State</b>	a sovereign state which is a member of the European Union
<b>Money Laundering Regulations</b>	the Money Laundering Regulations 2007 (Statutory Instrument 2007/2157), as amended from time to time
<b>Net Proceeds</b>	the gross proceeds from the Firm Placing and the Placing and Open Offer less the costs and expenses incurred by the Group relating to the Proposals
<b>New Debt Facility</b>	the \$100 million multi-currency term loan facility entered into by the Company and others for the purposes of the Acquisition
<b>New Ordinary Shares</b>	the Ordinary Shares to be issued or (in the case of certain of the Firm Placing Shares) sold out of treasury pursuant to the Issue. References in this Document to the "issue" and "allotment" of and "subscription" for New Ordinary Shares (and similar terms) shall, in the context of the New Ordinary Shares to be sold out of treasury, be taken to be the "sale", "transfer" and "acquisition" (as appropriate) of such shares within the meaning of section 727 of the Companies Act
<b>Nomination Committee</b>	the Company's nomination committee, further details of which are set out in Part XVIII of this Document
<b>Non-CREST Shareholder</b>	a Shareholder who holds their Ordinary Shares in certificated form, that is not in CREST
<b>OEM</b>	an original equipment manufacturer
<b>Official List</b>	the Official List of the FCA
<b>Open Offer</b>	the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this Document and in the case of Qualifying Non-CREST Shareholders only, the Application Form
<b>Open Offer Entitlements</b>	entitlements to subscribe for Open Offer Shares pursuant to the Open Offer

<b>Open Offer Shares</b>	the 32,816,904 New Ordinary Shares for which Qualifying Shareholders are being invited to apply to be issued pursuant to the terms of the Open Offer
<b>Ordinary Shares or Shares</b>	ordinary shares of 5 pence each in the share capital of Tyman including 7,446,683 Treasury Shares
<b>Overseas Shareholders</b>	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
<b>Participant ID</b>	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
<b>Persons Discharging Managerial Responsibilities</b>	has the meaning ascribed to it in section 96B of FSMA
<b>Placing</b>	the conditional placing of the Placing Shares subject to clawback pursuant to the Open Offer, on behalf of the Company on the terms and subject to the conditions contained in the Underwriting Agreement and placing letters
<b>Placing Placee</b>	any person that has agreed to subscribe for the Placing Shares
<b>Placing Shares</b>	the 32,816,904 New Ordinary Shares for which placees are being invited to subscribe pursuant to the Placing, subject to clawback to satisfy applications from Qualifying Shareholders under the Open Offer
<b>Pounds Sterling or £ or GBP</b>	the lawful currency of the United Kingdom
<b>PricewaterhouseCoopers or PwC</b>	PricewaterhouseCoopers LLP
<b>Proposals</b>	the Acquisition, the Firm Placing and the Placing and Open Offer, the New Debt Facility and the Admission to the Official List
<b>Prospectus or this Document</b>	this document dated 1 May 2013, comprising a prospectus relating to the Proposals (together with any supplements or amendments thereto)
<b>Prospectus Rules</b>	the Prospectus Rules published by the FCA under Section 73A of FSMA
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST at close of business on the Record Date
<b>Qualifying Non-CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in certificated form at close of business on the Record Date
<b>Qualifying Shareholders</b>	holders of Ordinary Shares on the register of members of Tyman at the Record Date with the exclusion of Overseas Shareholders with a registered address or resident in any Excluded Territory
<b>Record Date</b>	6.00 p.m. on 29 April 2013
<b>Registrars or Receiving Agent</b>	Capita Registrars
<b>Regulation S</b>	Regulation S under the US Securities Act

<b>Regulatory Information Service</b>	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information in respect of listed companies
<b>Remuneration Committee</b>	the Company's remuneration committee further details of which are set out in Part XVIII of this Document
<b>Rothschild</b>	N M Rothschild & Sons Limited
<b>Shareholder</b>	a holder of Ordinary Shares
<b>Treasury Shares</b>	the 7,466,683 existing ordinary shares of 5 pence each in the capital of the Company held as treasury shares
<b>Truth Corporation</b>	Truth Hardware Corporation
<b>Truth Hardware</b>	Truth Corporation and Atlas
<b>Tyman</b>	Tyman plc (registered company number 02806007)
<b>Uncertificated or in uncertificated form</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>Underwriting Agreement</b>	the sponsor and underwriting agreement dated 1 May 2013 between the Company, Rothschild, Canaccord Genuity and HSBC and further described in paragraph 13.1 of Part XVIII of this Document
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>United States or US</b>	the United States of America
<b>USD or \$</b>	the lawful currency of the United States of America
<b>US Securities Act</b>	the US Securities Act 1933 as amended
<b>VAT</b>	value added tax
<b>Vendor</b>	FKI Engineering Limited



